



## Doing Business in Turkey: 2013 Country

### Commercial Guide for U.S. Companies

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- [Chapter 1: Doing Business in Turkey](#)
- [Chapter 2: Political and Economic Environment](#)
- [Chapter 3: Selling U.S. Products and Services](#)
- [Chapter 4: Leading Sectors for U.S. Export and Investment](#)
- [Chapter 5: Trade Regulations, Customs and Standards](#)
- [Chapter 6: Investment Climate](#)
- [Chapter 7: Trade and Project Financing](#)
- [Chapter 8: Business Travel](#)
- [Chapter 9: Contacts, Market Research and Trade Events](#)
- [Chapter 10: Guide to Our Services](#)

## Chapter 1: Doing Business in Turkey

- [Market Overview](#)
- [Market Challenges](#)
- [Market Opportunities](#)
- [Market Entry Strategy](#)

### Market Overview

[Return to top](#)

Turkey's rapidly expanding economy, political and economic stability, and the possibility of EU membership continues to attract the attention of a variety of American companies. In 2011, U.S. exports to Turkey reached a record \$14.7 billion, and while 2012 brought a slight decline in exports (\$12.6 billion), total U.S. – Turkey trade remained at a near record of more than \$19 billion. Turkey's financial sector is stronger than that of many other countries, due in part to a series of reforms in the wake of the 2001 financial crisis which left Turkish banks better leveraged than many of their U.S. and European counterparts.

Across many sectors, U.S. exporters have excellent immediate and medium-term prospects in this diverse market. As a growing regional transportation hub, the civilian aerospace market presents some of the greatest opportunities for U.S. exporters. The highlight of these opportunities will be the construction of the new Istanbul Airport. This airport, which will be one of the world's largest, will present more than \$1 billion worth opportunities for U.S. equipment and service providers over the course of the next few years.

Additionally, one of the most important sectors for the next decade will be energy. Electricity demand has been growing at more than 6 percent per year, and will continue to grow rapidly. Turkey expects continued economic growth, which will require additional generating capacity to meet growing demand. U.S. suppliers and service companies can benefit from opportunities in electricity and gas distribution, power generation and renewable energies, particularly wind and solar.

Opportunities also exist in telecommunications services and equipment, safety and security equipment and services, automotive parts, medical equipment, R &D, transportation, infrastructure and higher education services. Turkey sends the largest number of students among all European countries, around 12,000 each year, to U.S. colleges and universities. Turkish companies are eager to partner with American firms, and are seeking technology and financing, particularly from the U.S. to grow their businesses.

In recent years, Turkey's market reforms, strong growth and economic and political stability have attracted a significant amount of Foreign Direct Investment (FDI). Despite a decline in FDI inflows as a result of the global economic crisis, according to the United Nations Conference on Trade and Development (UNCTAD), Turkey recorded the 9th highest growth rate globally in FDI inflows. In 2011 and 2013, new investments by the

U.S. companies Cummins, Pratt and Whitney, AES, Dow, GE, 3M, AMGEN, and Pfizer demonstrated increasing American private sector interest in Turkey.

In 2005, the EU and Turkey began formal EU accession negotiations. Turkey has adopted many European Union directives, regulations and laws in anticipation of accession. While continued delays have cooled popular interest in EU membership, Turkey's political and business leadership remains committed to joining the EU, and the current government understands that the process itself contributes to Turkey's global competitiveness. The planned US-EU Transatlantic Trade and Investment Partnership (TTIP) negotiations hold great importance for Turkey, given its obligations under the Customs Union with the EU. In 2013, the U.S. and Turkey agreed to create a High Level Committee, led by the Turkish Ministry of Economy and the U.S. Trade Representative, to study the effects of TTIP on Turkey's economy.

Turkey is a long-term ally of the United States and a member of NATO since 1952 with strong links to global institutions. Turkey has a key role to play in most of the major regional issues facing the United States. The United States and Turkey currently enjoy a close and vibrant partnership, extending into key issues such as Syria, Iraq, Afghanistan and Iran and other areas of the Middle East. However, bilateral relations have been occasionally difficult. Under the Obama administration, continued high-level government contacts have created a constructive atmosphere, with a special emphasis on building bilateral commercial relations. The bilateral Framework for Strategic Economic and Commercial Cooperation and the private sector led U.S.-Turkish Business Council are examples of intensified efforts to increase bilateral trade and investment. Over 1,200 American firms are registered in Turkey, ranging from large multinationals to small and medium size firms. While Turkey's economic growth in 2012 slowed, the longer-term prospects for many American firms in Turkey remains excellent.

## **Market Challenges**

[Return to top](#)

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**

[Return to top](#)

The Republic of Turkey's movement toward membership in the European Union is creating 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 strong and stable economy that attracts

foreign investment, which in turn will be 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 the 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**

[Return to top](#)

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>.

[Return to table of contents](#)

[Return to table of contents](#)

## **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>

[Return to table of contents](#)

## Chapter 3: Selling U.S. Products and Services

- [Using an Agent or Distributor](#)
- [Establishing an Office](#)
- [Franchising](#)
- [Direct Marketing](#)
- [Joint Ventures/Licensing](#)
- [Selling to the Government](#)
- [Distribution and Sales Channels](#)
- [Selling Factors/Techniques](#)
- [Electronic Commerce](#)
- [Trade Promotion and Advertising](#)
- [Pricing](#)
- [Sales Service/Customer Support](#)
- [Protecting Your Intellectual Property](#)
- [Due Diligence](#)
- [Local Professional Services](#)
- [Web Resources](#)

### Using an Agent or Distributor

[Return to top](#)

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

[Return to top](#)

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 accumulate 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 percent 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>

## Franchising

[Return to top](#)

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 as this market becomes more sophisticated.

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)

Ergenekon Caddesi  
Pangalti Is Merkezi 89/15  
80240 Pangalti  
Istanbul, Turkey  
Tel: [90] (212) 296-6628  
Fax: [90] (212) 224-5130  
E - Mail: [ufrad@ufrad.org.tr](mailto:ufrad@ufrad.org.tr)  
Internet: [www.ufrad.org.tr](http://www.ufrad.org.tr)

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

## **Direct Marketing**

[Return to top](#)

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**

[Return to top](#)

Although 100 percent foreign ownership is permitted (except in 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**

[Return to top](#)

Selling to the Turkish government presents important sales opportunities and challenges. While the Turkish government purchases billions of dollars of equipment and services per year, terms and conditions can be onerous. American firms have cited protracted negotiations, offset requirements, unlimited liability clauses, and other problems as obstacles to doing business in this segment. American firms should consult with the U.S. Commercial Service before bidding on any significant Turkish government procurement.

The main law that regulates government procurement is the Public Tender Law No. 4734 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. Turkey is an observer to the WTO Government Procurement Agreement.

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.

## **Distribution and Sales Channels**

[Return to top](#)

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**

[Return to top](#)

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, preferably in Turkish. 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**

[Return to top](#)

Statistics show that Turkey has the 14<sup>th</sup> highest number of internet users worldwide. There were 36.5 million Turkish internet users in 2012, up from 2 million in 2002, and 54 million credit card users, up from 16 million in 2002. In 2012, Turkey had an e-commerce volume of \$12.7 billion. 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, the commercial banks 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 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**

[Return to top](#)

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, Hurriyet, Milliyet and Sabah, all of which have their headquarters in Istanbul with branch offices in Ankara.

The leading English language newspapers are the Hurriyet Daily News and Today's Zaman. 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**

[Return to top](#)

Price has traditionally been the most important consideration 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**

[Return to top](#)

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**

[Return to top](#)

Several general principles are important for effective management of intellectual property (“IP”) rights in Turkey. It is important to have an overall strategy to protect your IPIP is protected differently in Turkey than in the U.S. Rights must be registered and enforced in Turkey under local laws. Your U.S. trademark and patent registrations will not protect you in 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 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 generally

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. A list of local lawyers can be found at:

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

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 register at [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**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at [www.stopfakes.gov](http://www.stopfakes.gov).
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: [http://www.abanet.org/intlaw/intlproj/iprprogram\\_consultation.html](http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html)
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: [www.StopFakes.gov](http://www.StopFakes.gov) This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. For more information, please visit <http://www.uspto.gov/ip/global/attache/>

## Due Diligence

[Return to top](#)

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

[Return to top](#)

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://www.export.gov/turkey>

## Web Resources

[Return to top](#)

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)

[Return to table of contents](#)

[Return to table of contents](#)

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

### Commercial Sectors

- [Automotive Parts and Equipment](#)
- [Civilian Aerospace](#)
- [Defense Industries](#)
- [Education Services](#)
- [Electrical Power and Renewable Energy Industries](#)
- [Environmental Technologies](#)
- [Information and Communication Technologies](#)
- [Medical Technologies and Healthcare](#)
- [Oil and Gas](#)
- [Plastics Materials and Processing Machinery](#)
- [Safety and Security](#)
- [Transportation Technologies](#)

### Agricultural Sectors

- [Cotton](#)
- [Soybeans](#)
- [Rice](#)
- [Industry Contacts](#)

## Automotive Parts and Equipment

### Overview

[Return to top](#)

Unit: USD millions

	2011	2012	2013 (est.)	2014 (est.)
Total Market Size	9,305	8,235	9,300	10,600
Total Local Production	9,000	9,800	10,800	12,000
Total Exports	8,308	8,223	8,800	9,400
Total Imports	8,613	6,658	7,300	8,000
Imports from the U.S.	359	297	320	360
Exchange Rate: 1 USD	TL 1.75	TL 1.87	TL 1.79	TL 1.85

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

Data Sources: OSD, TAYSAD, TUIK

Most international vehicle producers already have 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. Additionally, Chery Automobile Co. of China has committed to build a factory in Turkey. Chery will be building vehicles for the European market. Ford and Renault's local partners will be increasing their capacities to 500,000 units per year, and both will also include LCV segments into their existing production lines. Finally, German Daimler has started producing buses in Turkey with its Turkish partner.

Turkish automotive production capacity reached 1.6 million units in 2012, with a 60% increase in the last 10 years and is targeting 1.5 million in 2015. 70% of the vehicles made in Turkey are exported and accounting for 20% of total Turkish exports. Turkey has already surpassed the Czech Republic and Slovakia as the biggest car maker in Eastern Europe. Unlike the Czech Republic and Slovakia, which are mainly geared towards exports to other European markets (namely Germany), Turkey is increasing its exposure to markets beyond Europe, including in the Middle East and North Africa. Compared to European Union countries, Turkey is the second largest bus producer, the largest LCV producer, the third largest truck market. Moreover, Turkey is the 17th largest automotive producer on the world.

In 2023, The Turkish Republic will be celebrating its 100<sup>th</sup> anniversary, and the Turkish Government has some ambitious goals for that date. They expect local auto 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, the Turkish Government announced a special series of incentives specific to the automotive industry, both for the OEMs and parts manufacturers. This initiative 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.

The total number of auto parts manufacturers in Turkey is around 4,000, and 70 percent of these are SMEs. 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 the current year or the 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**

[Return to top](#)

- Tires, brake linings, gearboxes, and clutches
- Power steering hydraulic systems, bearings, and v-belts.
- A shock absorber, brakes, clutch rings, filters, bumpers, lights, and signaling equipment.

