

# U.S. Country Commercial Guides



Turkey  
2018

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## Doing Business in Turkey

### Market Overview

At the crossroads of Europe and the Middle East, Turkey presents promising immediate and long-term opportunities for American firms. Turkey's growing economy, advantageous geographical position, expanding middle class, youthful population (median age of 30), and dynamic entrepreneurial class have made this country a growing market for U.S. exporters. Currently, the 17<sup>th</sup> largest economy, Turkey has grand ambitions to become a top ten economy by 2023, the 100<sup>th</sup> anniversary of the republic. Additionally, over 1,400 American firms, across virtually all industry sectors, are active in Turkey, including 60 U.S. companies that have established regional headquarters. However, like many middle income developing markets, Turkey presents a range of challenges to doing business, including complex and at times turbulent politics, bouts of instability domestically and regionally, a complex and opaque bureaucracy, onerous terms and conditions in government procurements, including increasing localization requirements, an unpredictable judicial system, weakening rule of law, a recent spate of terrorist attacks, purges in the public and private sector following the July 2016 attempted coup, and market access barriers across a range of sectors. As of July 2018, the country remains under an official State of Emergency, which suspends the country's normal legal framework and adds greater uncertainty for investors. American firms are encouraged to work closely with the U.S. Commercial Service in Turkey (CS Turkey) to conduct due diligence, find qualified partners, and vet potential projects.

For many decades, the United States and Turkey have enjoyed strong political and military relations. While we do not always agree on every issue, both countries partner closely on a range of regional and international concerns. A NATO member since 1952, Turkey has supported missions around the world, including Afghanistan, Iraq, the Balkans, and other areas. Turkey is an ally in the fight against the Islamic State (ISIS). Notably, Turkey provides significant assistance with the related humanitarian crisis and hosts over 3,000,000 refugees from Syria, Iraq and other countries.

In 2017, Turkey's economy reported 7.4% growth, with GDP per capita at approximately \$11,000. This rapid economic growth is being driven in part by massive public investment in infrastructure projects, including in bridges, airports, highways, and railways. Turkey's geographic position makes it an important energy and logistics corridor, linking Europe with the Middle East, the Caucasus and Central Asia. Turkey's growth has caused a subsequent increase in energy demand. Turkey's status as a net importer of energy is a factor in the country's persistent and large current account deficit, presenting a structural impediment to long-term growth. To address the increasing energy demands, Turkey is enhancing capacity by making strategic energy investments. Beginning in 2014, Turkish economic growth has slowed from previous levels; current forecasts indicate that the economy will continue to grow at approximately 4-4.5% in the coming year. Unemployment, especially in eastern Turkey, remains stubbornly high. Domestic and international economic conditions have placed downward pressure on the Turkish Lira, which has lost approximately 20% in relation to the U.S. dollar since the start of 2018. The lower value of the Turkish Lira affects demand for U.S. exports and presents a challenge for the many Turkish firms and individuals with dollar-denominated debt.

U.S.-Turkish trade peaked at nearly \$20 billion in 2011, but decreased in subsequent years, falling to \$17.4 billion in 2016. In 2017, however, total bilateral trade climbed again to \$19.2 billion, with U.S. exports accounting for \$9.7 billion, more than a 4% increase over 2016, but still well below the \$14.7 billion in 2011. The U.S. trade surplus in 2017 stood at roughly \$300 million, falling in part due to market access barriers, such as tariff increases and localization requirements. Political uncertainty and security risks are also detractors. In 2017, U.S. goods represented 5% of total Turkish imports, behind the European Union (EU), which accounted for 36% (of which Germany had 9%), China (10%), and Russia (8%).

Nevertheless, there are still strong market opportunities for U.S. companies. In fact, American firms are pursuing energy, aerospace, defense, infrastructure, transportation, and health care projects throughout the

country. Additionally, CS Turkey has assisted hundreds of small and medium-sized firms in exporting to, and expanding in, the Turkish market. Also, Turkish companies are increasingly looking at investing in the United States, which is supported through the SelectUSA program. In 2016, Turkish Foreign Direct Investment (FDI) into the United States was valued at \$1.3 billion, and Turkey was ranked the 9<sup>th</sup> fastest growing source of U.S.-bound FDI.

