



## Doing Business in Turkey: 2014 Country

### Commercial Guide for U.S. Companies

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## Chapter 1: Doing Business In Turkey

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### Market Overview

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As the most eastern country in the West and the most western country in the East, Turkey presents excellent immediate and long-term opportunities for American firms. Turkey's growing economy, favorable geographical position and demography, growing consumer middle class, solid banking sector, and the dynamism of its entrepreneurial class have made this country a growing market for U.S. exporters. Over 1,000 American firms have made Turkey their home, across virtually all industry sectors. However, like many emerging markets, Turkey presents a range of challenges to doing business, including turbulent politics, occasional civil demonstrations, regional instability, complex bureaucracy, onerous terms and conditions in government contracts, a weakened judicial system, and market access barriers in the strategic life sciences and agricultural sectors. American firms are encouraged to work closely with the U.S. Mission in Turkey to vet potential projects, find qualified partners, and conduct due diligence.

For many decades, the United States and Turkey have enjoyed deep and broad political and military relations. While we do not always agree on every issue, both countries partner closely on a range of regional and international problems. As a NATO member since 1952, Turkey has supported the Alliance's missions around the world, including Afghanistan, Iraq, the Balkans, and other areas. Turkey's geographic position makes it an important energy and logistics corridor, linking Europe with the Middle East, the Caucasus and Central Asia. Since 2002, Turkey's economy has averaged 5% growth, raising average GDP per capita from \$3,000 to over \$10,000. This has resulted in a boom in infrastructure and consumer spending, as seen in the multiple bridge, airport, hospital, highway, and shopping mall projects around the country. Turkey's economic growth has fueled increased energy imports, which have widened a Current Account Deficit that presents a structural impediment to long-term growth. Despite the Fed's Quantitative Easing and other domestic factors, the Turkish economy has thus far proved largely resilient to global economic headwinds. Average economic growth into 2016 is forecast at 4%.

Since 2009, the U.S. and Turkish governments have placed increased emphasis on growing two-way trade and investment. The bilateral Framework for Strategic Commercial and Economic Cooperation (FSECC) is chaired at the Cabinet-level to discuss key areas of strategic economic cooperation. FSECC and other bilateral mechanisms get private sector input through the U.S.-Turkey Business Council, which provides recommendations for increasing trade. U.S.-Turkish trade peaked at nearly \$20 billion in 2011, with a modest retreat to just under \$19 billion in 2013. Through First Quarter 2014, U.S.-Turkey trade stood at \$4.5 billion. Ongoing U.S.-European Union

negotiations to conclude the Transatlantic Trade and Investment Partnership (TTIP) are watched closely by Turkey, given its Customs Union with the EU. Turkey remains committed to joining the European Union, however this process has been slow and difficult. While a U.S-Turkey Free Trade Agreement is not being considered at this time, the U.S. has committed to keep Turkey informed of TTIP progress through a joint High Level Committee.

While government efforts are helpful to develop a conducive environment for business, it is ultimately the private sector that will lead growth in trade and investment. In 2014, Sikorsky announced a major 30-year co-production partnership for the Turkish Utility Helicopter Program, worth up to \$8 billion over its life cycle. Boeing continues its strategic partnership with Turkish Airlines, which now flies to more countries than any airline in the world. Pratt and Whitney opened a new engine parts facility in Izmir that will supply the Joint Strike Fighter, in which Turkey has partnered. General Electric announced a \$900 million investment in Turkey across several of its business lines. American firms are pursuing energy, aerospace, defense and health care projects throughout the country. Since 2011, over 50 American firms, mostly small and medium-size companies, have brought their campaigns to the Turkish market through U.S. Department of Commerce Executive-Led Trade Missions. Turkey sends more students to the United States than any other country in Europe, and two-way tourism is vibrant. The active and influential AMCHAM Turkey (previously known as the American Business Forum in Turkey) has grown to more than 100 members, with regular interaction with the Turkish government on ways to grow trade and investment. Turkish companies are increasingly looking at investments in the United States, which is supported through the SelectUSA program.

To map out the opportunities and better understand the challenges of doing business in Turkey, American firms large and small are encouraged to use the U.S. Mission in Turkey as your long-term business partner. Visiting American firms are encouraged to come to U.S. Mission offices in Adana, Ankara, Istanbul and Izmir to meet with our multi-lingual, sectoral-focused business development teams. For more, go to <http://export.gov/turkey> or <http://turkey.usembassy.gov>

### **Market Challenges**

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The Republic of Turkey is a complex and challenging market requiring adaptability and persistence.

U.S. exporters face many of the same challenges that exist in other semi-developed countries, such as contradictory policies, regulations and documentation requirements, lack of transparency in tenders and other procurement decisions, and a time consuming, unpredictable judiciary and legal and regulatory framework.

Careful planning and patience are the keys to success in Turkey.

### **Market Opportunities**

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The Republic of Turkey's slow but continued movement toward membership in the European Union has created momentum to adopt European business regulations and standards in Turkey, thereby ultimately making it easier to sell and conduct business in this market. Similarly, reforms since 2001 have created a stronger and more stable

economy that has attracted foreign investment, which in turn has been followed by needed capital improvements and demand for new products and services.

The U.S Commercial Service in Turkey has identified a number of market opportunities, described in Chapter 4, for U.S. firms and continues to work with companies to enter the Turkish market, expand market share, or jointly enter third country markets.

Turkey is considered a commercial hub of the region, and U.S. companies should consider using Turkish partners to access business opportunities throughout Central Asia, the Caucasus, the Middle East and even Africa. Turkish partners know these neighboring markets well.

### **Market Entry Strategy**

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While there are many significant opportunities for U.S. companies in Turkey, there are also obstacles impeding entrance into the market. Any market entry strategy for Turkey should begin with a thorough understanding of the costs and benefits to doing business in Turkey.

One of the most successful, proven ways to access the market quickly is to work with an experienced local partner. This partner could be in the form of a local representative, liaison office, agent, or distributor. The local partner can provide knowledge of the local regulatory framework, language assistance and valuable business contacts. As business develops, companies may open subsidiaries and make further local investments to expand their market share.

The U.S. Commercial Service in Turkey has a number of programs and services available to assist American businesses in establishing a presence in this market and developing appropriate contacts. Staffed with experienced Commercial Specialists with many years of industry and sector expertise, the U.S. Commercial Service team in Turkey can tailor your business approach to the right audience, and provide advice on your business strategy in Turkey. To find out more about how the U.S. Commercial Service can assist you in entering this important market, please visit the U.S. Commercial Service Turkey web site at [www.export.gov/turkey](http://www.export.gov/turkey) .

To conduct a more thorough search for market research reports on specific industries and sectors for Turkey, please consult the Commerce Department's Market Research Library at <http://www.export.gov/mrktresearch/index.asp> .

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## **Chapter 2: Political and Economic Environment**

For background information on the political and economic environment of Turkey, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/3432.htm>

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### **Using an Agent or Distributor**

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Unless a U.S. firm has the staff and resources to open their own office in country, the most effective means of selling in Turkey is through a reliable and qualified local representative. Personal contacts are extremely important in Turkish business both in the private and public sectors. When dealing with government tenders, an agent is an absolute necessity to help overcome complicated bureaucratic procedures and the language barrier.

An American firm should carefully investigate the reputation and possible conflicting interests of any prospective representative or agent before signing contractual agreements. The U.S. Commercial Service Turkey can do a background check on a selected company with our International Company Profile (ICP) due diligence report, which can be a useful tool to help evaluate a potential agent or distributor candidate.

Agency agreements under Turkish law are private contracts between two parties and their stipulations vary according to mutual needs. There are no fixed commission rates. It is recommended that sole manufacturer representatives/distributors be appointed for the entire country. This may also include other countries in the region. Agency agreements can be for a period of a year to be renewed depending on the success of the agent. In cases where a large volume of government business is expected, it is essential either to appoint an Ankara firm or an Istanbul firm with a branch office in the capital.

The U.S. Commercial Service Turkey, through its offices in Ankara, Istanbul and Izmir, provides the Gold Key matching service (GKS), which arranges custom-tailored appointment programs for visiting American exporters. We also provide the International Partner Search (IPS), organize Trade Missions, and promote trade shows to match U.S. companies with potential Turkish partners. The Foreign Agricultural

Service also provides information and assistance to firms interested in marketing agricultural products in Turkey. For more information on the Commercial Service in Turkey, please visit our web site at <http://www.export.gov/turkey>

## **Establishing an Office**

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Turkey's foreign investment policy has changed from a screening system to a monitoring system. Foreign investors are no longer required to obtain permission or approvals. The 2003 Foreign Direct Investment (FDI) Law was passed to "encourage FDI; protect the rights of foreign investors; to define "investment" and "investor" in line with international standards; to establish a notification-based system for FDI rather than screening and approval; and thus regulate the principles to increase FDI through established policies." This law establishes the treatment to be applied to FDI:

- There are no FDI related screening and approval procedures for setting up a business (company or branch) and share transfers except in some critical sectors. The conditions for setting up a business and share transfers are the same as for comparable local investors;
- There are no pre-approval requirements for most transactions - capital increase, change of business activity, etc. for foreign investment companies. Foreign capital companies follow the same procedures as local companies;
- There are no requirements for registration of licenses, know-how, royalty and technical assistance agreements;
- There are no minimum capital requirements;
- Foreign investors are able to form partnerships in Turkey. Any form of company included in the Turkish Commercial Code is acceptable for foreign investors;
- Valuations of international credit agencies as well as courts or competent authorities of the investor's country will be accepted as valid in the determination of the share value for marketable securities that are contributed as capital in-kind. The law also confirms foreign investors' existing rights;
- The foreign investment legislation is based on the principle of equal treatment for domestic and foreign investors. Foreign investors have the same privileges and obligations as domestic capital;
- Free transfer of profits, dividends, proceeds from sale or liquidation of an investment, fees and royalties, interest payments on foreign loans is clearly restated;
- National or international arbitration is allowed for disputes arising from contracts involving government concessions as well as for disputes arising from agreements subject to private law, provided that the conditions in the related regulations are fulfilled;
- Foreign capital entities can employ foreign personnel in Turkey, provided that the work permits are obtained from the Ministry of Labor;

Liaison offices are special types of offices whose main activity is to conduct market research and feasibility studies and to research investment opportunities in the Turkish market on behalf of their head office. They are not allowed to carry on any commercial activity. Foreign investors are required to obtain permission from the General Directorate of Foreign Investment under the Turkish Treasury to open a liaison office in Turkey. Initial permission is given for three years, which can be extended depending on the activities performed in the last three years and future plans of the head office.

A foreign company is free to choose between a corporation (Anonim Sirket--A.S, or "Societe Anonyme" type Corporation), limited liability company, or branch office as the form for its operations in Turkey. The "A.S." form is more suitable for larger enterprises,

since corporations can attract a large number of shareholders. The limited liability company form is more appropriate for the establishment of sales and distribution entities.

The Investment Support and Promotion Agency (ISPAT) outlines the registration and establishment of a company in Turkey on their website and states that the process can be completed in one day. The first step in establishing a business in Turkey is to fill out a business registration form at the local trade registry office located at the local chamber of commerce. ISPAT describes the process as follows:

- Submit the notarized articles of association;
- Deposit 0.04% of required 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.

To establish a company, ISPAT states that the following documents are required:

- Petition
- Establishment Statement
- Articles of Association
- Certificate of Activity
- Power of Attorney
- Signatory Declaration
- Original of Bank Receipt
- Chamber Registration Statement
- Letter of Commitment
- Proof of Residence and Board Resolution.

A Board Resolution is not necessary if the company is owned entirely by one individual, but the individual's identification certificate or passport is needed in addition to the aforementioned documents. You can get more information about investing in Turkey at ISPAT's website:

<http://www.invest.gov.tr/en-US/Pages/Home.aspx>

The U.S Commercial Service Turkey suggests that an attorney be retained to obtain additional details and handle the application process and entity formation. Use of an accountant for tax planning is also recommended. Listings of American and Turkish lawyers resident in major Turkish cities are available at:

<http://export.gov/turkey/businessserviceproviders/index.asp>

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Franchising has experienced strong growth in the Turkish market. The Turkish National Franchising Association, Ulusal Franchising Dernegi (UFRAD), a member of the International Franchising Association (IFA), is traditionally the first point of contact for new market entrants and is an excellent meeting point for prospective franchisers and franchisees. Foreign franchises in Turkey tend to be concentrated in fast food restaurant and apparel concepts, but other business types are increasingly represented as well.

The Block Exemption Decree (relief from the Free Competition Law) No. 1998/7 dated December 1998 is based on the European Community's Law No. 4087/88. If a franchise agreement meets the requirements of this decree, it is exempt from the Free Competition Law, which is often in conflict with certain aspects of the franchising concept. Until this decree came into being, each franchisee was obliged to obtain an individual exemption status by applying to the Competition Authority:

National Franchising Association  
(Ulusal Franchising Dernegi-UFRAD)

Inonu Caddesi no:40  
Florya  
Istanbul, Turkey  
Tel: [90] (212) 599 1784  
Fax: [90] (212) 425 5759  
E - Mail: [ufrad@ufrad.org.tr](mailto:ufrad@ufrad.org.tr)  
Internet: [www.ufrad.org](http://www.ufrad.org)

The International Franchising Association in Washington, D.C. (1350 New York Avenue, NW, Washington, D.C. 20005-4709, tel. (202) 628-8000; fax: (202) 628-0812), has been active in Turkey, organizing visits to Turkey by potential U.S. franchisers and, in cooperation with UFRAD, putting them in contact with potential local franchisees. Most large U.S. accounting / auditing / consulting firms, many U.S. banks, and several U.S. law firms also have offices in Turkey to assist American firms interested in the Turkish market.

If you need more information about franchising opportunities in the Turkish market, please contact:

Gorkem Yavilioglu  
U.S. Commercial Service Turkey  
[gorkem.yavilioglu@trade.gov](mailto:gorkem.yavilioglu@trade.gov)  
Web: <http://export.gov/turkey/>

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Unless a U.S. firm has established an office in Turkey, direct marketing from the United States may be challenging. There are bureaucratic requirements, language obstacles, and transactional issues that require careful planning to overcome. Especially for those firms with a sale potential large enough to warrant it, a local affiliate may be a more effective way of selling to this market without an agent, representative or distributor.

## **Joint Ventures/Licensing**

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Although 100 percent foreign ownership is permitted (except in the Radio & TV Broadcasting), most U.S. investment in Turkey is in the form of joint venture or licensing operations. Most Turkish companies prefer to establish joint ventures with U.S. suppliers to overcome shipping costs and stiff European competition. Since 1996, European origin goods are largely duty-free due to the European Customs Union with Turkey. Many U.S. firms have chosen local production as a way to profitably penetrate the Turkish market. Sophisticated business infrastructure such as legal support, financial and consulting

services in most Turkish cities facilitates the formation of joint ventures. Major U.S. accounting/auditing firms, law firms and banks also have established branches in Turkey.

## **Selling to the Government**

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Selling to the Turkish government can be time and resource consuming, given myriad document requirements, onerous terms and conditions, and inflexible contract permissions. American firms should work closely with a local partner to analyze and execute a Turkish government business. The main law that regulates government procurement is the Public Tender Law No4734 and Law No. 4964-the amending law to 4734. Though Law No. 4734 was omnibus legislation incorporating all public sector enterprises, the amending legislation 4964 limited the Public Tender Law's coverage such that the energy, water, transport and telecommunications sectors became exempt from the Public Tender Law. State owned corporations (state economic enterprises - SEE's) generate revenues through sales of raw materials, semi-finished and finished products and services. SEE procurement regulations are largely based upon a government decree called "the Decree on the Operations of State Economic Enterprises" No. 233 of June 8, 1984, Turkey's Law of Obligations No. 818, dated April 22, 1926, and the Turkish Commercial Code No. 6762, dated June 29, 1956. Other exceptions are the Under Secretariat of Defense Industries (SSM) and the Ministry of National Defense. SSM procurement is financed off-budget, through special taxes, and is not subject to Law No. 2886.

An independent Public Procurement Authority was established as stipulated in Law No. 4734, which approves public tenders. Any objections to the tenders can be made to this Authority. It evaluates the objections and makes decisions in accordance with regulations. In public tenders, all certificates required in tender specifications, including a company establishment certificate, letters of authorization, job completion certificates, or any other certificate required must have an apostille. Otherwise, bidders can be disqualified. Due to these kinds of bureaucratic procedures, tender evaluations can be cancelled and re-tendered or can sometimes take months. Companies must submit their bids in original form before the deadline. For more information, please see:

[http://www.ihale.gov.tr/public\\_procurement\\_law-50-1.html](http://www.ihale.gov.tr/public_procurement_law-50-1.html)

The Government of Turkey (GOT) considers price, quality, financial credit terms, and length of repayment period the most important factors in making purchasing decisions. Other factors that affect sourcing decisions are supplier reputation, product reputation, product quality and reliability, compliance with EU regulations and standards, references, qualifications of the local partner and previous experience in dealing with particular suppliers. In GOT tenders, state organizations give particular importance to the way proposals are prepared and to adherence to administrative and technical terms and conditions. Generally, the validity of the proposal must be three to six months from the bid date and the same validity is expected for the bid bond (generally a stand-by letter of credit). If a company retracts its offer, the bid bond is forfeited. The bid bond is usually obtained from the actual supplier for three percent of the bid amount. The performance bond is usually six percent of the contract amount and is valid throughout the delivery or final acceptance beginning from the contract date. All bonds have to be counter-guaranteed (confirmed) by a Turkish national bank. Qualified U.S. exporters seeking to sell to the Turkish government should inquire about the U.S. Embassy Commercial Services advocacy offering, which utilizes the network of the U.S. Mission to lobby key decision-makers and ensure a level playing field for U.S. firms.

The New Electricity Market Law No. 6446 (the “New Law”) has been enacted by the Turkish Parliament on 14 March 2013. Other than the provisions related to the organization, powers and duties of the Energy Market Regulatory Authority (“EMRA”), which remain in effect, the New Law repeals and replaces all provisions of Electricity Market Law No. 4628 of 3 March 2001 (the “Repealed Law”). The New Law entered into effect on March 30, 2013. The New Law makes certain substantial changes in the current electricity market system, such as types of licenses, introduction of a pre-licensing mechanism and extended deadlines for certain incentives.

The Turkish Parliament passed the Natural Gas Market Law No. 4646 on April 18, 2001. This law liberalized the trading of natural gas and authorized the same independent regulatory body for electricity trading to also regulate the natural gas market (EMRA). Companies are free to supply natural gas at wholesale to customers buying in excess of one million cubic meters of gas per year. EMRA has been issuing the required licenses. This law also permits the private sector to obtain licenses to distribute gas in cities. The subject law was amended five times since then in 2003, 2005, 2007, 2008, and 2011. The final version of the law can be found at [www.epdk.gov.tr](http://www.epdk.gov.tr).

The New Turkish Petroleum Law No. 6491 (the “New Law”) was published in the Official Gazette No. 28674 dated 11 June 2013 and entered into effect on the same date. The New Law repeals and replaces all provisions of Petroleum Law No. 6326 of 16 March 1954 (the “Repealed Law”). The New Law basically attempts to restructure legal regime and policy in relation to upstream petroleum activities, and to bring new rights and obligations to petroleum right holders. In addition, it brings certain incentives including but not limited to certain tax exemptions, a work permit exemption, and a used material and import exemption.

Through our Cabinet-level dialogue in the Framework for Strategic Economic and Commercial Corporation, the U.S. Government has advocated for the Turkish government to join the WTO Government Procurement Agreement and pursue other more specific returns in this area.

### **Distribution and Sales Channels**

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Istanbul and the greater Marmara region are the center of most distribution in Turkey. Most distribution channels and main sales offices are located in Istanbul and radiate out, in many cases, to a larger region encompassing many neighboring countries. Depending on the location of consumers/end-users, most distributors have a dealer network throughout the country or in areas where the product is most used. In the case of several industrial sectors, a dealer/repair network may be required. Commission representatives/agents, on the other hand, periodically visit their customers together with their American principals to maintain strong personal contacts, which is a very important marketing tool in Turkey.

### **Selling Factors/Techniques**

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In employing a manufacturer’s representative or agent in Turkey, an American firm is advised to provide full support with regard to literature, technical information, budget, advertisement and promotional materials. Possible government buyers and potential private-sector importers should receive catalogs and other literature clearly indicating the name and address of the local representatives/distributors. A common and effective best practice is to invite the representative/agent to the United States every year for an annual sales strategy meeting. Both agents and, if possible, their American principals,

should periodically visit existing and potential customers since the importance of personal contact in Turkey cannot be overemphasized.

Especially in larger Turkish cities, international trade promotional events, such as fairs, exhibitions and seminars, are common methods of sales promotion. These fairs are also opportunities for U.S. companies to assess and meet existing competition, since most major foreign and local suppliers participate in such events. Event catalogs serve as 'trade lists' on specific product categories. Currently, there are about seventy international fair and exhibit organizers in Turkey.

The U.S Commercial Service in Turkey (CS Turkey) has been promoting attendance by prospective Turkish buyers at major fairs in the U.S. and Europe. U.S. Commercial Service Sector Specialists take Turkish business delegations to exhibitions in the U.S, Europe (under the Showcase Europe-Showtime program), and in the Middle-East and counsel U.S. companies during the exhibitions. Likewise, the Foreign Agricultural Service (FAS) organizes trade teams to U.S. agriculture and food shows. CS Turkey will continue to coordinate with other U.S. Government posts and event organizers to facilitate the visits of buyers to these events. The events promoted by CS Turkey are announced on CS Turkey's web site:

<http://export.gov/turkey>

### **Electronic Commerce**

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The majority of E-commerce transactions in Turkey are in the field of Internet banking. Local industry sources report that nearly 70 percent of all electronic commerce transactions are in online banking and financial services. The concept of online banking in Turkey is popular given the high cost of maintaining bank branches throughout the country. Apart from increasing customer service, commercial banks have realized that lower transaction costs for online banking were attractive to consumers.

Other e-commerce business activity includes ticketing, travel, food delivery, entertainment, clothing, and consumer products. The majority of commercial sites were developed without focusing on IT integration of overall corporate operations and instead focused on order taking and transaction clearance. There is a lot of room for development and new concepts. Turkish E-commerce companies generate only a small percentage of gross revenue from electronic transactions. The Turkish government also gives importance to e-government activities such as tax payments over the Internet, applications for visas and passports, SMS judicial information system and many other paperless application procedures. The gateway to all e-government services can be accessed at <https://www.turkiye.gov.tr/>.

A new Turkish Commercial Code came into effect in July of 2012 requiring, among other things, that businesses have a web-site meeting a number of minimum requirements. This may further spur various forms of electronic commerce.

### **Trade Promotion and Advertising**

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Chambers of Commerce and Industry, various associations and specific sector publications serve as potential channels for advertisement. Television commercials or ads in major newspapers are also highly effective. In Turkey, there are over 20 national

TV channels. Major newspapers include Cumhuriyet, Dunya, Hurriyet, Milliyet and Sabah, all of which have their headquarters in Istanbul with branch offices in Ankara.

The country's foremost commercial/economic daily newspaper is Dunya. The leading English language newspaper is the Hurriyet Daily News. Major weekly periodicals are: Anka Haber (economy); Barometre (economy); Briefing (weekly inside perspective on Turkish political, economic and business affairs); Detay (economy-also publishes tenders on equipment procurement and infrastructure projects); Eba Newsletter (economy/English daily); Eba Report (a weekly special survey of Turkish business, industry and business contacts); and Tebanews (weekly magazine--in English—on tenders, investment projects and the economy). There are many periodicals issued monthly. The most important publications in this category are: Bilgisayar (computer and related equipment); Bilisim (computer and related equipment); BT/Haber (weekly/computer and related equipment); Dunya Insaat (construction machinery); Finans Dunyasi (finance and economy); Telekomunikasyon (telecom); and Turkey (economy) and Yazilim Donanim (software).

Most media links are available at:

<http://www.gazeteler.com/>

<http://www.dergiler.com/>

### **Pricing**

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Price has traditionally been the most important business consideration especially in government tenders. Private sector buyers may emphasize quality and value, but price remains a significant issue. In both public and private sales, creative financing which reduces upfront cash outlays or extends the terms of payment can provide greater value to clients. While imports from European Union and EFTA countries are exempt from duties, American firms can still be competitive by offering financing alternatives to credit-hungry Turkish buyers. U.S. Ex-Im Bank, Overseas Private Insurance Corporation (OPIC) and the U.S. Trade Development Agency (TDA) have various financial vehicles to assist U.S. exporters and investors. Financing also includes GSM-102 export credit guarantees, which are available for most agricultural products. The U.S. Commercial Service in Turkey urges U.S. exporters to utilize letters of credit and other methods to secure transactions when establishing a new relationship with a Turkish importer.

### **Sales Service/Customer Support**

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Proper after sales service and customer support can be a competitive advantage for U.S. exporters to Turkey. U.S. suppliers should identify local agents/distributors with the necessary service and maintenance capability. Depending on the level of business activity, a U.S. firm may also consider establishing its own office in Turkey to provide this type of service.

### **Protecting Your Intellectual Property**

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Several general principles are important for effective management of intellectual property ("IP") rights in Turkey. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Turkey than in the U.S. Third, rights must be registered and enforced in Turkey, under local laws. Your U.S. trademark and patent registrations will not protect you Turkey. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the

national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Turkish market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government cannot enforce rights for private individuals in Turkey. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Turkish law. The U.S. Commercial Service can provide a list of qualified local lawyers upon request.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Turkey require constant attention. Work with legal counsel familiar with Turkish laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Turkey or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

## **IP Resources**

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or visit [www.STOPfakes.gov](http://www.STOPfakes.gov).
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**, or visit <http://www.uspto.gov/>.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**, or visit <http://www.copyright.gov/>.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, please visit the "Resources" section of the STOPfakes website at <http://www.stopfakes.gov/resources>.
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: [www.stopfakes.gov/businesss-tools/country-ipr-toolkits](http://www.stopfakes.gov/businesss-tools/country-ipr-toolkits). The toolkits contain detailed information on protecting and enforcing IP in specific markets and also contains contact information for local IPR offices abroad and U.S. government officials available to assist SMEs.

### **Due Diligence**

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Companies can minimize their risks doing business with a new or unknown customer or partner in Turkey by utilizing the U.S. Commercial Service's International Company Profile (ICP) program. An ICP provides up-to-date information that includes bank and trade references, names of principals, key officers and managers, product lines, the number of employees, financial data, sales volume, reputation and market outlook, all at a reasonable price. For more information, please visit our web site at: <http://www.export.gov/turkey>

### **Local Professional Services**

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English-speaking attorneys specializing in commercial law, investment legislation, joint ventures, corporate law, tax law, bankruptcy law, public finance, banking corporations, criminal law, and civil law are available for consultation with U.S. business representatives. A list of specialized attorneys is available from Commercial Service offices in Turkey. U.S. companies will also find large multi-national U.S. accounting and financial firms operating in Turkey to assist in establishing a presence in the Turkish market. Please visit our website for more details: <http://export.gov/turkey/businessserviceproviders/index.asp>

### **Web Resources**

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For additional information on entering the Turkish market, or if you have specific questions pertaining to your product or market niche, please visit our web site:

<http://export.gov/turkey/>.