### **Opportunities**

[Return to top](#)

As Turkey 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**

[Return to top](#)

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)

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

Berrin Erturk  
Senior Commercial Specialist  
U.S. Commercial Service Turkey  
[Berrin.Erturk@trade.gov](mailto:Berrin.Erturk@trade.gov)  
Web: <http://www.export.gov/turkey>

## Civilian Aerospace

### Overview

[Return to top](#)

Unit: USD Million

	2011	2012	2013 (est.)	2014 (est.)
Total Market Size	4,000	4,098	4,507	4,970
Total Local Production	412	610	670	740
Total Exports	344	512	563	620
Total Imports	3,932	4,000	4,400	4,850
Imports from the U.S.	2,463	2,500	2,750	3,000
Exchange Rate: 1 USD	TL 1.75	TL 1.87	TL 1.79	TL 1.85

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

Data Sources: World Trade Atlas, Turkish Statistics Institution and local industry

Estimates indicate that, based on research and interviews with government and private sector contacts, Turkey is a \$4.5 billion market for aircraft and parts and a \$1 billion market for airport upgrades and construction. The market is heavily dominated by imports with very limited domestic production. Imports from the U.S. constitute more than 60% of total imports meaning the U.S. has the largest share of the air platforms, parts and components market in Turkey. Almost all civil aviation equipment is imported from the United States, Europe or Japan. U.S. air traffic control equipment manufacturers will find traditional rivals in the Turkish market.

With a population of nearly 80 million people and close proximity to developed and emerging markets, Turkey is an emerging aerospace hub for Europe, the Middle East, the Caucasus, and North Africa. There are over fifty countries within three hours flight time from Istanbul. With a growing economy and population base, Turks have come to rely on domestic and international air service increasingly over the past decade. Thanks to the expansion of private airline companies, the 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 and 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 181 aircraft, Turkish Airlines has an established growth rate of 11% per year and passenger load for 2011 reached 32.6 million. By the end of 2011, the number of flight destinations reached 189 (149 international and 40 domestic) from 104 in 2003. Turkish Airlines flies to the most destinations nonstop from a single airport, more than any other European or Middle Eastern airline (the hub being Istanbul).

Moreover, the number of airlines operating in Turkey 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. Boeing has secured a robust business with several airlines, and announced a large order with Turkish Airlines in spring 2013.

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 8 years.

## Sub-Sector Best Prospects

[Return to top](#)

- 1) Aircraft/ aircraft parts: MRO services (maintenance, repair and overhaul – including airframe/component maintenance, rotatable logistics and/or fleet management options), large civil aircraft, regional aircraft, business and general aviation, helicopters, engines, design and avionics.
- 2) Satellites and launch services: A total of 17 satellite programs are expected to come into orbit from 2012 to 2020. Over the next five years satellite contracts will amount to \$2 billion (projected).
- 3) Civil aviation and air traffic control systems: pilot training, equipment & software, radar and flight control personnel training, airport ground support and ancillary (support) systems (integrated computer systems for air traffic control, engineering and operations), ILS Systems/automated landing systems, navigation aids, airport security systems
- 4) New Airport projects: In the next couple of years airport investments will continue primarily under the BOT model through international tenders. These investments are either upgrades to the existing airports or construction of new airports. The new Istanbul Airport Project will provide vast export opportunities to U.S. firms, in various areas mentioned below.

## Opportunities

[Return to top](#)

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, and avionics.

### The New Istanbul Airport

The construction of a new Istanbul airport, which will be one of the world's largest, presents over \$1 billion in U.S. equipment and service export opportunities. A total of six runways, 16 taxiways, 165 aircraft passenger bridges at all terminals and a 6.5 million square meter apron with 500 aircraft parking capacity among other facilities will be constructed. Key areas for

potential cooperation include: full-field architecture, design, engineering, procurement, and construction; terminal and ground control radar; fire safety and security systems; energy efficient technologies; and ICT equipment, including arrival/departure notifications and reservation hardware/software.

## Web Resources

[Return to top](#)

General Directorate of State Airports Authority

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

Turkish Airways

[www.thy.com](http://www.thy.com)

Ministry of Transport, Maritime Affairs and Communications

[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:

Ozge Cirika Eksi

Commercial Specialist

U.S. Commercial Service Turkey

[Ozge.Eksi@trade.gov](mailto:Ozge.Eksi@trade.gov)

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

## Defense Industries

### Overview

[Return to top](#)

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 2013 Ministry of Defense (MOD) budget is \$11.3 billion showing a 11.6% increase compared to FY 2012. 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, \$ 3.2 billion is allocated to Gendarmerie, \$ 8.2 billion to the National Police and \$ 240 million to the Coast Guard. Additionally, the Ministry of Interior has received more than \$ 42.4 billion for defense, homeland security and national intelligence expenditures of various government agencies. According to the Stockholm International Peace Research Institute (SIPRI), in 2012 Turkey held the 15<sup>th</sup> position in terms of defense spending in the world, with defense expenditures reaching \$18.2 billion. These expenditures amounted to 2.3% of Turkey's GDP.

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, 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 October 7, 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.

### Sub-Sector Best Prospects

[Return to top](#)

- Air platforms
- Aircraft parts and components
- Naval systems
- Electronics
- Telecommunications equipment
- Radars / sensors
- Space systems

- Land systems/ parts & components
- Unmanned systems
- Cyber warfare
- Arms and ammunition

## Opportunities

[Return to top](#)

Although the focus is on developing the national defense industry, the overall size and sophistication level of upcoming projects extend various opportunities to 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

[Return to top](#)

The Under Secretariat for Defense Industries (SSM) - [www.ssm.gov.tr](http://www.ssm.gov.tr)

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

Ozge Cirika Eksi  
Commercial Specialist  
U.S. Commercial Service Turkey  
[Ozge.Eksi@trade.gov](mailto:Ozge.Eksi@trade.gov)  
Web: <http://www.export.gov/turkey>

## Education Services

### Overview

[Return to top](#)

Unit: Turkish Students

	2010	2011	2012	2013 (est.)
Total Students Abroad	32,000	33,000	32,500	32,500
Total Students in U.S.	12,397	12,184	11,973	12,000
Undergrad in U.S.	3,657	3,532	3,497	3,500
Grad Students in U.S.	6,583	6,435	6,202	6,200
Other students (High schools, language, training, OPT)	2,157	2,217	2,274	2,300

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

Turkey's population of 76 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 11.2 million students are enrolled at 46,156 primary 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 (Milli Eğitim Bakanlığı) statistics, the number of high school students in Turkey is close to 5 million. There are a total of 9,384 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 2012, there are 107 public and 66 private foundation universities serving 4.35 million students in various academic programs. 2012 figures reveal that 2.35 million students are enrolled in undergraduate programs, 170,000 in master’s programs, 52,000 in PhD, 19,900 in doctors in residency programs and 1.95 million in the Open University (university offering only distance education). 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 2012, more than 1.8 million high school graduates took the exam and around 24% of these applicants were enrolled in a 4-year program, 19% in a 2-year program, 21% to the Open University (distance education in the various subfields of economics and business administration). The rest were unable to enter any higher education program.

In Turkey, the Ministry of National Education 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 32,000 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 2012 Statistics show that Turkey, with its 11,973 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 2011-2012, among 11,973 Turkish students, the level of enrollment is as follows:

- Undergraduate: 3,497
- Graduate: 6,202
- Other (High School, Language, Training, OPT Courses): 2,274

## Sub-Sector Best Prospects

[Return to top](#)

According to the Turkish Fulbright Commission, which is part of the Education USA network of the Department of State, the 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 and 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

[Return to top](#)

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

[Return to top](#)

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>

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

Perim Akguner

Commercial Specialist

U.S. Commercial Service Turkey

[Perim.Akguner@trade.gov](mailto:Perim.Akguner@trade.gov)

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

## Electrical Power and Renewable Energy Industries

### Overview

[Return to top](#)

Unit: USD million

	2011	2012	2013 (est.)	2014 (est.)
Total Market Size	3,340	3,850	4,200	4,500
Total Local Production	980	1,150	1,200	1,300
Total Exports	150	160	170	180
Total Imports	2,510	2,860	3,170	3,380
Imports from the U.S.	490	430	480	520
Exchange Rate: 1 USD	TL 1.75	TL 1.87	1.79	TL 1.85

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 demand for electricity will double by 2023 (the centennial of the Turkish Republic). MENR has an investment budget of approximately \$2.7 billion for 2013, which includes all energy and mining related public sectors. Additional investments are expected from the private sector. Turkey has had the highest energy demand growth among OECD countries the last 10 years. Globally, Turkey has had the second largest growth in demand for electricity and natural gas after China since 2002.

In July 2012, Turkey had the highest peak demand of approximately 39,000 MW. Total installed capacity of Turkey reached 57,072 MW at the end of 2012. Approximately 4,160 MW installed capacity was added to the total capacity of Turkey with new power plants commissioned in 2012. In 2013 and the following years, over 4,000 MW of additional installed capacity needs to be added to meet the demand. In 2012, approximately 240 billion kWh of electricity was generated and 43.2 % of this generation came from natural gas (NG) fired power plants, 27.2 % from coal-fired, 24.2 % from hydroelectric, 2.6 % fuel-oil, 2.4% wind, and 0.4% geothermal power plants.

With yearly growth rate of 6-8 %, Turkey's total installed capacity is expected to increase to 100,000 MW by 2023. This presents major opportunities for U.S firms in all aspects of power generation. 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.

In 2012, the total length of transmission lines exceeded 50,000 Km from 42,000 Km in 2002. The total installed substation power reached 110,000 MVA from 65,000 MVA in 2002.

The total length of electricity distribution lines exceeded 1 million km as of the end of 2012, while it was 812,000 Km in 2002. There are 21 regional electricity distribution companies (Discos) in Turkey. 13 of the 21 Discos are fully privatized. For the rest, privatization tenders have been completed and are in different stages of privatization. Full privatization in DISCOs is expected to be completed by the end of 2013. In Turkey, the average loss in electricity distribution is 15-16%, which consists of technical losses and theft. DISCOs will spend over \$5 billion for the implementation of Smart Grid Systems by the end of 2015 to decrease losses.

The Turkish government has focused on the development of nuclear, renewable and local lignite coal-fired power plant projects to decrease its current account deficit as Turkey pays over

\$60 billion for oil & gas and coal imports every year. This corresponds to 23% of the total imports.

In 2010, the Turkish Government signed a bilateral agreement with the Government of Russia to implement the first nuclear power plant project on an IPP basis with 15 years of power purchase guarantee at a 12.35 Dollar cent/kWh weighted average price. The power plant will be constructed by Atomstroyexport and will have an installed capacity of 4,800 MW with 4 units of third generation VVER 1200 type (AES 2006 design) in Akkuyu, Turkey. The NPP will be operated by the project company at least 51% owned by Rosatom for 60 years. During the power purchase guarantee period of 15 years, 20% of the net profits will be transferred to Turkish Treasury. The contract also includes training of Turkish personnel.

Recently, Prime Minister Erdogan and Japan's PM Shinzo Abe signed a protocol to establish a nuclear power plant in Sinop to start operations in 2023 at an estimated cost of \$22 billion. Similar to Akkuyu, Sinop NPP will consist of 4 units at a total capacity of 4,800 MW. 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 Mitsubishi Heavy Industries, GDF, Itachi, and Areva. 51% will be owned by a Japanese consortium and 49% by Turkish national power generation company EUAS. A \$17-18 billion credit line will be provided by Japan. The 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. A third site will also be considered and MENR will work with Japan in the selection of the third NPP site.