To map out the opportunities and better understand the challenges of doing business in Turkey, American firms, both large and small are encouraged to engage with CS Turkey for market information, updates on regulatory issues, major projects and business developments. With offices in Ankara, Istanbul and Izmir, we encourage business visitors to meet with our multi-lingual, sectoral-focused business development teams for individualized market consultations. For more information, visit: [www.export.gov/turkey](http://www.export.gov/turkey) and <https://tr.usembassy.gov>.

### **Market Challenges**

The Republic of Turkey offers a promising, but often complex and challenging, market requiring adaptability and persistence. U.S. exporters may face many of the same challenges that exist in other semi-developed markets, such as instances of inconsistent or contradictory policies, regulations and documentation requirements; tariff increases on numerous products; localization requirements on various industries; lack of transparency in tenders, as well as difficulties with the public procurement process, including price preference for Turkish companies and burdensome documentation; and, a time-consuming, unpredictable judicial, legal and regulatory framework. The most effective method to address these obstacles is to work with a Turkish partner to obtain local insights and determine potential solutions. Careful planning and patience are the keys to success in Turkey. CS Turkey is here to help U.S. business navigate the Turkish business environment.

### **Market Opportunities**

The Government of Turkey is capitalizing on recent economic growth and continues to announce significant infrastructure projects and large public procurements in essential industry sectors, presenting substantial opportunity for U.S. companies. In the aerospace & defense sector, Turkey is the 18<sup>th</sup> largest defense spender and 6<sup>th</sup> largest importer. The civilian aerospace sector has grown over 200% in recent years, with the New Istanbul Airport set to be the world's largest airport. Project opportunities are chiefly in new regional airport projects, maintenance and repair operation (MRO) facilities, and air traffic control systems. In the energy sector, Turkey plans to invest \$110 billion by 2023 in projects, including geothermal, (smart) grid projects, gas, nuclear, and renewables. In the construction sector, the primary driver of the Turkish economy, expected investments in infrastructure projects in airports, energy, rail, bridges, ports, and hospitals will exceed \$325 billion by 2023.

Turkey's movement toward membership in the European Union, though stalled, has nevertheless created momentum to adopt many European business regulations and standards in the country, ultimately making it easier to sell and conduct business in this market than in previous years. Despite some political and economic uncertainty, Turkey still has numerous opportunities for U.S. products and services and the CS Turkey team is ready to assist.

### **Market Entry Strategy**

While there are many significant opportunities for U.S. companies in Turkey, there are also challenges to entering the market. Any market entry strategy for Turkey should begin with a thorough understanding of the costs and benefits to doing business in the country. One of the essential expenditures will be visiting the market to establish relationships with Turkish partners. Investing in these relationships early and routinely will increase the likelihood of more successful business ventures.

Before entering the Turkish market, U.S. companies should consider their own resources, previous export or business experience abroad, and long-term business strategy. For many companies, representation in Turkey by a Turkish agent, distributor, liaison office or partner will be key to their success. 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.

CS Turkey offers numerous programs and services 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 CS Turkey team 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 CS Turkey website at [www.export.gov/turkey](http://www.export.gov/turkey).

For more market information related to Turkey, consult the U.S. Commercial Service's Market Intelligence library at [www.export.gov/Market-Intelligence](http://www.export.gov/Market-Intelligence).

## **Political Environment**

### **Political Environment**

For background information on the political and economic environment in 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>

## **Selling US Products & Services**

### **Using an Agent to Sell US Products and Services**

Unless a U.S. firm has the staff and resources to open its 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, in both the private and public sector. 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. U.S. Commercial Service Turkey (CS Turkey) can conduct a background check on a selected company with the 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 commissions. It is recommended that sole manufacturer representatives/distributors be appointed for the entire country. This agreement may also include other countries in the region. Agency agreements can be established for a period of a year, especially for a new contract, with a renewal option for a longer period, depending on agent performance. In cases where a large volume of government business is expected, it is essential to appoint a firm, either headquartered or with a branch office in Ankara, the capital.

### **Establishing an Office**

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." Legally, foreign-invested companies or foreign subsidiary companies established in Turkey are treated equal to Turkish companies (though in practice, politics and policy concerns can lead to a less even playing field).

The FDI law establishes the following treatment to be applied to FDI:

- No FDI-related screening or approval procedures to set up a business (company or branch) and share transfers, except in certain 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 and 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 and 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 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 work permits are obtained from the Ministry of Labor.