You can also advertise your company as a provider of services to U.S. companies on our website as a “business service provider” For further information on this, please contact [office.istanbul@trade.gov](mailto:office.istanbul@trade.gov)

For information about investing in Turkey, please send an email to: [usa@invest.gov.tr](mailto:usa@invest.gov.tr) or visit: [www.investinginturkey.gov.tr](http://www.investinginturkey.gov.tr)

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## Chapter 4: Leading Sectors for U.S. Export and Investment

### **Commercial Sectors**

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- [Electrical Power and Renewable Energy Industries](#)
- [Environmental Technologies](#)
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- [Medical Technologies and Healthcare](#)
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### **Agricultural Sectors**

- [Cotton](#)
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## Automotive Parts and Equipment

### Overview

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Unit: USD millions

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	8,235	8,986	10,600	11,500
Total Local Production	9,800	10,800	12,000	13,000
Total Exports	8,256	9,114	9,400	10,000
Total Imports	6,658	7,300	8,000	8,500
Imports from the U.S.	297	320	360	400
Exchange Rate: 1 USD	1.80 TL	1.90 TL	2.25 TL	2.50 TL

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: OSD, TAYSAD, TUIK

Turkey's position at the crossroads of Europe and Asia, and Turkey's Customs Union agreement with the EU make it an ideal location to penetrate markets in Central Asia, the CIS, and the Caucasus for automotive manufacturers. Therefore, most international vehicle producers already have started production in Turkey. Presently, there are 19 international vehicle producers in the Turkish market including; Ford, Toyota, Renault, Fiat, Chrysler, Opel, Honda, Hyundai, Peugeot, MAN, Mercedes, Isuzu, and Mitsubishi. These producers operate through joint venture (JV) partnerships with local firms, direct investment, or license agreements.

In 2023, The Turkish Republic will be celebrating its 100<sup>th</sup> anniversary, and the Turkish Government (GOT) has some ambitious goals for that date. They expect local production to reach 4 million units per year, with 3 million units for the export markets, and an annual export volume of \$75 billion. On February 16, 2013, GOT announced a special series of incentives specific to the automotive industry, both for the OEMs and parts manufacturers, that will help the industry reach these target levels.

The Turkish automotive parts and service equipment industry has expanded as Turkish automotive production and imports have increased. Today, the Turkish automotive and parts industry have become an integrated part of the global automotive and parts industry. With its high production capacity, high standards, and a wide variety of products manufactured, automotive exports in Turkey now rank first in total exports of the country, ahead of the traditional exports such as textiles and apparel.

Most industry leaders, such as Delphi and Bosch have direct investments or JV partnerships with Turkish manufacturers. Currently, there are 250 foreign investors in the parts industry. German auto-parts supplier Mann & Hummel Group plans to start production in Turkey in two years. Furthermore, the American diesel motor producer Cummins completed a new

investment in Turkey to build a new factory that began production of filters in May of 2012. Cummins plans to manufacture generators and alternators in the coming years.

Today, the Turkish parts industry produces almost all parts and components, including engines and parts, brakes, clutch, suspension systems, batteries, rubber and plastic parts, power train parts and components, security systems, auto glass, seats, and many more. This sector provides parts for new vehicles as well as the existing Turkish automobile fleet that exceeds 10 million units. Of the locally produced parts industry, 90 percent either are used in the production of vehicles that are exported or go directly to the global parts market. Seventy percent of Turkish exports go to European Union countries.

The products imported in the highest volumes are diesel and semi-diesel engines, body and parts for the assembling industry, gear boxes, engine parts, tires, internal combustion engines, steering wheels, brakes and servo brakes.

The Turkish import regime prohibits the importation of remanufactured, rebuilt, used, reconditioned vehicles. Only current year or following year models can be imported. . The Turkish import regime also prohibits importation of remanufactured, rebuilt, used or reconditioned parts. They can only be imported for use as scrap iron for iron and steel production.

#### **Sub-Sector Best Prospects**

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- Tires, brake linings, gearboxes, and clutches
- Power steering hydraulic systems, bearings, and v-belts.
- Shock absorbers, brakes, clutch rings, filters, bumpers, lights, and signaling equipment.
- CV drive shafts, catalytic convertors, tapered roller bearings
- Semi-synthetic lubricants
- Parts special to diesel engines, parts special to automatic transmission

#### **Opportunities**

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As Turkey slowly continues to move towards European Union integration, requirements for equipment meeting stricter EU guidelines for emissions control, automobile safety and standards tests, will result in increased sales of high tech auto parts. Privatization of vehicle inspection centers could also provide opportunities for U.S. service equipment suppliers, because these centers need to meet certain guidelines in order to be authorized inspection centers. As a result of stricter inspections, the parts market is also estimated to bring new opportunities to parts suppliers.

#### **Web Resources**

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Automotive Distributors Association  
[www.odd.org.tr](http://www.odd.org.tr)

Automotive Manufacturers Association

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

Authorized Automobile Dealers Association  
[www.oyder-tr.org](http://www.oyder-tr.org)

Association of Automotive Parts & Components Manufacturers  
[www.taysad.org.tr](http://www.taysad.org.tr)

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## Civilian Aerospace

### Overview

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Turkey is an emerging aerospace hub for markets in Europe, the Middle East, Europe, the Caucasus, and North Africa. With a population of nearly 80 million people and given its proximity to developed and emerging markets, with over fifty countries within three hours flight time from Istanbul and growing economy and population base, Turks have come to rely on domestic and international air service increasingly over the past decade. Thanks to expansion of private airline companies, number of domestic and international flights has significantly increased leading to a leap in total passenger and cargo traffic. As an outcome of the increase in total demand, new maintenance/ repair and overhaul (MRO) centers have been established. Additionally, new airport projects have been pursued by State Airports Authority also known as DHMI, along with capacity expansion/ renovation of existing airports.

Turkish Airlines (THY) is the largest player in the market with 7 subsidiaries including lower cost airlines, MRO, cargo, fuel storage and refueling services and ground services. With a fleet of 241 aircraft, Turkish Airlines has established a growth rate of 11% per year and passenger load for 2013 reached around 40 million. In 2013, the number of flight destinations reached 241 (199 international and 42 domestic) from 104 in 2003. Turkish Airlines flies to the most destinations nonstop from a single airport, than any other European or Middle Eastern airline (the hub being Istanbul). Turkish MRO companies like THY Technic, MNG Technic, Bora Jet, Pegasus Technic and others are competing to increase their share of the MRO market and expand their customer portfolios.

The overall growth in the aviation market has also been reflected in the private jet market as well, which was affected by the financial crises in 2001 and 2008. The demand for private jets has seen an upward trend over the last couple of years and has more than doubled since 2009, leading Turkey to become one of the fastest growing markets in terms of private jet usage along with other expanding economies like East Europe, Russia and China.

Moreover the number of airlines has doubled in the last 10 years and regional Airlines will ensure further growth. Turkish Airlines, Anadolu Jet, Pegasus and Bora Jet emphasize the growth of the regional airline market. Additionally 61 air taxi operation companies have been catering to the Turkish Market since 2009.

Along with the recent developments in the civilian aviation market, the Government of Turkey (GOT) has also given a fresh start to the aerospace projects and established the Space Technologies Directorate under the supervision of the Transportation Ministry, executing a total of 17 satellite projects that are expected to come into orbit within the next 7 years.

### Sub-Sector Best Prospects

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- 1) Aircraft/ aircraft parts
- 2) MRO activities
- 3) Satellites and launch services
- 4) Civil aviation and air traffic control systems

## 5) New Airport projects

### Opportunities

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The aerospace market in Turkey is heavily reliant on imports with regards to air platforms and related equipment as depicted in the above table. U.S. companies have the highest share in this market followed by European and Japanese competitors providing a wide range of equipment from aircrafts, helicopters and other air platforms to subassemblies, aircraft parts/components, landing systems, radar systems, x-ray and scanning equipment, ground control equipment, safety/security systems, communications equipment, runway and landing lighting and automated landing systems, avionics etc...

### Web Resources

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[www.dhmi.gov.tr](http://www.dhmi.gov.tr)  
[www.thy.com](http://www.thy.com)  
[www.shgm.gov.tr](http://www.shgm.gov.tr)

For further information on this report and to search more on the potential opportunities, please contact:

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### Defense Industries

#### Overview

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Turkey has always had a strong military to protect and defend its national borders and interests. Turkey understands that its role within NATO is to maintain troop strength that will serve as a deterrent, support security and humanitarian operations in the region, support regional crisis management, and operate small scale or limited force deployments. Turkey maintains the second largest land force in NATO and operates the second largest fleet of F-16s, second only to the United States.

The FY 2014 Ministry of Defense (MOD) budget is \$10.9 billion, showing a 7.15 % increase compared to FY 2013. This does not include spending by the Ministry of Interior's Gendarmerie, the Coast Guard, defense procurements funded by the Turkish Treasury and the Undersecretariat for Defense Industry Support Fund. Along with MOD spending, the Gendarmerie in 2014 will get \$3.08 billion, up 5.35 percent from \$2.922 billion in 2013. The 2014 budget assumption for the Coast Guard is \$226 million, compared to \$216 million. The three departments that make Turkey's defense budget will get \$14.212 billion in 2014. According to Stockholm International Peace Research Institute (SIPRI) reports, in 2012 Turkey holds the 15<sup>th</sup> position in terms of defense spending in the world. According to SIPRI Turkey's defense expenditures will reach 18.9

billion USD in 2014, and the share of defense spending in GDP will be 2.36% at market exchange rates.

Turkey's defense industry has gone through a rapid change in less than a decade as Turkey has become more involved in co-production, co-development projects, which also brought along export opportunities. Turkey is aiming to reach

All procurements for the Turkish Armed Forces (TuAF) are carried out according to certain rules and legislations, through which relevant and authorized institutions and organizations participate. The basis of all procurement activities is the Public Procurement Law No. 4734 and the Public Tender Contracts Law No. 4735, which came into effect on January 1<sup>st</sup>, 2003. The Undersecretary for Defense Industries (SSM) is in charge of all new procurements of TuAF except for logistics related procurement and certain smaller projects. In accordance with the amendments to the Public Procurement Law dated 7 October, 2012 SSM has been empowered in defense procurement decisions and processes.

The MOD would like to modernize the TuAF to meet operational requirements in a timely fashion. Turkey is aiming to improve its manufacturing capabilities and develop a national industry in the field of defense to become self-sufficient. In order to reach this goal, Turkey is trying to maximize local manufacturing capabilities through R&D and technology transfer. Large scale system integrator companies along with SMEs which develop subsystems for system integrators are playing a key role in building up indigenous solutions for the defense industry. According to official figures, the off-the-shelf direct imports have gone down to 12% from 98% since 1990s and local production in Turkish Armed Forces procurements have gone up to 54% in less than a decade.

Turkish Defense Industry has an aggressive goal to reach \$25 billion by 2023, the 100<sup>th</sup> anniversary of the Turkish Republic. Total exports reached \$1.4 billion in 2012 and has seen a 43% increase since 2008. U.S. is among the largest defense export markets for Turkey followed by the EU, Former CIS countries and some Gulf countries. According to Turkish Defense Industry Exporters' Association Turkey's currently exporting 1/3 of its defense industry production, which based on this assumption stands around \$ 5 billion.

### **Sub-Sector Best Prospects**

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Air platforms, aircraft parts and components, naval systems, electronics, telecommunications equipment, space systems radars/ sensors, space systems, land systems/ parts & components, unmanned systems, cyberwarfare, arms and ammunition

### **Opportunities**

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Although the focus is on developing the national defense industry and meeting national requirements through domestic solutions, overall size and sophistication level of upcoming projects extend various opportunities for U.S. companies in the Turkish market.

TuAF requirements are met through direct purchases from domestic and foreign markets or by their participation in joint production programs. The joint production programs constitute potential export opportunities, as the tendency is to give more emphasis to joint production

and joint activities through R&D. Turkey has started taking steps to develop indigenous systems to meet the needs of the TuAF.

The modernization of TuAF will also bring export opportunities to U.S. companies. In the next 20 years, combat weapons and equipment currently in the TuAF inventory will need to be modernized or replaced with systems incorporating new technologies.

Other requirements include main battle tanks, wheeled armored vehicles, tank transport and rescue vehicles, artillery upgrades, the pedestal mounted Stinger program, army tactical missile system (ATACMS), combat aircraft, airborne early warning aircraft (AEW), search and rescue helicopters, unmanned aerial vehicles (UAVs), submarines, destroyer class ships, fast patrol boats, mine hunter vessels and maritime patrol and surveillance aircraft.

## Web Resources

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

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## Education Services

### Overview

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Unit: Turkish Students

	2011	2012	2013	2014 (estimated)
Total Students Abroad	33,000	32,500	33,000	33,000
Total Students in U.S.	12,184	11,973	11,278	11,500
Undergrad in U.S.	3,532	3,497	3,305	3,350
Grad Students in U.S.	6,435	6,202	5,955	6,100
Other students (High schools, language, training, OPT)	2,217	2,274	2,018	2,050

Data Sources: Turkish Ministry of National Education and the Institute of International Education

Turkey's population of 76.7 million is relatively young when compared with many other countries. Over 30 percent of the population is under the age of eighteen. This young population provides considerable opportunities for international education institutions.

According to the Basic Law on National Education No. 1739, the Turkish school system has 4 different levels.

1) Pre-school Education: Pre-school education is not compulsory in Turkey. Most of the preschools are privately owned and some are attached to the state primary schools. They are concentrated in large cities so as to meet the needs of working parents.

2) Primary School Education: In Turkey, primary school education is compulsory. Primary education starts at the age of 5.5 (66 months) and lasts eight years. The Ministry of National Education statistics reveal that a total of 11 million students are enrolled at 45,551 primary schools (includes elementary and middle schools).

In 2012, a new legislation was enacted changing the Turkish school system. According to the new "4+4+4 education system", primary school education is divided into two levels:

- Elementary School: These schools cover the first four years of formal education. Upon graduation students continue to middle schools.
- Middle School: Students in middle schools have the option to study at general education middle schools or the religious vocational middle schools.

3) Secondary Education: The new 4+4+4 system has made secondary education mandatory in Turkey, bringing the compulsory schooling period to 12 years. Secondary education includes all of the general, science, Anatolian, foreign, vocational and technical high schools that provide four years of education after primary school. The entry into these categories is through composite scores obtained from a centralized exam for the secondary schools.

According to the Ministry of National Education statistics, the number of high school students in Turkey is around 5.4 million. There are a total of 10,955 high schools, including public and private high schools. Public high schools have limited resources and more students in one classroom compared with private schools.

4) Higher Education: Normally there is 4 years of undergraduate education for the universities, with some fields such as medicine lasting six years. There are also the “Meslek Yüksek Okulları”, literally “higher vocational schools” which offer 2 year of undergraduate study over high school and are similar to community colleges in the U.S.

As of December 2013, there are 109 public and 70 private foundation universities serving 4.98 million students in various academic programs. 2013 figures reveal that 2.75 million students are enrolled in undergraduate programs, 218,000 in master’s programs, 60,000 in PhD, 20,100 in doctors in residency programs and 2.23 million in the Open University. Public universities charge a small fee, whereas private university tuition costs range from \$6,000 to \$25,000 per year. Many outstanding students of limited means are able to attend private universities on merit scholarships.

Entrance into universities is very competitive due to the limited capacity of Turkish universities. Students need to pass a nationwide placement test that takes place once every year in June. Every year an increasing number of students take the exam. In 2013, 1,923,033 high school graduates took the exam and around 25.6% of these applicants were enrolled in a 4-year program, 20.3% in a 2-year program, and 11% to the Open University (distance education in the various subfields). The rest were unable to enter any higher education program.

In Turkey, the Ministry of National Education (Milli Eğitim Bakanlığı) is responsible for administering all educational services in the country, excluding higher education. The Council of Higher Education (YÖK) is a 22-member corporate public body responsible for the planning, coordination and supervision of higher education.

The number of Turkish universities are insufficient to meet the increasing demand for higher education, thus there is a large Turkish student population studying abroad. Many students willing to study abroad place American universities at the top of the list due to the quality of education and good career prospects. Over 33,000 Turkish students go abroad for university education. U.S. colleges and universities already attract around one third of these students for undergraduate and graduate programs, as well as specialized training.

The Institute of International Education’s Open Doors 2013 Statistics show that Turkey, with its 11,278 students, is the tenth leading place of origin for students in the U.S., right after Mexico and surpassing Germany, France and the U.K. Turkey ranks number one among European countries with the number of students in the U.S. Turkish students also constitute the seventh largest student body in the U.S. for intensive English programs.

According to the Institute of International Education’s Fact Sheet on Turkey for the Academic Year 2012-2013, among 11,278 Turkish students the level of enrollment is as follows:

- Undergraduate: 3,305
- Graduate: 5,955
- Other (High School, Language, Training, OPT Courses): 2,018

## Sub-Sector Best Prospects

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According to the Turkish Fulbright Commission, which is part of the Education USA network of the Department of State, following are the most popular fields of study chosen by Turkish students planning to study abroad:

1. Business administration and economics (especially MBA programs in finance, marketing and international business)	28 %
2. Engineering, computer science and other technical fields	27 %
3. English as a second language	12 %
4. Short-term certificate programs and/or summer programs (mostly in business ESL)	8 %
5. Social sciences, humanities and arts (mainly psychology, political sciences, architecture and law)	11 %
6. Mass communications (radio-TV, film&video production)	5 %
7. Medicine and other medical fields (for the most part, advanced level residencies)	5 %
8. Natural and physical sciences	3 %
9. Other fields	1 %

## Opportunities

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There are more students interested in higher education than can be accommodated by the Turkish universities. Thus, good opportunities exist for American universities and colleges to explore a rapidly growing market. The results of the central university placement exam in Turkey are not announced until mid-August. Overseas schools that can accept unmatched or dissatisfied students for the second semester/quarter have an advantage.

The Ministry of National Education, the Council of Higher Education and many ministries offer scholarships to hundreds of successful students each year wishing to continue their studies abroad. These students usually apply to top "brand name" universities. Cost is not a critical factor in their decision-making process as the scholarship sponsors pay for their entire studies and the scholarship holders are usually bonded to work with their sponsoring organizations for about 4-8 years after they graduate. The student decisions are based mostly on the reputations of institutions, the faculty, and the programs.

Due to the competitive nature of the Turkish labor market and the significant level of unemployment, many students feel the necessity to have a post graduate/masters degree to be able to find better jobs. These programs are even more competitive, so students seek

placement at foreign universities. Graduate studies are the most popular level of enrollment for Turkish students.

Several Turkish universities have cooperation programs with American universities and their students have opportunities to continue their education in the U.S. institutions. Other American institutions may wish to pursue such cooperative agreements as well as student exchange programs to attract qualified Turkish students.

Many students and professionals opt for supplementary English language education to improve their command of English, as fluency in English provides a competitive advantage in job hunting and career prospects. This opportunity gives U.S. firms a chance to compete in the market by providing private English language courses in Turkey and intensive language programs in the United States.

Other opportunities for U.S. educational institutions and companies include the following:

- Professional language training in Law, Business Administration, Marketing, and Technical English in Turkey and abroad
- Boarding schools
- Business and certificate courses for professionals in Turkey, particularly computer-based programs
- Distance education programs

## Web Resources

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The Turkish Fulbright Commission:  
<http://www.fulbright.org.tr/>

Ministry of National Education (For General Education):  
<http://www.meb.gov.tr/english/indexeng.htm>

The Council of Higher Education (For Higher Education):  
<http://www.yok.gov.tr>

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## Electrical Power and Renewable Energy Industries

### Overview

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Unit: USD million

	2012	2013	2014 (est.)	2015 (est.)
Total Market Size	3,850	4,130	4,030	4,420
Total Local Production	1,150	1,180	1,200	1,300
Total Exports	160	170	170	180
Total Imports	2,860	3,120	3,000	3,300
Imports from the U.S.	430	403	380	430
Exchange Rate: 1 USD	1.80 TL	1.90 TL	2.25 TL	2.50 TL

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: Total market size covers total project costs. Imports from the U.S. cover equipment, goods and services.

The Ministry of Energy and Natural Resources (MENR) predicts that Turkey's current electricity demand of 240,000 GWh will increase to 450,000 GWh by 2023 (the centennial of the Turkish Republic). This would mean current installed capacity of 64,000 MW (peak demand 41,000 MW) will need to increase to 95,000 MW (peak demand 70,000 MW) with an average growth rate of 6%. This would mean 31,000 MW of new investment, creating large market potential.

To meet such power generation demands and targets, \$4-5 billion of investment must be made every year in Turkey. The majority of these investments will be made by the private sector. Most public sector investments will be made by TEIAS in the electricity transmission lines.

Turkey has had the highest energy demand growth among OECD countries during the last 10 years. Globally, Turkey has had the second largest growth in demand for electricity and natural gas after China since 2002.

Turkey's current installed capacity is distributed as follows:

22,300 MW Hydroelectric Power Plants

20,200 MW NG-fired PP

18,400 MW Coal-fired PP

2,800 MW Wind PP

300 MW Geothermal PP

From these installed power plants, Turkey generated 240,000 GWh of electricity in 2013 as distributed below:

Hydroelectric PP	24.7 %
NG-fired PP	44.2 %
Coal-fired PP	27.5 %
Wind PP	3.1 %

Geothermal PP 0.5 %

There are 21 regional electricity distribution utilities in Turkey. All of them are now fully privatized. In Turkey, technical and non-technical losses in electricity distribution changes from region to region between 6-40%. In order to decrease these losses, subject utilities will spend over \$5 billion for the implementation of Smart Grid Systems and implement upgrading projects in their existing distribution grids. Energy Market Regulatory Authority (EMRA) needs to approve the smart grid and upgrading projects for utilities to be able to use the funds allocated to them for the next 10 years.

The Turkish government has focused on the development of nuclear power, renewable energy and local lignite coal-fired power plant projects to decrease its current account deficit as Turkey pays approximately \$60 billion for oil & gas and coal imports every year. This corresponds to 22 % of the total imports.

Turkish Government signed a bilateral agreement with the Government of Russia in 2010 in order to build the first nuclear power plant project on BOO basis in Akkuyu at the Mediterranean coast near Mersin. Under the subject intergovernmental agreement, Turkish Government's Electricity Trading Company TETAS guarantees to purchase 50% of the power generated for 15 years at 12.35 Dollar cent/kWh weighted average price. The power plant will be constructed by the general contractor Atomstroyexport and will have an installed capacity of 4,800 MW with 4 units of third generation VVER 1200 type (AES 2006 design). The NPP will be operated by the project company at least 51% owned by Rosatom for 60 years. Remaining 49% can be owned by Turkish companies or shares floated at Borsa Istanbul. During the first 15 years, the subject special purpose company will transfer 20% of the net profits of the power plant to the Turkish Treasury. The contract also includes training of the Turkish personnel in Russia and Turkey.

Turkey and Japan also signed an intergovernmental agreement to develop the second nuclear power plant in Sinop at a total capacity of 4,400 MW to start operations in 2023 at a total estimated cost of \$22 billion. Sinop NPP will be built on BOT basis and will consist of 4 units. It will generate 40 billion kWh of electricity annually, with the first unit starting operation in 2023 and the last unit to start operations in 2028. Turkish companies will contribute to the project with their equipment, material and services at a total amount of \$7-8 billion. The project will be implemented by Japanese companies Mitsubishi Heavy Industries, Itachi and French companies GDF and Areva. 51% will be owned by a Japanese consortium and 49% by Turkish national power generation company EUAS or other Turkish companies. \$17-18 billion credit will be provided by Japan. The 100% power purchase guarantee will be for 20 years and the power plant will operate for 60 years. After 20 years, the power plant will sell electricity to the free market as an IPP. Turkish Government is also considering a third nuclear power plant to be implemented in the future, which is currently open for consideration by different countries on similar conditions through intergovernmental agreement.

The Ministry of Energy expects renewable energy power generation to meet 30% of Turkey's electricity demand by 2023. The current wind power generation capacity of 2800 MW is expected to increase to 10,000 MW by the end of 2015 with the ultimate goal of 20,000 MW by 2023. The Energy Market Regulatory Authority (EMRA) granted a total of approximately 9,000 MW licenses so far. However, it is expected that 3,000 MW will be implemented from these new licenses in the short to medium term.

One of the major investments to take place starting from second half of 2014 will be in solar power generation. Energy Regulator EMRA accepted solar license applications during June 10-14, 2013 period for solar power plant investments of over 1 MW. The total solar power generation license capacities will be 600 MW for already announced 121 substation sites around the country. Solar power investments of less than 1 MW are also expected to increase as these do not require licenses. Some implementations have already started.

A new Electricity Market Law (No. 6446) has been accepted by the Turkish Parliament on March 14, 2013. The New Law makes certain substantial changes in the current electricity market system, such as types of licenses, introduction of a pre-licensing mechanism and extended deadlines for certain incentives.

Under the New Law Enerji Piyasaları İşletme Anonim Şirketi (“EPIAŞ”) will be established as a private law entity operating under a market operation license to be issued by EMRA. EPIAŞ is envisaged to operate the organized wholesale markets except for the balancing power market and ancillary services market (both of which will continue to be operated by TEİAŞ), Electricity Market Financial Settlement Center (PMUM), and the electricity exchange, which will be operated by Borsa İstanbul Anonim Şirketi.

Renewable Energy Law No. 6094, which came into force on January 8, 2011, sets feed-in tariffs for different renewable energy resources as follows:

- 7.3 dollar cents for hydroelectric,
- 7.3 dollar cents for wind,
- 10.5 dollar cents for geothermal,
- 13.3 dollar cents for biomass,
- 13.3 dollar cents for solar energy.

The subject law provides incentives for domestic production of renewable energy equipment, which must have at least 55% local content. Through in-country manufacturing of some parts of the renewable energy equipment, investors will receive higher feed-in tariff rates for the first five years of the investment.

The subject law also provides a 10 year power purchase guarantee. Companies are free to select these feed-in tariffs or sell electricity to the wholesale markets at the daily and hourly proposed prices, which includes peak hours.

Turkey is ranked first in Europe and 7<sup>th</sup> overall in geothermal energy resources. The overall geothermal energy potential of Turkey is estimated to be 35,000 MW. Total installed capacity of geothermal power is approximately 300 MW and expected to increase to 600 MW in five years. Many Turkish Companies have obtained licenses for the development of new geothermal power plants in the discovered potential reserves mostly located in the Western part of Turkey. These companies require engineering and design services as well as technology and equipment.