The Ministry of Energy and Natural Resources expects renewable energy power generation to meet 30% of Turkey's electricity demand by 2023. The current wind power generation capacity of 2300 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 2013 will be in solar power generation. Total solar power generation license capacities will be 600 MW for already announced 121 substation sites around the country and these need to be completed by the end of 2015. Solar power investments of less than 1 MW are also expected to increase as these do not require licenses.

A new Electricity Market Law (No. 6446) has been accepted by the Turkish Parliament on March 14, 2013. 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 by its publication in the Official Gazette. 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 New Law introduces a new electricity market activity called "market operation" which is defined as the "operation of organized wholesale markets, financial settlement of activities taking place in such markets and other related financial transactions". This activity, which was conducted by the Electricity Market Financial Settlement Center (PMUM), will be conducted by Enerji Piyasaları İşletme Anonim Şirketi ("EPIAŞ").

EPIAŞ will be established as a private law entity operating under a market operation license to be issued by EMRA. EPIAŞ will 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), and the electricity exchange, which will be operated by Borsa İstanbul Anonim Şirketi upon its establishment once the New Law goes into effect.

The New Law introduces a preliminary licensing mechanism whereby each generation company is issued a preliminary license for the pre-construction stage, which will be replaced by a license upon commencement of the construction stage. The period of a preliminary license is no more than 24 months, unless there is a force majeure event. EMRA shall be authorized to extend this period up to half of the period subject to the capacity and resource type of the project.

The current mechanism for wind applications (which includes the TEİAŞ opinion for connection to transformers and competition among multiple applications) provided by the Repealed Law and the Regulation Regarding the Selection Process for Multiple Wind Project Applications dated 22 September 2010, has been reflected to the New Law, both for wind and for solar energy generation applications. Pursuant to the New Law, standardized measuring reports prepared for a period of at least one year within the previous three years shall be submitted during the preliminary license application based on wind and solar energy.

One of the main objectives of the New Law is to prevent trading of generation licenses by non-investors developing such projects for the sole purpose of selling to real investors. To this end, the New Law prevents any direct or indirect share transfer at the preliminary license period, but also brings additional or extended incentives for real investors.

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.

These figures will apply only to power plants commissioned before 31 December 2015. Extension of this deadline is subject to Council of Ministers' Decrees. The new 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.

The new 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.

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. The geothermal power installed total capacity was 162 MW at the end of 2012. Several companies have obtained operating rights from the Minerals Research Exploration Institute (MTAE) for proven reserves of geothermal energy. Others are exploring geothermal resources. Turkish companies will therefore require drilling services as well as insurance and financing for such services.

Engineering and survey firms for geothermal energy as well as design firms and equipment suppliers for the power generation will find a good market in Turkey.

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 been pursuing the Near-Zero Zone project, a demonstration project for industrial energy efficiency in Turkey. This interagency project aims to demonstrate the impact of reducing energy consumption on companies by increasing their profitability and also promoting bilateral trade and investment. This model will set an excellent example for companies in industrial zones throughout Turkey.

U.S. DOE and the U.S. Commercial Service Turkey will develop replication of these projects in other organized industrial zones (OIZ) in Turkey. There are over 250 OIZs in Turkey.

## **Sub-Sector Best Prospects**

[Return to top](#)

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
- Wind and solar measurement equipment and services
- Energy storage systems
- Gas turbines and generators
- Fluidized bed coal burners
- Boilers and steam generators
- Hot air cooling systems
- Energy Efficiency systems
- Biomass, ethanol, biodiesel, energy efficiency services and equipment
- Fuel cells
- Hydroelectric turbines and coal gasification systems.
- Nuclear consultancy and nuclear power plant equipment.

## **Opportunities**

[Return to top](#)

2013 – 2015 will be a year for solar power opportunities as many companies will obtain license for grid size solar power plants. Although the cost is important, many Turkish firms are seeking

high efficiency, quality American products. Additionally up to 1 MW solar power generation investments will create more 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. During the next five years, implementation of smart grid systems and projects will have major opportunities in Turkey. EMRA will be encouraging expenditures in smart grid systems for 21 electricity distribution companies. Estimated investment in smart grid applications is expected to reach USD 5-6 billion by the end of 2015.

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 to finance new 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

[Return to top](#)

Ministry of Energy and Natural Resources' Web Site:  
Energy Market Regulatory Agency Web Site:  
Renewable Energy General Directorate  
Turkish Electricity Trading Company Web Site:  
Turkish Electricity Transmission Company Web Site  
Turkish Electricity Distribution Company Web Site

[www.enerji.gov.tr](http://www.enerji.gov.tr)  
[www.epdk.org.tr](http://www.epdk.org.tr)  
[www.eie.gov.tr](http://www.eie.gov.tr)  
[www.tetas.gov.tr](http://www.tetas.gov.tr)  
[www.teias.gov.tr](http://www.teias.gov.tr)  
[www.tedas.gov.tr](http://www.tedas.gov.tr)

Solar Atlas of Turkey (GEPA):

<http://repa.eie.gov.tr/MyCalculator/Default.aspx/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](http://www.worldbank.org)  
<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>

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

Serdar Cetinkaya  
Senior Commercial Specialist  
U.S. Commercial Service Turkey  
[Serdar.Cetinkaya@trade.gov](mailto:Serdar.Cetinkaya@trade.gov)  
Web: <http://www.export.gov>

## Environmental Technologies

### Overview

[Return to top](#)

Unit: USD million

	2011	2012	2013 (est.)	2014(est.)
Total Market Size	11,752	11,715	10,970	10,805
Total Local Production	642	661	617	600
Total Exports	612	643	605	595
Total Imports	11,722	11,697	10,958	10,800
Imports from the U.S.	1,840	1,694	1,450	1,350
Exchange Rate: 1 USD	TL 1.75	TL 1.87	TL 1.79	TL 1.85

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 (İller Bankası) is a state owned bank that specializes in financing infrastructure projects.

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.

### Sub-Sector Best Prospects

[Return to top](#)

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. Discharge of wastewater into surface water without treatment by industrial facilities remains to be a problem although the situation is improving. Some products that have potential in the Turkish market are as follows:

- Water pumps

- Filters
- Pollution control equipment
- Design and operation of water / wastewater plants
- Leakage detection systems
- Membrane technology
- Industrial wastewater remediation systems

## Opportunities

[Return to top](#)

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 alignment is planned to be completed by 2024.

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

[Return to top](#)

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/>

Environment Protection and Packing Wastes Utilization Foundation

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

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

Gorkem Yavilioglu

Commercial Specialist

U.S. Commercial Service Turkey

[Gorkem.yavilioglu@trade.gov](mailto:Gorkem.yavilioglu@trade.gov)

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

## Information and Communications Technologies

### Overview

[Return to top](#)

Following is the market size estimate for the IT Sector (excluding the telecommunication sector):

Unit: USD million

	2011	2012	2013 (est.)	2014 (est.)
Total Market Size	6,776	7,454	8,499	9,179
Total Local Production	2,783	3,061	3,367	3,636
Total Exports	1,452	1,597	1,757	1,897
Total Imports	5,445	5,990	6,889	7,440
Imports from the U.S.	2,360	2,596	3,427	3,770
Exchange Rate: 1 USD	TL 1.75	TL 1.87	TL 1.79	TL 1.85

Following is the market size estimate for the Telecommunication Sector (excluding IT):

Unit: USD million

	2011	2012	2013 (est.)	2014 (est.)
Total Market Size	23,100	25,310	27,840	30,068
Total Local Production	15,400	16,940	18,634	20,125
Total Exports	3,850	4,335	4,769	5,150
Total Imports	11,550	12,705	13,975	15,093
Imports from the U.S.	6,160	6,778	7,795	8,575
Exchange Rate: 1 USD	TL 1.75	TL 1.87	TL 1.79	TL 1.85

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

Data Sources: Government of Turkey statistics bureau, Interpro Medya

Turkey's Information and Communication Technologies (ICT) market size reached \$32 billion in 2012, with a breakdown of \$25.3 billion in Telecommunications and \$7.4 billion in Information Technologies. The Turkish ICT market continues its rise as one of the key growth markets in Turkey with an estimated growth of 8-10% for 2013, despite the ongoing global economic crisis. The total market size for the ICT industry for 2013 is expected to be \$36.3 billion.

Although the industry has shown slower growth than in the past, investors still see the Turkish ICT market as a significant growth opportunity and are increasingly investing in channels and local production.

Current PC penetration levels in Turkey are estimated at 65%, and internet usage is above 70%. A survey of Turkish primary and secondary schools showed that in 30% of schools, computers are still not integrated into education. This percentage is expected to significantly decrease as the Ministry of Education plans to increase the number of computers and internet connections. The National Fatih Project is one such development project which will provide schools with smart boards and 2 million tablets, worth an estimated \$6 billion. Schools in

remote areas will be connected to the internet through satellite with the cooperation of the Turkish satellite company Turksat.

There has, however, been a recent shift in the IT industry in Turkey. Until recently the driving force behind the industry was desktop and notebook sales. The consumer electronics market has significantly caught up and increased its share in the market. The consumer electronics market in Turkey is estimated at \$4 billion.

Traditionally, significant 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 12.9 million fixed line subscribers to 13.7 million. AVEA, (owned by Turk Telecom) is Turkey's third largest mobile operator with 13.7 million GSM mobile subscribers.

Turk Telekom owns 99.9% of TTnet, Argela, Innova, Sebit, Sobee and AssisTT, as well as the minority share of ALBtelecom in Albania. 55% of the shares of Turk Telekom belong to Ojer Telecom Inc. and 30% belongs 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.

Operators/Subscribers	2012	2013
<b>Turkcell</b>	35.1 million	34.9 million
<b>Vodafone</b>	18.43 million	18.9 million
<b>Avea</b>	13 million	13.7 million
<b>Türk Telekom</b> (fixed lines only)	12.9 million	13.7 million

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 subscribers can be found in the above table.

The total number of GSM cellular service subscribers reached almost 70 million with an approximate penetration rate of almost 95 %. The total telecom equipment and service market grew to \$15 billion and is expected to expand in 2013 as GSM subscribers are expected to use more and more 3G services. The total number of 3G subscribers has reached almost 10 million.

Subscriber penetration for fixed lines has dropped to 20.5% and is dropping due to hard competition from GSM cellular operators. 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 major buyer of fixed-line telecommunications equipment, and with approximately 14 million subscribers, is eager for new technologies in 2013. 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.

Turk Telekom will invest an estimated \$1.5 billion through 2013 for its Next Generation Network (NGN) project, and will also replace its rural area switches with small telephone switches at over 10,200 switch centers. Turk Telekom's introduction of IP TV has been slow. Fixed line subscribers can now change their operators without changing their phone numbers as a result of the fixed line number portability regulation, which came into force in September 2009. This change has benefited Vodafone and AVEA as they have pulled customers from Turkcell .

Over 40 private, long distance telephone companies have been also operating over the last 5 years, mostly using VoIP via an interconnection agreement with Turk Telekom. Some of these companies have established or continue to establish their own networks.

The BTK (Informatics High Council) 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 be 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.