Liaison offices are special types of offices whose main activity is to conduct market research and feasibility studies and to research investment opportunities in the Turkish market on behalf of their head office. They are not permitted to carry out any commercial activity. Foreign investors are required to obtain permission from the General Directorate of Incentives and Foreign Investment under the Ministry of Commerce to open a liaison office in Turkey. Initial permission is given for three years, which can be extended depending on the activities performed during those 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 structure for its operations in Turkey. The "A.S." structure is more suitable for larger enterprises, as corporations can attract a large number of shareholders. The limited liability company structure is more appropriate for establishing sales and distribution entities.

The Investment Support and Promotion Agency of Turkey (ISPAT) outlines on its website the steps for registering and establishing a company [www.invest.gov.tr/en-US/investmentguide/investorsguide/Pages/EstablishingABusinessInTR.aspx](http://www.invest.gov.tr/en-US/investmentguide/investorsguide/Pages/EstablishingABusinessInTR.aspx) and states that the process can be completed in one day.

With legislation dated February 2018, the following changes were implemented and have not yet been added to ISPAT's website:

- During company establishment, the contract must be signed and signature declarations must be issued by signing in the presence of relevant Trade Registry Office (TRO) personnel. Moreover, commercial ledgers must be certified by TRO personnel.
- Automatic registration is introduced by removal of need for declaration to Social Security Institution.
- The payment that needed to be made to the Competition Board must now be paid to the Trade Registry Office

CS Turkey recommends retaining an attorney to obtain additional details, handle the application process, and entity formation. Use of an accountant for tax planning is also recommended. Listings of some American and Turkish lawyers and accountants in major Turkish cities are available at [www.export.gov/turkey/businessserviceproviders](http://www.export.gov/turkey/businessserviceproviders).

## **Franchising**

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. Demand for new franchising concepts is primarily triggered by the following factors:

- Turkey has a vibrant economy with a highly developed entrepreneurial spirit.
- Turkish companies have understood the importance of growing their businesses by adding popular brands to their portfolio.
- Since the start of the economic recovery in 2004, Turks have enjoyed growing purchasing power which in turn triggers demand for well-known global brands offering quality products and services.

**Resources and Key Contacts:**

*National Franchising Association* (Ulusal Franchising Dernegi-UFRAD)

Inonu Caddesi No: 40

Florya, Istanbul, Turkey

Tel: [90] (212) 599 1784

Fax: [90] (212) 425 5759

[ufrad@ufrad.org.tr](mailto:ufrad@ufrad.org.tr)

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

The IFA, headquartered in Washington, D.C., has been active in Turkey by organizing visits of potential U.S. franchises to Turkey and introducing them to potential local franchisees through UFRAD. Additionally, 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, contact:

Gozde Sezgin

U.S. Commercial Service Turkey

[gozde.sezgin@trade.gov](mailto:gozde.sezgin@trade.gov)

[www.exort.gov/turkey](http://www.exort.gov/turkey)

**Direct Marketing**

Companies wishing to conduct direct marketing must be legally established in Turkey and obtain an operating license from the Ministry of Commerce.

In Turkey, the most popular products offered through direct marketing are cosmetics and personal care items, as well as housewares and home furnishing products. Housewives are the primary direct sales customers and, consequently, 85% of the 750,000 direct sales representatives are women. The market is dominated by international companies, many of which are members of the Turkish Direct Selling Association, founded in 1994 ([www.dsd.org.tr](http://www.dsd.org.tr)).

Over the past five years, due to the rise of online retail and the increase in beauty/cosmetics stores across the country, direct sales has been in decline as a retail channel in Turkey. In 2017, the total market size was estimated as \$760 million.

**Joint Ventures/Licensing**

International investors may establish any form of company set out in the Turkish Commercial Code (TCC) and are treated the same as local investors. Turkish citizens residing abroad are considered foreign investors with the submission of their resident and/or work permits issued by their host country.

There are corporate and non-corporate structures for companies under the TCC, which states that companies may be established under the following types:

**a. Corporate forms**

- Joint Stock Company (JSC)
- Limited Liability Company (LLC)
- Cooperative Company

Despite their structural and financial differences, the procedures for establishing a JSC or an LLC are the same.