Turkey also has an Energy Efficiency Law, which prepares strategies, energy efficiency plans and programs. The Law designates the General Directorate of Renewable Energy (YEGM) as the authorized body for issuing Energy Service Company (ESCO) licenses. The Law stipulates that industrial facilities must employ an energy manager to conduct energy efficiency projects. Several incentives and grants are available for energy efficiency projects.

The U.S. Department of Energy (DOE), in coordination with other U.S. agencies, has developed the Near-Zero Zone project to demonstrate industrial energy efficiency in Turkey. This model will set an excellent example for companies manufacturing in more than 250 OIZs throughout Turkey. However, long-term performance guarantee financing is yet to be developed in Turkey.

## Sub-Sector Best Prospects

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Supply of:

- Smart Grid Systems such as SCADA, smart metering, CRM and loss control systems
- Solar energy power generation engineering and design services
- Concentrated solar power generation systems
- Thin-film PV panels supply and manufacturing equipment
- Wind turbines and generators
- Geothermal power plant equipment
- Engineering and design of geothermal power plants
- Geothermal and geophysical engineering services
- Energy storage systems
- Gas turbines and generators
- Fluidized bed coal burners
- Boilers and steam generators
- Hot air cooling systems
- Energy Efficiency systems
- Waste to energy systems
- Fuel cells
- Hydroelectric turbines and coal gasification systems.
- Nuclear consultancy and nuclear power plant equipment and services.

## Opportunities

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During the next five years, implementation of smart grid systems and projects will have major opportunities in Turkey. 21 electricity distribution utilities will implement grid upgrades and development of intelligent network structures to decrease the 6-40% technical and non-technical losses. Estimated investment in smart grid applications is expected to reach USD 5-6 billion during the next five years. Other opportunities will be development of solar power opportunities. Although the cost is important, many Turkish firms are seeking for high efficiency, quality American products with financing and operational experience. Additionally up to 1 MW solar power generation investments will create lots of opportunities. There are also new projects being developed by the private sector for power generation from imported coal, NG combined cycle, renewable energy projects such as wind, waste to energy, biomass, and geothermal energy projects. Boilers and fluidized bed systems will be required for lignite-fired power plants. Turkey has major untapped lignite reserves. Turkish Government is giving importance for the development of indigenous lignite-fired power plant projects.

There will be opportunities for the U.S. nuclear energy consultancy and engineering firms as well as equipment suppliers. U.S. DOE supported Near Zero Zone project will create business opportunities for U.S. companies in the energy efficiency sector. U.S. ESCO Companies

should seek partnering with Turkish ESCO Companies to participate in this industrial efficiency projects.

Domestic manufacturing of some parts of renewable energy equipment may create some advantages over competitors. The resources of the U.S. Trade and Development Agency, U.S. EXIM Bank and OPIC are available in Turkey for financing renewable energy and energy efficiency projects. U.S. EXIM Bank provides financing for renewable energy projects with a repayment period of 18 years after the project commissioning.

## Web Resources

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Ministry of Energy and Natural Resources' Web Site:	<a href="http://www.enerji.gov.tr">www.enerji.gov.tr</a>
Energy Market Regulatory Agency Web Site:	<a href="http://www.epdk.gov.tr">www.epdk.gov.tr</a>
Renewable Energy General Directorate	<a href="http://www.eie.gov.tr">www.eie.gov.tr</a>
Turkish Electricity Trading Company (TETAS) Web Site:	<a href="http://www.tetas.gov.tr">www.tetas.gov.tr</a>
Turkish Electricity Transmission Company (TEIAS) Web Site	<a href="http://www.teias.gov.tr">www.teias.gov.tr</a>
Turkish Electricity Distribution Company (TEDAS) Web Site	<a href="http://www.tedas.gov.tr">www.tedas.gov.tr</a>
Turkish Electricity Generation Company (EUAS) Web Site	<a href="http://www.euas.gov.tr">www.euas.gov.tr</a>

Solar Atlas of Turkey (GEPA):  
<http://repa.eie.gov.tr/MyCalculator/Default.aspx> /[www.eie.gov.tr](http://www.eie.gov.tr))

Wind Atlas:  
[http://www.eie.gov.tr/duyurular/YEK/YEKrepa/REPA-duyuru\\_01.html](http://www.eie.gov.tr/duyurular/YEK/YEKrepa/REPA-duyuru_01.html) (province by province)

For project financing, please see:  
<http://www.exim.gov/>  
<http://www.opic.gov/>  
<http://www.ustda.gov/>  
<http://www.turseff.org>  
[www.worldbank.org.tr](http://www.worldbank.org.tr)  
<http://www.ifc.org>  
<http://www.ebrd.com/country/country/turkey/index.htm>  
[www.tskb.com](http://www.tskb.com)  
<http://english.kalkinma.com.tr>

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## Environmental Technologies

### Overview

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Unit: USD million

	2012	2013	2014 (est.)	2015(est.)
Total Market Size	11,715	10,811	10,321	10,535
Total Local Production	661	650	672	675
Total Exports	643	602	635	640
Total Imports	11,697	10,763	10,284	10,500
Imports from the U.S.	1,694	1,413	1,402	1,480
Exchange Rate: 1 USD	1.80 TL	1.90 TL	2.25 TL	2.50 TL

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: Figures were collected from Turkish Statistical Institute and Global Trade Atlas. Renewable energy market figures are included.

Increasing industrial output and rapid urbanization have made environmental protection a priority for the Turkish government. The need for investment is continuously increasing especially in the waste management, water supply and management, and air pollution control sub sectors. Local municipalities play an important role in recycling, water purification, waste-sewage treatment, environmental remediation and solid waste management. The lack of expertise of local companies to handle large scale environmental projects offers American companies a good opportunity in the sector.

Turkey's accession process to the EU has been a major impetus for large-scale environmental remediation and implementation of new environmental standards. Both the government and private sectors will have to invest in environmental technologies. The EU has been funding some portion of this investment, and the Bank of Provinces of Turkey (Iller Bankasi) is a state owned bank that specializes in financing infrastructure projects. Development of environmental structure and alignment with EU standards will take place until 2023.

EU countries have a strong position in the sector due to the close geographical proximity to Turkey, which brings down the costs associated with importing a product. In addition, as a result of the Customs Union agreement between Turkey and the EU, there are no import taxes for industrial goods originating from the EU. European companies prefer to open offices or to assign agents to monitor developments and local tender announcements. U.S. and Japanese companies also provide equipment and technology to the market.

### Sub-Sector Best Prospects

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Wastewater and drinking water facilities require the largest percentage of investment in order to upgrade Turkey's environmental infrastructure to EU standards. Municipal water / wastewater treatment is the leading opportunity for foreign companies. Especially textiles, cement, iron / steel, chemicals, food processing and automotive sectors will need to make wastewater treatment investments. Discharge of wastewater into surface water without

treatment by industrial facilities remains to be a problem although the situation is improving. Restoration of sewage network and treatment of sewage sludge are important as well. Some products that have potential in the Turkish market are as follows:

- Water pumps, Filters, Pollution control equipment
- SCADA systems
- Sludge treatment technologies
- Design and operation of water / wastewater plants
- Leakage detection systems
- Reverse osmosis
- Membrane technology
- Metering devices
- Industrial wastewater remediation systems

## Opportunities

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With a population of 75 million and a location of growing strategic importance, Turkey is a hub offering many opportunities for U.S. companies that seek international expansion. Although not a full member of the European Union (EU), Turkey's candidacy requires harmonization of environmental regulations with EU standards. Alignment with EU standards creates an environmental infrastructure and technologies market that will ultimately be worth \$92 billion.

The Ministry of Environment and Urbanization implements the macro environmental plan and is the buyer of services and equipment for projects on a national level. Local municipalities are responsible for the construction and management of drinking water and sewage networks and water / wastewater treatment plants. Private sector companies and organized industrial zones are also among potential buyers.

## Web Resources

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Ministry of Environment and Urbanization  
<http://www.csb.gov.tr/>

General Directorate of State Hydraulic Works  
<http://www.dsi.gov.tr/>

Iller Bank  
<http://www.ilbank.gov.tr/>

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Web: <http://www.buyusa.gov/turkey/en>

## Information and Communications Technologies

### Overview

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ICT spending in Turkey is also expected to grow faster than the world average. Thanks to a large domestic market with sizeable potential in the ICT sector, growth is expected at around 7.4 percent between the years of 2012-2017. More than half of all households in Turkey have computers with internet access, which is expected to rise to 65.6 percent over the next five years. The percentage of internet users in Turkey is around 42 percent and this is forecast to rise to above 47 percent in 2017.

According to a 2014 Turkish Government Report, in 2014 the communications market will reach to USD 18.6 billion and the information technologies market value will reach USD 12 billion. In total, the ICT market is expected to be USD 30.6 billion.

Looking at broadband internet access, the market share of alternate internet service providers providing DSL services is 10.8 percent and with cable internet providers at 6.1 percent. Comparing to last year's figures there is a considerable amount of change. On the other hand, alternate operators share in the fiber internet market has reached to 10.7 percent with 4.6 percent growth in the last year. Although there is continued expansion of fixed line broadband, the level of competition is still low compared to EU member states.

The industry has shown slower growth than in the past (2013 was a difficult year for the sector) however, investors still see the Turkish ICT market as a significant growth opportunity and are increasingly investing in channels and local production.

The Turkish technology market is far from being saturated and still has significant growth potential as the technology-driven young population continues to invest in consumer electronics, software and products. The market has grown every year, even in times of global crisis growth has only slowed slightly, meaning that the ICT industry remains an attractive industry in Turkey.

The information technology market finished 2013 with 26.5 percent growth compared to 2012. Tablet penetration in the market was very high during 2013 and in 2014 their dominance in the market is expected to continue. Moreover, more global market players are entering the market. In 2014 broadband user volume is expected to be 45 percent. The mobile applications market was USD 29.5 billion in 2013 and by the end of 2014 it is expected to be USD 35 billion.

Computer and internet usage among individuals between the ages of 16-74 is around 49 percent. 49 percent of the households in Turkey have the access to the Internet and computer use typically starts at age 8 and Internet use starts at 9. 39.5 percent of the individuals between ages of 16 and 74 'regularly' use the Internet. According to the Transportation, Maritime Affairs and Communications Minister's declaration, in 2023 Internet users in Turkey will reach 45 million.

Traditionally, large scale PC sales were confined to Istanbul, Ankara and Izmir, but now PC sales have received new momentum as the focus of demand has shifted towards the Anatolian region. This trend is expected to continue as the rate of PC penetration rises. PC penetration has a ripple effect on other items being purchased such as ADSL subscription, modems,

software and other IT products and services.

In the telecommunications market, Turk Telekom went from 13.7 million fixed line subscribers to 14.5 million. AVEA, (owned by Turk Telecom) is Turkey's third largest mobile operator with 14.5 million GSM mobile subscribers.

According to latest data, there are 69.6 million mobile phone users in Turkey, 19% of which are smart phone users. When we compare this number to Turkey's population, it is an 89.9% penetration rate. 60% of smart phone users prefer to spend more money on their phones compared to other luxury products than standard mobile phone users. In Turkey 1 out every 10 phone users actually have more than one smart phone.

The Ministry of Development's Information Society Department published a 2013 report on public information and communication technologies Investments which states that during the 2013 TL 3.6 billion was allocated for ICT investments from the central administration's budget. One investment of TL 1.4 billion, the "FATIH Project-Increasing Opportunities and Ameliorating Technology Movement" focused on E-education, was the biggest state contributed project that year. Turkey also allocated TL 85 million to the "Extension and Establishment of e-Signature and Mobile Signature Supported Document and Archive Management System"

As the young population increases and the online market expands, the total number of mobile phone subscriptions is expected to grow to over 75 million by 2017. After Turkcell, Avea and Vodafone were awarded licenses for 3G in 2008, and the 3G market has rapidly evolved over recent years with an expected penetration rate of 91.3% by 2017. In light of this figure, m-commerce, mobile broadband, mobile banking services and mobile television services will increase and provide favorable business opportunities to investors.

After the launch of the Android market in 2011, sales in Android OS handsets greatly increased along with the general increase in the percentage of mobile phone users. Android paved the way for the development of applications in the market and this is expected to grow even further with funding and private investment for entrepreneurs in Turkey.

Turk Telekom owns 99.9% of TTnet, Argela, Innova, Sebit, Sobee and AssisTT, as well as a minority share in ALBtelecom in Albania. 55% of the shares of Turk Telekom belong to Oger Telecom Inc. and 30% belong to the Turkish Treasury. The remaining 15% is floated in the Istanbul Stock Exchange (IMKB). The value of Turk Telekom was over \$15 billion in 2010.



The three GSM cellular operators, Turkcell, Vodafone and AVEA, and the fixed line operator Turk Telekom invested in equipment and services at a total value of \$4 billion to expand their services. Turkcell, Vodafone and Avea's market share can be found in the above chart. GSM subscribers are expected to use more and more 3G services. The total number of 3G subscribers has reached to 51 million.

During the first quarter of the year Turk Telekom mobile operator investment was approximately TL 557 million and other operators investment were TL 495 million. With the introduction of 3G, IPTV, online services, content and media services, E-business, personalized services, music download, games, multi-play, video services, and other mobile entertainment, this segment has been developing rapidly, creating new business areas and revenues.

Turk Telekom will continue to be the primary buyer of fixed-line telecommunications equipment, and with approximately 14.5 million subscribers, is eager for new technologies in 2014. Turk Telekom's turnover for 2013 was TL 13.2 billion. Turk Telekom's main revenue growth came from ADSL revenues (29%) and from mobile revenues (14%) through AVEA. Turk Telekom introduced a new technology which provides fixed line services through the GSM mobile phones that have Wi-Fi capability. Consumers can now use both fixed line services and mobile GSM services through the same mobile phone by uploading special software. Turk Telekom will also introduce 3N technology through fixed Internet and other ISPs by using its Wi-Fi capabilities spread around the country, which will enhance its mobile internet services.

BTK (the Turkish Data High Council and telecom regulator) has registered over 70 million GSM cellular phone handsets in Turkey. BTK estimates that Turkey imports approximately 10 million mobile handsets every year. Many subscribers continuously change their cell phones with new models sustaining consistent growth in the handset market. Apple's Iphone has been extremely successful in the market in the past two years.

GSM cell phone sets suitable for video downloading and TV broadcasting equipped with wide band Internet access will contribute to growth in this sector. These new technologies will be the basis for the enhanced 3G and 4G operations.

In Turkey, Northern Telecom, Alcatel, Siemens, Ericsson and NEC supply the majority of fixed line switches, trans-multiplexers, and other telephony equipment. U.S. companies can be

competitive in software programs required for customer databases, emergency call services, corporate management and intelligent network operation centers. Motorola, Nokia, Ericsson and Siemens are the main GSM switch and base station suppliers. U.S. companies can be competitive in new software products required by GSM cellular operators to provide new services to their clients and improve corporate and client management.

### **Sub-Sector Best Prospects**

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- Cyber Security Solutions
- Cyber Forensics Solutions
- Consumer Electronics
- Notebook PC's
- Audio Visual Equipment
- Wireless equipment / services
- IPTV
- Smart Phones
- 3 G related technologies/services
- Fiber Optic solutions

### **Opportunities**

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The Turkish Government gives high importance to their e-Transformation Turkey Project and all the other projects which are line with its information society strategy (Registered electronic mail-KEP, e-visa, e-passport).

The young population of Turkey continues to drive the sales of pc's, cell phones, consumer electronics and cellular voice and data services. The audio visual market is expected to rise further as smart buildings are constructed with audio visual and control room installations as well as support entertainment consumer goods and services such as IPTV.

Fiber Optic solutions are expected to gradually gain market access as infrastructure investments are made by Turk Telecom and TNet and other ISP's.

The cyber security segment is expected to grow as corporate and government ICT security systems continue to attract significant funding. Security of information leaving the company as well as identity theft, network security against attackers, and viruses, are among the top priorities with particular emphasis on providing legally sustainable evidence used in courts of law.

The Turkish Government has increased its expenditures in hardware and software in battling cyber threats. In order to implement these defenses the BTK, Department of Transportation and Communication, Departments of Justice, Interior, the Turkish National Police, and the Turkish military will continue to update their cyber security technologies.

BTK, TUBITAK (Turkish R&D Institute) and the Ministry of Communication & Transportation are leading the Cyber Security efforts of the government.

### **Web Resources**

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Cebit Bilisim Eurasia, Istanbul, Turkey.  
IT and Telecom solutions trade fair.  
[www.cebitbilisim.com](http://www.cebitbilisim.com)

EMEA Intelligence, Istanbul, Turkey  
Cyber Security solutions, trade event and seminar  
[www.emeaintelligence.com](http://www.emeaintelligence.com)

Interpro Medya  
Informatics Media  
<http://www.interpromedya.com.tr/en/index.htm>

TUBISAD  
Informatics Manufacturers' Association of Turkey  
<http://www.tubisad.org.tr/eng/Pages/default.aspx>

TBD  
Informatics Association of Turkey  
<http://www.tbd.org.tr>

GFK  
<http://www.gfk.com/tr/>

Invest in Turkey  
Republic of Turkey Prime Ministry Investment Support and Promotion Agency  
<http://www.invest.gov.tr/en-US/Pages/Home.aspx>

Bthaber  
<http://www.bthaber.com/>

Istekobi.com  
<http://www.istikobi.com.tr/default.aspx>

Turkish Telecom Group Investor Relations  
<http://www.ttinvestorrelations.com/>

Turkish Information Technologies and Communications Authority  
<http://www.tk.gov.tr/index.php>

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Web: <http://www.export.gov/turkey>

## Medical Technologies and Healthcare Market in Turkey

### Overview

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UNIT: USD millions

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	2,603	2,790	2,990	3,206
Total Local Production	390	418	508	609
Total Exports	156	139	179	224
Total Imports	2,369	2,511	2,661	2,821
Imports from the U.S.	355	377	400	560
Exchange Rate: 1 USD	1.80 TL	1.90 TL	2.25 TL	2.50 TL

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: Industry feedback, Turkish Ministry of Industry reports

Turkey has a population of 79 million and is a growing market for medical technologies and healthcare services. The Ministry of Health (MOH) is the largest provider of healthcare and the only public provider of preventive services in Turkey. At a national level, MOH is responsible for the country's health policy and health services. In fiscal year (FY) 2014, TL 18.6 Billion (approximately \$9 billion) was allocated to the Ministry's budget, which is an increase of 10% in TL terms compared to FY 2013. The healthcare budget allocation jumped from 2.25% in 2002 to 4.4% in 2012, while per capita healthcare spending grew from \$330 to \$780 in the same period. With OECD average per capita spending at \$2,386 in 2012, as well as Turkey's growing income and government programs, there is significant growth potential in this market.

More than 50 percent of healthcare spending is devoted to medical services, while medical devices constitute a smaller portion of the total healthcare budget. The Ministry of Health is responsible for the construction, management, and medical operations in the state hospitals which cater to the medical needs of 90% of the population. Private hospital investments are made by private entities. Patients who benefit from private hospitals are usually patients who can either afford private healthcare, are covered under a private insurance plan, or social security insurance holders who are treated in private hospitals that have agreements with the Social Security Institute (SGK).

If a patient is holder of social security and is treated at a public hospital, his/her healthcare expenses are reimbursed by the SGK as long as medical equipment and pharmaceuticals used are listed under the reimbursement (SUT) list. Medical equipment manufacturers have to make sure that their equipment is included in this list if they want to be part of the reimbursement system. Private hospitals do not necessarily follow this listing and manufacturers deal with these hospitals on an account basis.

The Ministry of Health is the biggest player in the healthcare market as far as investing in healthcare facilities and operating these facilities are concerned. The table below shows the distribution of healthcare facilities by type of ownership:

Type	2002				2012				Growth %	
	# of hospitals	%	# of hospital beds	%	# of hospitals	%	# of hospital beds	%	# of hospitals	# of hospital beds
<b>Ministry of Health</b>	774	<b>67%</b>	107,394	<b>65%</b>	832	<b>58%</b>	122,322	<b>61%</b>	7.5%	14%
<b>University</b>	50	<b>4%</b>	26,341	<b>16%</b>	65	<b>4%</b>	35,150	<b>19%</b>	30%	33%
<b>Private</b>	271	<b>23%</b>	12,387	<b>8%</b>	541	<b>35%</b>	35,767	<b>17%</b>	99%	188%
<b>Other</b>	61	<b>6%</b>	18,349	<b>12%</b>	45	<b>3%</b>	6,833	<b>3%</b>	-26%	-63%
<b>Total</b>	<b>1,156</b>		<b>164,471</b>		<b>1,453</b>		<b>200,072</b>		<b>26%</b>	<b>22%</b>

However, as can be seen in the table from the number of private hospitals, there is a strong privatization trend in Turkey's healthcare industry. Construction of many private hospitals offers increased sales opportunities and less complicated procurement requirements compared to the complicated tender requirements used by the Ministry of Health.

The Ministry of Health is also contracting the construction and management of 29 healthcare campuses that will be financed by Public Private Partnership (PPP) model. In this PPP model, a consortium composed of a construction company, an architectural designer, an operator, and a medical equipment company will eventually win the tender for each project. The winning consortium of each project will finance the construction cost of the project and will operate the campus for 25 years against guaranteed annual lease payments made by the Ministry of Health. Each of these campuses are from 2,000 to 4,000 beds and will house several general and specialized hospitals and labs in each campus with accompanying recreational areas. Some tenders have been finalized with still more to be carried out in the coming 1-2 years. There is international interest in the tenders including interest from U.S. companies. These projects constitute business opportunities for U.S. medical companies and healthcare service providers, often when teaming with Turkish construction companies. For further information on these PPP projects, please visit the official website of the Private-Public-Partnership Directorate under the Ministry of Health - <http://www.kamuozel.gov.tr/koo/?q=en/main-page>

Another major transformation in the Turkish healthcare system is the introduction of first-level healthcare service which is known as the Family Practitioner System. Since December 2010, a nationwide system has been initiated whereby every Turkish citizen was assigned a family practitioner for primary and preventative medical service. This service has already increased demand for pharmaceuticals and preventative medical solutions and devices for management of chronic illnesses like obesity, diabetes, and many others where U.S. companies have offerings.

Turkey is also taking a very progressive approach towards utilizing e-health solutions in the country's healthcare structure. All people who are registered under the Social Security System, thus can qualify for healthcare services, have a record in the national database. All visits made to medical doctors, diagnostics, treatment applied, and prescription are entered on this system. E-prescribing is already in practice.

Medical tourism is a new sector developing very rapidly in Turkey. Increasingly, patients from Europe and the Middle East come to Turkey for medical treatment as healthcare services are offered at relatively more economical prices and the quality of medical services is high. There are 46 Joint Commission International (JCI)-certified hospitals in Turkey which makes Turkey the third country with the highest number of JCI-certified hospitals (excluding U.S.) The most

popular procedures are cosmetic, dental and ophthalmology procedures. Turkey also has a good reputation in cardiology, endocrinology, gastroenterology, rheumatology, nephrology, oncology, neurology, dermatology, gynecology/obstetrics, orthopedics, organ transplantation, and otolaryngology (ear, nose & throat). Some of these surgical procedures have long waiting lists in European countries, which is another reason why Turkey is an attractive country for medical procedures.

In order for a U.S. company to market its medical equipment in Turkey, companies should find a representative in the Turkish market with strong business development capabilities. Medical equipment exports to Turkey must adhere to Turkish customs regulations. For more information regarding these regulations, please consult with U.S. Commercial Service. U.S. company representatives in Turkey must register products in the National Data Bank that keeps track of all medical equipment that is marketed in Turkey. In order to learn the details of registering in this data bank, please send an e-mail to [ebru.olcay@trade.gov](mailto:ebru.olcay@trade.gov) at U.S. Commercial Service. Following this step, if the product will be under the reimbursement system, it should be registered with the Social Security Agency as well.

### **Sub-Sector Best Prospects**

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There are about 6,000 companies in the medical device and disposables market in Turkey. There are about 100 medical equipment manufacturers in the country, most of which are manufacturing disposables, surgical tools, stents, prosthetics and hospital furniture. In general, it can be said that all major categories of medical equipment are present in the market both in private and public hospitals. At this point, they look for state-of-the-art and innovative medical equipment and solutions. Having said this, Turkey imports the following medical equipment and devices from abroad:

- Advanced pre-screening and diagnostics devices
- Advanced point-of-care devices
- Advanced surgical devices
- Remote patient monitoring devices
- Cancer treatment devices
- Wound management devices
- Surgical devices using robotics technologies
- Clinical chemistry and laboratory devices
- Dental devices
- Implants used in orthopedics and traumatology
- Ultrasound and Imaging equipment
- HealthIT solutions especially for critical decision making processes
- Mobile health solution especially for remote health monitoring
- Telemedicine systems

In addition to equipment, due to the healthcare campus projects, there is market for U.S. project and construction management companies, architectural designers, operators and U.S. equipment manufacturers. As Turkish construction contractors are very advanced and can be unrivaled at the local level, there may be opportunities for U.S. companies to partner with prominent and financially secure Turkish contractors in these projects and offer their healthcare related services. Projects are open to equity partnerships as well.

### **Opportunities**

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The total bed capacity in Turkish Hospitals is above 200,000, an increase of 22 percent in the last 10 years. Privatization and transformation of the healthcare system, establishment of new healthcare facilities under the PPP model, and ongoing hospital projects of the Ministry of Health constitute opportunities for U.S. companies involved in medical technologies and services.

As Turkey continues to expand the number of private and public hospitals, purchases of advanced medical equipment will continue. There are now some large hospital chains that not only operate in large cities but open private hospitals in parts of the country where only state provided healthcare services exist. These new hospitals are all state of the art facilities that use advanced medical equipment.

## Web Sources

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- Ministry of Health <http://www.saglik.gov.tr>
- Healthcare Products Manufacturers' and Representatives' Association (SADER) <http://www.sader.org.tr>
- Health Industry Employers' Association (SEIS) <http://www.seis.org.tr/>
- Leading Industry Expo: expoMED Eurasia and LabtekMED Eurasia will take place on March 26-29, 2015 <http://www.expomedistanbul.com/en/>

For further information on this report and to search more on the potential opportunities, please contact:

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## Oil and Gas

### Overview

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Unit: USD million

	2012	2013	2014(est.)	2015 (est.)
Total Market Size	2,365	2,450	2,510	2,710
Total Local Production	195	202	204	206
Total Exports	90	92	94	96
Total Imports	2,260	2,340	2,400	2600
Imports from the U.S.	130	140	160	180
Exchange Rate: 1 USD	1.80 TL	1.90 TL	2.25 TL	2.50 TL

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: Government of Turkey statistics bureau

Surrounding Turkey is 73% of the world's proven oil reserves and 72% of the world's proven gas reserves. This makes Turkey a crucial bridge between energy rich regions and Europe, which spends approximately \$300 billion per year for imported energy resources. Turkey pays approximately \$60 billion for oil & gas and coal imports every year. This corresponds to 22 % of the total imports.