The government's E-Government projects still continue to move forward, although most of the projects have been completed. The Turkish ICT market is far from being saturated and still has significant growth potential as the technology driven young population continues to invest in computers, consumer electronics, software and ICT services. The ICT market has grown every year and even in times of global crisis the growth has only dropped slightly, a good indicator that the ICT industry remains an attractive industry in Turkey. (UNDP, Harnessing ICT For Development In Turkey).

This attractive consumer electronics trend has lured many international and national electronic retail supermarkets to establish a presence in the market. German Mediamarkt, British Electro World, Turkish Teknosa, Vatanbilgisayar and Gold Bilgisayar have been competing for a number of years in Turkey.

## Sub-Sector Best Prospects

[Return to top](#)

- 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

[Return to top](#)

Turkey's National Fatih project aimed at giving 2 million tablets to students between 5<sup>th</sup> and 12<sup>th</sup> grades and smart boards to each class room is a four-year project expected to cost \$6 billion. This project is still ongoing and is expected to continue in phases

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 ISP company Superonline has been very active in the fiber optics market and has sought partnership with BOTAS, the pipeline company, in laying their fiber optics throughout Turkey.

The cyber security segment is expected to grow as corporate and government ICT security systems remain to attract significant funding. Security of information leaving the company as well as identity theft, network security against attackers, viruses, Trojans and storage of network activities 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

[Return to top](#)

[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 Association  
<http://www.tubisad.org.tr/eng/Pages/default.aspx>

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

Ihsan G. Muderrisoglu  
Commercial Specialist  
U.S. Commercial Service Turkey  
[Ihsan.Muderrisoglu@trade.gov](mailto:Ihsan.Muderrisoglu@trade.gov)  
Web: <http://www.export.gov/turkey>

## Medical Technologies and Healthcare

### Overview

[Return to top](#)

Unit: USD millions

	2011	2012	2013 (est.)	2014 (est.)
Total Market Size	2,402	2,603	2,790	2,990
Total Local Production	360	390	418	508
Total Exports	192	156	139	179
Total Imports	2,234	2,369	2,511	2,661
Imports from the U.S.	335	355	377	400
Exchange Rate: 1 USD	TL 1.75	TL 1.87	TL 1.79	TL 1.85

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

Data Sources: Industry feedback, Turkish Ministry of Industry reports

Turkey has a population of 75 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) 2013, TL 17 Billion (approximately \$10 billion) was allocated to the Ministry's budget. 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 Agency (SGK).

If a patient is a holder of social security and is treated at a public hospital, their healthcare expenses are reimbursed by the SGK as long as the 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 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				2011				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>	840	<b>58%</b>	121,297	<b>62%</b>	8.5%	12%
<b>University</b>	50	<b>4%</b>	26,341	<b>16%</b>	65	<b>4%</b>	34,802	<b>18%</b>	30%	32%
<b>Private</b>	271	<b>23%</b>	12,387	<b>8%</b>	503	<b>35%</b>	31,648	<b>16%</b>	85%	155%
<b>Other</b>	61	<b>6%</b>	18,349	<b>12%</b>	45	<b>3%</b>	6,757	<b>4%</b>	-26%	-63%
<b>Total</b>	<b>1,156</b>		<b>164,471</b>		<b>1,453</b>		<b>194,504</b>		<b>26%</b>	<b>19%</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 one to two 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 of 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 can qualify for healthcare services and 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. 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. 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**

[Return to top](#)

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
- Clinical chemistry and laboratory devices
- Dental devices
- Implants used in orthopedics and traumatology
- Ultrasound and Imaging equipment
- E-health and M-health systems
- 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**

[Return to top](#)

The total bed capacity in Turkish Hospitals is above 200,000, an increase of more than 10 percent over the past 5 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 Resources

[Return to top](#)

Ministry of Health

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

Health Industry Employers' Association (SEIS)

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

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

Ebru Olcay

Commercial Specialist

U.S. Commercial Service Turkey

[Ebru.Olcay@trade.gov](mailto:Ebru.Olcay@trade.gov)

Web: [www.export.gov/Turkey](http://www.export.gov/Turkey)

## Oil and Gas

### Overview

[Return to top](#)

Unit: USD million

	2011	2012	2013 (est.)	2014(est.)
Total Market Size	2,480	2,365	2,405	2,710
Total Local Production	190	195	200	210
Total Exports	80	90	95	100
Total Imports	2,370	2,260	2,300	2,600
Imports from the U.S.	140	130	140	200
Exchange Rate: 1 USD	1.75 TL	1.87 TL	1.79 TL	1.85 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 spends over \$20 billion for oil & gas imports, and there is great demand for exploring and finding indigenous oil and gas resources.

Some companies have found a small amount of natural gas (NG) offshore along the western Black Sea coast of Turkey and onshore in the European part of Turkey (Thrace). Total domestic NG production meets only 2% of total consumption. Turkey consumed approximately 40 billion cubic meters (bcm) (approximately 1,579 billion bcf) of NG in 2011. 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. 165 of total 415 Licenses (40%) belong to TPAO, which covers 261,000 km<sup>2</sup> of 382,000 km<sup>2</sup>. This corresponds to a total area coverage of 68%. 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. As of the end of October 2011, there were 52 oil exploration and production companies in Turkey. These companies are active with 388 exploration and 80 production licenses.

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.

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.tpa.gov.tr](http://www.tpa.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 invested around \$500 million domestically and \$400 million internationally for exploration and production in 2011. This is expected to grow in 2012.

In addition to TPAO, Aladdin Middle East, Chevron, Edison, Enel, ENI, E.ON Ruhrgas, Exxon Mobil, Genel Enerji, Guney Yildizi, OMV, Pet Oil, Perenco, Petrobras, Shell, Statoil, Total, Transatlantic Petroleum Corporation, Thrace Basin Natural Gas Türkiye Corporation, Tiway Oil, and Turcas are the most active oil and gas upstream companies in Turkey. 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. There are other NG pipeline projects being discussed: NABUCCO NG Pipeline Project, TAP NG Pipeline Project, Turkey Greece Italy (ITGI) NG Pipeline Project, etc.

Large discoveries offshore in the Mediterranean Sea near 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 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 by 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 the state-owned TUPRAS meet 60% of Turkey's demand. Therefore, new refineries will meet rising demand.

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

[Return to top](#)

- Shale (unconventional) gas exploration and production equipment,
- 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,
- Remote Controlled Digital Gas Meters,
- Pressure Reduction Valves,
- CNG Service Station Equipment,
- LNG Facilities,
- Refinery Equipment and Technology Supply,
- Underground Storage Surface and Sub-Surface Facilities.

## Opportunities

[Return to top](#)

U.S. companies may have potential opportunities in shale (unconventional) gas exploration and gas equipment and services as there has been great interest 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, Exxon Mobil, Chevron, Shell, Aladdin Middle East, Transatlantic Petroleum Corporation, and Petrobras. 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 Black Sea and Mediterranean Sea explorations. 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 refineries and petrochemical plants.

## Web Resources

[Return to top](#)

Ministry of Energy and Natural Resources  
Energy Market Regulatory Agency (EMRA)  
Petroleum Affairs General Directorate (PIGM)

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

Botas  
Botas International Ltd. (BIL)  
Turkish Petroleum Corporation (TPAO)  
TPAO International Ltd.  
TANAP  
SOCAR TURKIYE  
NABUCCO  
PETFORM Web Site

[www.botas.gov.tr](http://www.botas.gov.tr)  
[www.botasint.com](http://www.botasint.com)  
[www.tpao.gov.tr](http://www.tpao.gov.tr)  
[www.tpic.com.tr](http://www.tpic.com.tr)  
[www.tanap.com/en](http://www.tanap.com/en)  
[www.socar.com.tr/en](http://www.socar.com.tr/en)  
[www.nabucco-pipeline.com](http://www.nabucco-pipeline.com)  
[www.petform.org.tr](http://www.petform.org.tr)

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

Serdar Cetinkaya  
Senior Commercial Specialist  
U.S. Commercial Service Turkey  
[Serdar.Cetinkaya@trade.gov](mailto:Serdar.Cetinkaya@trade.gov)  
Web: <http://www.export.gov/turkey>

## Plastics Materials and Processing Machinery

### Overview

[Return to top](#)

Unit: USD millions

	2011	2012	2013 (est.)	2014 (est.)
Total Market Size	27,745	37,215	37,200	38,600
Total Local Production	20,100	30,000	31,000	32,000
Total Exports	4,316	4,713	4,800	4,900
Total Imports	11,961	11,928	11,000	11,500
Imports from the U.S.	449	463	450	475
Exchange Rate: 1 USD	TL 1.75	1.87	1.79	1.85

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% per year. This growth rate is almost the double the GDP growth rate of the country. The Turkish plastics industry has a global market share of 1.6%, and it ranks 3rd in Europe, following Germany and Italy.

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 two percent. Turkey's plastic raw material imports can be broken down as follows:

PP: 27%  
PE: 21%  
PET: 14%  
PVC: 11%  
Other: 27%

In Turkey, over six thousand companies are engaged in the plastics industry and 97% of these are SMEs. There are 113 firms with foreign capital shares, and of these 113, 43% are of EU origin. Sixty-three percent of all the firms in the industry are plastic product manufacturers, 16% are machinery and equipment producers, and 12% are raw material and auxiliary material manufacturers.

Turkey ranks 2nd in synthetic fiber production, 3rd in PVC (polyvinyl chloride), and 5th in total plastics processing capacity in Europe. Industry experts predict that the Turkish plastics industry ranks 3rd among EU countries, following Germany and Italy, with its existing process capacity.

## Plastic Raw Materials Market

Commodity Plastics Consumption in Turkey	Percentage in Total Consumption (%)	Percentage of Local Production in Total Supply (%)
PE	27.9	23.7
PP	28.7	7.9
PVC	17.7	15.2
PET	5.1	40.0
Others	20.6	0

In Turkey, local production meets 14 percent of the total demand for plastics raw materials. 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 and was sold to the TransCentralAsia Petrochemical Holding consortium. Industry experts expect Petkim to make new investments and increase market share from 15 to 50 percent. 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, 63% of the total imports come from the top ten supplier countries (Saudi Arabia, Germany, Belgium, Holland, South Korea, Spain, Italy, Iran, France, and the United States). Dow Plastics, BASSELL, and SABIC are major foreign players in the Turkish market.

## Plastic Processing Machinery

Recently, cheap Chinese machinery and molds began entering 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 imports are dominated by injection machinery (30%), followed by cutting, splitting and shaping machinery (29%) and extrusion machinery (20%). The top three supplier countries of plastics production machinery in 2011 were Germany, Italy, and China, supplying 61 percent of Turkish plastic machinery imports.

Currently, there are no significant trade barriers against imports from the U.S. Turkish 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

[Return to top](#)

- **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

[Return to top](#)

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:

#### **Plast Eurasia Istanbul 2013**

**Date:** December 5-8, 2013

**Location:** Istanbul TUYAP

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

#### **Putech Euroasia 2013, 3<sup>rd</sup> Polyurethane Industry Fair**

**Date:** November 14 – 16, 2013

**Location:** Istanbul Expo Center

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

### Web Resources

[Return to top](#)

PAGDER-Plastik Sanayicileri Dernegi (Plastic Industrialists Association)

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

PAGEV-Turk Plastik Sanayicileri Arastirma Gelistirme ve Egitim Vakfi

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

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

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

Berrin Erturk

Senior Commercial Specialist

U.S. Commercial Service Turkey

[Berrin.Erturk@trade.gov](mailto:Berrin.Erturk@trade.gov)

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

## Safety and Security

### Overview

[Return to top](#)

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>	<b>100%</b>

Source: A&S Magazine Turkey

\*The numbers are estimates based on interviews with major players in 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. Further investments in Turkic republics had a positive effect on the sector but unrest in Libya and North Africa, as well as the debt crisis in Europe adversely affected investment 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 growth. As the construction sector continued its steady growth, the safety and security sector also grew. Urban revitalization and city transformation projects in 2012, especially in big cities, had a positive influence on the market. Fire alarm systems and intercom systems were heavily used in 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 frequently.