#### **b. Non-corporate forms**

- Collective Company
- Commandite Company

JSC and LLC are the most common types chosen both in the global economy and in Turkey.

Additionally, branches and liaison offices may be considered as alternative ways to establish a business in Turkey. However, it should be noted that these forms of establishments are not considered legal entities. (source : Investment Support and Promotion Agency of Turkey)

Although 100% 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 Turkey's Customs Union agreement with the European Union. 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**

Procurement regulations and practices are explained below. For major infrastructure projects, such as bridges, airports, ports, hospitals, highways, transportation and other public service-type infrastructure, the government holds tenders on a build-operate-transfer (BOT) or public-private-partnership (PPP) basis. For these types of projects, the government guarantees a certain number of passengers or clients and meets the price difference until the target number is met. Some projects are announced with a condition for local production.

Turkey has been a member of the World Trade Organization (WTO) since March 1995 and a member of General Agreement on Tariffs and Trade (GATT) since October 1951. However, Turkey has not signed the WTO Government Procurement Agreement (GPA). Turkey is an observer of the WTO GPA. In January and March 2017, the Turkish Parliament passed amendments to the existing Public Procurement Law No 4734 and Public Procurement Contract Law No 4735, bringing some practical improvements to the regulations.

In accordance with the amendments, at the tendering stage, the Chamber of Commerce or Chamber of Industry registration or Proficiency Chamber registration is no longer requested. However, the tendering committee asks the winner to provide these documents prior to signing the contract. This registration must be made before the tender closing date. Additionally, at the tendering stage, companies provide their official revenue balance sheets and do not need to provide bank reference letters, which would increase costs to all bidders. Instead, winners submit bank reference letters before signing the contract.

Companies established in Turkey, including the subsidiaries of foreign companies, are able to register their company, attach documents, which may be required in public tenders, at the "Electronic Public Procurement Platform" (EKAP short in Turkish) included at the EKAP website: <https://ekap.kik.gov.tr>. However, these documents may need to be updated depending on their validity period. Documents entered into EKAP under the company name need to be scanned official documents. Some documents (e.g., previous work experience and completion certificates, social security documents, chamber documents, trade registry, etc.) need to be confirmed at official websites.

With these changes, bidders will not be disqualified on the basis of how bid documents are submitted or how notarized copies of documents are accepted. For bids submitted by consortia, work completion certificates

from each company are accepted by tender committees. Work completion certificates obtained from previously completed work are valid for 5 years from the date of completion. Foreign documents with apostil or documents approved by Turkish consulates are accepted.

While foreign companies can participate in public tenders, manufacturers or service companies present domestically (including subsidiaries of foreign firms having manufacturing facilities or providing services in Turkey) are granted a 15% price advantage over foreign bidders bidding directly from outside Turkey. In addition to this price preference, U.S. firms have complained about a number of issues in Turkey's government procurement practices, including: lengthy and onerous terms and conditions to participate and win procurements, including increasing localization demands; substantial delays and opacity in the tender selection process; and burdensome documentation requirements that are not common in international procurement practice.

To overcome such problems, U.S. firms should work closely with a local partner or representative or legal consultant to analyze public procurement tender specifications not only from a technical compliance point of view, but also for required documentation compliance and additional cost involved. The main laws and regulations that regulate government procurement are found at the Public Procurement Authority (KIK) website: [www.kik.gov.tr](http://www.kik.gov.tr).

Related to defense tenders and contracts, the Undersecretariat for Defense Industries (SSM) and the Ministry of National Defense have their own procurement regulations (see [www.ssm.gov.tr/Default.aspx?LangID=2](http://www.ssm.gov.tr/Default.aspx?LangID=2)). SSM procurement is financed off budget, through special taxes, and is not subject to public procurement laws.

KIK approves public tender conditions and evaluates complaints of wrongdoing in public procurement tenders for a certain fee specified by the relevant regulations. Actual bidders can file objections to tender specifications or tender conditions after procuring the tender documents, before the tender closing date. KIK evaluates the objections and makes decisions in accordance with the regulations. Its decision is final, unless a bidder appeals in court. Bidders can also file cases at KIK if they believe there is wrongdoing after the evaluation is finalized, but before a bid bond is collected.