It is estimated that Turkey will pay over \$1.1 trillion for energy resource imports until 2030 when we consider that Turkey paid \$500 billion in 1970-2012.

Total domestic NG production meets only 2% of total consumption. Turkey consumed approximately 38 billion cubic meters (bcm) (approximately 1,342 billion bcf) of NG in 2013. Most of the NG is imported from Russia through two pipelines; one coming from the Black Sea and the other from the Western route. Turkey also imports NG from Iran and Azerbaijan through pipelines. Two LNG terminals in Marmara Ereğlisi and Izmir Aliaga are other import terminals for NG consumed in Turkey.

Some minor oil production exists in the eastern and southeast part of Turkey. Domestic oil production meets only 9% of the total demand. Turkey's total oil consumption is approximately 670,000 barrels per day while domestic production is approximately 60,000 barrels per day. Turkey has invested approximately \$400 million for offshore 2D and 3D exploration in the Black Sea and \$91 million for 2D and 3D exploration in the Mediterranean Sea. The total investment in the Black Sea has reached approximately \$1.3 billion.

Although there are a number of international firms operating in Turkey, Turkish Petroleum Corporation (TPAO) has preferential rights in the upstream sector. 144 of total 384 Licenses (37.5%) belong to TPAO, which covers 79 million acres of total 107 million acres (74%). However, TPAO is open to joint venture partnership.

Companies have explored for oil & gas in only 20% of the potential onshore prospects and 1% of potential offshore prospects. This means many prospects are waiting to be explored. There are 48 oil exploration and production companies or consortia in Turkey. These companies are active with 384 exploration and 80 production licenses. ([www.pigm.gov.tr](http://www.pigm.gov.tr))

During the next several years, shale (unconventional gas) exploration and production, offshore drilling for oil and gas prospects in the offshore Mediterranean Sea and Western Black Sea will create major U.S. export opportunities. The state-owned company Turkish Petroleum Corporation (TPAO) has signed JV agreements with Chevron, Exxon Mobil, Petrobras and Shell. TPAO, Shell and the American firm TransAtlantic Petroleum Corporation have prospects for unconventional oil & gas in Turkey. TransAtlantic has already started production of shale gas in the European side of Turkey.

TPAO has other important concessions for which they would not hesitate to select a foreign partner as TPAO has limited resources for investment itself. (See [www.tpao.gov.tr](http://www.tpao.gov.tr)) TPAO has either established or plans to establish joint ventures for other potential oil & gas prospects in Azerbaijan, Iraq, Kazakhstan, Turkmenistan and in South America. TPAO's 2014 investment budget is approximately \$650 million, which includes about \$285 million of imports.

In addition to TPAO, TPIC, TransAtlantic, Aladdin Middle East, Arar, Atli, Merty, Gumus, Calik, Amity Oil, Isisan, Irmak, Thrace Basin Natural Gas Türkiye Corporation, Pinnacle, NTP, and Shell are the most active oil and gas upstream companies in Turkey. Tupras, SOCAR, Turcas,

OMV, Total, Exxon Mobil, Shell and Turcas are some of these companies are also active in downstream operations.

Iraq seems to be a major opportunity country for Turkish-U.S. joint ventures for oil and gas exploration and production as well as downstream opportunities such as establishment of refineries. Some of the above-mentioned companies are already active in Iraq.

Turkey is an energy corridor with the established pipelines such as the Baku-Tbilisi-Ceyhan (BTC) oil pipeline, which started operation in 2006; the Iraq-Turkey crude oil pipeline (currently underutilized).

TANAP Natural Gas Pipeline Project is expected to create major opportunities for U.S. companies. A project development office has been opened for this purpose in Ankara. The other NG pipeline project which may create opportunities is TAP NG Pipeline Project.

Large discoveries offshore in the Mediterranean Sea near Israel and Cyprus may create some other opportunities in the future.

Star Refinery in Aliaga, Izmir, being developed by Azeri National Oil Company SOCAR and their local partners will be approximately a \$4.5 billion investment. A turnkey EPC Contractor has been selected and any and all equipment used is subject to Socar's approval. The refinery will be built adjacent to Petkim's cracker. Petkim is majority owned by Socar. The refinery will primarily make naphtha to serve as an input into Petkim's petrochemical processes, but will also produce diesel. This refinery will treat 10 million tons of crude oil a year and the facility will commence commercial operations in 2016. Socar plans to invest in the development of a harbor in Aliaga and establish a 600 MW power plant to use imported coal and petrocoker.

Currently, existing refineries owned and operated by TUPRAS, majority owned by Koc Group, meets 60% of Turkey's demand. Therefore, new refineries are desperately needed.

Chemical and plastics production demand has tripled during the last 5 years. Petkim plans to expand its petrochemical production facilities in the same area. The demand for polypropylene and PVC are expected to grow in particular, but polyethylene and HDPE also remain strong.

## **Sub-Sector Best Prospects**

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- Shale (unconventional) gas exploration and production equipment,
- Shale (unconventional) gas survey and engineering services
- Horizontal drilling and Hydrocracking equipment and services,
- Offshore/Onshore Oil and Gas Drilling and Production Equipment and Services;
- Turbines, Compressors and Pumps For Pipeline Applications;
- Measurement and Process Control Equipment for Pipeline Operations;
- Industrial Automation, Control And Monitoring Systems and Other Equipment and Services For Refineries, Gas Processing and Petrochemical Plants;
- Seismic Processing and Interpretation;
- Petroleum Software Development;
- Sulfur Removal and Disposal Technologies;
- Well Stimulation;
- Field Abandonment Services;

- Geothermal Exploration, Drilling, Production and Processing Equipment and Services,
- Engineering and Industrial Construction Companies.
- SCADA Systems,
- Pipeline Construction Equipment and supply of high quality pipes,
- Smart Gas Meters,
- Pressure Reduction Valves,
- CNG Service Station Equipment,
- LNG Facilities,
- Refinery Equipment and Technology Supply,
- Underground Storage Surface and Sub-Surface Facilities.

## Opportunities

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U.S. companies may have potential opportunities in shale (unconventional) gas exploration and production equipment and services as great interest exists by many well-established Turkish companies including TPAO. Some of the combined cycle power generation companies are also seeking suppliers of shale gas from the U.S. Many opportunities exist for onshore and offshore explorations of TPAO, Shell, Aladdin Middle East, Transatlantic Petroleum Corporation and others listed above. Some of these exploration projects are being done in deep waters, which would require U.S. expertise and equipment. Potential opportunities exist especially in offshore Mediterranean Sea explorations. Star Refinery Project and TANAP gas pipeline projects are expected to create major opportunities for U.S. companies. Other opportunities exist in the construction of new refineries, petrochemical plants and regional pipelines. Expansion or upgrading of existing refineries and petrochemical plants would also create new business for U.S. companies. As Turkey is one of the priority markets for U.S. Eximbank, American companies have an advantage over its competitors by offering U.S. Eximbank credit, especially in the construction of pipelines, refineries and petrochemical plants.

## Web Resources

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Ministry of Energy and Natural Resources	<a href="http://www.enerji.gov.tr">www.enerji.gov.tr</a>
Petroleum Affairs General Directorate (PIGM)	<a href="http://www.pigm.gov.tr">www.pigm.gov.tr</a>
Botas	<a href="http://www.botas.gov.tr">www.botas.gov.tr</a>
Botas International Ltd. (BIL)	<a href="http://www.botasint.com">www.botasint.com</a>
Turkish Petroleum Corporation (TPAO)	<a href="http://www.tpao.gov.tr">www.tpao.gov.tr</a>
TPAO International Ltd.	<a href="http://www.tpic.com.tr">www.tpic.com.tr</a>
TANAP	<a href="http://www.tanap.com/en">www.tanap.com/en</a>
SOCAR TURKIYE	<a href="http://www.socar.com.tr/en">www.socar.com.tr/en</a>
PETFORM Web Site	<a href="http://www.petform.org.tr">www.petform.org.tr</a>

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## Plastics Materials and Processing Machinery

### Overview

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Unit: USD millions

	2012	2013	2014	2015 (estimated)
Total Market Size	37,215	47,744	52,520	57,800
Total Local Production	30,000	34,364	37,800	41,600
Total Exports	4,713	5,620	6,180	6,800
Total Imports	11,928	19,000	20,900	23,000
Imports from the U.S.	463	580	640	700
Exchange Rate: 1 USD	1.80 TL	1.90 TL	2.25 TL	2.50 TL

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: Totals include raw materials, plastic products, and machinery.

Source: PAGEV & TUIK

The plastics industry is one of Turkey's most rapidly emerging industries, growing at over 12.5% per year in the last five years. This growth rate is way above the GDP growth rate of the country. The Turkish plastics industry ranks 2nd in Europe, following Germany..

The Turkish plastics industry relies heavily on imported down-stream petrochemical components and foreign technologies to manufacture finished plastic products for the domestic and Central Asian markets. Turkey is the world's 16<sup>th</sup> largest importer of plastic raw materials with a share of 3.4 %. Turkey's plastic raw material imports share in each item can be broken down as follows:

PP: 94%

PE: 78%

PET: 58%

PVC: 85%

PS: 91%

In average, almost 87% of the raw materials used in Turkey is imported.

In Turkey, over 14,000 companies are engaged in the plastics industry, of which 6,500 are producers, and 99% of these are SMEs. There are 252 firms with foreign capital shares, and of these 252, 69% are of EU origin, with 17,1% being of German origin.

### Plastic Raw Materials Market

Due to increasing exports of raw materials, almost 96% of local demand for raw materials is met by imports. Turkey has one major petrochemical production facility, Petkim, which supplies materials to the plastic processing industry. Petkim provides almost 85 percent of

local production. It was state-owned, but was privatized a few years ago. With this privatization, industry experts expect Petkim to make new investments and increase its market share. In addition, more investments are expected from countries in the region such as Iran and Saudi Arabia. Other manufacturers include SASA and Baser.

Importation is high in items where there is a shortage in local production, such as PE, PVC, and PET. All other items that are not produced locally are imported. While Turkey imports plastic raw materials from almost 100 different countries, 65.5% of the total imports come from the top ten supplier countries: Saudi Arabia, Germany, Belgium, South Korea, United States, Italy, France the Netherlands, Spain. Dow Plastics, BASSELL, and SABIC are major foreign players in the Turkish market.

### Plastic Processing Machinery

Recently, cheap Chinese machinery and molds began entering into the Turkish market and taking market share from local machinery manufacturers. Local manufacturers tried to survive by exporting their products, but the same Chinese competition is present in export markets. This is a serious threat to Turkish plastics processing machinery manufacturers. The major types of machinery used in the plastic processing industry are cutting, splitting, and shaping machines, injection machines, and extruders. They are the best prospects in Turkey's plastics production machinery market.

Turkish plastics production machinery sales in Turkey were dominated by presses and other machinery (37%), followed by injection machinery (23%), extrusion machinery (18%), thermoform (6%), upsetting (3%), and parts (13%).

Currently, there are no significant trade barriers against imports from the U.S. Turkey's imports are regulated by an annual import regime published by the Undersecretary for Treasury and Foreign Trade (UTFT). The Import Regime sets forth import rules and regulations for the year, customs duties and surcharges on imported products, and lists of "investment" capital equipment machinery, the importation of which is encouraged by the government, since it adds value for Turkish exports.

The customs union established in January 1996 between the EU and Turkey resulted in zero duties for plastic imports from EU countries. The same agreement led to general reductions in duty rates assessed to non-EU third-country imports. All plastic processing machinery is subject to a 1.7 percent customs duty, and almost all plastics raw materials have a 6.5 percent import duty based on CIF (Cost, Insurance, and Freight) value for imports from non-EU countries, including the United States.

### **Sub-Sector Best Prospects**

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#### Plastics Raw Materials:

Materials with shortages in local production (PP, HDPE, PVC, PS) as well as materials with no local production (LLDPE, ABS) are considered best prospects.

#### Plastic Production Machinery:

Cutting, splitting, and shaping machines, injection machines, and extrusion machines have the best chance for success in the Turkish market.

## Opportunities

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Below are two major events that may be good platforms for U.S. firms seeking to network with Turkish buyers/distributors, assess their competition and evaluate their market situation:

**Name of Event: Plast Eurasia Istanbul 2014**

**Date:** December 4-7, 2014

**Location:** Istanbul TUYAP

**Website:** <http://www.plasteurasia.com>

**Description:** the 24rd International Istanbul Plastics Industry Fair, major event in the industry bringing business people from Eurasia countries.

**Name of Event: Putech Euroasia 2014, 4<sup>th</sup> Polyurethane Industry Fair**

**Date:** October 16 – 18, 2014

**Location:** Istanbul Expo Center

**Website:** <http://www.putecheurasia.com/index.php>

**Description:** polyurethanes industry firms

## Web Resources

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PAGDER-Plastik Sanayicileri Dernegi (Plastic Industrialists Association)

<http://www.pagev.org.tr/pagder/main.asp>

PAGEV-Turk Plastik Sanayicileri Arastirma Gelistirme ve Egitim Vakfi

(Fountation of the Turkish Plastic Industrialists Research, Development and Education)

<http://www.pagev.org.tr/>

PLASFED-Plastik Sanayicileri Federasyonu (Plastic Industrialists Federation)

<http://www.plasfed.org.tr/>

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## Safety and Security

### Overview

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The total market for safety and security equipment and services in Turkey is estimated to be \$3.73 billion in 2012. Physical security services, meaning private security guards, patrols, and security training services captured around \$3 billion of the total market, electronic security methods \$500 million, and cash in transfer services (C.I.T., cash and valuables) \$180 million. As these figures indicate, the safety and security sector in Turkey is heavily weighted towards physical security services due to the advantages of comparatively lower labor costs in Turkey. It can be expected that as the Turkish economy advances further, there will be a shift towards electronic security systems.

PRODUCT GROUP	% OF MARKET
Surveillance Systems (CCTV, IP cameras etc.)	55%
Fire Protection & Control	12%
Alarms & Warning Systems	14%
Access Control & Perimeter Security Systems	8%
Other	11%
<b>Total:</b>	100%

Source: A&S Magazine Turkey

\*The numbers are estimates out of interviews with the major players of the market. Estimates are necessary because products often enter the country unrecorded or with different GTIP numbers. It is estimated that 30% of the total sales is installation and services.

The Turkish economy is very dynamic and has a growth rate which cannot be seen elsewhere in Europe. For the safety and security equipment and services sector, 2011 was a strong year of growth. In 2012, growth continued but at a slower pace. The investments in Turkic republics have had a positive effect on the sector but the riots that took place in Libya and North Africa, as well as the debt crisis in Europe adversely affected the investments in these regions. Moreover, the sudden increase in the parity of the dollar at the end of 2011 also had a negative effect.

For many subsectors, the construction environment in the region is deeply related to the growth. As the construction sector continued its steady growth, the safety and security sector was affected positively. Urban revitalization and city transformation projects in 2012, especially in big cities, had a positive influence on the market. Fire warning systems and intercom systems were heavily used in the new buildings. Perimeter security and CCTV systems were installed. One of the decisive concepts for the sector will be green and smart buildings which are used more often.

### Market Entry

U.S. suppliers enjoy an excellent reputation for quality, reliability, timely delivery and after-sales service. Aggressive marketing, accompanied by suitable financing packages can increase the U.S. market share further. U.S. companies should also focus on training the local distribution and sales network. This will ensure that end users will take full advantage of the capabilities of the newly acquired technology.

Imports are carried out by specialized importers/distributors, local subsidiaries of international manufacturers, or domestic manufacturers with a distribution network seeking compatible products to broaden their lines. Interested U.S. firms with expertise in high-tech equipment may consider joint ventures with locally based security companies seeking diversification.

## Sub-Sector Best Prospects

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- **Video Surveillance Systems**
  - CCTV/video surveillance, video management, video analytics.
- **Electronic Access Control Systems**
  - Proximity & smart cards, electromechanical locking solutions, biometrics
- **Physical Security**
  - Fencing, grilles, bullet resistant glazing, mechanical window coverings, safes, locks
- **Scanning Equipment**
  - Narcotics/explosive/metal detectors, scanning & screening equipment
- **Article Surveillance Systems**
  - RFID systems, proximity tag systems
- **Personal Protection Products**
  - Examples: goggles, bullet proof vests, mace
- **Consultancy Services**
  - Risk analysis, risk management, disaster recovery, business continuity, organizational resilience
- **National Security**
  - Counter terrorism, border security, critical infrastructure, command and control, law enforcement equipment
- **Fire & Rescue**
  - Fire/smoke detection, fire suppression, fire proofing, leak detection, protective gear
- **IT Security**
  - Cyber terrorism

## Opportunities

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In the less sophisticated security products sector, Turkey offers 100 percent local production of equipment like protective apparel, locks and lock subassemblies, steel doors, laminated safety glass, portable fire extinguishers, safes, safety vaults, alarms and security panels. In the case of more advanced production, primarily imported components are used.

In the IT security sector, the most widespread and popular technologies in providing information security include encryption (cryptography), digital signature and PKI, network segmentation and firewalls, back up, attack detection and tracking, access control, security depth and anti-virus. Rising user awareness with security training will minimize the possibility of security gaps or other risk factors.

Prominent technologies regarding the gathering, storing, and distribution of information are among the top priorities of Turkey's private sector. Despite the global economic crisis that led to less spending on information technology infrastructure and upgrades, the IT security industry has been one of the few industries with continued growth. The same holds true in Turkey.

All around the world, including in Turkey, U.S. electronic security products have set the industry standard, as most of the R&D and technological innovations take place in the U.S. Other major suppliers of the electronic security systems market in Turkey are from Germany, the U.K., Israel, Japan, Taiwan, China, South Korea, Italy and Canada. U.S. companies can find opportunities in the following electronic products:

- **Closed circuit television systems**
- **IP based surveillance systems**
- **Full HD products**
- **Fiber optic cable or linear cable fire detection systems**
- **Biometrics applications**
- **Microwave detectors**
- **Anti-aggression and anti-hold-up devices**
- **Anti-shoplifting equipment**
- **Systems for automation of homes and buildings**
- **Remote positioning devices**
- **X-ray machines**
- **Forensics equipment**
- **Card access systems**
- **Integration applications between the systems**
- **Mobile DVR**

An important market trend in Turkey is the demand for integrated security solutions marketed by independent security consultants. These integrated solutions cover on-site and immediate response personnel, electronic security and alarm systems, and fire-related security all in one package. U.S. companies can find opportunities in the turnkey design of integrated security projects.

U.S. firms seeking to network with Turkish buyers/distributors, assess their competition and evaluate their market situation should attend Turkish and European trade shows. Upcoming shows in related sectors include:

#### **ISAF**

Location: Istanbul

<http://www.isaffuari.com/?lang=1>

#### **EMEA Intelligence**

Location: Ankara

<http://www.emeaintelligence.com/>

#### **Cebit Bilisim Eurasia**

Location: Istanbul

<http://www.cebitbilisim.com>

**Web Resources**

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**AS Turkiye**

Safety and Security Sector Magazine  
<http://www.asturkiye.com/>

### **ISAF**

Major trade show with all of the subsectors of safety and security sector. It has 5 sections: Security, Fire, Safety & Health, IT Security and Smart Houses.

<http://www.isaffuari.com/?lang=1>

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## **Transportation Technologies (Ports/Maritime, Land and Railroads, excluding Airports)**

### **Overview**

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Turkey's geopolitical position as a link between east and west makes the transportation industry crucial for the economic development of the region. It is in the middle of the Aegean Sea, Black Sea and Mediterranean Sea, and has two major straits (Bosporus and Gallipoli). These make Turkey a major player both as a transit country and as an origin and destination of freight. Additionally, goods traffic is not limited to trade between neighboring countries, but also includes countries located far away. Turkey is considered as a major cargo center with increasing trade between east and west.

The Customs Union agreement between Turkey and the EU and the application for full EU membership are pushing the transport industry to consider new investments in Turkey. Transport is among the five major issues in the EU accession agenda of Turkey (macro stability, labor, agriculture and the environment are the others). Problems range from physical integration to the harmonization of infrastructure, vehicles, environmental and other standards, the development of logistic networks, the improvement of border crossings and trade facilitation policies (including modernization of customs).

Turkey's transportation and logistics sector is one of the fastest growing industries of the country, and has tripled in value since 2002, with an average growth rate over the last five years being 20% each year. Forecasts indicate the value of the industry could be as large as \$120 billion by 2015. The influence of the transportation sector is expected to increase further in the future, as a huge number of highway, rail, and other transport-related projects are either already underway or expected in the coming years to accommodate an increasingly industrialized country. Experts believe that "combined transportation" will have a very big share in the transportation industry. In the future, the infrastructure partnership between private and government will increase and marine and railroads transportation will have a big role in cargo transportation for combined transportation. Government of Turkey has committed to new investments in the

transportation industry to keep up with the future demand of the industry, which is expected to reach the following targets in 2023, which is the 100th anniversary year of the Turkish Republic:

- Foreign Trade Volume of the country to reach 1.1 trillion \$, with 500 billion dollars of exports and 600 billion dollars of imports.
- Cargo that will be transported is estimated to reach 625 billion tons

All projects that are planned for each transportation mode to make each mode to look like as below:

#### **RAILROADS:**

- Total rail length will reach 26 thousand kms, with the new high-speed rail of 10 thousand 4 thousand kms of conventional rail
- 8000 kms of rail will be restored and modernized with new signalization systems
- Liberalization of railroads will be completed fully
- Main stations and terminal stations will be renovated and new terminal stations for high speed trains will be constructed.
- A new railroad project connecting Turkey to the Caucasus, Middle East and North Africa will be completed
- Marine ports will be connected to railroads
- Share of rail will be increased to 10% for passengers and 15% in cargo transportation.

All these projects will cost around \$50 billion.

#### **LAND TRANSPORTATION (ROADS/HIGHWAYS)**

- Land transportation will have 37 thousand kms of divided road.
- 7500 kms highways will be completed.
- 9 thousand bridges/viaducts with a total length of almost 600 kms will be completed.
- 110 new tunnels will be constructed.
- Third bridge on the Bosphorus strait will be constructed.
- A new bridge on the Canakkale strait will be constructed.

Total budget to be spent for these projects will be around **\$110 billion**.

#### **MARINE TRANSPORTATION**

- It will be a system with transfer ports to the Aegean, Mediterranean, and Black Sea.
- A new marine port that will be one of the world's top ten by 2019, in Candarli, to the north of the Aegean region in the west will be constructed. Project has already started.

- Will reach to a 32 billion dollar capacity of container transportation.
- Will reach a capacity of 350 billion tons of liquid cargo and 500 billion tons dry cargo.
- Turkey will be ranking within top ten in the world with its ship size.
- Total marina capacity to reach 50,000 yachts.
- Turkey will become an important logistics base.
- Increase combined/multimodal/intermodal type of transportation
- Will have seven new cruise ports.

Total amount of these projects is estimated as **\$34 billion**.

### **Best Prospects/Services**

Railroads: U.S. firms may be most competitive in high-tech products, including signalization, electromechanical products for the subject projects. Turkish customers favor U.S. firms for such products. The best approach would be to identify local distributors/agents in the Turkish market, who play an essential role in marketing and sales to both the governmental bodies and private companies. In Turkey, agency/representation/distributor agreements are private contracts between agents and their foreign suppliers. There are no unusual regulations which govern commission rates, termination, and similar terms.

Shipping/Ports: Some projects that might attract U.S. firms' attention are as follows:

- 1) Traffic Management and Coastal Surveillance Systems: The Under secretariat of Maritime Affairs is overseeing a tender to improve port safety and facilitate commerce. The project would expand the existing Vessel Traffic Management System (VTMS) system software and create new Vessel Traffic Centers in the Bay of Izmit, the Bay of Izmir, and the Mersin-Iskenderun area.
- 2) High volume of trade transported by ship from the U.S. to Turkey and from Turkey to the U.S. provides an opportunity for U.S. firms to increase their share of maritime transportation between Turkey and the United States. Trade figures show that Turkey's trade volume with the United States ranks first among OECD countries. However, the same success is not seen in the transport of these products. These products are mostly transported by non-American lines. U.S. transportation and logistics firms are encouraged to increase American maritime transportation of Turkish exports and imports to and from the United States.
- 3) An active maritime industry in Turkey also results in high ship production. This production increases the need for products like compression, ignition, internal combustion, piston engines of various sizes, radar apparatus, inboard/outboard engines, marine communications, flow meters, and similar high quality electronic products. A majority of these products are imported.
- 4) High technology intelligent traffic systems are sought in all highways and roads. US firms in the engineering/construction of bridges, highways, tunnels in addition to ones that can provide high technology traffic management systems are welcomed by KGM.

## Opportunities

US firms may wish to follow-up on the following trade promotion opportunities:

**Name of Event:** 5<sup>th</sup> International Railroads, Light Rail Systems, Infrastructure and Logistics Fair

**Date:** March 5-7, 2015

**Website:** [www.euroasiarail.eu](http://www.euroasiarail.eu)

**Name of Event:** ASPHALTIS-Asphalt, Highways, and Road Technologies

**Date:** March, 2015

**Website:** [www.asphaltis.eu](http://www.asphaltis.eu)

**Name of Event:** EUROPORT Istanbul - 13th International Shipping Exhibition

**Date:** March 18-21, 2015

**Website:** [www.europort-istanbul.com/eng/](http://www.europort-istanbul.com/eng/)

## Resources

Ministry of Transport, Turkey

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

Turkish State Railways (TCDD)

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

General Directorate of Highways (KGM)

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

Turkish Locomotive and Engine Industry Inc. (TULOMSAS)

[www.tulomsas.com.tr](http://www.tulomsas.com.tr)

Turkish Railway Machines Industry Inc. (TUDEMSAS)

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

Turkish Wagon Industry Inc. (TUVASAS)

[www.tuvasas.com.tr](http://www.tuvasas.com.tr)

Chamber of Maritime

[www.denizticaretodasi.org](http://www.denizticaretodasi.org)

Dentur – Deniz Endustrisini ve Denizciligi Gelistirme Dernegi (Turkish Marine Association)

[www.dentur.org](http://www.dentur.org)

For further information on this report and to search more on the potential opportunities, please contact:

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## Agricultural Sectors

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## Cotton

### Overview

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Unit: '000 Metric Ton

	2011	2012	2013 (est.)	2014 (est.)
Total Market Size	1,300	1,340	1,375	1,400
Total Local Production	600	580	500	630
Total Exports	40	47	45	45
Total Imports	750	804	920	830
Imports from the U.S.	400	457	550	500

1 Marketing Year= Aug-July

Total Market Size = (Total Local Production + Total Imports+ consumption from domestic stocks) – (Total Exports)

Data Sources:

Total Local Production: FAS estimates

Total Exports: FAS estimates

Total Imports: FAS estimates

Imports from U.S.: FAS estimates

Turkey continues to be one of the leading markets for U.S. cotton. Turkey's textile industry remains important to its economy in terms of investment, employment and exports. U.S. cotton has a very good reputation in Turkey, which is reflected in the continued high U.S. market share. Turkey is expected to remain a significant importer in the coming years due to the quality of U.S. cotton and the availability of the GSM-102 Export Credit Guarantee Program. Imports increased in the previous marketing year due to stronger demand for textiles in export markets, which is expected to continue in the coming marketing year. Total Turkish imports of U.S. cotton were valued at \$797 million in 2013, up from \$589 million in 2011, but down from \$1.2 billion in 2011.