### 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

[Return to top](#)

- **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

[Return to top](#)

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 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**

[Return to top](#)

#### **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>

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

Yaprak Cakilcioglu  
Commercial Assistant  
U.S. Commercial Service Turkey  
[Yaprak.Cakilcioglu@trade.gov](mailto:Yaprak.Cakilcioglu@trade.gov)  
Web: [www.export.gov/turkey](http://www.export.gov/turkey)

## Transportation (Non-Aviation)

### Overview

[Return to top](#)

Turkey's transportation and logistics sector tripled in value since 2002. Average growth over the last five years has been 20%, and 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. Turkey has a very important strategic location, as it is in the middle of the Aegean Sea, Black Sea and Mediterranean Sea, and has two major straits (Bosporus and Gallipoli). Turkey has 23 land border crossings and customs points.

Experts believe that "combined transportation" will have a very big share in the transportation industry. In the future, the infrastructure partnership between the private sector and government will increase and marine and railroads transportation will have a big role in cargo transportation for combined transportation.

### RAILROADS:

Turkey's geopolitical position as a link between east and west makes the transportation industry crucial for the economic development of the region. Turkey is 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.

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).

Even though the history of railways in Turkey dates back 150 years, rapid development in the automobile industry worldwide after the 1950's as well as focus on a single mode of transportation contributed to Turkey's 90% dependence on land transportation. This dependence has limited construction of railroads to only 6 miles per year, and resulted in underinvestment in the railway system. As a result, the share of rail has decreased from 42.2% in 1950 to 1.6% in 2010 in passenger transportation, and from 68.2% to 5.3% in cargo transportation. However, with increasing economic and environmental consciousness in Turkey, and the requirement by the European Commission to balance transportation modes to achieve sustainable development, more and more cargo is expected to be transported using rail. The Union of International Railways (UIC) states that work for railway connection between Europe and Asia will be completed in the short run to achieve a single European railway network and that Turkey would play a key role in these activities. Until the opening of the Marmaray tunnel (Bosporus undersea railway tunnel), the country will continue to have two separate railway networks (in Thrace and Anatolia)

that are only connected through the Bosphorus railway ferry in Istanbul. However, the Turkish Government is aiming to complete the Marmaray project by October of 2013, which will result in a continuous rail system that will connect China with the UK.

The Turkish government aims to modernize the system through a range of projects and has allocated a budget of \$23.5 billion to complete these projects by 2023. The focus of these investments are to:

1) Restructure the existing lines to increase freight forward capacity and improve safety for train movements, as well as improve productivity and effectiveness of railway operations. These projects will include complete signalization and electrification projects in lines that lack these technologies, double line constructions, adding fast train systems, and renewal of the existing vehicles fleet. Currently, TCDD, the state corporation that operates the public railway system in Turkey, has 11,052 km of conventional lines and 888 km of high speed lines, totaling to 11,940 kms. By 2023, the Turkish government is committed to reach a total of 10,518 km of high speed railway lines and with a construction of another 4,000 km of conventional lines, reaching a total of 25,570 km of rail.

2) Finish railway projects under construction. The two major projects currently under construction are the Marmaray project, and the Kars-Tbilisi-Baku railway. Additionally, other fast train lines such as İzmir-Ankara, İzmir-Istanbul, Ankara-Istanbul, and Ankara-Konya are currently under construction.

3) Initiate future railway projects including additional fast train lines such as Ankara-Sivas, and Halkali/Istanbul-Kapikule/Bulgaria.

The Turkish government is also planning to include the private industry in rail transportation. TCDD operates all passenger, freight and suburban railways, including domestic and international departures, and the seven largest ports of the country, the railways and the locomotive, wagon and coach manufacturers and repair workshops. The Turkish government has recently "liberalized" the Turkish rail system, meaning that all rail lines will still belong to the government; however, private firms will have the right to operate cargo and passenger transportation. The Turkish government is aiming to increase private industry involvement in the rail system to 50%, providing a chance for the rail system to benefit from the investment capability of private industry.

## **PORTS/MARITIME:**

Turkey is surrounded by sea from three sides, and its coastal length is 8,333 km, making marine transportation extremely important and widely used in foreign trade. In fact, 86% of Turkey's total foreign trade is realized through the use of maritime transportation. Turkey has 160 ports, and the majority is located on its western coast.

Currently, Turkey is focusing on cruise ship port investments with a goal of 15 million passengers per year by 2023. Seven new cruise ship ports are planned to be constructed by 2023. Also in coming years, Turkey aims to become one of the major MRO players in the region. The current fleets with which Turkey has regional cooperation are expected to double and reach 5,000 ships. These figures clearly demonstrate the potential of future MRO investments in Turkey.

The Turkish government is aware that state-owned ports can be operated more efficiently by the private sector. As a result, they have prioritized the privatization of state-owned ports, including:

Ports of Turkish Maritime Organization, Inc. (TDI): Most of these have already been privatized, generating a total of \$226 million to the government. Four of them are in the process of privatization, including Tekirdag, Salipazari Cruise Port, Kemerkoy, and Gulluk.

Ports of General Directorate of State Railways (TCDD): Of the total ports owned and operated by TCDD, four have been privatized, generating \$1.4 billion. Three more are under privatization program, including, Derince, Izmir Cruise, Izmir Container ports.

Others: Salipazari Istanbul Cruise Port, which is the sole cruise port in Istanbul, Mersin Tasucu Marina, Kalamis-Fenerbahce marina, which is the largest marina in the country, and Gulluk Marina will be privatized through “transfer of operational rights” (TOR)

Construction of new ports will also create opportunities for companies in the maritime transportation industry. The Turkish government began a new investment in Candarli to construct a port that will be a major hub in the region with a capacity of 12 million TEU. This will be one of the largest ports in the world. With its completion, it will be able to provide loading and unloading to 4 million ships annually, of which 1,100 will be over 200,000 tons. The total cost of this project is expected to be around \$1 billion. Other planned port projects include Haydarpasa (Galata) in Istanbul, and Filyos. A tender for the Galata port project has just been announced. The Turkish government is primarily considering a build-operate-transfer (BOT) model for the construction of the new ports.

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

Road transport is a major mode of freight and passenger transportation in Turkey. At present, 95% of passengers and 90% of goods are carried by highway transport, including in-country transportation and foreign trade. The Turkish Government intends to further modernize existing roads as well as construct new roads. The estimated investment cost for such modernization and construction amounts to \$21.5 billion. By 2023, construction of 36,500 km of divided road and 7,500 km of highway will be completed. In addition to the road/highway construction, a tube-way and the 3rd bridge crossing the Bosphorus will be completed, in addition to a new bridge on the Canakkale strait.

Another major project of the General Directorate of State Highways (KGM), which owns and operates all roads and highways that connect cities, (in-city roads are owned and operated by local municipalities and local authorities), is the privatization of highways, bridges, and tunnels. The Turkish government announced a tender recently for these privatization projects and awarded the project to a Turkish – Singaporean consortium. However, the tender was canceled after Prime Minister Erdogan announced that the sales price was too low. The asset will be corporatized and IPO shares will be issued at a later date.

## **Railroads**

U.S. firms may be most competitive in high-tech products, including signalization, electromechanical products for the subject projects.

## **Shipping/Ports**

Opportunities for U.S. firms exist in the following areas:

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) Increased share in maritime transportation for U.S. firms. 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) 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: These systems are sought in all highways and roads. U.S. firms involved in the engineering and 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:

4<sup>th</sup> International Railroads, Light Rail Systems, Infrastructure and Logistics Fair  
March 6-8, 2014  
[www.euroasiarail.eu](http://www.euroasiarail.eu)

ASPHALTIS-Asphalt, Highways, and Road Technologies  
Feb. 6-8, 2014  
[www.asphaltis.eu](http://www.asphaltis.eu)

EUROPORT Istanbul - 13th International Shipping Exhibition  
Spring 2015  
[www.europort-istanbul.com/eng/](http://www.europort-istanbul.com/eng/)

TRANSİST-2013 (Transportation Technologies, Vehicles and Products, Systems  
Symposium and Fair  
December 6-9, 2013  
[www.transist2013.com](http://www.transist2013.com)

## Web Resources

[Return to top](#)

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.tudemas.gov.tr](http://www.tudemas.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:

Berrin Erturk  
Senior Commercial Specialist  
U.S. Commercial Service Turkey  
[Berrin.Erturk@trade.gov](mailto:Berrin.Erturk@trade.gov)  
Web: <http://www.export.gov/turkey>

## Cotton

## Overview

[Return to top](#)

Unit: '000 Metric Ton

	2011	2012	2013 (est.)	2014 (est.)
Total Market Size	1,300	1,350	1,370	1,390
Total Local Production	600	580	500	500
Total Exports	40	40	40	40
Total Imports	750	800	900	920
Imports from the U.S.	400	425	500	530

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 \$589 million in 2012, down from \$1.3 billion in 2011 and \$862 million in 2010, but above 2009 at \$487 million.

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

[Return to table of contents](#)

## Soybeans

### Overview

[Return to top](#)

Unit: '000 Metric Ton

	2011	2012	2013 (est.)	2014 (est.)
Total Market Size	1,348	1,460	1,570	1,590
Total Local Production	50	70	110	120
Total Exports	3	15	20	10
Total Imports	1,057	1,300	1,350	1,420
Imports from the U.S.	305	400	450	475

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

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. The Agriculture Ministry has approved three major biotech soy genes for import and trade is now flowing. In 2012 total U.S. exports of soybeans were worth \$475 million, a record year and well above \$169 million in 2011, \$250 million in 2010 and \$342 million in 2009.

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

[Return to table of contents](#)

## Rice

### Overview

[Return to top](#)

Unit: '000 Metric Ton

	2011	2012	2013 (est.)	2014 (est.)
Total Market Size	700	730	720	710
Total Local Production	502	483	470	450
Total Exports	89	89	80	75
Total Imports	0	120	120	335
Imports from the U.S.	150	260	260	280

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

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. As a result, Turkey's import demand has increased and medium grain rice from southern States and California has been competitive.

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

## Industry Contacts

### Agriculture Industry Contacts in Turkey

[Return to top](#)

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/>

[Return to table of contents](#)

## Chapter 5: Trade Regulations, Customs and Standards

- [Import Tariffs](#)
- [Trade Barriers](#)
- [Import Requirements and Documentation](#)
- [U.S. Export Controls](#)
- [Temporary Entry](#)
- [Labeling and Marking Requirements](#)
- [Prohibited and Restricted Imports](#)
- [Customs Regulations and Contact Information](#)
- [Standards](#)
- [Trade Agreements](#)
- [Web Resources](#)

### Import Tariffs

[Return to top](#)

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

[Return to top](#)

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 WTO and regulates its customs in line with WTO 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.