Companies must submit their bids in original form before the deadline. Mailed photocopies of bidding documents are not accepted. Each page typically must be signed with a fresh signature and stamped with a company seal. Bids must be submitted in signed, sealed envelopes. Another important document is the letter of authorization, which is signed by the board of directors, notarized and apostilled and should be given to the signatory of the bid. (Note: an "apostille" is a form of authentication applied to documents for use in countries participating in the 1961 Hague Convention, to which Turkey is a signatory.)

The Turkish Government considers the following in evaluating public procurement tenders: most importantly, price, then quality, and in some cases financial credit terms. Some companies report politics playing a role in Turkish procurement decisions, especially in sectors the government views as strategically important, such as aviation, defense, energy, infrastructure, pharmaceuticals, and IT. Other factors that affect sourcing decisions are similar work experience and compliance with EU regulations and standards.

In Turkish Government tenders, the validity of the proposal must generally be three to six months from the bidding date. Along with the proposal, a bid bond (bank guarantee letter) in the amount of 3% of the bid amount must be submitted. The bid bond must be issued by a Turkish bank, counter-guaranteed by the bidder's bank and valid at least for the period of bid validity, which is usually 3 months. A bid bond is not required for consultancy tenders. A bid bond is issued by the bidder's bank to the project owner to guarantee that the winning bidder will undertake the contract under the terms at which they bid. This action is only triggered should the principal who is awarded the contract fail to enter into the contract, as agreed, with the project owner.

Once a company is awarded a contract, the bidder then becomes the contractor and must provide a performance bond, which is usually 6% of the contract amount and is valid throughout the delivery or final acceptance beginning from the contract date. All bonds must be issued by a Turkish bank and counter-guaranteed (confirmed) by the bidder's bank.

If qualified U.S. exporters with sufficient U.S. content wish to receive commercial advocacy from the U.S. Government for a government tender in Turkey, they may fill out the questionnaire found at [www.export.gov/advocacy](http://www.export.gov/advocacy) and apply to the U.S. Department of Commerce's Advocacy Center. All applications are subject to approval by the Advocacy Center. Private sector bidding and negotiations cannot be covered by the Advocacy Center.

Some projects in Turkey are financed through borrowing from the Multilateral Development Banks such as the World Bank, European Bank for Reconstruction and Development (EBRD), etc. Please refer to the "Project Financing" section in "Trade and Project Financing" for more information. In such cases, the relevant bank's regulations apply.

### **Distribution & Sales Channels**

Istanbul and the greater Marmara region are the center of most distribution in Turkey. The port of Istanbul is the largest port for imported products. 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. However, this does not necessarily mean that distributors in other cities are not qualified to distribute across the country. There are some sectors, such as medical technologies, where the cities of Ankara and Izmir are also becoming clusters with distributors that serve the whole country. Depending on the location of consumers and 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. On the other hand, commission representatives/agents periodically visit their customers together with their American principals to maintain strong personal contacts, which is a very important marketing tool in Turkey. Truck-based distribution of goods is commonly used; air shipment, however, is also developing.

### **Express Delivery**

Most of the major express delivery companies like FedEx, TNT, DHL, and UPS are present in Turkey and are commonly used as reliable firms. The most affordable international service, and often the slowest, is government-owned PTT, which connects with USPS. Delivery times from the United States to Turkey vary depending on the type of delivery service used. Express delivery envelopes take three days, while normal envelope and cargo deliveries take approximately two weeks. Companies handle customs clearance and offer door-to-door delivery. Local courier services are reliable, fast and affordable, especially for in-country delivery.

The most common are:

Yurtici Courier: [www.yurticikargo.com/en](http://www.yurticikargo.com/en)

Aras Courier: [www.araskargo.com.tr/en](http://www.araskargo.com.tr/en)

MNG Courier: [www.mngkargo.com.tr/en](http://www.mngkargo.com.tr/en).