United States Department of Agriculture  
Agricultural Affairs Office Turkey  
[Agankara@fas.usda.gov](mailto:Agankara@fas.usda.gov)

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## Soybeans

### Overview

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Unit: '000 Metric Ton

	2011	2012	2013 (est.)	2014 (est.)
Total Market Size	1,348	1,298	1,455	1,515
Total Local Production	50	70	125	140
Total Exports	3	21	20	25
Total Imports	1057	1249	1350	1400
Imports from the U.S.	305	503	525	550

Marketing Year Sept/Aug

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: FAS estimates

Total Exports: FAS estimates Total Imports:

FAS estimates Imports from U.S.: FAS estimates

Soy based foods are not popular in Turkey; however the poultry sector is dependent on soybeans as a major feed ingredient. The poultry and feed industry have been investing in modern crushing facilities and are continuing to expand their capacities. While domestic poultry consumption is increasing, so are new export markets such as Iraq and other neighboring countries which will further increase the demand for soybeans by Turkey's feed industry. The U.S. continues to be a leading supplier of soybeans for the Turkish market, however new regulations on biotechnology have interfered with the market periodically since October 2009. In 2013 total U.S. exports of soybeans and soybean meal were worth \$371 million, down from \$588 million in 2012. Soybean meal exports have increased, but have not kept up with the drop in soybean exports.

United States Department of Agriculture  
Agricultural Affairs Office Turkey  
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## Rice

### Overview

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Unit: '000 Metric Ton

	2011	2012	2013 (est.)	2014 (est.)
Total Market Size	700	730	720	710
Total Local Production	502	483	500	496
Total Exports	89	34	60	60
Total Imports	240	245	330	290
Imports from the U.S.	185	193	75	100

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: FAS estimates

Total Exports: FAS estimates

Total Imports: FAS estimates

Imports from U.S.: FAS estimates

The government eliminated most import barriers in 2007 after a WTO dispute settlement and now produces about one-half of its rice needs and imports the other half. Although Turkish production increased significantly in the following years, higher prices have caused farmers to select different crops. Turkey typically imports paddy rice from the United States and Russia, but Russia and Egypt will be less of an import option in the near future. Millers typically imported paddy rice from the U.S. and exported milled rice to the Middle East markets. Turkey and Middle Eastern countries mostly prefer medium sized rice, such as medium grain rice from southern States and California. However, Turkey's Biosafety Law and zero tolerance

United States Department of Agriculture  
Agricultural Affairs Office Turkey  
[Agankara@fas.usda.gov](mailto:Agankara@fas.usda.gov)

### Agriculture Industry Contacts in Turkey

Turkish Farmers Union  
[www.tzob.org.tr](http://www.tzob.org.tr)

Turkish Dairy, Meat, Food Industry and Producers Union  
[www.setbir.org.tr](http://www.setbir.org.tr)

Poultry Industrialists' and Breeders Association  
[www.besd-bir.org](http://www.besd-bir.org)

Turkish Flour Industrialists' Federation  
[www.usf.org.tr](http://www.usf.org.tr)

Turkish Feed Millers Association  
[www.turkiyeyembir.org.tr](http://www.turkiyeyembir.org.tr)

Turkish Seed Industry Association  
[www.turkted.org.tr](http://www.turkted.org.tr)

Federation of Food and Drink Industry Associations of Turkey  
<http://www.tgdf.org.tr/english/>

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## Chapter 5: Trade Regulations, Customs and Standards

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### Import Tariffs

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Import duties are calculated on the C.I.F. (cost, insurance and freight) value. Turkey is a signatory to Article VII of the General Agreements on Tariffs and Trade (GATT). The agreement stipulates that the customs valuation is the transaction value (the price that is actually paid or payable plus costs and expenses). Turkey is also obliged to comply with other Article VII provisions including the rapidity of clearance of goods, currency convertibility, and appeal privileges and rights. Turkish regulations do not allow for advance rulings on customs HS classification or on the applicable import duties on particular products.

Customs surcharges include a value-added tax (VAT) levied on most imported, as well as domestic, goods and services. The importer is responsible for paying the VAT. The VAT is calculated on a C.I.F. basis plus duty rate and any other applicable charges levied before the goods clear customs. The VAT for most agricultural products (basic food) ranges from one to eight percent and can reach up to 18 percent for some processed products. Capital goods, some raw materials, imports by government agencies and state owned enterprises, and products for investments with incentive certificates are exempt from import fees. Information on Turkish Customs procedures and regulations can be seen at:

<http://www.gumruk.gov.tr/ENG/homepage/Pages/default.aspx>

U.S. companies can also calculate the Turkish duty by visiting:

<http://www.gumruk.gov.tr/ENG/homepage/Pages/default.aspx>

Please review Turkey's Harmonized Tariff Schedule by commodity, chapter or sub heading.

### Trade Barriers

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On October 3, 2005, the European Commission began EU accession proceedings with the Republic of Turkey. The process of EU membership is expected to take between fifteen and twenty years. Prior to beginning its move towards EU accession, on January

1, 1996, Turkey and the EU formed a customs union. The agreement covers industrial products and processed agricultural goods. The Republic of Turkey adopted the EU's common external tariff (CCT), resulting in lower duties for imports from third countries, including the United States. The customs union establishes zero duty rates and no quotas for non-agricultural items of EU and European Free Trade Association (EFTA) origin. The current import regime is organized in five chapters that list more than 20,000 items, identified with 12 digit harmonized tariff system numbers.

The Government of Turkey (GOT) estimates that as a result of its accession to the European Customs Union, the average duty rate for imports from the European Union and EFTA countries has dropped from approximately ten percent to zero. For products imported from third countries, including the United States, the average duty rate has dropped from ten percent to approximately 4.1 percent. Turkey has reserved some exempted categories for sensitive products with tariffs on these items generally much higher than the CCT. Some agricultural goods will remain protected by steep tariffs.

Turkey is a member of GATT/WTO and regulates its customs in line with GATT requirements. While generally in compliance with the WTO agreement, Turkey often fails to notify the WTO of changes to import requirements. Applications of non-tariff barriers, such as implementing a reference price system and not issuing control certificates on occasion, continues from time to time and poses problems for imports of agricultural products.

Recently, U.S. companies in the pharmaceuticals and agricultural commodities sectors have complained of technical barriers to trade. U.S. pharmaceutical firms have noted ongoing concerns on pricing, onerous bureaucratic requirements and insufficient data protection. U.S. agriculture firms have expressed concern on a virtual total ban of food imports using genetically modified organisms. The U.S. Government has raised these matters in high level discussions with the Turkish side and cooperation with industry, continues to pursue mutually-agreeable solutions.

## **Import Requirements and Documentation**

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### **Import Licenses:**

The 1996 Turkish import regime abolished the requirement that every importer needs an import license and that the importer must obtain an import authorization from a bank. An importer only needs a tax number to import all but restricted items, e.g., firearms, hazardous materials, etc., which can be imported only by authorized establishments or for which the approval of the Directorate General of Security is required. All agricultural imports require control certificates, which are issued by the Ministry of Agriculture and Rural Affairs' General Directorate of Protection and Control.

### **Import Documentation:**

Turkish documentation procedures require a commercial invoice and a bill of lading or airway bill to accompany all commercial shipments. Depending on the type of product, importers may be required to submit a Certificate of Origin. Import licenses and phytosanitary certificates are necessary for food and agricultural commodity imports.

### **Commercial Invoice:**

The commercial invoice must be submitted in triplicate, including the original copy and must contain a complete description of the goods and all required payment terms. The exporter must endorse the original as follows: "We hereby certify that this is the first and original copy of our invoice, the only one issued by our firm for the goods herein mentioned." It is advisable to have the Turkish Embassy or Consulate in the United

States certify the document. At least one copy of the invoice should accompany the goods, and the original should be sent to the importer through the correspondent bank.

**Certificate of Origin:**

The certificate of origin is to be prepared in duplicate. No corrections are permitted on this document, which is to be prepared in English by a local chamber of commerce. The Turkish Embassy or Consulate in the United States must certify the certificate of origin. One copy of the document must be surrendered to the customs authorities at the time of importation.

**Bill of Lading/Airway Bill:**

Details in the bill of lading should correspond exactly to those given in other shipping documents. The original bill of lading should be submitted in triplicate along with 3 copies.

**Proforma Invoices:**

The proforma invoice must not be more than six months old at the time of application. It must contain an unexpired option (if appropriate), indicate freight and insurance charges separately, and bear the importer's name. Products falling under the European Union New Approach Directives must be accompanied by either a self-declaration of

conformity or a notified body's issued certificate of conformity to be allowed entry into the Turkish market. Please see the standards and CE mark section below.

#### Health Certification:

Special health certificates are required for imports of plants, seeds, animals and animal products. Plants, including fruits and vegetables, must be substantially free from pests and diseases and must have been grown in an area substantially free from prohibited pests and diseases. Additional information may be obtained from the U.S. Department of Agriculture's Animal and Plant Health Inspection Service (APHIS) at Tel: (301) 734-7885 or Fax: (301) 734-6402 (Veterinary Services) and Tel: (301) 734-8537 or Fax: (301) 734-5786 (Plant Protection and Quarantine). APHIS inspects and certifies that plants, plant products and live animals conform to health and sanitary requirements as mandated by the Turkish government. U.S. exporters are encouraged to obtain information from the importer prior to shipment because of the complexity of phytosanitary regulations.

#### Special Import Requirements:

Alcohol can be imported by the private sector by obtaining license and permission from the Tobacco, Tobacco Products and Alcoholic Drinks Market Regulatory Authority (TAPDK), which is an independent regulatory body. Despite these changes, non-tariff barriers, arduous document requirements, and high duty rates continue to limit trade in alcoholic beverages. Cigarettes can only be imported by TEKEL and cigarette producers, which are permitted by the government under a special decree (such as Philip Morris, RJ Reynolds, British Tobacco, etc.).

Medical X-ray films can only be imported into Turkey by the Red Crescent Association that is a sister organization to the Red Cross.

The importation of precious metals (gold, silk, and platinum) can only be done by members of the Istanbul Gold Exchange. The Istanbul Gold Exchange consists of domestic or foreign banks, precious metals companies, currency offices, precious metals producing and marketing companies and precious metals refineries. In 2003, Turkey signed an agreement to become a participant of the Kimberley Process Diamond Certification Scheme, which is a joint government, international diamond industry and civil society initiative to stem the flow of conflict diamonds. On 14 August 2007 Turkey officially became a member of the Kimberley Process Certification Scheme. Information on the regulations pertaining to the importation of precious metals and stones can be found at:

<http://www.iab.gov.tr/>

Importing products such as pharmaceuticals; organic chemicals, especially those used to produce medicines and medical products; vaccines for both humans and animals; cosmetic products; chemicals used in cleaning and the food industry; live animals and plants; grains and plant seeds; and hormones require control certificates from the Directorate General of Curative Care Service of the Ministry of Health and Agriculture.

The following documents must be submitted to the relevant Ministry to obtain the control certificates: proforma invoice, health certificate, certificate of analysis, formula or list of contents of the product, pedigree certificate, and radiation analysis report. All documents must be obtained from and/or approved by the relevant authorities in the country of origin. Documents must be submitted in the original language with a translation into

Turkish. Control certificates must be presented to customs authorities upon import.

Products requiring after-sales service such as motor vehicles, household electrical goods, office equipment and computers, cash registers, TV and video equipment, heaters, gas-fired burners, industrial machinery, automobiles, and wireless equipment require an import permit from the Ministry of Industry and Trade. In order to obtain such a permit, importers must guarantee that they will provide service and spare-parts either by establishing offices or by signing agreements with existing service/parts firms. The penetration of maintenance facilities throughout the country depends on the type of the product. Particular product groups that are being frequently used require a wide spread network of maintenance facilities in each of Turkey's seven geographic regions. In July 2001, the Turkish government codified a regulation which requires additional maintenance facilities to be established for companies importing automobiles into the Turkish Republic. Telecommunications equipment such as all wireless equipment, automatic data processing machines, electrical apparatus for line telephony or telegraphy, and telephone answering machines need type-approval of the Telecommunications Regulatory Authority.

Under a regulation published in the Turkish Official Gazette of December 31, 2007 (No. 26743-supplementary issue) importers are required to obtain a control certificate from the Ministry of Environment for materials considered detrimental to the environment. Such materials include hard coal, lignite, petcoke, petroleum, arsenic, mercury, lead sulfides and carbonates, fluorocarbons, other chemicals and scrap metals.

## **U.S. Export Controls**

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The Bureau of Industry and Security is charged with the development, implementation and interpretation of U.S. export control policy for dual-use commodities, software, and technology. Dual-use items subject to BIS regulatory jurisdiction have predominantly commercial uses, but also have military applications. In order to accomplish this objective, BIS seeks to promulgate clear, concise, and timely regulations. This section of our Web site provides a link to the Bureau's regulations governing exports of dual-use items (the "Export Administration Regulations"), codified at 15 Code of Federal Regulations, Chapter 7. It also provides discussions of certain key regulatory policy areas including policies governing exports of high performance computers, exports of encryption products, deemed exports, U.S. anti-boycott regulations, and special regional considerations, the multilateral export control regimes, and the technical advisory committees.

In addition to the U.S. export control policy for dual-use items, the Bureau of Industry and Security is also charged with the development, implementation and interpretation of the anti-boycott provisions of the Export Administration Act. The anti-boycott provisions encourage, and in some cases, require U.S. persons to refuse to participate in foreign boycotts that the United States does not sanction. U.S. persons are also required to report receipt of boycott-related requests.

<http://www.bis.doc.gov/>

## **Temporary Entry**

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Goods may be temporarily imported into Turkey without payment of duties and tax if they are to be used in the production or manufacture of a product that is to be exported. The importer gives security in the form of a bank guarantee (temporary import bond) in the amount of applicable duties and taxes. Upon exportation of the finished product, the guarantee is remitted. Temporary admission of goods intended for re-export in their original form is permissible free of import duties and taxes with the approval of the Under secretariat for Foreign Trade.

Turkey is a signatory to the International Convention to Facilitate the Importation of Commercial Samples and Advertising Material. Samples of no commercial value are admitted duty-free. Other samples are assessed duties and taxes at the time of import, but these are refunded if the samples are re-exported within six months from the date of import. A letter of guarantee will be provided to Turkish Customs for a temporary import, with the guarantee being returned at the time of re-export. Samples should be listed on an invoice. Books, newspapers, magazines, catalogs, pamphlets, brochures, and similar advertising materials are exempt from customs duty.

U.S. traders may also wish to consider a more simplified procedure in the form of an "ATA Carnet." Carnets are international customs documents permitting the holder to temporarily import products as samples without paying customs duties or posting bonds. Virtually all goods, personal and professional, including commercial samples, professional equipment, goods intended for use at trade shows and exhibitions, computers, tools, cameras and video equipment, industrial machinery, automobiles, apparel and even jewelry are covered under a carnet.

The reader may wish to check the "General List" to see if the goods are covered by ATA Carnet guidelines or call the Carnet-Help-Line at (800) 5-DUTYFREE or visit the web site for clarification:

<http://www.uscib.org>

Normal processing of an ATA Carnet is five working days; expedited service is available at an extra charge. In the United States, carnets are sold by the U.S. Council for International Business and Roanoke Trade Services at the following locations:

- New York, NY, (212) 708-5078
- Long Beach, CA, (800) 421-9324 or (562) 628-9306
- Schaumburg, IL, (800) 762-6653 or (847) 969-8211
- San Francisco, CA (800) 255-4994 or (415) 732-5480
- Miami, FL (also serves Houston) (800) 468-5467 or (305) 593-5583
- Hunt Valley, MD (800) 422-9944 or (410) 771-6100 x 12
- Boston, MA (800) 233-3620 or (617) 368-9907
- Houston, TX (pick up site only) (800) 456-0422 or (713) 582-6464 x 102

With the carnet, goods may be imported without payment of duties and taxes. Carnets are valid for one year.

## **Labeling and Marking Requirements**

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All packages, cases, and bales must bear shipping marks, numbers, dimensions, and the gross weight of the merchandise. Packages along with accompanying bills of lading for goods to be shipped through Turkey must be marked "In Transit." All goods entering

Istanbul or any other entry port in Turkey (Ankara, Iskenderun, Izmir, Antalya, Mersin, Sinop, Samsun, and Trabzon) will be cleared through customs, and full payment of duty will be required unless the packages and bills of lading are marked "In Transit." Goods marked "In Transit" may be cleared for entry and reshipment.

### **Prohibited and Restricted Imports**

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Importation of certain product groups like narcotics is prohibited. A list of all prohibited or restricted products for Turkey can be viewed at the Turkish Customs Service Website - <http://www.gumruk.gov.tr/ENG/homepage/Pages/default.aspx>

### **Customs Regulations and Contact Information**

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The Turkish Customs website is <http://www.gumruk.gov.tr/ENG/homepage/Pages/default.aspx>

### **Standards**

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### **Overview**

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The Government of Turkey's Under-secretariat for Foreign Trade announced the implementation of twenty-three European Union industrial directives, which would affect an estimated 70 percent of the manufactured products imported into Turkey.

The Under secretariat for Foreign Trade has adopted the EU's Low Voltage Directive, the Simple Pressure Vessels Directive, the Gas Appliances Directive, the Hot Water Boilers Directive, the EMC, the Machinery Directive, the Civil Explosives Directive, the Weighing Instruments Directive, the Equipment and Protective Systems Intended in Explosive Atmospheres Directive, the Lifts Directive (elevators), the Household Refrigerator/Freezer Directive, the Pressure Equipment Directive, the Noise Emission Directive, the Energy Efficiency for Ballast for Fluorescent Lighting Directive, the Active Implantable Medical Device Directive, the Medical Device Directive, the In Vitro Diagnostics Device Directive, the Toy Directive, the Recreational Water Craft Directive, the Construction Equipment Directive, the Personal Protective Equipment Directive, the Radio and Telecommunications Terminal Equipment Directive and the Cableway Directive (ski lifts and gondolas).

On 05/22/2012 Turkey combined 22/95/EC ROHS and 2002/96/EC WEEE directives under a new Directive named "Controlling Waste Electrical and Electronic Equipment". The Ministry of Environment is the responsible government agency overseeing the regulation, which has partially become effective.

Equipment meeting the directive definition of products needing to conform to EU technical regulations must have evidence of meeting the requirements either through verified laboratory testing conducted by an EU approved notified body or by manufacturer's self-declaration if the directive dictates. Companies selling to the Turkish market must submit evidence of conformity (CE Mark) either by providing a notarized conformity certificate from a notified body or a manufacturer's issued certificate of conformity, which declares compliance of all relevant directives. The CE Mark was established by the European Union to ensure the free circulation of products in Europe.

The directives that were entered into effect under a system called the "New Approach," were established to ensure, health, safety, consumer and environmental protection. The "New Approach" identifies the level of risk and hazard.

Annexes to the various EU directives will specify levels of risk and types of products that would need to be either certified by a notified body, or certified by the manufacturer as conforming to the particular directive(s). The EU's laws and regulations made it compulsory to comply with the directives when goods are sold in the territory of the European Union and the European Economic Area (EEA). Companies must show evidence of product compliance by maintaining or presenting a technical file that includes product specifications, technical drawings and standards applied per the appropriate directives and corresponding annexes.

Both U.S. companies and Turkish Government officials have acknowledged that products of EU origin bearing the CE mark, regardless of their point of origin, are not subject to inspection and therefore Turkish customs authorities have been unfairly singling out U.S. products. In some cases, U.S. products apparently have been subjected to additional tests, despite their CE marks. In certain cases parts and components of final equipment which would not be subject to CE marking according to the EU regulations were held at Customs after inspections conducted by Turkish Standards Institute (TSE) due to lack of CE marking. Manufacturers were required to demonstrate compliance with related standards or provide technical proof that they would not fall under the related new approach directives. TSE has argued that this policy is necessary because Turkey does not have an aftermarket monitoring system in place to ensure consumer protection.

There have been incidents where, without prior notice, the Turkish Government published communiqués in January and April 2009 (2009/9, 2009/10, 2009/11, 2009/15, 2009/16, among others) outlining the standard procedures to be followed by importers or manufacturers of toys, personal protective equipment, batteries and medical equipment. Products manufactured in the EU are exempt from these inspections.

**Standards Organizations**

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### **NIST Notify U.S. Service**

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an

opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

## Conformity Assessment

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The European Commission does not have a list of products to which their directives apply. Thus the manufacturer is to determine the applicability of relevant directives to any given product. Conformity Assessment is a mandatory step for the manufacturer in the process of complying with specific EU legislation. As the initial step to obtain the CE marking, manufacturers need to identify all applicable EU directives and determine the essential requirements indicated in the directives. This is followed by the selection of the appropriate conformity assessment module, which determines the relevant procedures to demonstrate conformity. For low risk profile products the process is relatively simple as manufacturers are allowed to self-certify without third party involvement. The high-risk group products are certified via an accredited testing laboratory, which is referred to as a "Notified Body". The risk level of the product determines the scope of the notified body involvement during the conformity assessment process. A notified body may be involved in the design, the production phase, or both. CE marking shall be followed by the identification number of the notified body if it has any involvement in the production phase. It is also possible to have multiple notified bodies involved in the conformity assessment process for those products, which fall under more than one directive. There are competent notified bodies in the U.S. to perform tests on products and an updated list is maintained by the U.S. Department of Commerce. You can find conformity assessment bodies in individual member state country in this list by the European Commission <http://ec.europa.eu/old-address-ec.htm>. To promote market acceptance of the final product, there are a number of voluntary conformity assessment programs.

Turkish Standards Institute, Turkish Cement Manufacturers Association and Turk Loydu Vakfi Iktisadi Isletmesi have been recognized as notified bodies in Turkey responsible for carrying out the conformity assessment procedures referred to in the applicable New Approach directives indicated below:

Turkish Standards Institute (Notified Body Number: 1783)

-89/106/EEC Construction Products

-90/396/EEC Appliances Burning Gaseous Fuels

-95/16/EC Lifts

-97/23/EC Pressure Equipment

Turkish Cement Manufacturers Association (Notified Body Number: 1784)

-89/106/EEC Construction Products

Turk Loydu Vakfi Iktisadi Isletmesi (Notified Body Number: 1785)

-90/396/EEC Appliances Burning Gaseous Fuels

-97/23/EC Pressure Equipment

Meyer Yonetim ve Belgeleme Hizmetleri Ltd. Sti. (Notified Body Number: 1984)

-97/23/EC Pressure Equipment

## -90/396/EEC Appliances Burning Gaseous Fuels

Products that fall under the Active Implantable Medical Device Directive, the Medical Device Directive, the Low Voltage Directive, the EMC Directive and the Machinery Directive are inspected by the Turkish Standards Institution, in terms of CE compliance. The inspection procedure in TSE, for CE compliance, starts with the examination of the declaration of conformity. The declaration of conformity must mention the applicable directive(s), the name of the manufacturer or his authorized representative, the name of the notified body (if involved), product information and reference to harmonized standards. If the notified body is also involved in the process, the type of examination certificate should also be submitted.

Following the initial phase, the products are examined in terms of the way the CE Mark is affixed. The examination process is conducted by a committee set up by the Turkish Standards Institute. The CE Mark must be affixed to the data plate or to the product. If not, it should be placed on the packaging and accompanying documents. It must be affixed visibly, legibly and indelibly. It must be in compliance with the predetermined proportions. If the committee decides that the CE mark is affixed properly to the product, TSE issues another declaration of conformity.

For products falling outside of the scope of the European Union New Approach Directives and where the Government of Turkey has established a directive or standard, the current standard or directive would apply. At this point, certification of compliance with TSE standards would be required. The Turkish Standards Institute contact information is provided below in the website portion of this chapter.

Manufacturers are required to submit a declaration of conformity for each applicable directive; prepare and submit (if asked) a technical file. Following this step the CE mark can be affixed to the product in accordance with the Directive 93/68/EEC.

### **Product Certification**

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To sell their product to Turkey, the EU, as well as Norway, Liechtenstein and Iceland, U.S. exporters are required to apply CE marking whenever their product is covered by specific product legislation. CE marking product legislation offers manufacturers a number of choices and requires decisions to determine which safety/health concerns need to be addressed, which conformity assessment module is best suited to the manufacturing process, and whether or not to use EU-wide harmonized standards.

In the 1980s, the New Approach was launched to overcome the lengthy adoption process of “old approach” type legislation. The goal of the European Union's harmonization program under the New Approach is to streamline technical harmonization and the development of standards for certain product groups, including, among others, machinery, toys, construction products, electromagnetic compatibility, personal protective equipment, non-automatic weighing

instruments, medical devices, gas appliances, hot water boilers, and radio and telecommunications terminal equipment (RTTE). Under the New Approach, Directives cover essential safety, health and environmental requirements. The three regional European standards organizations, CEN, CENELEC and ETSI, are mandated by the Commission to develop technical standards that are consistent with the essential requirements of EU Directives.

Products manufactured to standards adopted by CEN, CENELEC and ETSI, and published in the Official Journal as harmonized standards are presumed to conform to the requirements of EU Directives. The manufacturer then applies the CE Mark and issues a declaration of conformity. With these, the product will be allowed to circulate freely within the European Union.

A manufacturer can choose not to use the harmonized EU standards, but must then demonstrate that the product meets the essential safety and performance requirements. Trade barriers occur when design, rather than performance standards are developed by the relevant European standardization organization, and when U.S. companies do not have access to the standardization process through a European presence.

The CE mark addresses itself primarily to the national control authorities of the Member States, and its use simplifies the task of essential market surveillance of regulated products. Although CE marking is intended primarily for inspection purposes by EU Member State inspectors, the consumer may well perceive it as a quality mark. The CE mark is not intended to include detailed technical information on the product, but there must be enough information to enable the inspector to trace the product back to the manufacturer or the authorized representative established in the EU. This detailed information should not appear next to the CE mark, but rather on the declaration of conformity, the certificate of conformity (which the manufacturer or authorized agent must be able to provide at any time, together with the product's technical file), or the documents accompanying the product.

## Accreditation

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Independent certification bodies have been officially accredited by competent authorities to test and certify to EU requirements. However, under the U.S. /EU Mutual Recognition Agreements (MRAs), notified bodies based in the United States and referred to as conformity assessment bodies, will be allowed to test in the United States to EU specifications, and vice versa. The costs will be significantly lower and U.S. products and will, as a result, become more competitive. At this time, the U.S. /EU MRAs cover the following sectors: EMC (in force), RTTE (in force), medical devices (in transition), pharmaceutical (in transition), and recreational craft (in force). The link below lists American and European Conformity Assessment bodies operating under a mutual recognition agreement.