In November 2005, the United States brought a dispute against Turkey in the WTO arguing that, inter alia, Turkey's tariff-rate quota (TRQ) scheme for rice, which contains an onerous domestic purchase requirement, and its refusal to issue import licenses for rice outside the TRQ, are inconsistent with Turkey's WTO obligations. In September 2007, the dispute settlement panel agreed with the United States that Turkey's failure to grant licenses to import rice and its operation of a discretionary import licensing system for rice are in breach of Turkey's market access obligations under the WTO Agreement on Agriculture. The panel also agreed with the United States that Turkey's domestic purchase requirement, under which Turkey required importers to purchase large quantities of domestic rice in order to import rice at preferential tariff rates, is in breach of the national treatment provisions of the WTO. The reasonable period of time for Turkey to bring itself into compliance with the WTO's rulings and recommendations expired at the end of April 2008.

More 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 imports using genetically modified organisms. The U.S. Government has raised these matters in high level discussions with the Turkish side and industry.

## **Import Requirements and Documentation**

[Return to top](#)

### 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**

[Return to top](#)

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**

[Return to top](#)

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**

[Return to top](#)

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

[Return to top](#)

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

[Return to top](#)

The Turkish Customs website is

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

## Standards

[Return to top](#)

- [Overview](#)
- [Standards Organizations](#)
- [Conformity Assessment](#)
- [Product Certification](#)
- [Accreditation](#)
- [Publication of Technical Regulations](#)
- [Labeling and Marking](#)
- [Contacts](#)

## Overview

[Return to top](#)

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).

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.

U.S. companies have reported that products of U.S. origin bearing the EU certificate of conformity (CE mark), particularly medical devices, have been detained by Turkish customs authorities for inspection related to a variety of Turkish requirements. 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. U.S. products which have previously entered the EU Customs Union, with all required documentation including A-TR certificates, are still subject to inspections and in certain cases, further testing if deemed necessary by Turkish customs officials. The Turkish Standards Institute 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.

### **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 U.S. Commercial Service Turkey - [www.export.gov/turkey](http://www.export.gov/turkey)

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

## Conformity Assessment

[Return to top](#)

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

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 and prepare 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**

[Return to top](#)

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

[Return to top](#)

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

[Return to top](#)

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

[Return to top](#)

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

[Return to top](#)

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

## Trade Agreements

[Return to top](#)

Turkey has been in accession negotiations with the European Union 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. However, as the EU signs more Free Trade Agreements with other countries and the Customs Union

requires Turkey to comply with these agreements, the Government of Turkey has expressed public concern over the Customs Union's effects on Turkish competitiveness. To address Turkey's interests in the planned US-EU Transatlantic Trade and Investment (TTIP) partnership, in May 2013, the U.S. and Turkey created a High Level Committee to discuss TTIP's effects on the Turkish economy.

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

## Web Resources

[Return to top](#)

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. Commercial Service Turkey - [www.export.gov/turkey](http://www.export.gov/turkey) Page 79 of 115

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.  
U.S. 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/>

## Chapter 6: Investment Climate

- [Overview](#)
- [Relations with the United States](#)
- [Openness to Foreign Investment](#)
- [Turkish Industrial Strategy](#)
- [Partnerships in Improving the Investment Climate](#)
- [Investment Issues](#)
- [Currency Conversion and Capital Transfer Policies](#)
- [Expropriation and Compensation](#)
- [Dispute Settlement](#)
- [Performance Requirement/Incentives](#)
- [Entrepreneurship](#)
- [Right to Private Ownership and Establishment](#)
- [Protection of Property Rights](#)
- [Transparency of the Regulatory System](#)
- [Efficient Capital Markets and Portfolio Investment](#)
- [Political Violence](#)
- [Corruption](#)
- [Bilateral Investment Agreements](#)
- [OPIC and Other Investment Insurance Programs](#)
- [Labor](#)
- [Foreign Trade Zones/Free Ports](#)
- [Foreign Direct Investment \(FDI\) Statistics](#)
- [Web Resources](#)

### Overview

[Return to top](#)

Turkey is the 17<sup>th</sup> largest economy in the world, with a GDP of USD 774.2 billion. Over the last three years, Turkey has been one of the fastest growing economies, with an ambitious target to become one of the ten largest economies in the world by 2023, the centenary of the foundation of the Turkish republic. Achieving this goal will require Turkey to triple its economy to more than USD 2 trillion, develop an export sector of USD 500 billion, and make significant upgrades to its energy, information technology, finance, and physical infrastructures. While this will be a challenge, Turkey has more than doubled the size of its economy since 1990 and transformed it from roughly 20% industrial/ 80% lightly processed or raw materials to 75% industrial and manufactured. Regardless of whether Turkey is able to become a top 10 economy by 2023, we believe many positive economic reforms will come out of trying to meet such an ambitious goal, and the U.S. strongly supports Turkey's efforts in this regard.

The Turkish Government announced a new investment incentive program in April 2012, which went into effect retroactively on January 1, 2012, aimed at encouraging strategic investments and investment in less developed regions in order to eliminate regional disparities, reduce Turkey's dependence on imported intermediate goods, and increase

technology transfer. In December 2012, the World Bank and the U.S. Department of Commerce hosted an “Ease of Doing Business” seminar for the Turkish interagency to help the Turkish Government understand what reforms are needed to make Turkey more investor friendly and competitive in the international arena. The seminar highlighted that Turkey still needs to improve overall governmental transparency, continue regulatory reforms, increase predictability in regulatory development, better protect intellectual property, and translate rules and regulations into action. The World Bank’s Ease of Doing Business Index (<http://www.doingbusiness.org/reports/global-reports/doing-business-2013>), as well as the Heritage Foundation-Wall Street Journal’s Index of Economic Freedom (<http://www.heritage.org/index/country/Turkey>), offer useful summaries of key issues regarding doing business in Turkey.

Turkey’s economic growth will slow significantly in 2013, projected at 2.6%, due mainly from weakening demand in Turkey’s main export market – the EU. As a result, Turkey is actively seeking new and expanded export markets in the Middle East, Africa, and the United States. Turkish exports are projected to be around USD 153 billion at the end of 2012, a 13% year-on-year increase. The Turkish Government has set its export target for 2013 at USD 158 billion.

Turkey’s Current Account Deficit (CAD), which was around 8.5% of GDP at the end of 2011, declined significantly in 2012 and is expected to be 6.5-7% of GDP when final 2012 figures are released. This decline is mainly attributable to the decreasing foreign trade deficit, increasing net services income and decreasing net income outflows. Inflation increased to over 10% during 2012 but by the end of 2012 is expected to be around 6.5%. The Turkish Central Bank is aiming for an inflation rate of 5% in 2013. Due to these positive trends, in November 2012, Fitch Ratings upgraded Turkey to investment grade for the first time in almost two decades, citing a moderating debt burden, healthy banking system, and sound economic management. This should help to increase institutional investment in Turkey.

In Turkey, the proportion of urban to rural population has changed significantly over the last decade. Turkey has broadened the base of its economy beyond the traditional industrial centers of Istanbul, Ankara, and Izmir to encompass a number of other Anatolian cities that exported more than USD 1 billion in 2012. This expansion is particularly notable in cities such as Adana, Denizli, Trabzon, Gaziantep, Hatay, Kayseri, Konya, Manisa, Sakarya, and Şirnak.

## **Relations with the United States**

[Return to top](#)

In 2009, President Obama called for the elevation of U.S.-Turkey economic and commercial ties to the same strategic level as our security and political ties. In October 2010, the United States and Turkey held the first meeting of the Framework for Strategic Economic and Commercial Cooperation (FSECC), a Cabinet-level dialogue aimed at enhancing economic relations and boosting bilateral trade and investment. Under the FSECC process, the two governments hold a regular series of working groups, including the Economic Partnership Commission (EPC) and the Trade and Investment Framework Agreement Council (TIFA), aimed at addressing specific trade and investment issues, as well as opening new areas of economic cooperation. Under the State Department-led EPC, the two sides are discussing specific steps to increase bilateral cooperation on finance, energy, innovation, and infrastructure sectors, as well as increasing cooperation

in third countries. The two countries held the ninth EPC in November 2012 in Washington and will next meet in May 2013 in Ankara. The United States and Turkey have also established an FSECC Business Council, which held its first meeting in September 2011, and has suggested ways to improve bilateral business ties.

The United States and Turkey signed a Science and Technology (S&T) agreement that will deepen and diversify relations by facilitating more joint research; exchanges of scientists, researchers, and specialists; and establishment of science-based public-private partnerships. In April 2013, the inaugural meeting of the Joint S&T Commission will be held in Ankara, which will encompass working groups co-chaired by Turkish and American scientists on issues such as biomedical research, engineering for a sustainable future, education technologies, material sciences, energy research, innovative technologies in agricultural research, and natural hazards.

The United States and Turkey continue to cooperate on a range of entrepreneurship programs, including the State Department’s Global Entrepreneurship Program (GEP) and the private-sector-led Partners for a New Beginning (PNB). Turkey has been a leader in both initiatives, which are aimed at supporting growth of entrepreneurship and small and medium enterprises in Turkey and the region.

Strong bilateral political relations, as well as cooperation in the region, have helped support a significant increase in U.S.-Turkey bilateral trade over the last three years. According to Turkish Statistical Institute data, trade during 2009-2012 increased approximately 70%. In 2012, bilateral trade will be lower than 2011, but Turkey continues to be one of the top six U.S. export markets and an important part of the Administration’s National Export Initiative (NEI).

<b>U.S. - TURKEY BILATERAL TRADE</b>		
<b>YEAR</b>	<b>U.S. IMPORTS FROM TURKEY</b>	<b>U.S. EXPORTS TO TURKEY</b>
2009	3,240,597	8,575,737
2010	3,762,919	12,318,745
2011	4,584,029	16,034,121
2012	5,614,819	14,131,309

*Source: Turkish Statistical Institute (In thousands of USD)*

## **Openness to Foreign Investment**

[Return to top](#)

In 2011, the ruling Justice and Development Party (AKP) won a third term in office. As part of its election campaign, the AKP has heavily promoted its plan to become a top ten economy by 2023 (<http://www.akparti.org.tr/english>). In order to achieve this goal, the Government of Turkey (GOT) 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 the Turkish workforce and companies more competitive. GOT 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 Europe. In 2011, Turkey attracted USD 15.7 billion in FDI, although a significant portion of this came from portfolio investment. However, this level is still far below Turkey's potential, as well as below the levels needed for Turkey to reach its 2023 goal, and GOT 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; increase engagement with foreign investors on policy issues; and pursue policies to promote strong, sustainable, and balanced growth.

According to the United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2012, Turkey performed below its potential in 2011 despite the fact that it climbed six notches in its global ranking from 29<sup>th</sup> place in 2010 to 23<sup>rd</sup> place (<http://www.unctad-docs.org/files/UNCTAD-Turkey>). UNCTAD also ranked Turkey as the 12<sup>th</sup> most attractive destination for FDI among developing countries. A number of measures have served to increase national and foreign investors' confidence in Turkey's economy: structural reforms undertaken by 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. GOT has privatized state economic enterprises through block sales, public offerings, or a combination of both. Transactions completed under the Turkish privatization program generated USD 3 billion in 2012. GOT is committed to continuing the privatization process despite 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. However, all investors – regardless of nationality – face some challenges: excessive bureaucracy, a slow judicial system, high and sometimes inconsistently applied taxes, weaknesses in corporate governance, sometimes 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. Major structural reforms are expected in 2013 that will create a more transparent, equal, fair, and modern investment and business environment and improve Turkey's rankings in global indices. Venture capital and angel investing is currently nascent in Turkey, but new legislation that went into effect in late 2012 will facilitate greater development of these sorts of financing opportunities.