### **Selling Factors & Techniques**

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 and advertising and promotional materials. Potential government buyers and private-sector importers should receive catalogs and other literature clearly indicating the name and address of the local representatives/distributors. Regular visits to government and private sector customers are well received and seen as dedication to the market. Each sector has its

peculiarities and challenges, which means it is important for American companies to develop customized marketing strategies to be successful. Some government customers require extensive briefings, demonstrations, and trial units, while private sector customers are mainly driven by cost and time factors. Some government and military agencies have set guidelines for formal presentations, which require a specific lead time to complete the required procedures. Primarily in the defense sector, companies are required to apply through the Technical Services Department of the Ministry of Defense for official briefings to the relevant departments. The guidelines for formal briefing applications can be found at [www.msb.gov.tr/TeknikHizmetler/icerik/brifing-faaliyetleri](http://www.msb.gov.tr/TeknikHizmetler/icerik/brifing-faaliyetleri).

Another 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 their American principals should periodically visit existing and potential customers as the importance of personal contact in Turkey cannot be overemphasized.

In larger Turkish cities, international trade promotion events, such as fairs, exhibitions and seminars, are common methods of sales promotion. These fairs also provide opportunities for U.S. companies to assess and meet existing competition, since most major foreign and local suppliers participate as well. Event catalogs serve as 'trade lists' on specific product categories. Currently, there are about 70 international fair and exhibit organizers in Turkey.

CS Turkey promotes attendance by prospective Turkish buyers at major trade shows in the United States and Europe. CS Turkey sector specialists take Turkish business delegations to exhibitions in the United States (under their International Buyer Program), Europe, and 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. Commercial Service offices 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: [www.export.gov/turkey](http://www.export.gov/turkey).

## eCommerce

In Turkey, the size of the eCommerce market increased from \$10.2 billion in 2016 to \$11.6 billion in 2017. The largest sub-sector contributing to this growth is travel & vacations, up from \$3.3 to \$4.1 billion. The average growth rate over the last 5 years has been 12%.



eCommerce makes up 4.1% of total retail, which is below the average for developing countries. However, this rate has improved rapidly since 2013, when it was only 1.9%. The market size for goods that can be purchased online only is larger than that for goods with multi-channel sales. (source: [www.tbd.org.tr](http://www.tbd.org.tr))

90% of shoppers prefer to use credit cards when shopping online, and sales are nearly equally divided between Visa and MasterCard. PayPal suspended operations in Turkey due to regulations in the payment industry that mandate that customer data be stored in country.

The share of mobile in eCommerce is around 20%, compared with 44% worldwide, even though mobile penetration in Turkey is higher than the world average. Most product research is done on mobile devices (projected to reach 49% by 2021, compared with the projected world average of 55%), suggesting high potential.

Price advantage is the main reason (56%) cited for online purchases and a common and successful campaign strategy is to offer substantial discounts on the first purchase.

Social media plays a big role as it is the predominant reason for internet usage, followed by watching videos. Penetration of YouTube is the highest at 55%, followed by Facebook at 53% and Instagram at 46%. (source: [www.eticaretraporu.org](http://www.eticaretraporu.org))

## **Trade Promotion & Advertising**

A variety of different trade promotion and advertising channels exist in Turkey, from print ads to visual ads. U.S. exporters might benefit from various advertising channels according to their marketing strategies. In Turkey, there are over 20 national TV channels that can be used for commercial advertising. Additionally, digital media and online ads have become very popular. Newspaper and magazine ads can also be effective trade promotion tools for U.S. exporters.

The leading English language newspapers are the *Hurriyet Daily News* ([www.hurriyetdailynews.com](http://www.hurriyetdailynews.com)) and *Turkiye Newspaper* ([www.turkiyenewspaper.com](http://www.turkiyenewspaper.com)).

Major newspapers in the Turkish language are *Cumhuriyet*, *Dunya*, *Hurriyet*, *Milliyet*, *Sabah* and *Sozcu*. Among these, the country's primary newspaper specializing in commercial/economic issues is *Dunya*. Many companies use *Dunya's* sectorial appendix for advertising. Major weekly or monthly business periodicals are: *Turkish Time*, *Para*, *Economist*, *Capital* and *Fortune Turkey*.

Various business associations and specific sector periodicals such as: *Ambalaj Dunyasi* (packaging), *C4 Defence* (defense), *Dunya Insaat* (construction), *PetroTurk* (oil & LPG), *Gas & Power* (oil and gas/electric power generation and distribution), *MetalSan* (iron and steel), *Resort* (hotel and tourism), and *Turkdokum* (casting), serve as potential advertising channels.

Most media links are available at: [www.gazeteler.com](http://www.gazeteler.com) and [www.dergiler.com](http://www.dergiler.com).