<http://ts.nist.gov/ts/htdocs/210/gsig/mra.htm>

Accreditation is handled at member state level. "European Accreditation" (<http://www.european-accreditation.org/content/home/home.htm>) is an

organization representing nationally recognized accreditation bodies. Membership is open to nationally recognized accreditation bodies in countries in the European geographical area that can demonstrate that they operate an accreditation system compatible with EN45003 or ISO/IEC Guide 58.

As previously stated, the Turkish Standards Institute, Turkish Cement Manufacturers Association and Turk Loydu Vakfi Iktisadi Isletmesi have been recognized as notified bodies in Turkey responsible for carrying out the conformity assessment procedures referred to in the applicable New Approach directives. The Turkish Standards Institute is the accredited authority in the Republic of Turkey for all matters related to ISO, ENISO and TSE standards and directives.

## **Publication of Technical Regulations**

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The Turkish Standards Institute publishes all Turkish standards and directives. These documents are available for purchase.

Turk Standardartlari Enstitusu  
Necatibey Caddesi 112  
Standart Hazirlama Baskianligi  
06100 Bakanliklar  
Ankara, Turkey  
Tel: [90] (312) 417-0020  
Fax: [90] (312) 425-4399  
Web site: <http://global.tse.org.tr/>

## **Labeling and Marking**

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All packages, cases, and bales must bear shipping marks, numbers, dimensions and the gross weight of the merchandise. Packages along with accompanying bills of lading for goods to be shipped through Turkey must be marked "In Transit." All goods entering Istanbul or any other entry port in Turkey (Ankara, Iskenderun, Izmir, Mersin, Sinop, Samsun, and Trabzon) will be cleared through customs, and full payment of duty will be required unless the packages and bills of lading are marked "In Transit." If so marked, the goods may be cleared for entry and reshipment.

## **Contacts**

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The Turkish Customs can be reached via  
<http://www.gumruk.gov.tr/ENG/homepage/Pages/default.aspx>

## **Trade Agreements**

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Turkey has been in accession negotiations since December 17, 2004 and continues to reap the benefits of its 1996 customs union agreement with the EU,

particularly in terms of improved economic efficiency. The customs union commits Turkey to adopt the EU's common external tariff and a commercial policy "substantially similar" to that of the EU, including adoption of the EU's preferential trade regime with third countries. Turkey has already signed Free Trade Agreements with the EFTA member countries and is in the process of finalizing agreements with the other EU applicant countries.

Turkey is a founding member of the Black Sea Economic Cooperation (BSEC) in which the governments of Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Serbia, Turkey and the Ukraine are nurturing multilateral cooperation among the members on a number of issues including trade. Turkey, along with Pakistan and Iran, is a founding member of the Economic Cooperation Organization (ECO). ECO, whose membership beyond the founders includes Afghanistan, Azerbaijan, Turkmenistan, Uzbekistan, Kyrgyzstan, Tajikistan and Kazakhstan has had limited success in improving trade cooperation. Turkey is a founding member of the Southern Europe Cooperative Initiative (SECI); a regional association aimed at encouraging cooperation among its member states on a variety of issues including customs, transportation and anti-crime efforts. SECI member states include Albania, Bosnia & Herzegovina, Bulgaria, Croatia, Greece, Hungary, the Former Yugoslav Republic of Macedonia, Moldova, Romania, Slovenia and Turkey.

Turkey has free trade agreements (FTA's) with the following countries:

- Albania
- Bosnia-Herzegovina
- Chile
- EFTA (Norway, Switzerland, Iceland and Liechtenstein)
- Egypt
- Georgia
- Israel
- Jordan
- Lebanon
- Macedonia
- Mauritius
- Montenegro
- Morocco
- Palestine
- Republic of Korea
- Serbia
- Syria
- Tunisia

The United States and the EU continue negotiations in the Transatlantic Trade and Investment Partnership. Given Turkey's Customs Union with the EU, Turkey has noted its desire for a Free Trade Agreement with the United States. While an FTA is not on the cards at this time, the U.S. and Turkey consult frequently on TTIP through the High-level Committee.

#### **Web Resources**

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The U.S. Commercial Service in Turkey has been assisting U.S. companies, whose products meet EU directives conformity, clear their goods through

Turkish Customs as expeditiously as possible. The Commercial Service is also working to have the Government of Turkey accept CE conformity certification from U.S. corporations or U.S.- based Notifying Bodies, without having U.S. companies face additional bureaucratic delays at customs and additional testing at the Turkish Standards Institute. For additional assistance in managing the new CE Mark regulations in Turkey, please contact Commercial Specialist Ozge Eksi at [Ozge.eksi@trade.gov](mailto:Ozge.eksi@trade.gov)

For additional information on the European Union Directives and European standards, please contact:

U.S. Mission to the  
E.U. Foreign  
Commercial Service  
Rue Zinner 13  
B - 1000 Brussels, Belgium  
Fax: 32 2 513 1228

<http://export.gov/europeanunion/>

#### **CE Websites**

<http://gsi.nist.gov/global/index.cfm/L1-3>

[http://ec.europa.eu/index\\_en.htm](http://ec.europa.eu/index_en.htm)

<http://www.newapproach.org/>

#### **Standards Websites**

<http://www.cen.eu/cen/pages/default.aspx>

<http://www.ansi.org/>

<http://www.etsi.org/WebSite/homepage.aspx>

<http://www.cenelec.eu/>

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## Chapter 6: Investment Climate

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### **Openness to Foreign Investment**

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In 2011, the ruling Justice and Development Party (AKP) won a third term in office, a victory subsequently reaffirmed by the AKP victory in March 2014 municipal elections. As part of its election campaign, the AKP has heavily promoted its goal to become a top ten economy by 2023 (<http://www.akparti.org.tr/english>). In order to achieve this goal, the Turkish Government has developed specific strategies for 24 industrial sectors, including eight priority sectors. It has also established specific plans for physical infrastructure upgrades, as well as a major expansion of Turkey's health, information technology, and education sectors, all of which are geared to make Turkish companies more competitive. The Turkish Government recognizes that the domestic economy alone will not be sufficient to reach these goals and that Turkey will need to attract significant new foreign direct investment (FDI).

Turkey has one of the most liberal legal regimes for FDI in the OECD. In 2011, Turkey attracted \$15.7 billion in FDI, although a significant portion of this came from portfolio investment. This level, however, is still far below the levels needed, and the Turkish Government is actively seeking greater U.S. FDI. In order to attract U.S. FDI, Turkey needs to increase trade advocacy and export promotion efforts, as well as access to credit, especially for small -and medium- sized businesses involved in high value-added goods and services. Turkey must also better enforce international trade rules, ensure the transparency and timely execution of judicial orders, increase engagement with

foreign investors on policy issues, and pursue policies to promote strong, sustainable, and balanced growth. Investment Climate (already cleared as ICS April)

According to the United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2013 ([http://unctad.org/en/PublicationsLibrary/wir2013\\_en.pdf](http://unctad.org/en/PublicationsLibrary/wir2013_en.pdf)), growing political uncertainty at the regional level and subdued economic prospects at the global level are holding back foreign investors' interest in Turkey. UNCTAD reports a sharp increase in outward investments with Turkish investment abroad growing by 73% in 2012 to \$4.1 billion. FDI in region comprising Turkey, Saudi Arabia, the United Arab Emirates, Kuwait, Lebanon, Iraq, Jordan, Bahrain, Yemen, Qatar, and the Palestinian Territory, however, fell for the fourth consecutive year, decreasing by 4 per cent to \$47 billion, half its 2008 level. Turkey's FDI fell by a much larger 23 percent to \$12.4 billion. This declining FDI to Turkey was due in large part to a 70 percent drop in mergers and acquisitions sales. Nevertheless, Turkey became the largest FDI recipient in West Asia in 2013, beating out Saudi Arabia for the first time since 2006. Structural reforms undertaken by the Government of Turkey (GOT) over the last decade, a strong banking sector, tight fiscal controls, efforts to reduce the size of the informal economy, increasing flexibility of the labor market, improving skills of workers, and continuing privatization of state economic enterprises will continue to boost the investment environment in Turkey. The GOT has privatized state economic enterprises through block sales, public offerings, or a combination of both. Transactions completed under the Turkish privatization program generated \$12.5 billion in 2013. The Turkish Government is committed to continuing the privatization process despite the contraction in global capital flows.

With the exception of some sectors (highlighted below), areas open to the Turkish private sector are also generally open to foreign participation and investment. All investors, regardless of nationality, however, face some challenges: excessive bureaucracy, a slow judicial system, high and inconsistently applied taxes, weaknesses in corporate governance, unpredictable decisions made at the local government level, and frequent changes in the legal and regulatory environment. The Parliament amended the Law of Obligations (debt regulations), and a new Commercial Code became effective in July 2012. Structural reforms that will create a more transparent, equal, fair, and modern investment and business environment remain delayed. Venture capital and angel investing are still relatively new in Turkey, but legislation that went into effect in late 2012 will facilitate greater development of these sorts of financing opportunities.

### **Turkish Industrial Strategy**

In January 2011, the Ministry of Science, Industry, and Technology (MSIT) announced Turkey's Industrial Strategy, which identifies key areas to increase Turkey's competitiveness and productivity and targets aimed at transforming Turkey into a technology base for manufacturing of medium- to high-technology products. The document identifies the following areas as major potential drivers of the Turkish economy that can help increase exports and FDI growth and transform Turkey into Eurasia's technology base: innovation-led productivity, increasing production of medium- and high-technology goods, increasing capital for knowledge-intensive sectors, creation of a stronger knowledge-based economy, and a well-educated and highly qualified work force. Specifically, MSIT (<http://www.sanayi.gov.tr/Default.aspx?lng=en>) has identified 24 industrial sectors that will help Turkey achieve its goal of becoming a

top ten economy by 2023 and has developed specific strategies and action plans for six priority sectors: iron and steel, automotive, chemicals, machinery, electronic equipment, and ceramics. The GOT also announced in early 2013 that medicines and medical devices are priority sectors for the Turkish Government, and the Ministry of Science, Industry and Technology was working on the pharmaceutical industry sector strategy and action plan slated for release in 2013. While the plan is now expected in May, in the last quarter of 2013 the production per employee index in the “manufacturing of basic pharmaceutical products and other materials related to pharmaceuticals” actually decreased 12.14 percent – more than any other sector.

## **Investment Issues**

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### **Partnerships to Improve the Investment Climate**

Since 2001, the Turkish government has pursued a comprehensive investment climate reform program aimed at streamlining investment-related procedures and attracting more FDI. The Coordination Council for the Improvement of Investment Environment (YOIKK), a national platform jointly formed by the public and private sectors, provides technical guidance for issues relating to the investment environment.

In 2004, the Investment Advisory Council of Turkey (IAC) was created to provide an international perspective for Turkey’s reform agenda. IAC members include executives from multinational companies, representatives of international institutions such as the IMF, World Bank and European Investment Bank, and the heads of Turkish NGOs representing the private sector. The Council, chaired by the Prime Minister, convenes yearly to advise the Turkish Government on the direction of its reform program. The Council’s recommendations serve as guidelines for the YOIKK platform, and Council recommendations are published in the Turkish Treasury’s annual IAC Progress Reports.

In addition to structural reforms, Turkey’s Investment Support and Promotion Agency (ISPAT), whose main objective is to support new investors throughout the business establishment process and solve problems that arise after establishment, plays an important role in promoting a business and investment-friendly environment. ISPAT serves as an advocate within the GOT for reforms that promote investment and works to raise both domestic and international awareness of the benefits of investment.

### **Renewable Energy**

The Turkish Government continues to promote investment in renewable energy production as well as renewable energy equipment manufacturing. Under the 2010 Renewable Energy Incentives Law, the Turkish Government offers power purchase guarantees and feed-in tariffs for electricity produced from renewable sources, but it does not offer similar power purchase agreements for thermal power plants, which must sell to the spot market or through bilateral contracts. In 2012, the Ministry of Energy and Natural Resources developed implementing regulations for the Renewable Energy Incentives Law that clarified minimum local content thresholds for a product to qualify for additional feed-in tariff bonuses. The Energy Market Regulatory Authority continues to award licenses for new wind and geothermal projects. Turkey’s goal is to develop 20,000 megawatts (MW) of wind power, 600 MW of geothermal power, and up to 9,000 MW of solar power by 2023. Hydropower, however, remains the main contributor to

renewable energy in Turkey at 15,831 MW in 2012 (latest data available), representing 86.11 percent of total renewable capacity and 33.79 percent of total installed capacity. The drought this year is expected to negatively impact that hydropower sector.

### **Health Care, Transportation, and Information Technology**

To meet ambitious development goals, the Government of Turkey is planning significant new investments in infrastructure, including in the health care (particularly hospitals) and transportation sectors (ports, airports, rail, light-rail, and road infrastructure). The Ministry of Health announced tenders for 35 public-private partnership health campuses and city hospital projects in 22 Turkish cities.

Turkey plans to make significant additional infrastructure upgrades for ports, airports, road, and rail over the next decade. The Turkish private sector is also spearheading projects with neighboring Central Asian countries aimed at establishing an intermodal transportation network to establish new and revive outdated transportation and energy links as part of a “New Silk Road” effort.

As part of an effort to improve Turkey’s education system, in 2010 Turkey embarked on the multibillion dollar FATİH project to provide Turkish students with tablet computers and schools with smart boards. The initial pilot program delivered smart boards and 8,500 tablet computers to 52 schools in 17 provinces. The expanded pilot raised those numbers to 49,000 tablet computers in all of Turkey’s 81 provinces in early 2014. The project will require expanding broadband internet service throughout Turkey, as well as developing educational content and applications for tablets and smart boards. Turkey is also planning to develop greater cloud computing capacity. All these projects will provide significant opportunities for U.S. information and communication technology (ICT) companies, and the Turkish Government is actively looking for U.S. investors and partners, including for financing. Recent social media blockages and concerns over internet freedom, however, present a great deal of uncertainty to firms looking to enter or expand their share in the market.

### **Pharmaceuticals**

The pharmaceutical sector is an example of when GOT policies complicate Turkey’s ability to fully realize its development potential. Health sector reform in 2006 created a much larger pharmaceutical market, dominated by Turkey’s state health-care system. Coupled with Turkey’s young and growing population, this should have made Turkey an attractive market for pharmaceutical investment. Three significant issues, however, continue to inhibit innovative pharmaceutical firms’ trade and investment in Turkey: a pricing/exchange rate issue, the threat of new civilian offset policies, and delays in obtaining GMP (Good Manufacturing Practices) inspection approvals from the Turkish Ministry of Health (MOH).

The MOH and the Turkish Ministry of Labor and Social Security (MLSS) both play important roles in pharmaceutical pricing. The MOH sets the maximum price that can be charged for medicines, and the MLSS negotiates pharmaceutical bulk prices for products that are distributed through Turkey’s national health care system. In 2009, the MOH negotiated a pharmaceutical budget with industry that provided significant discounts on pharmaceutical purchases of products distributed through Turkey’s national health care system within the context of an overall gradual increase in pharmaceutical

spending each year through 2012. In mid-2010 and late-2011, however, MOH and MLSS noted budget shortfalls and requested greater discounts from companies, which they were compelled to grant given the Turkish Government's dominant role in pharmaceutical spending. New pharmaceutical budget figures for 2013-2015 were also well below industry's expectations, and the Turkish Government did not propose any relief with regards to discounts or the exchange rate.

In February 2014, Parliament passed legislation requiring MSIT to establish a framework to incorporate civilian offsets into large government procurement contracts, including pharmaceuticals and medical equipment. The MOH established an office to examine how offsets could be incorporated into new contracts. While all the regulations are still pending, the law suggests that for public contracts above \$5 million, companies must invest up to 50 percent of contract value in Turkey and add value to the domestic sector. Such practices would give domestic producers a competitive advantage.

In addition to the pricing/exchange rate issues, innovative pharmaceutical firms complain about the slow pace of MOH GMP inspections. In 2011, the MOH began enforcing an existing law requiring that all companies applying to market pharmaceutical products on the Turkish market have a GMP certificate issued by the MOH. The MOH continues to build inspection capacity, and its inspection rate has improved. The MOH has committed to implementing parallel submissions since 2012, which will allow for simultaneous marketing authorization and GMP inspections, but has not implemented the change to date.

There is increasing awareness among GOT agencies that the pharmaceutical sector should be a strategic sector for Turkey, and the dialogue between industry and government officials has improved significantly over the last three years. The GOT announced in 2013 that medicines and medical devices are now priority sectors. However, despite several new investments and positive policy developments since 2012, innovative pharmaceutical companies still complain about predictability and transparency in regulation making, which continues to inhibit pharmaceutical investment in Turkey.

### **Business Registration**

Recent reforms in Turkey have simplified procedures to establish a company; reduced permit requirements; instituted a single company registration form; and enabled individuals to register their companies through local commercial registry offices of the Union of Chambers and Commodity Exchanges of Turkey (TOBB). At the same time, strict bankruptcy laws that discourage innovation continue to hold entrepreneurs back. According to the International Finance Corporation/World Bank 2013 Doing Business Report for Turkey, Turkey ranked 69 among 185 world economies, only rising three places from its 2012 ranking. According to the report, Turkey did better in dealing with construction permits, registering property, enforcing contracts, and resolving insolvency compared to the previous year. Starting a business in Turkey requires a similar number of procedures as in other OECD countries, but it takes twice the number of days, and it costs almost 140 percent more to start a business in Turkey than in other OECD countries. The Doing Business in Turkey report can be found at: <http://www.doingbusiness.org/data/exploreeconomies/turkey/>.

### **Judicial Reforms**

Many international investors characterize Turkey's judicial system as complex, inefficient, and corrupt to varying degrees. Enforcement of contracts through the courts takes an average of 420 days according to the World Bank's Doing Business Report, costing an average of 24% of the claim. The GOT is trying to implement more judicial reforms aimed at attracting foreign investment to Turkey. For example, the Ministry of Justice is overseeing the National Judiciary Network project on automation and integration to speed up processing of commercial cases by facilitating document sharing and automating court records, as well as allowing for filing suits online. The GOT has also improved foreign investors' access to judiciary recourse, including legal aid and alternative dispute resolution mechanisms supported by the U.S., the EU, and the World Bank. The Competition Authority in Turkey is an autonomous agency that plays an important role in assuring equal, fair, and transparent competition and consumer welfare-oriented market mechanisms, regardless of corporate nationality. See more below under Dispute Settlement.

## **Taxation**

In recent years, Turkish Government policies have made the taxation system more investor-friendly. In 2006, the basic corporate tax rate was reduced from 30 percent to 20 percent. The Turkish Government also cancelled the withholding tax for foreign investors' holdings of bonds, bills, and stocks - while retaining it for bank deposits and repurchase agreements. In addition, the Tax Administration established a separate unit in 2007 to handle tax collection from large corporations. Despite these improvements, the GOT has not yet been able to implement further planned tax reforms, including reducing the employment tax, which is among the highest in the OECD.

In December 2010, the Turkish Finance Ministry announced new tax rates for capital accounts aimed at encouraging the issuance of corporate bonds with longer-term maturity. For non-domestic bonds, the withholding tax on interest is zero percent for five-year-maturity or higher bonds, five percent for bonds with three to five-year maturity, and 10 percent for bonds with maturity less than three years. In addition, banking and insurance transactions tax applied to sale or repo transactions of domestically issued corporate bonds was reduced from five percent to one percent. The GOT also decreased withholding taxes on bank deposits with longer maturity aiming at attracting longer term savings. Withholding tax on Turkish Lira time deposits with maturity longer than one year decreased to 10 percent from 15 percent while rates for deposits up to six months remained at 15 percent. On Foreign Currency (FX) accounts, the withholding tax rate decreased to 13 percent from 15 percent on deposits with a maturity of more than one year and the rate increased to 18 percent for FX deposits up to six months.

Between 30 and 50 percent of the economy is unregistered, which represents a competitive disadvantage for legitimate firms. The Government of Turkey delayed implementing a tax reform scheduled for 2013 that would help reduce the size of the unregistered economy and broaden the tax base while improving Turkey's competitiveness. Several U.S. companies have experienced tax difficulties in recent years and cite vague regulations, requiring additional expense to clear up matters through the courts, as a major concern.

### **Conversion and Transfer Policies**

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Turkish law guarantees the free transfer of profits, fees, and royalties, and repatriation of capital. This guarantee is reflected in Turkey's 1990 Bilateral Investment Treaty (BIT) with the United States, which mandates unrestricted and prompt transfer in a freely-usable currency at a legal market-clearing rate for all investment-related funds. There is no difficulty in obtaining foreign exchange, and there are no foreign-exchange restrictions. Foreign petroleum companies operating in Turkey, however, complain that amendments to the Turkish Petroleum law make it difficult for foreign companies to transfer profits. Affected companies have unsuccessfully challenged this in court. Turkey adopted a new petroleum law in May, 2013, which helped alleviate this problem.

### **Expropriation and Compensation**

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Under the U.S.-Turkey BIT, expropriation can only occur in accordance with due process of law, can only be for a public purpose, and must be non-discriminatory. Compensation must be reasonably prompt, adequate, and effective. The BIT ensures U.S. investors have full access to Turkey's local courts and the ability to take the host government directly to third-party international binding arbitration to settle investment disputes. There is also a provision for state-to-state dispute settlement.

The GOT occasionally expropriates private real property for public works or for state industrial projects. The GOT agency expropriating the property negotiates the purchase price. If owners of the property do not agree with the proposed price, they are able to challenge the expropriation in court and ask for additional compensation. There are no outstanding expropriation or nationalization cases for U.S. firms.

### **Dispute Settlement**

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Turkey's legal system provides means for enforcing property and contractual rights, and there are written commercial and bankruptcy laws. Turkey's court system, however, is overburdened, which sometimes results in slow decisions and judges lacking sufficient time to grasp complex issues. Judgments of foreign courts, under certain circumstances, need to be upheld by local courts before they are accepted and enforced. Monetary judgments are usually made in local currency, but there are provisions for incorporating exchange rate differentials in claims. The Turkish Government is working on judiciary reform that aims at shortening the duration of judicial proceeding and bringing greater efficiency to the Turkish judiciary system through specialized courts (such as Intellectual Property Rights courts, a number of which already exist in Turkey). Recent developments reinforce the Turkish judicial system's need to undertake significant reforms to adopt fair, democratic and unbiased standards. Poorly implemented rule of law and the GOT's attempts to control court rulings remain the biggest obstacles in investment disputes.

A prime example of these developments is the Spring 2014 ban on Twitter and YouTube. The Turkish Telecommunications Authority used court orders against several pieces of content on the social media platforms to justify blocking the websites altogether. Though subsequent court orders overturned both bans, access to Twitter was not unblocked immediately and YouTube remains blocked as of April 30, exhibiting the GOT's occasional lack of adherence to its own laws. Following the Prime Minister's

harsh criticisms of social media, some critics allege that these bans have more to do with the opinion of the ruling party than the rule of law.

Turkey is a member of the International Center for the Settlement of Investment Disputes (ICSID) and is a signatory of the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Turkey ratified the Convention of the Multinational Investment Guarantee Agency (MIGA) in 1987. There are no arbitration cases involving a U.S. company pending before ICSID. The U.S.-Turkey BIT, which entered into force in 1990, affords protection to U.S. investments in Turkey by providing certain mutual guarantees and creating a more stable and predictable legal framework for U.S. investors.

Turkish law accepts binding international arbitration of investment disputes between foreign investors and the state. In practice, however, Turkish courts have on occasion failed to uphold an international arbitration ruling involving private companies and have favored Turkish firms.

## **Performance Requirements and Incentives**

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Turkey is a party to the WTO Agreement on Trade Related Investment Measures (TRIMS). Turkey's investment incentive system was substantially amended in 2006 and again in 2012 to promote investment and encourage exports. In 2009 the Turkish Parliament passed a state investment incentive decree that provides tax benefits and increased credit opportunities. It is applied in diverse ways according to the location, scale, and subject of the investment and includes exemption from customs duties and fund levies, customs, and value-added (VAT) tax exemptions for locally-purchased or imported machinery and equipment. The Turkish Treasury also covers selected parts of investment credit interest rates for SMEs, research and development projects, environmental projects, and projects in prioritized development provinces that have annual per capita income below USD 1,500.

There are no performance requirements imposed as a condition for establishing, maintaining, or expanding investment in Turkey. There are no requirements that investors purchase from local sources or export a certain percentage of output. Investors' access to foreign exchange is not conditioned on exports.

There are no requirements that nationals own shares in foreign investments, that the shares of foreign equity be reduced over time, or that the investor transfer technology on certain terms. There are no government-imposed conditions on permission to invest, including location in specific geographical areas, specific percentage of local content – for goods or services – or local equity, import substitution, export requirements or targets, technology transfer, or local financing.

GOT requirements for disclosure of proprietary information as part of the regulatory approval process are consistent with internationally accepted practices. Enterprises with foreign capital must send their activity report submitted to shareholders, their auditor's report, and their balance sheets to the Treasury's Foreign Investment Directorate every year by May.

With the exceptions noted above under "Openness to Foreign Investment" and below under "Transparency of the Regulatory System," Turkey grants all rights, incentives,

exemptions, and privileges available to national businesses to foreign business on a most-favored-nation (MFN) basis. U.S. and other foreign firms can participate in government-financed and/or subsidized research and development programs on a national treatment basis.

GOT announced new incentives in 2012 that give priority to high-tech, high value-added, globally competitive sectors and put in place new regional incentive programs to reduce regional economic disparities and increase regional competitiveness. The new investment incentives involve a “tiered” system which provide for greater incentives to invest in less developed parts of the country. The map and explanation of the program can be found at: <http://www.invest.gov.tr/en-US/Maps/Pages/InteractiveMap.aspx>.

Turkish law and regulations affecting the investment climate continue to evolve. Potential investors should check with appropriate Turkish government sources for current detailed information. ISPAT’s web site provides the text of regulations governing foreign investment and incentives, as well as other useful background information: [www.invest.gov.tr](http://www.invest.gov.tr).

Offsets are an important aspect of Turkey’s military procurement, and offset guidelines have been modified to encourage direct investment and technology transfer.

#### **Right to Private Ownership and Establishment**

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In broadcasting, equity participation of foreign shareholders is restricted to 25 percent. Foreign equity participation in the aviation and maritime transportation sectors is limited to 49 percent. Foreign-owned interests in the petroleum, mining, broadcasting, maritime transportation, and aviation sectors are subject to special regulatory requirements. Recently, U.S. mining companies have experienced difficulties receiving and renewing the necessary permits from the Prime Ministry putting multiple operations in danger of shutting down.