## **Turkish Industrial Strategy**

[Return to top](#)

In January 2011, the Ministry of Science, Industry, and Technology (MSIT) announced Turkey's Industrial Strategy, which identifies 24 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. MSIT has developed specific strategies and action plans for six priority sectors: iron and steel, automotive, chemicals, machinery, electronic equipment, and ceramics. GOT additionally announced in early 2013 that medicines and medical devices are now priority sectors; MSIT is working on the pharmaceutical industry sector strategy and

action plan which is expected to be released in the first half of 2013. The Industrial Strategy identifies the following areas as major potential drivers that can help increase exports and FDI, 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 developing a well-educated and highly qualified work force. (<http://www.sanayi.gov.tr/Default.aspx?Ing=en>)

## Partnerships in Improving the Investment Climate

[Return to top](#)

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 Turkey 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 facilitating 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.

## Investment Issues

[Return to top](#)

*Renewable Energy:* GOT continues to promote investment in renewable energy production as well as equipment manufacture, with a goal 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. Under the 2010 Renewable Energy Incentives Law, GOT offers power purchase guarantees and a feed-in tariff for electricity produced from renewable sources, but 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 and is expected to begin accepting applications for new solar power projects in June 2013.

*Health Care, Transportation, and Information Technology:* To meet ambitious export goals, GOT is planning significant new investment in infrastructure, including in the health care (particularly hospitals) and transportation sectors (ports, airports, and rail, light-rail, and road infrastructure). The Ministry of Health has thus far announced tenders for 16 public-private partnership health campus projects all over Turkey at a cost of USD10 billion. Project agreements have been signed for three projects: the Kayseri Integrated Health Campus, Ankara Bilkent Integrated Health Campus, and the Ankara Etlik Integrated Health Campus.

Turkey plans to make significant infrastructure upgrades for ports, airports, road, and rail over the next decade. The Turkish private sector is also spear-heading projects with neighboring countries aimed at establishing an intermodal transportation network to revive the ancient Silk Road.

As part of an effort to improve Turkey's education system, GOT has embarked on a multibillion dollar project to provide Turkish students with tablet computers and schools with smart boards. The project will require expanding internet broadband 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 seeking U.S. investors and partners, including for financing.

*Pharmaceuticals:* Turkey's pharmaceutical sector is a good example of a sector in which 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. However, two significant issues continue to inhibit innovative pharmaceutical firms' trade and investment in Turkey: a pricing/exchange rate issue 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 the Turkey's national health care system, within the context of an overall gradual increase in pharmaceutical spending each year through 2012. However, in mid 2010 and late 2011, MOH and MLSS noted budget shortfalls and requested greater discounts from companies, which they were compelled to give given GOT's dominant role in pharmaceutical spending. In December 2012, MLSS indicated to industry that the new pharmaceutical budget for 2013-2015 was almost finalized. However, new budget figures are well below industry's expectations, and GOT did not propose to provide any relief in regard to discounts or the exchange rate.

In addition to the pricing/exchange rate issues, innovative pharmaceutical firms complain about the slow pace of MOH GMP inspections. Two years ago the MOH began enforcing an existing law requiring that all companies applying to market pharmaceutical

products in Turkey have a GMP certificate issued by the MOH. The MOH continues to build inspection capacity, and its inspection rate has improved. Late in December 2012, after significant appeals from industry, the Minister of Health committed to start parallel submissions, which will allow for simultaneous marketing authorization and GMP inspections – an action that will likely expedite the entry of innovative pharmaceutical into the Turkish market and help reduce the GMP backlog. MOH also committed to publishing implementation guidelines for the parallel submission process beginning in February 2013; however implementation has not yet begun.

There is increasing awareness among GOT agencies that the pharmaceutical sector should be a strategic sector for Turkey, and the dialogue between industry and GOT officials has improved significantly over the last two years. GOT announced in early 2013 that medicines and medical devices are now priority sectors. However, despite several new investments and positive policy developments in 2012, innovative pharmaceutical companies still complain about lack of 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). However, according to the *International Finance Corporation/World Bank 2013 'Doing Business' Report* for Turkey, Turkey ranked 71 among 185 world economies, dropping three places from its 2012 ranking. According to the report, Turkey did relatively 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 European countries, but it takes half the number of days, and it costs almost 140% more to start a business in Turkey. The Doing Business in Turkey report can be found at: <http://www.doingbusiness.org/data/exploreeconomies/turkey/>

*Judicial Reforms:* GOT continues to implement judicial reforms aimed at attracting foreign investment to Turkey. The National Judiciary Network project on automation and integration, overseen by the Ministry of Justice, is speeding up processing of commercial cases by facilitating document-sharing and court records, as well as allowing for filing suits online. 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.

*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% to 20%. GOT 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, GOT has not yet been able to implement further planned tax reforms, including reducing the employment tax, which is among the highest among members of the Organization for Economic Cooperation and Development (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 0% for 5-year-maturity or higher bonds, 5% for bonds with 3 to 5-year maturity, and 10% 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 5% to 1. 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% from 15% while rates for the deposits up to 6 months are kept at 15%. On Foreign Currency (FX) accounts, withholding tax rate is decreased to 13% from 15% on deposits with maturity more than one year and the rate is increased to 18% for FX deposits up to six months.

The GOT is aware that between 30-50% of the economy is unregistered, which represents a competitive disadvantage for legitimate firms. Turkish industrialists anticipate that GOT will implement more tax reform in 2013 that will help to reduce the unregistered economy and broaden the tax base while also improving Turkey's competitiveness.

#### **Currency Conversion and Capital Transfer Policies**

[Return to top](#)

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. However, foreign petroleum companies operating in Turkey 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. A new Petroleum Law that would alleviate this problem and improve the investment environment for oil and gas exploration is in development.

#### **Expropriation and Compensation**

[Return to top](#)

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.

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.

There are some outstanding investment disputes between U.S. companies and Turkish governmental bodies, particularly in the energy sector.

Turkey's legal system provides means for enforcing property and contractual rights, and there are written commercial and bankruptcy laws. However, Turkey's court system 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 proceedings 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).

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 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.

**Performance Requirements/Incentives**

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.

## **Entrepreneurship**

[Return to top](#)

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. GOT provides support to TDZs, including infrastructure and facilities; exemption from income and corporate taxes for profits derived from software and R&D activities (through December 2013); exemption from all taxes for the wages of researchers, software, and R&D personnel employed within the

TDZ (through December 2013); value-added tax (VAT) 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. In November 2012, TUBITAK announced a Technology Transfer Office Support Program, which will provide USD 1 million in grants to establish Technology Transfer Offices (TTOs) in Turkey.

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

[Return to top](#)

Foreign-owned interests in the petroleum, mining, broadcasting, maritime transportation, and aviation sectors are subject to special regulatory requirements. In broadcasting, equity participation of foreign shareholders is restricted to 25%. Foreign equity participation in the aviation and maritime transportation sectors is 49%.

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%. 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 completed a new draft law on title deed registration in 2012. This law abandoned the former 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% share in the property and is 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**

[Return to top](#)

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.

Turkey's intellectual property rights regime has improved in recent years, but deficiencies remain. 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 remained in 2010, 2011, and 2012. Although there has been increased IPR enforcement actions and 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. In 2012, the Turkish Ministry of Culture and Tourism drafted amendments to Turkey's copyright law and undertook a lengthy process of soliciting stakeholder opinions, including other GOT agencies and 40 different collecting societies. These amendments are currently awaiting approval by the Turkish Prime Ministry. After Prime Ministry approval, the amendments will be submitted to the Turkish Parliament for ratification.

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, which we expect will come before the Turkish Parliament in 2013.

The United States has a Copyright Working Group and the EU has an IPR Working Group with GOT 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. However, several provisions 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 pipeline. 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.

The Seventh Global Congress on Combating Counterfeiting and Piracy will be held in Istanbul in April 2013 under the auspices of Turkish Ministry of Customs and Trade. The Congress aims to build cooperation between countries to enhance public awareness, develop concerted action to confront problems arising from counterfeiting and piracy, and find sustainable solutions to stop trade in IPR-infringing goods.

Further information on the intellectual property situation in Turkey is available in the U.S. 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 the Regulatory System

[Return to top](#)

GOT has adopted policies and laws that in principle should foster competition and transparency. However, foreign companies in several sectors claim that regulations are sometimes applied in a non-transparent manner.

Turkey is an observer to the WTO Government Procurement Agreement. 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 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. Generous tax preferences for free zones have provided a stimulus to investment in these zones. Similarly, incentives for investment in certain low-income provinces appear to be stimulating investment there (see “Performance Requirements/Incentives”).

GOT 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. GOT adopted a new Capital Markets Law in 2012, which will bring about greater corporate accountability, protection of minority share-holders, and financial statement transparency.

As of January 2013, there are 26 deposit-taking commercial banks and 13 development and investment banks operating in Turkey. Sector assets as of September 2012 totaled approximately USD 690 billion according to data from the Banks' Association of Turkey. Total loans for the banking sector totaled USD 404.3 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. In November 2012, Fitch Ratings upgraded Turkey to investment grade for the first time in almost two decades (since 1994), citing a moderating debt burden, healthy banking system, and sound economic management. Moody's made a similar upgrade in May 2013. With investors increasingly viewing Turkey as a strong emerging economy, Turkey's risk premium has begun to decrease, while accessibility to medium and long-term financing at lower costs has increased. However, growing economic problems in Europe are expected to continue to impede external financing in 2013.

The Istanbul Stock Exchange (ISE), formed in 1985, is becoming a significant emerging market stock exchange. Although Turkey must further develop its capital markets, the 2012 Capital Markets Law allowed ISE to expand to include the Istanbul Gold Exchange Market and the Futures Contract Market. As of October 2012, 402 companies were listed on the exchange with total market capitalization of USD 269 billion. The Capital Markets Board is responsible for overseeing activities, including activities of ISE-quoted 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 float publicly 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 new law came into effect in 2012 that will increase financing opportunities through venture capital and angel investing.

Terrorist groups operating in Turkey include the Kurdish separatists and Marxist-Leninists, as well as Al-Qa'ida and its affiliates.

The Revolutionary People's Liberation Party/Front (DHKP/C) is a virulent Marxist-Leninist group with anti-U.S. and anti-NATO views and which has been designated by the United States as a terrorist since 1997. On February 1, 2013 a DHKP/C suicide bomber attacked U.S. Embassy Ankara at a security-check entrance, killing one security guard and seriously injuring a Turkish journalist. A DKHP/C suicide bomber also attacked a police station Istanbul on September 11, 2012, killing one police officer and injuring seven bystanders.

Most prominent among the terrorist groups operating in Turkey is Kongra-Gel (KGK, also known as the Kurdistan Workers' Party or PKK). Composed primarily of ethnic Kurds with a separatist agenda, the PKK has historically operated from areas in southeastern Turkey and northern Iraq and targeted mainly Turkish security forces. After a calmer 2011, due in part to a cease-fire in the lead-up to national elections in June 2011, the rate of PKK terror attacks and Turkish military operations to counter them increased significantly in 2012. In late 2012, The GOT revealed it had been in private talks with imprisoned PKK leader, Abdullah Ocalan. The PKK subsequently declared a ceasefire in March 2013 and in May began a withdrawal of an estimated 1,500 armed militants from Turkish territory. The peace process has so far generated high hopes among the populace, unprecedented support from political parties and civil society and may result in more investment and economic growth in the mainly Kurdish southeast.

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

[Return to top](#)

Corruption is somewhat of a problem in Turkey. Parliament continues to probe corruption allegations involving senior officials in previous governments, particularly in connection with energy projects. The judicial system is also perceived to be susceptible to external influence and to be biased against outsiders to some degree.

Public procurement reforms were designed 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. Turkey is not yet a signatory to the WTO Government Procurement Agreement (GPA), although it has maintained observer status for over a decade.

Turkish legislation outlaws bribery, and some prosecutions of government officials for corruption have taken place. However, enforcement is uneven. Turkey ratified the OECD Convention on Combating Bribery of Public Officials and passed implementing legislation in January 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 4 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 moved from 61<sup>st</sup> to 54<sup>th</sup> in TI’s ranking of 176 countries and territories among the world in 2012 (see <http://www.transparency.org/cpi2012/results>). Transparency International has an affiliated NGO in Istanbul.

## **Bilateral Investment Agreements**

[Return to top](#)

Since 1962, Turkey has been negotiating and signing agreements for the reciprocal promotion and protection of investments. As of January 1, 2013, Turkey had 75 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**

[Return to top](#)

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 USD 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 USD 100,000 to USD 10 million. In 1987, Turkey became a member of the Multinational Investment Guarantee Agency (MIGA).

Turkey has a population of 75.6 million, with 30% under the age of 14. Over 76% 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% of the workforce works in agriculture; 19% works in industrial sector. The official unemployment rate was 9.1% as of September 2012, with 18% youth unemployment (15-24 years old). Students are required to complete eight years of schooling and remain in school until they are 15 years old. 98.17% of Turkey's population completes primary school; 36% 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 Ministry of Science, Industry, and Technology 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. GOT has also initiated the FATİH project that will expand internet coverage to all Turkish schools, equip Turkish classrooms with interactive smart boards, and provide students with tablet PCs.

Labor unions report their relations with management of Turkish companies is 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. Historically, in order to be a bargaining agent, a union must have membership of more than forty percent of the workers employed in a work place and include at least three percent of the workers employed in that specific work branch. 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 October 2012, the Turkish Parliament approved the "Unions and Collective Bargaining Law," which revised regulations on trade union formation and collective bargaining. The new 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, headed by 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).

GOT 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 is 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 and Free Ports**

[Return to top](#)

Firms operating in Turkey's free zones have historically enjoyed 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. 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 sale of goods manufactured in free zones is 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% withholding tax. The tax immunity of the wage and salary income earned by persons employed in the zones by taxpayers possessing an operating license expired on December 31, 2008, except for producers that export more than 85% of their products. GOT passed a law in November 2008, according to which producers' immunities from income and corporate tax and taxes on wage income earned in free zones were extended to coincide with Turkey's membership in the European Union. More information can be found on the Ministry of Economy's website: [www.ekonomi.gov.tr](http://www.ekonomi.gov.tr).

## Foreign Direct Investment (FDI) Statistics

[Return to top](#)

According to Central Bank of Turkey data, FDI inflows to Turkey in 2007 of USD 22 billion decreased by 12% in 2008 to USD 19.5 billion and plummeted by 57% in 2009 to USD 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 - increasing by almost 11% over 2009 to USD 9.1 billion - and continued to grow in 2011 - reaching USD 16.04 billion. During the first eleven months of 2012, FDI reached USD 11.3 billion, of which USD 8.5 billion represented net foreign capital inflows, USD 2.3 billion represented real estate purchases by foreigners, and USD 446 million represented intra-company loans.

In the January-November 2012 period, EU countries accounted for 75% of FDI capital inflow to Turkey, as compared to 85.8% in 2011; Asian and Gulf countries accounted for 14.9%, as compared to 5.4% in 2011; U.S. companies accounted for 3.9%, as compared to 5.5% in 2011; European countries other than the EU accounted for 5.3%, as compared to 2.7% in 2011; Canada accounted for 0.2%, as compared to 0.15 % in 2011, and Central and South American and Caribbean countries accounted for 0.2%, as compared to 0.48% in 2011.

In the first eleven months of 2012, according to the Central Bank of Turkey, breakdown of FDI inflows into Turkey's manufacturing industry were:

- food products, beverages and tobacco 23.8%
- electrical and optical equipment 1.8%
- chemical products 5.2%
- textiles and textile products 4.1%
- transport equipment 1.2%
- other 9.5%
- 

<b>FDI INFLOWS BY YEAR</b> <i>USD million</i>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b> (JAN-NOV)
FDI Total (Net)	19.504	8.411	9.038	16.049	11.336

Equity Investment (Net)	14.712	6.170	6.258	13.712	8.549
Inflows	14.747	6.252	6.238	16.057	8.924
Outflows	-35	-82	-35	-1.991	-375
Intra Company Loans	1.855	459	341	-30	446
Real Estate (Net)	2.937	1.782	2.494	2.013	2.341

Source for both tables: Central Bank of Turkey

<b>FDI INFLOWS BY COUNTRY/REGION</b> <i>USD million</i>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b> (JAN-NOV)
European Union	11.076	4.928	4.719	11.462	6.712
Germany	1.237	498	597	665	462
Austria	586	1.019	1.584	2.419	1.399
France	679	617	623	999	92
Netherlands	1.343	718	486	1.424	1.090
U.K.	1.335	350	245	905	1.992
Italy	249	314	25	111	161
Other EU Countries	5.647	1.412	1.159	4.939	1.516
Other European Countries (excluding EU)	291	306	201	1.093	480
African Countries	82	2	0	0	0
U.S.A.	868	260	323	1.402	346
Canada	23	52	55	21	26
Central-South America and Caribbean	60	19	7	61	18
Asia	2.345	673	928	2.011	1.334
Near and Middle Eastern Countries	2.184	361	473	1.516	890
Gulf Countries	1.963	209	38	196	236
Other Near and Middle Eastern Countries	96	78	45	1.316	654
Other Asian Countries	161	312	455	495	444
Other countries	2	12	5	7	8
<b>TOTAL</b>	<b>14.747</b>	<b>6.252</b>	<b>6.238</b>	<b>16.057</b>	<b>8.924</b>

U.S. Department of State Investment Climate Survey for Turkey

<http://www.state.gov/e/eb/rls/othr/ics/2013/204751.htm>

[Return to table of contents](#)

## Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
- [Web Resources](#)

### How Do I Get Paid (Methods of Payment)

[Return to top](#)

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**

[Return to top](#)

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**

[Return to top](#)

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**

[Return to top](#)

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**

[Return to top](#)

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.

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>

U.S. 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/cc/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>

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 8: Business Travel

- [Business Customs](#)
- [Travel Advisory](#)
- [Visa Requirements](#)
- [Telecommunications](#)
- [Transportation](#)
- [Language](#)
- [Health](#)
- [Local Time, Business Hours and Holidays](#)
- [Temporary Entry of Materials and Personal Belongings](#)
- [Web Resources](#)

### **Business Customs**

[Return to top](#)

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**

[Return to top](#)

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**

[Return to top](#)

U.S. citizens are required to obtain visas before entering Turkey. A passport and visa are required. Holders of all types of passports can purchase a 90-day sticker visa at

the port of entry for \$20, regardless of whether they are traveling to Turkey as tourists or for business. In late 2011 and early 2012, the Turkish authorities changed the visa regulations to prevent foreign passport holders from connecting multiple 90 day visas into a prolonged stay. Foreign passport holders requiring a Turkish visa will now need to exit the country for at least ninety days before applying for a new Turkish visa, or obtain a residency permit. For further information, travelers in the U.S. may contact the Embassy of the Republic of Turkey at 2525 Massachusetts Avenue, NW, Washington, D.C. 20008, telephone: (202) 612-6700, or the Turkish consulates general in Chicago, Houston, Los Angeles, or New York.

Information may also be found at: <http://www.turkey.org>

Holders of official and diplomatic passports on official business must obtain a visa from a Turkish embassy or consulate before arrival in Turkey. Holders of official and diplomatic passports on private travel may receive a visa free of charge from a Turkish embassy or consulate, or obtain one upon arrival at the port of entry for \$20. All those who are planning to stay more than three months for any purpose are required to obtain a visa from a Turkish embassy or consulate. Such travelers must also apply for a residence/work permit or Turkish ID card within the first month of their arrival in Turkey. This would include anyone who plans to spend more than three months doing research, studying, or working in Turkey.

All travelers are advised to obtain entry stamps on the passport page containing their visa at the first port of entry before transferring to domestic flights. Failure to obtain entry stamps at the port of entry has occasionally resulted in serious difficulties for travelers when they attempt to depart the country.

In an effort to prevent international child abduction, many governments have initiated procedures at entry/exit points. These often include requiring documentary evidence of relationship and permission for the child's travel from the parent(s) or legal guardian not present. Having such documentation on hand, even if not required, may facilitate entry/departure.

The loss or theft abroad of a U.S. passport should be reported immediately to the local police and the nearest U.S. Embassy or Consulate. Travelers are encouraged to carry a photocopy of their passport, to assist in getting a replacement passport if the original is stolen. U.S. citizens may refer to the Department of State's pamphlet "A Safe Trip Abroad" for ways to promote a trouble-free journey.

U.S. companies that require travel of foreign businesspersons to the United States are advised to have U.S. visa applicants begin their application process early. U.S. visa applicants are eligible for ten year, multiple entry visas. Again, apply early as interview times can extend to several weeks in high season, summer months. For more information, visa applicants should go to the State Department Visa Website: <http://travel.state.gov/visa/>

## **Telecommunications**

[Return to top](#)

In 2012, there were 67.7 million mobile phone users in Turkey, up from 23 million in 2002. The telephone system in Turkey's major cities is good. 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. I-phone and Blackberries are increasingly common. Coverage is nationwide.

## Transportation

[Return to top](#)

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. Major European airlines also have frequent non-stop flights to Turkey. Delta Airlines serves Istanbul direct from its New York Kennedy hub, and United Airlines serves Istanbul directly from its Newark hub. 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 Swisshotel, 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

[Return to top](#)

The official language spoken by more than 90 percent of the population is Turkish. Most 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

[Return to top](#)

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**

[Return to top](#)

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). General business hours are from 08:30 to 17:30 Monday through Friday, except local 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 Ataturk, 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

[Return to top](#)

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

[Return to top](#)

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>

[Return to table of contents](#)

[Return to table of contents](#)

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

- [Contacts](#)
- [Market Research](#)
- [Trade Events](#)

### Contacts

[Return to top](#)

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/menae/>

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. Commercial Service Turkey - [www.export.gov/turkey](http://www.export.gov/turkey)

## **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

U.S. Commercial Service Turkey - [www.export.gov/turkey](http://www.export.gov/turkey)

<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)

American Turkish Council  
<http://www.the-atc.org/>

## **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**

[Return to top](#)

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**

[Return to top](#)

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

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

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling 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: [www.export.gov](http://www.export.gov)

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: (Insert link to Products and Services section of local buyusa.gov website here.)

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.

[Return to table of contents](#)