With the exceptions noted above, private entities may freely establish, acquire, and dispose of interests in business enterprises, and foreign participation is permitted up to 100 percent. Turkey has an independent Competition Board. With respect to access to markets, credit, and other business operations, competitive equality is the standard applied to private enterprises that seek to compete with public enterprises. Regulations governing foreign investment in Turkey are, in general, transparent. In most sectors Turkey does not have an investment screening system for foreign investors; only notification is required.

The Ministry of Environment and Urbanization enacted a law on title-deed registration in 2012 removing the previous requirement that foreign purchasers of real estate in Turkey had to be in partnership with a Turkish individual or company that owns at least a 50 percent share in the property, meaning foreigners can now own their own land. The law is also much more flexible in allowing international companies to purchase real property. The new law also increases the upper limit on real estate purchases by foreign individuals to 30 hectares and allows further increases up to 60 hectares with permission from the Council of Ministers.

#### **Protection of Property Rights**

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Secured interests in property, both movable and real, are recognized and enforced, and there is a reliable system of recording such security interests. For example, there is a land registry office where real estate is registered. Turkey's legal system protects and facilitates acquisition and disposal of property rights, including land, buildings, and mortgages, although some parties have complained that the courts are slow to render decisions and are susceptible to external influence (see "Dispute Settlement").

Turkey is signatory to a number of international conventions, including the Stockholm Act of the Paris Convention, the Patent Cooperation Treaty, and the Strasbourg Agreement. In 2008, Turkey acceded to the WIPO Copyright Treaty and Performances and Phonograms Treaty. Turkey accepts patent applications in compliance with the TRIPS agreement "mailbox" provisions.

In 2008, Turkey was on the U.S. Special 301 Priority Watch List. In 2009 it was upgraded to the U.S. Special 301 Watch List, where it has remained since. Although IPR enforcement actions have increased along with successful public awareness campaigns, piracy and counterfeiting remain serious problems. There is widespread and often sophisticated counterfeiting of trademarked items, especially apparel. Business software and online music piracy are increasing, and book and entertainment software piracy remain areas of concern.

Turkey has not yet completed legislative reforms needed to ensure effective IPR protection and enforcement. Delays in the judicial and legislative processes contribute to deficiencies in the overall IPR protection and enforcement regime. Turkey's copyright law, as amended in 2004, provides deterrent penalties for copyright infringement. The law contains several strong anti-piracy provisions, including a ban on street sales of all copyrighted products and authorization for law enforcement authorities to take action without a complaint by the rights holder.

Turkey's patent law has been in force since 1995 and was amended in 2004. Patents are granted for 20 years to any invention in any field of technology which is novel, involves an inventive step, and has industrial applications. In 2012, the Turkish Patent Institute (TPI) completed a new draft patent law, but it has yet to be passed by Parliament.

The United States has a Copyright Working Group and the EU has an IPR Working Group with the Turkish Government to address intellectual property related issues and exchange views on developing more efficient and effective IPR enforcement.

In general, the Turkish Ministry of Health provides protection for confidential test data submitted in support of applications to market pharmaceutical products. Several provisions, however, undermine protection for confidential test data. Due to the relatively short six-year data-exclusivity period and delays by the Turkish MOH in granting Good Manufacturing Practice inspection certificates and marketing approvals, pharmaceutical data protection remains a concern, particularly for innovative products. In addition, Turkey's patent law does not contain interim protection for pharmaceuticals in the research and development (R&D) pipeline, which discourages domestic R&D research and international investment. Research-based pharmaceutical companies have criticized patent provisions which delay the initiation of infringement suits until after the patent is approved and published, permit use of a patented invention to generate data needed for the marketing approval of generic pharmaceutical products, and give judges wider discretion over penalties in infringement cases.

Trademark holders also note that Turkey provides protection for commercial seed under its Plant Variety Protection (PVP) Law.

Turkish intellectual property (IP) law allows both civil and criminal actions. In general, civil actions include requests for determination of infringement, cessation of acts of infringement, seizure of counterfeit goods, and compensation of damages. Criminal actions include imprisonment, pecuniary punishment, closure of job sites, and prohibition from commerce.

Turkey has specialized intellectual property IP courts, presided over by judges who have had training in intellectual property law, in Istanbul, Ankara, and Izmir. IP litigation in Turkey generally begins in these courts and moves to the Supreme Court if an appeal is filed. If the alleged offense does not occur in Istanbul, Ankara or Izmir, the case begins in civil courts that act as IP courts.

Further information on the intellectual property situation in Turkey is available in the National Trade Estimate and Special 301 reports, available under the “reports” tab on the U.S. Trade Representative’s website: [www.ustr.gov](http://www.ustr.gov).

#### **Transparency of Regulatory System**

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The GOT has adopted policies and laws that, in principle, should foster competition and transparency. Foreign companies in several sectors, however, claim that regulations are sometimes applied in a nontransparent manner.

Turkey is an observer to the WTO Government Procurement Agreement (GPA). Turkish legislation generally requires competitive bidding procedures in the public sector. A Public Procurement board exists to oversee public tenders, and there are minimum bidding thresholds under which foreign companies are prohibited from bidding on public tenders. The law gives preference to domestic bidders, Turkish citizens, and legal entities established by them, as well as to corporate entities established under Turkish law by foreign companies. The public procurement law has been amended eight times since its enactment and has been cited by the EU as not being in conformity with the EU *acquis communautaire*. In February 2014, the government amended the law again to lay out a framework to possibly implement civilian offsets in government procurement contracts, which would be contrary to the WTO GPA. See [Public Sector Performance Requirements/Incentives](#) section below for more detail.

In general, labor, health and safety laws and policies do not distort or impede investment, although legal restrictions on discharging employees may provide a disincentive to labor-intensive activity in the formal economy.

#### **Efficient Capital Markets and Portfolio Investment**

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The Turkish Government has taken a number of important steps in recent years to strengthen and better regulate the banking system. A 2005 revision of the Banking Law brought tighter bank regulation, notably by broadening the range of expertise inspectors can draw on when conducting on-site inspections. The Turkish Government adopted a framework Capital Markets Law in 2012, aimed at bringing greater corporate accountability, protection of minority-share holders, and financial statement transparency. Implementing legislation is still in progress.

As of April 2014, there are 26 deposit-taking commercial banks (both with domestic and foreign ownership) and 14 development and investment banks operating in Turkey. Sector assets as of September 2013 totaled approximately \$734 billion according to data from the Banks' Association of Turkey. Total loans for the banking sector totaled \$453 billion for the same period. The independent Banking and Regulation Supervision Agency (BRSA) monitors and supervises Turkey's banks. The BRSA is headed by a board whose seven members are appointed for six-year terms. In addition, bank deposits are protected by an independent deposit insurance agency, the State Deposit Insurance Fund (SDIF).

Because of historically high local borrowing costs and short repayment periods, foreign and local firms have frequently sought credit from international markets to finance their activities

Istanbul's stock exchange, the Borsa Istanbul, was formed in 1985, has become a significant emerging-market stock exchange. The 2012 Capital Markets Law allowed the Borsa to expand to include the Istanbul Gold Exchange and the Derivatives Exchange. As of October 2013, 426 companies were listed on the exchange with total market capitalization of \$415 billion. The Capital Markets Board is responsible for overseeing activities, including activities of listed companies and securities and investment houses. The Turkish private sector continues to be dominated by a number of large holding companies, many of which are family-owned, and most large businesses continue to publicly float only a minority portion of shares in order to limit outside interference in company management. There has been no recent hostile takeover attempt by either international or domestic parties. Capital market instruments are still developing in Turkey. Turkey's first mortgage law was adopted in 2007. Venture capital and hedging instruments are also currently very limited, but a 2012 law should increase financing opportunities through venture capital and angel investing.

## **Entrepreneurship**

Turkey pays close attention to the impact microeconomic factors have on business development and growth and is seeking to foster entrepreneurship and small and medium-sized enterprises (SMEs). Through the Small and Medium Enterprises Development Organization (KOSGEB), the Turkish Government provides various incentives for innovative ideas and cutting edge technologies, in addition to providing SMEs easier access to medium and long-term funds. There is also a number of technology development zones (TDZs) in Turkey where entrepreneurs are given assistance in commercializing business ideas. The Turkish Government provides support to TDZs, including infrastructure and facilities, exemption from income and corporate taxes for profits derived from software and R&D activities, exemption from all taxes for the wages of researchers, software, and R&D personnel employed within the TDZVAT, and corporate tax exemptions for IT specific sectors, and customs and duties exemptions.

Turkey's Scientific and Technological Research Council (TUBITAK) has special programs for entrepreneurs in the technology sector, and the Turkish Technology Development Foundation (TTGV) has programs that provide capital loans for R&D projects and/or cover R&D-related expenses. Projects eligible for such incentives include concept development, technological research, technical feasibility research, laboratory studies to transform concept into design, design and sketching studies, prototype

production, construction of pilot facilities, test production, patent and license studies, and activities related to post-scale problems stemming from product design. TUBITAK is in the process of rolling out its Technology Transfer Office Support Program, which provides one million dollars in grants to establish Technology Transfer Offices (TTOs) in Turkey.

#### **Public Sector Performance Requirements/Incentives**

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Offsets are an important aspect of Turkey's military procurement, and offset guidelines have been modified to encourage direct investment and technology transfer. In February 2014, Parliament passed legislation requiring MSIT to establish a framework to incorporate civilian offsets into large government procurement contracts. The MOH established an office to examine how offsets could be incorporated into new contracts. While all the regulations are still pending, the law suggests that for public contracts above \$5 million, companies must invest up to 50 percent of contract value in Turkey and add value to the sector.

#### **Private Sector Performance Requirements/Incentives**

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Turkey is a party to the WTO Agreement on Trade Related Investment Measures (TRIMS). Turkey's investment incentive system was substantially amended in 2006 and again in 2012 to promote investment and encourage exports. In 2009 the Turkish Parliament passed a state investment incentive decree that provides tax benefits and increased credit opportunities. It is applied in diverse ways according to the location, scale, and subject of the investment and includes exemption from customs duties and fund levies, customs, and value-added (VAT) tax exemptions for locally-purchased or imported machinery and equipment. The Turkish Treasury also covers selected parts of investment credit interest rates for SMEs, research and development projects, environmental projects, and projects in prioritized development provinces that have annual per capita income below \$1,500.

There are no performance requirements imposed as a condition for establishing, maintaining, or expanding investment in Turkey. There are no requirements that investors purchase from local sources or export a certain percentage of output. Investors' access to foreign exchange is not conditioned on exports.

There are no requirements that nationals own shares in foreign investments, that the shares of foreign equity be reduced over time, or that the investor transfer technology on certain terms. There are no government-imposed conditions on permission to invest, including location in specific geographical areas, specific percentage of local content – for goods or services – or local equity, import substitution, export requirements or targets, technology transfer, or local financing.

GOT requirements for disclosure of proprietary information as part of the regulatory approval process are consistent with internationally accepted practices. Enterprises with foreign capital must send their activity report submitted to shareholders, their auditor's report, and their balance sheets to the Turkish Treasury's Foreign Investment Directorate every year by May.

With the exceptions noted above under “Openness to Foreign Investment” and below under “Transparency of the Regulatory System,” Turkey grants all rights, incentives, exemptions, and privileges available to national businesses to foreign business on a most-favored-nation (MFN) basis. U.S. and other foreign firms can participate in government-financed and/or subsidized research and development programs on a national treatment basis.

The Government of Turkey announced incentives in 2012 that give priority to high-tech, high-value-added, globally competitive sectors and put in place new regional incentive programs to reduce regional economic disparities and increase regional competitiveness. The new investment incentives involve a “tiered” system which provides for greater incentives to invest in less developed parts of the country. The map and explanation of the program can be found at: <http://www.invest.gov.tr/en-US/Maps/Pages/InteractiveMap.aspx>.

Turkish law and regulations affecting the investment climate continue to evolve. Potential investors should check with appropriate Turkish government sources for current detailed information. ISPAT’s web site provides the text of regulations governing foreign investment and incentives, as well as other useful background information: [www.invest.gov.tr](http://www.invest.gov.tr).

## **Political Violence**

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There have been violent attacks in Turkey, and the possibility of terrorist attacks against U.S. citizens and interests, from both transnational and indigenous groups, remains high.

That said, the vast majority of American businesses in Turkey operate normally but remain prudent and vigilant given Turkey’s geography.

The Kurdistan People’s Congress (also known as Kongra Gel or KGK, better known as the Kurdistan Workers’ Party or PKK) has been the most active terrorist organization in Turkey; however, PKK activity has almost exclusively targeted the Turkish Government.

On February 1, 2013, an indigenous terrorist organization known as the Revolutionary People’s Liberation Party/Front (DHKP/C) attacked the U.S. Embassy in Ankara using a suicide bomber; one person was killed (in addition to the suicide bomber) and several others were injured. It also fired rockets at Turkish National Police Headquarters in a separate incident months later. Designated as a terrorist organization by the United States in 1997, the DHKP/C is an indigenous organization to Turkey and has existed since the 1970s with networks throughout Europe. The DHKP/C has stated its intention to commit further attacks against the United States, NATO, and Turkey, though Turkish law enforcement actions have weakened the organization.

In addition to the threat from the PKK, other violent extremists have transited Turkey en route to Syria. The Embassy strongly recommends that U.S. citizens avoid areas in close proximity to the Syrian border.

In addition to terrorist activities, there have been instances of religious violence targeting individuals in Turkey working as religious missionaries or viewed as having proselytized for a non-Islamic religion. Threats and actual instances of crime have targeted Christian and Jewish individuals, groups, and places of worship in Turkey, including several high-

profile murders of Christians over the last decade. The level of anti-Israeli sentiment remains significant following Israel's 2008 Gaza offensive. Turkish officials, however, expressly stated they excluded Jewish people, in Turkey and elsewhere, from their criticism of the Government of Israel in the wake of the intervention by Israeli Defense Forces on the Free Gaza Flotilla in May 2010.

In late May, 2013, public demonstrations that began in the Taksim and Besiktas areas of Istanbul soon grew into widespread demonstrations throughout all of Turkey. The demonstrations started at varying times and often with little notice, and lasted throughout June and July. Violent altercations between the protestors and Turkish law enforcement occurred in many cities throughout Turkey, resulting in numerous injuries and a few confirmed deaths. Some individuals who were not part of the demonstrations but were caught in the vicinity of violence were injured and detained. Smaller protests, sometimes related to the protest movements in 2013, have continued in 2014. Similar protests broke out again in March 2014, following the death of a boy injured in the Taksim protests and leading up to municipal elections.

For the latest security information on Turkey and other countries, see <http://travel.state.gov>, where current Worldwide Caution Public Announcements, Travel Warnings, and Public Announcements can be found.

## Corruption

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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

**U.S. Foreign Corrupt Practices Act:** In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at:

<http://www.justice.gov/criminal/fraud/>

**Other Instruments:** It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

**OECD Antibribery Convention:** The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA

**UN Convention:** The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery

**OAS Convention:** In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>)

**Council of Europe Criminal Law and Civil Law Conventions:** Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of

legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see [www.coe.int/greco](http://www.coe.int/greco).)

**Free Trade Agreements:** While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>.

**Local Laws:** U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

**Assistance for U.S. Businesses:** The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at [www.trade.gov/cs](http://www.trade.gov/cs).

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center “Report A Trade Barrier” Website at [tcc.export.gov/Report\\_a\\_Barrier/index.asp](http://tcc.export.gov/Report_a_Barrier/index.asp).

**Guidance on the U.S. FCPA:** The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department’s present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ’s Fraud Section Website at [www.justice.gov/criminal/fraud/fcpa](http://www.justice.gov/criminal/fraud/fcpa). Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html). More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Corruption is a growing concern in Turkey. The corruption scandal that became public in December, 2013 implicated a number of high level Turkish officials and their family members. This led to a massive reorganization of the police and the judiciary, which critics alleged was a government attempt to stop the corruption investigations. The Prime Ministry is very vocal about its struggle against what it has termed the 'parallel state,' an operation by groups affiliated with former Prime Minister Erdogan ally turned opponent Fethullah Gulen, that the Prime Minister says has infiltrated the Turkish government and attempts to control it from the inside. The ensuing government crackdown on its opponents produced several controversial decisions, including a tightening of internet controls that led to the blocking of social media platforms Twitter and YouTube in early 2014. The judicial system is still perceived to be susceptible to external influence and to be biased against outsiders to some degree.

Public procurement reforms were designed in Turkey to make procurement more transparent and less susceptible to political interference, including through the establishment of an independent public procurement board with the power to void contracts. Critics state, however, that there is a bias by government officials to award large contracts to ruling Justice and Development Party (AKP) related firms, which was highlighted during the recent corruption scandal.

Turkish legislation outlaws bribery, and some prosecutions of government officials for corruption have taken place. Enforcement, however, is uneven. Turkey ratified the OECD Convention on Combating Bribery of Public Officials and passed implementing legislation in 2003 to provide that bribes of foreign officials, as well as domestic, are illegal. In 2006, Turkey's Parliament ratified the UN Convention against Corruption.

Turkey's Criminal Code makes it unlawful to promise or to give any advantage to foreign government officials in exchange for their assistance in providing improper advantage in the conduct of international business. In the event that such a crime makes an unlawful benefit to a legal entity, such legal entity shall be subject to certain security measures. The provisions of the Criminal Law regarding bribing of foreign governmental officials are in line with the provisions of the Foreign Corrupt Practices Act of 1977 of the United States (FCPA).

There are, however, a number of differences between Turkish law and the FCPA. For example, there is not an exception under Turkish law for payments to facilitate or expedite performance of a "routine governmental action" in terms of the FCPA. Another difference is that the FCPA does not provide for punishment by imprisonment, while the Turkish law provides for punishment by imprisonment from four to 12 years. The Prime Ministry's Inspection Board, which advises the Corruption Investigations Committee, is responsible for investigating major corruption cases brought to its attention by the Committee. Nearly every state agency has its own inspector corps responsible for investigating internal corruption. The Parliament can establish investigative

commissions to examine corruption allegations concerning cabinet ministers; a majority vote is needed to send these cases to the Supreme Court for further action.

According to Transparency International's (TI) annual Corruption Perception Index Data, Turkey dropped one spot from 54th to 53rd in TI's ranking of 177 countries and territories around the world in 2013 (see <http://www.transparency.org/cpi2012/results>). Transparency International has an affiliated NGO in Istanbul.

### **Anti-Corruption Resources**

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: [http://www.oecd.org/departement/0,3355,en\\_2649\\_34859\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/departement/0,3355,en_2649_34859_1_1_1_1_1,00.html). See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html).
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009](http://www.transparency.org/policy_research/surveys_indices/cpi/2009). TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and

corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

### **Bilateral Investment Agreements**

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Since 1962, Turkey has been negotiating and signing agreements for the reciprocal promotion and protection of investments. As of April 2014, Turkey has 82 bilateral investment agreements in force with: Afghanistan, Albania, Argentina, Austria, Australia, Azerbaijan, Bangladesh, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, China, Croatia, Cuba, Czech Republic, Denmark, Egypt, Estonia, Ethiopia, Finland, France, Georgia, Germany, Greece, Hungary, India, Indonesia, Iran, Israel, Italy, Japan, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Latvia, Lebanon, Libya, Lithuania, Luxembourg, Macedonia, Malaysia, Malta, Moldova, Mongolia, Morocco, Netherlands, Oman, Saudi Arabia, Pakistan, Philippines, Poland, Portugal, Qatar, Romania, Russian Federation, Serbia, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Syria, Tajikistan, Thailand, Tunisia, Turkmenistan, United Arab Emirates, United Kingdom, United States, Ukraine, Uzbekistan, and Yemen.

### **OPIC and Other Investment Insurance Programs**

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The Overseas Private Investment Corporation (OPIC) offers a full range of programs in Turkey, including political risk insurance for U.S. investors, under its bilateral agreement with Turkey. OPIC is also active in financing private investment projects implemented by U.S. investors in Turkey. OPIC-supported direct equity funds, including the \$200 million Soros Private Equity Fund, can make direct equity investments in private sector projects in Turkey. Currently, OPIC is looking to support increased lending for renewable energy and energy efficiency projects in Turkey. Small- and medium-sized U.S. investors in Turkey are also eligible to utilize the Small Business Center facility at OPIC, offering OPIC finance and insurance support on an expedited basis for loans from \$100,000 to \$10 million. In 1987, Turkey became a member of the Multinational Investment Guarantee Agency (MIGA).

### **Labor**

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Turkey has a population of 75.6 million, with 30 percent under the age of 14. Over 76 percent of the Turkish population lives in urban areas. The Turkish labor force numbers 26.8 million, of which 24.3 million are employed. Approximately 26.2 percent of the workforce works in agriculture; 19 percent works in industrial sector. The official unemployment rate was 9.1 percent as of September 2012, with 18 percent youth unemployment (15-24 years old). Students are required to complete eight years of schooling and remain in school until they are 14 years old. 98.17 percent of Turkey's

population completes primary school; 36 percent of those who complete primary school get vocational or higher education.

Turkey has an abundance of unskilled and semi-skilled labor, and Turkey's labor force has a reputation for being hardworking, productive, and dependable. Vocational training schools exist at the high school level. Some formal apprenticeship programs remain, but informal training in traditional occupations is decreasing rapidly. Although the Ministry of Education launched projects within the framework of EU programs to meet the needs of high-tech industries - which has increased the number of qualified high-tech workers in recent years - there remains a shortage. Individual high-tech firms, both local and foreign-owned, typically conduct their own training programs. The GOT MSIT has launched a program with TOBB to provide skilled laborers to meet manufacturing sector needs. Turkey has also undertaken a significant expansion of university programs, building dozens of new colleges and universities over the last decade to increase the skills and competitiveness of its workforce. The Turkish Government has also initiated the FATİH project that will expand internet coverage to all Turkish schools, equip Turkish classrooms with interactive smartboards, and provide students with tablet PCs.

Labor unions report their relations with management of Turkish companies are often adversarial. Employers are obliged by law to negotiate in good faith with unions that have been certified as bargaining agents. Strikes are usually of short duration and almost always peaceful. The law prohibits discrimination on the basis of union membership. While exact unionization rates are not available, they are low - a percentage probably in the single digits. There is no obligation for a worker to become a member of a union, and there is no obligation to make a collective labor agreement for any sector. However, in order to be covered by a collective labor agreement, a worker must be a member of a union. Turkish labor law mandates that a series of steps be followed - including mediation by an Arbitration Board - before a union may initiate a strike.

In 2012, the Turkish Parliament approved the "Unions and Collective Bargaining Law," which revised regulations on trade union formation and collective bargaining. The law lowers two thresholds for a labor union to be authorized as an agent of collective bargaining. The first relates to any given work place: where previously the union had to represent 50 percent plus one of a firm's employees, the share is now 40 percent. The second measure relates to a nationwide industry branch: where a bona fide union was previously required to have membership of at least 10 percent of workers in its sector, the new rate has been lowered to one percent from January 1, 2013 through June 30, 2016; two percent from July 1, 2016 to June 30, 2018; and three percent after July 1, 2018.

Turkey's Economic and Social Council was established by law in 2001. Its President is the Prime Minister. The Council aims to maintain an effective dialogue between the state and social parties to encourage compromise in industrial relations. It is composed of representatives from governmental bodies, labor and employer confederations, employee associations, and chambers of commerce and industry.

Turkey has signed many International Labor Organization (ILO) conventions protecting workers' rights, including conventions on Freedom of Association and Protection of the Right to Organize; Rights to Organize and to Bargain Collectively; Abolition of Forced Labor; Minimum Wage; Occupational Health and Safety; Termination of Employment;

and Elimination of the Worst Forms of Child Labor. Since 1980, Turkey has faced criticism by the ILO, particularly for shortcomings in enforcement of ILO Convention 87 (Convention Concerning Freedom of Association and Protection of the Right to Organize) and Convention 98 (Convention Concerning the Application of the Principles of the Right to Organize and to Bargain Collectively).

The Turkish Government maintains a number of restrictions on the right of association and the right to strike. Civil servants (defined broadly as all employees of central government ministries, including teachers) are allowed to form trade unions and to engage in limited collective negotiations, but are prohibited from striking. Certain vital public employees, such as military and police, cannot form unions. According to the new Unions Law, the list of sectors barred from striking has also been expanded to: life or property rescuing; funeral and mortuary work; production; refining/distillation; distribution of city water; electricity; natural gas and oil; petrochemical works, including with naphtha and natural gas; work places directly run by Defense Ministry, Gendarmerie, and Coast Guard; banking and public notaries; hospitals; firefighting; land, sea, railway service; and all urban public transportation. (Aviation was not included.)

The EU's October 2012 Progress Report underscores that Turkey's 2012 amended legislation on collective bargaining by civil servants "is not fully in line with the EU acquis and ILO conventions, especially with regard to the right to strike for public servants, the process of collective bargaining and dispute settlement, as well as restrictions on large categories of public servants to form and join trade unions."

#### **Foreign-Trade Zones/Free Ports**

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Firms operating in Turkey's 20 free zones enjoy many advantages. The zones are open to a wide range of activities, including manufacturing, storage, packaging, trading, banking, and insurance. Foreign products enter and leave the free zones without payment of customs or duties if products are exported to third country markets. Income generated in the zones is exempt from corporate and individual income taxation and from the value-added tax, but firms are required to make social security contributions for their employees. Additionally, standardization regulations in Turkey do not apply to the activities in the free zones, unless the products are imported into Turkey. Sales to the Turkish domestic market are allowed, with goods and revenues transported from the zones into Turkey subject to all relevant import regulations. There are no restrictions on foreign firm operating in the free zones.

Taxpayers who possessed an operating license as of February 6, 2004, do not have to pay income or corporate tax on their earnings in free zones for the duration of their license. Earnings based on the sale of goods manufactured in free zones are exempt from income and corporate tax until the end of the year in which Turkey becomes a member of the European Union. Earnings secured in a free zone under corporate tax immunity and paid as dividends to real person shareholders in Turkey, or to real person or legal-entity shareholders abroad, are subject to 10 percent withholding tax. More information can be found on the Ministry of Economy's website: [www.ekonomi.gov.tr](http://www.ekonomi.gov.tr).

#### **Foreign Direct Investment Statistics**

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According to Central Bank of Turkey data, FDI inflows of \$19.5 billion in 2008 plummeted by 57 percent in 2009 to \$8.4 billion due largely to the negative impact of the global financial crisis on investment flows worldwide. In 2010, FDI inflows began to

rebound reaching \$16.04 billion in 2011. In 2013, FDI dropped to \$12.8 billion as international investors pulled back from many emerging markets.

In 2013, EU countries accounted for 52 percent of FDI capital inflow to Turkey, compared to 85.8 percent in 2011. A considerable increase for FDI inflows from Asian and Gulf countries can be seen in 2013 compared to recent years. U.S. companies accounted for 3.4 percent of FDI, compared to 5.5 percent in 2011.

In 2013, according to the Central Bank of Turkey, the breakdown of FDI inflows to Turkey's manufacturing industry were:

Food products, beverages and tobacco 3.35%  
 Electrical and optical equipment 5.9%  
 Chemical products 2.6%  
 Textiles and textile products 0.57%  
 Transport equipment 0.73%  
 Other 6.4%

There has been a considerable decline in FDI inflows to Turkey, not only in terms of total quantity, but from a sectorial basis with a general decrease of FDI inflows to the manufacturing sector: 19.7 percent in 2013 compared with 40 percent in 2012. The only increase can be noted in the operations of the financial intermediary services (from 19.3 percent in 2012 to 36.6 percent in 2013).

#### FDI INFLOWS BY YEARS

	2008	2009	2010	2011	2012	2013
FDI Total (Net)	19.504	8.411	9.038	16.049	13.224	12.872
Equity Investment (Net)	14.712	6.170	6.258	13.712	10.588	9.823
Inflows	14.747	6.252	6.238	16.057	10.759	10.199
Outflows	-35	-82	-35	-1.991	-633	-568
Intra Company Loans	1.855	459	341	-30	462	192
Real Estate (Net)	2.937	1.782	2.494	2.013	2.636	3.049

Source: Central Bank of Turkey  
 million

USD

#### FDI INFLOWS BY COUNTRY/REGION

Countries	2008	2009	2010	2011	2012	2013
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European Union	11.076	4.928	4.719	11.462	7.303	5.278
Germany	1.237	498	597	665	491	1.846
Austria	586	1.019	1.584	2.419	1519	659
France	679	617	623	999	86	222
Netherlands	1.343	718	486	1.424	1381	1.013
U.K.	1.335	350	245	905	2044	297
Italy	249	314	25	111	154	145
Other EU Countries	5.647	1.412	1.159	4.939	1628	1.096
Other European Countries (excluding EU)	291	306	201	1.093	622	1.121
African Countries	82	2	0	0	0	221
U.S.A.	868	260	323	1.402	439	344
Canada	23	52	55	21	32	16
Central-South America and Caribbean	60	19	7	61	20	1
Asia	2.345	673	928	2.011	2.337	3.215
Near and Middle Eastern Countries	2.184	361	473	1.516	1593	2.574
Gulf Countries	1.963	209	38	196	940	1.194
Other Near and Middle Eastern Countries	96	78	45	1.316	653	1.380
Other Asian Countries	161	312	455	495	744	641
Other countries	2	12	5	7	6	3
<b>TOTAL</b>	<b>14.747</b>	<b>6.252</b>	<b>6.238</b>	<b>16.057</b>	<b>10.759</b>	<b>10.199</b>

Source: Central Bank of Turkey  
million

USD

**Contact Point at Post for Public Inquiries**

U.S. Embassy Ankara Economic Section  
10 Atatürk Blvd.  
Kavaklıdere, 06100 Ankara - Turkey  
Phone: (90-312) 455-5555  
Ankara-Econ-DL@state.gov

## Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
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### How Do I Get Paid (Methods of Payment)

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Traditionally, Turkish corporations have satisfied most of their financing requirements through the banking industry. Corporate/banking relationships are close. However, given the continuing gap between Turkey's extensive needs and its limited internal resources, external financing of public and private project investment is a crucial factor in the coming years. Exporters are advised to provide financing for their exports. In addition to short and medium-term credits available from commercial banks in local and foreign currencies, lower-cost TL credits are also available from Turkish Exim bank.

Letters of Credit (LCs) are traditional import instruments for private-sector transactions. LCs should be irrevocable and confirmed by a prime U.S. bank. As Turkish importers develop long-term contacts and prove their credit-worthiness, suppliers may be willing to accept documents against payment (d/p) or documents against acceptance (d/a). Deferred payment schedules are not common except in cases of large transactions where supplier financing plays a role.

Turkish banks continue to see some tightening in their access to international credit, though the major banks borrow internationally. Suppliers should consider unconventional project financing packages (e.g., forfeiting, factoring and utilization of third-country export credits) when bidding on major government infrastructure projects. Exporters should be flexible and try to accommodate the needs of their customers by building any additional associated cost into the offer price.

Firms bidding on GOT contracts should pay careful attention to the way proposals are prepared and should strictly follow the administrative specifications. Financing costs and foreign exchange rate risks, wherever applicable, should be factored into the bid price. Bids which do not comply with administrative specifications (which include financial criteria), are generally rejected. Generally, validity of a proposal is required to be three to six months from the bid date. Government tenders often involve bid and performance bonds. Bid bonds are normally equivalent to three percent of the value of the tender, while performance bonds are usually equivalent to six percent of the contract value. The government only calls these bonds in cases of substantial non-performance. All bonds have to be counter-guaranteed by a Turkish national bank.

A number of leasing companies operate in Turkey, most of them owned by Turkish banks. They finance purchases of expensive capital goods such as aircraft, auto fleets, construction equipment and other special equipment. Turkish financial leasing in capital expenditures still only accounts for a fraction of capital expenditures in developed

countries. The terms of leasing are usually four years, with a balloon payment at the end. Turkish leasing companies are eager to work with U.S. counterparts.

Turkish factoring companies (again, usually offshoots of banks) generally belong to the International Factors Group based in Belgium. Like leasing companies, all factoring and forfeiting companies are having funding difficulties. Both factoring and forfeiting maximize cash flow, reduce transaction risks, and may enhance competitiveness by offering flexible payment terms to the buyer. All U.S. banks active in Turkey deal with at least one of the major leasing and factoring companies.

### **How Does the Banking System Operate**

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The banking sector plays less of a financial intermediary role than one would expect in an economy of Turkey's size and sophistication. The three state-owned commercial banks plus the six largest private banks hold nearly a two-thirds share of total bank assets (information on banks, the listing of banks licensed in Turkey and statistics on the Turkish banking sector can be viewed at:

<http://www.bddk.org.tr/WebSitesi/English.aspx> Turkish banks engage in core banking services, securities brokering and other businesses.

The Istanbul Stock Exchange, formed in 1986, is becoming one of the major players in the capital market. In 1995, the Istanbul Gold Exchange opened for trading. The Capital Market Board, based in Ankara, is responsible for overseeing the activities of capital markets. The Central Bank of the Republic of Turkey is headquartered in Ankara and together with Turkish Treasury is responsible for the integrity of the banking system. In 1994, the Central Bank became an autonomous body but is not independent.

The Central Bank and BDDK (Banking Regulating and Auditing Commission) supervises bank activities in order to guarantee that they meet liquidity requirements and operates in a responsible fashion. While the Central Bank's Bank Supervision Division acts as the government's supervisory authority, the Under secretariat of the Treasury is responsible for the enforcement of banking laws. The BDDK also determines the disposition of insolvent banks.

### **Foreign-Exchange Controls**

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There are no GOT foreign-exchange limits for importers, and there are no restrictions on the transfer of funds in or out of the country. Although the Turkish Lira (TL) is fully convertible, most international transactions are denominated in U.S. dollars or Euros due to their universal acceptance. Banks deal in foreign exchange and do borrow and lend in foreign currencies. Foreign exchange is freely traded and widely available. Foreign investors are free to convert and repatriate their Turkish lira profits.

### **U.S. Banks and Local Correspondent Banks**

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U. S. and U.S.-affiliated investment and commercial banks present in Turkey include: Citibank, Merrill Lynch Investment Bank, JP Morgan Chase, UPS Capital

Business Credit, Wells Fargo Bank and the Bank of New York Mellon and Wells Fargo.

## **Project Financing**

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Project financing is available through a multitude of sources including Turkish and foreign commercial banks and investment banks. OPIC is another source for project financing for U.S. investors. Interested U.S. companies should note that American banks active in Turkey are among the leaders in project financing.

Turkey offers numerous major project opportunities in telecommunications, energy, transportation, and building of infrastructure projects such as dams, airports, harbors, roads, and water and sewerage systems. Supplier financing is the key to winning these large projects. U.S. Ex-Im bank financing, along with OPIC and USTDA programs, are available to U.S. suppliers. The World Bank /International Bank for Reconstruction and Development continues to fund major projects in Turkey.

The Overseas Private Investment Corporation (OPIC) has established small business centers to assist qualified small businesses in utilizing OPIC's resources with improved customer service and easier access through a streamlined approval process. OPIC stands ready to assist small and medium sized business to grow through investments in over 150 emerging markets around the world. The Small Business Centers will support the financing and political risk insurance needs to eligible small business.

To support small and medium sized business enterprises in their international trading activity, the United States Commercial Service and the Overseas Private Investment Corporation entered into a partnership that combines the strength of the Commercial Service's network of more than 100 offices in the United States and 80 offices overseas with the investment finance and political risk insurance support of the Overseas Private Investment Corporation. This cooperation agreement has been established to better assist small and medium sized business enterprises. These businesses account for ninety-seven percent of all U.S. exporters, and small business continues to serve as the backbone of the U.S. economy.

Leasing issues and licenses are regulated via the Banking Regulating and Auditing Commission also known as the BDDK. Presently there are 75 leasing firms in Turkey. Leasing firms can only offer leasing and are not allowed to make any other financial transactions. There are no limits on foreign investment or international leasing firms provided they obtain a license to operate in Turkey from BDDK:  
<http://www.bddk.org.tr/WebSitesi/English.aspx>

Leasing terms are 4 years and in very exceptional cases 2 years. The equipment leased will be owned by the leaser after the period of the lease. A definite advantage of the leasing process was the VAT reduction from 18 to 1 percent during the lease time.

## **Web Resources**

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/ccc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

European Bank for Reconstruction and Development:  
<http://www.ebrd.com/pages/homepage.shtml>

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## Chapter 8: Business Travel

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### **Business Customs**

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The Turkish people take pride in their traditions and culture. However, having ties with Western countries, Turkish people in major cities have adopted a more cosmopolitan, western way of life. A foreigner visiting any one of the large cities in Turkey will find himself or herself in an atmosphere similar to that of a contemporary European city. Turks are extraordinarily hospitable people and visiting businessmen will do well to offer normal courtesies, respect, and to take the time to know your Turkish counterpart. In general, a personal relationship is an important basis for a successful business relationship in Turkey. It is usually important to allow time for friendly conversation before commencing with a business agenda. Business cards are almost always exchanged, and visitors are usually offered a glass of tea or a cup of Turkish coffee. It is customary to accept these offers.

### **Travel Advisory**

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For the latest security information:

[http://travel.state.gov/travel/cis\\_pa\\_tw/cis\\_pa\\_tw\\_1168.html](http://travel.state.gov/travel/cis_pa_tw/cis_pa_tw_1168.html)

The Department of State urges American citizens to take responsibility for their own personal security while traveling overseas. For general information about appropriate protective measures travelers can take in an overseas environment, see the Department of State's pamphlet "A Safe Trip Abroad" at [http://travel.state.gov/travel/tips/safety/safety\\_1747.html](http://travel.state.gov/travel/tips/safety/safety_1747.html).

### **Visa Requirements**

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You need a passport and visa to travel to Turkey. Passports should be valid for at least six months from the date of entry into Turkey and must have enough blank space to allow for Turkish entry and exit stamps. If there is not enough space for entry and exit stamps in your passport, you will be denied entry into Turkey. There is one exception to the visa requirement: U.S. citizens who are traveling to Turkey by cruise ship are allowed to enter Turkey without a visa for a maximum period of 72 hours, with

permission given by the local security authorities at the port of entry. For additional information, please visit the Frequently Asked Questions page on the Turkish Ministry of Foreign Affairs website.

**Beginning April 10, 2014, the Turkish Ministry of Foreign Affairs will no longer provide visas on arrival (at airports) to foreign travelers.** All foreigners must obtain their Turkish visas from Turkish missions abroad or from the e-visa application system, depending on eligibility. If you are traveling for tourism or commerce for up to 90 days within a 180 day period, you can apply for a visa online at [www.evisa.gov.tr](http://www.evisa.gov.tr) or at any Turkish Embassy or Consulate. The e-Visa replaces the sticker visa previously obtained at airports and other ports of entry. Additional information about e-Visas can be found at the official website [www.evisa.gov.tr](http://www.evisa.gov.tr). The multiple entry e-Visa, which is valid for 180 days, costs \$20 (U.S.) while visas obtained at a Turkish Embassy or Consulate cost more and have different validity periods: \$60 for single entry visas valid for one year and \$200 for multiple entry visas valid for five years. For all tourism and commerce-related entries the traveler is allowed to remain in Turkey for 90 days within a 180 day period. More information can be found at the Turkish Consular Information [website](#) and at the Frequently Asked Questions page of the website. If you are planning to work, study, or conduct academic or scientific research in Turkey, you should apply for a visa from a [Turkish Embassy or Consulate](#) before arriving in Turkey. Doing these activities while on a tourist visa in Turkey could lead to deportation.

If you are planning to stay more than three months for any purpose, you must obtain a visa from a [Turkish Embassy or Consulate](#) before entering Turkey. You must also apply for a residence/work permit or Turkish ID card within the first month of your arrival in Turkey. This includes anyone who plans to spend more than three months doing research, studying, or working in Turkey.

**Official and diplomatic passport holders** traveling on official business must obtain a visa from a Turkish Embassy or Consulate before arriving in Turkey. If traveling as a tourist, you may obtain a visa at [www.evisa.gov.tr](http://www.evisa.gov.tr).

**Residence Permits:** U.S. citizens planning to stay in Turkey for more than 90 days within a 180-day period must get a Turkish residence permit. U.S. citizens who enter Turkey with a tourist visa and who wish to stay in Turkey for tourism purposes for longer than 90 days are now able to get a residence permit for tourism for a maximum period of six months. This will allow U.S. citizens to stay in Turkey for tourism for up to a total of nine months.

In order to obtain a tourist residence permit, or any other class of residence permit, please contact the nearest Foreigners Police office in Turkey. The U.S. Embassy strongly urges U.S. citizens not to overstay their visas and to maintain valid residence permits at all times. Turkish authorities do enforce the laws by imposing fines, deporting violators, and banning future travel to Turkey for people who overstay their visas or do not maintain valid residence permits.

Foreigners who have overstayed their visas, residence permits, or visa-exempt periods and are subject to a fine can use the residence permit procedure to extend their stay as long as they pay their outstanding fines.

**Requirements for Work Visas and Work Permits:** U.S. citizens who would like to work in Turkey should first contact their prospective employer before arriving in Turkey. It is the responsibility of the employer to obtain approval from the [Turkish Ministry of Labor and Social Security](#) to hire foreign employees and also to obtain the specific employee's work permit. Employers must obtain work permit application forms at the [Turkish Ministry of Labor and Social Security](#). Completed applications should be returned to the Ministry of Labor and Social Security at Inonu Boulevard No. 42, Eskisehir Yolu Uzeri, Emek, Ankara, tel. 0-312-296-6000.

Upon approval from the Ministry of Labor and Social Security, the prospective employer should notify the U.S. citizen candidate and send the work permit and all appropriate documents to the individual. The U.S. citizen should then apply for a Turkish work visa at a Turkish Embassy or Consulate outside of Turkey. Work visa requirements, instructions, and application forms are available at the [Embassy of the Republic of Turkey website](#).

**U.S. Citizens who live in Turkey:** Turkish General Health Insurance (GHI) law allows U.S. citizens living in Turkey to enroll in and receive GHI coverage, you may do so as long as you meet the administrative requirements described below:

1. Present a valid residence permit and show that you have resided in Turkey for one year.
2. Register within one month of completing one year of residency in Turkey.
3. Fill out and submit an application.
4. Pay the individual monthly premium, which is approximately 213 Turkish Lira (approximately \$117 subject to change).

If you are considering enrolling in Turkish GHI you should carefully research what is covered and what is not covered, because once you enroll in GHI your coverage can only be canceled if your residence permit expires or if you move away and no longer reside in Turkey.

For more information, please visit the "[Living in Turkey](#)" section of the U.S. Embassy's American Citizen Services [website](#).

For further information, travelers in the United States should contact the [Embassy of the Republic of Turkey](#) at 2525 Massachusetts Avenue NW, Washington, DC 20008, telephone: (202) 612-6700, or the Turkish Consulates General in [Chicago](#), [Houston](#), [Los Angeles](#), or [New York](#). Overseas, U.S. travelers may contact a [Turkish Embassy or Consulate abroad](#).

You should get Turkish entry stamps on the passport page containing your visa at the first Turkish port of entry before transferring to domestic flights. Failure to obtain these stamps may cause serious difficulties when you leave Turkey. On multiple occasions, Turkish authorities have detained travelers overnight in such situations. You should also get an exit stamp in your passport when leaving Turkey. Otherwise, you may face difficulties re-entering Turkey and be subject to a fine on your next visit.

Check with the [Embassy of the Republic of Turkey](#) for the most current visa information.

Crossing the border with Iraq can be time-consuming as the Turkish Government tightly controls entry and exit.

The U.S. Department of State is unaware of any specific HIV/AIDS entry restrictions for visitors to or for foreign residents of Turkey; however, Turkey will generally deport foreigners once HIV-positive status is discovered.

Information about [dual nationality](#) or the prevention of [international parental child abduction](#) can be found on our website. For further information about U.S. customs regulations, please read our [customs information page](#).

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/>

### **Telecommunications**

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In 2013, there were 69.6 million mobile phone users in Turkey, up from 23 million in 2002. The telephone system in Turkey's major cities is excellent. E-mail and faxes are widely used in international business. Travelers and businesspersons can utilize GSM cellular service prepaid cards and hire a GSM mobile/cell phone in Turkey. Smartphones are increasingly a common. Coverage is nationwide.

### **Transportation**

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The national flag carrier, Turkish Airlines (THY), together with its subsidiaries, dominates air passenger service and flies non-stop daily to most major European, Middle Eastern, Asian cities and U.S. gateways. Delta Airlines offers a seasonal direct flight from its New York Kennedy hub to Istanbul starting in June. Major European airlines also have frequent non-stop flights to Turkey. Lufthansa offers service to Istanbul, Izmir and Ankara from its Star Alliance Frankfurt and Munich hubs. Though Turkish Airlines dominates domestic air travel within Turkey, the Turkish government has liberalized domestic air service, and new airlines are also serving the domestic market. Rail transportation is also available between most of the major cities.

Comprehensive networks of inexpensive long distance buses operate between the major cities. Car rental is relatively expensive. Public transportation is available in major cities. However, businessmen are advised to use taxis.

Medium to luxury-type hotels, including international hotels such as the Hilton, Marriott, Sheraton, Hyatt, Holiday Inn, Conrad, Four Seasons, Ritz Carlton and Swissotel, are available in major cities. Apartment rentals in Istanbul are expensive. Rents in Ankara and Izmir are more reasonable. Payment for apartment rentals, in a popular area of a city, is usually made in a foreign currency. Generally, six months to one year rent is expected in advance.

Please see a list of business service providers for more information at <http://export.gov/turkey/businessserviceproviders/index.asp>

## **Language**

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The official language spoken by more than 90 percent of the population is Turkish. Many educated Turks have a command of at least one foreign language, with sufficient fluency to carry out business transactions. Most company executives were educated in Western countries. English is the dominant language for international business.

## **Health**

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Medical facilities are available, but may be limited outside urban areas. Food and water borne diseases are present in Turkey. Anyone coming to Turkey should have comprehensive medical insurance. Useful information on medical emergencies abroad, including overseas insurance programs, is provided in the Department of State's Bureau of Consular Affairs brochure, Medical Information for American Traveling Abroad, available via the Bureau of Consular Affairs home page at [www.travel.state.gov](http://www.travel.state.gov)

Vaccines recommended for Turkey are all childhood immunizations, Typhoid, Hepatitis B, Hepatitis A (or Immune Globulin as an alternative). Visitors who will visit rural areas, or go on hiking or trekking trips in the country may wish to get the rabies vaccine, although this is not required.

Information on vaccinations and other health precautions can be obtained from the Center for Diseases Control and Prevention's (CDC) hotline for international travelers at 1-877-FYI-TRIP (1-877-394-8747), fax 1-800-CDC-FAXX (1-800-232-3299), or via CDC's Internet site at <http://www.cdc.gov>

Turkish cuisine is characterized by the freshness of its ingredients and most American business travelers have no trouble finding a good meal. All major hotels have at least one restaurant serving continental cuisine. Several European and ethnic restaurants are also available in major cities. Prices at these places are usually moderate-to-expensive. Good food is available not only at expensive restaurants but also at moderately priced establishments. There is also a choice of fast food restaurants such as McDonald's, Kentucky Fried Chicken, Burger King and their Turkish kebab equivalents. A variety of fresh fruits and vegetables are available throughout the year.

## **Local Time, Business Hours, and Holidays**

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Time in Turkey is Universal Time Coordinated/Zulu + 2 hours (Zulu is London UTC). In comparison, Eastern Standard Time is Zulu -5 hours, Central Standard Time is Zulu -6 hours and Pacific Standard Time is Zulu -8 hours. More simply put, Turkey is plus seven hours from U.S. Eastern Standard Time (e.g. 9am in New York is 4 pm in Istanbul) Business Hours are from 08:30 to 17:30 Monday through Friday except holidays.

Annual Turkish Holidays:

- January 1: New Year's Day (Yılbaşı)
- April 23: National Sovereignty and Children's Rights Day (Ulusal Egemenlik ve Çocuk Bayramı)
- May 1: Labor Day
- May 19: Commemoration of Atatürk, Youth and Sports Day (Atatürk'ü Anma, Gençlik ve Spor Bayramı)
- August 30: Victory Day (Zafer Bayramı)
- October 29: Republic Day (Cumhuriyet Bayramı)
- Ramadan Feast: 3 day holiday after the end of the Islamic month of Ramadan
- Sacrifice Feast (Kurban Bayramı): 4 day holiday beginning 70 days after Ramadan

Please note that the U.S. Mission in Turkey is closed for both U.S. and Turkish holidays. A current list of U.S. and Turkish Holidays can be found at the website of the U.S. Embassy to Turkey <http://turkey.usembassy.gov/holidays.html>

### **Temporary Entry of Materials and Personal Belongings**

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Travelers entering Turkey on a temporary basis and carrying items such as laptop computers and accessories, display and exhibit materials are permitted to bring these items into Turkey duty free. Customs officials register the items to the traveler's passport and subsequently cancel them as the traveler exits the country with the same items. Catalogs, brochures, pamphlets, and similar advertising materials are exempt from customs duty. For additional information about temporary entry, please see the Trade Regulations and Standards, Temporary Entry section.

Customs regulations may be found at: [www.gumruk.gov.tr](http://www.gumruk.gov.tr)

### **Web Resources**

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Department of State Travel Information: [www.travel.state.gov](http://www.travel.state.gov)

Center for Diseases Control Health Info: <http://www.cdc.gov>

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.us/>

U.S. Embassy Ankara: <http://turkey.usembassy.gov/index.html>

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## Chapter 9: Contacts, Market Research and Trade Events

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### Contacts

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U.S. Commercial Service Turkey  
<http://export.gov/turkey>

United States Department of State  
<http://ankara.usembassy.gov/>

United States Department of Agriculture Agricultural Affairs Office  
<http://www.fas.usda.gov/country/Turkey/Turkey.asp>

### Washington-Based U.S. Government Country Contacts

U.S. Department of Commerce, Market Access and Compliance  
<http://www.trade.gov/mac/contact.asp>

U.S. Department of State, Bureau of European and Eurasian Affairs  
<http://www.state.gov/p/eur/index.htm>

U.S. Trade and Development Agency  
<http://www.ustda.gov/program/regions/menaee/>

Export-Import Bank of the United States  
<http://www.exim.gov/about/whatwedo/markets/turkey.cfm>

Overseas Private Investment Corporation  
[www.opic.gov](http://www.opic.gov)

### U.S Banks Operating in Turkey:

Citibank  
<http://www.citibank.com.tr>

JP Morgan Chase  
<http://www.jpmorgan.com/pages/international/turkey>

Bank of America Merrill Lynch Investment Bank  
[http://www.ml.com/index.asp?id=7695\\_15125\\_17454](http://www.ml.com/index.asp?id=7695_15125_17454)

### U.S Banks with Representative Offices in Turkey

Wells Fargo Bank

Bank of New York Mellon

**Turkish Government Contacts:**

**AGRICULTURE AND RURAL AFFAIRS**

Ministry of Agriculture and Rural Affairs, General Directorate of Agricultural Production Development

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

**COMMUNICATIONS**

Ministry of Communications and Transportation

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

Telecommunications Authority

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

**DEFENSE AND NATIONAL SECURITY**

Ministry of National Defense, Foreign Procurement Department

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

Under secretariat for Defense Industries

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

**EDUCATION**

Ministry of National Education

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

Higher Education Council

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

**ENERGY AND NATURAL RESOURCES**

Ministry of Energy and Natural Resources

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

**ENVIRONMENT AND FORESTRY AFFAIRS**

Ministry of Environment, General Directorate of Environmental Impact, Assessment and Planning

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

## **HEALTH**

Ministry of Health, Foreign Relations Department  
[www.saglik.gov.tr](http://www.saglik.gov.tr)

## **TRADE AND ECONOMY**

State Planning Organization-SPO  
[www.dpt.gov.tr](http://www.dpt.gov.tr)

Under secretariat of the Treasury  
[www.treasury.gov.tr](http://www.treasury.gov.tr)

Under secretariat of Foreign Trade, General Directorate of Imports  
[www.dtm.gov.tr](http://www.dtm.gov.tr)

Prime Ministry, Privatization Administration  
[www.oib.gov.tr](http://www.oib.gov.tr)

Turkish Institute of Standards, Standards Preparation Department  
[www.tse.org.tr](http://www.tse.org.tr)

## **TRANSPORTATION**

General Directorate of State Highways  
[www.kgm.gov.tr](http://www.kgm.gov.tr)

State Airports Administration  
[www.dhmi.gov.tr](http://www.dhmi.gov.tr)

General Directorate of State Railways Administration  
[www.tcdd.gov.tr](http://www.tcdd.gov.tr)

## **TRAVEL AND TOURISM**

Ministry of Culture and Tourism  
[www.kulturturizm.gov.tr](http://www.kulturturizm.gov.tr)

## **BUSINESS/TRADE ASSOCIATIONS**

American Business Forum in Turkey  
<http://www.amchamturkey.org/>

Turkish-American Business Association  
<http://www.amcham.org/>

Foreign Economic Relations Board-DEIK  
[www.deik.org.tr](http://www.deik.org.tr)

Turkish Industrialists' and Businessmen's Association-TUSIAD  
[www.tusiad.org.tr](http://www.tusiad.org.tr)

Union of Chambers of Commerce, Industry, Maritime Commerce and Commodity Exchanges of Turkey (TOBB)  
[www.tobb.org.tr](http://www.tobb.org.tr)

## **EDUCATIONAL**

Fulbright Commission  
[www.fulbright.org.tr](http://www.fulbright.org.tr)

## **FRANCHISING**

Turkish National Franchising Association  
[www.ufrad.org.tr](http://www.ufrad.org.tr)

### **Market Research**

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

### **Trade Events**

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

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## Chapter 10: Guide to Our Services

The President's National Export Initiative marshals Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: [export.gov](http://export.gov)

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: <http://export.gov/turkey/>

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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