The Union of Chambers and Commodity Exchanges of Turkey (TOBB) publishes the local trade fairs and shows on their website annually at [www.tobb.org.tr/FuarlarMudurlugu/Sayfalar/Eng/AnaSayfa.php](http://www.tobb.org.tr/FuarlarMudurlugu/Sayfalar/Eng/AnaSayfa.php). In addition, CS Turkey's Business Service Provider directory ([www.export.gov/turkey/businessserviceproviders](http://www.export.gov/turkey/businessserviceproviders)) is designed to help U.S. companies identify professional service providers to assist them in the assessment, completion, and/or financing of an export transaction.

## **Pricing**

Price has traditionally been the most important business consideration, especially in government tenders. Existing public procurement law instructs buyers to procure the product/service with the lowest price and best quality, though there is also a 15% higher price allowance for products produced domestically. In general, with regard to public tenders, the lowest price wins. However, from time to time, life-cycle analysis or best

value procurement may be used. Private sector buyers may emphasize quality and best value, but price still remains a negotiation issue. In both public and private sales, creative financing, which reduces upfront cash outlays or extends the terms of payment, can be of great value to Turkish clients.

U.S. firms should consider recent devaluation of the Turkish Lira against the U.S. dollar when making price calculations for their products and services, especially when in competition with local suppliers.

While imports from European Union, European Free Trade Association (EFTA) countries and countries with bilateral free trade agreements with Turkey are exempt from duties, American firms can still be competitive by offering financing alternatives to low-cost, credit-hungry Turkish buyers. The U.S. Export-Import Bank (ExIm), Overseas Private Insurance Corporation (OPIC) and the U.S. Trade & Development Agency (USTDA) have a variety of financial vehicles to assist U.S. exporters and investors. ExIm's current threshold, however, is \$10 million, which can make it difficult for U.S. firms to compete in projects against foreign firms backed by other countries' export credit agencies. All imports of goods and services (except food) as well as contracts are subject to 18% value added tax (VAT) over the Cost Insurance Freight (CIF) price. The subject amount is applicable to all, including domestic, companies.

Financing also includes GSM-102 export credit guarantees, which are available for most agricultural products. CS 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**

Proper after-sales service/customer support can be very critical to success in the market. In certain industries, such as machinery and automotive, service can also be a competitive advantage for U.S. exporters. 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. In 2014, the Ministry of Customs and Trade issued a directive to regulate the delivery of after-sales services to a group of products by their manufacturers or importers. According to this regulation, manufacturers or their importers are required to provide after-sales services for this group of products for a certain period of time as defined for each group. This directive and the list of affected products can be found here in Turkish: [www.resmigazete.gov.tr/eskiler/2014/06/20140613-3.htm](http://www.resmigazete.gov.tr/eskiler/2014/06/20140613-3.htm).

### **Protecting Intellectual Property**

In any foreign market companies should consider several general principles for effective protection of their intellectual property. For background, see our article on [Protecting Intellectual Property](#) and [Stopfakes.gov](#) for more resources.

IP Attaché Contact for Turkey:

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### **Due Diligence**

Companies can minimize their risks of doing business with a new or unknown customer or partner in Turkey by utilizing the CS Turkey's International Company Profile (ICP) service. An ICP provides up-to-date information, including bank and trade references, names of principals, key officers and managers, product lines, number of employees, financial data, sales volume, reputation and market outlook, all at a reasonable price. For more information, see [www.export.gov/International-Company-Profile](http://www.export.gov/International-Company-Profile).

The U.S. Commercial Service makes every reasonable effort to ensure the accuracy and completeness of the information that it provides to a company. We provide this information as an additional resource for a company to use in the exercise of its business judgment. The company should conduct its own due diligence before entering into a business relationship or otherwise relying on this information. When utilizing the information provided, the company is responsible for complying with all applicable laws and regulations of the United States, including the U.S. Foreign Corrupt Practices Act (FCPA). The ICP Full can provide useful information to a company in conducting its own due diligence, but does not constitute U.S. Commercial Service certification or assurance of compliance with the FCPA. The U.S. Commercial Service is not liable for the consequences of any business decisions made by a company.

### **Local Professional Services**

The Business Service Provider (BSP) Directory is designed to help U.S. companies identify professional service providers to assist them in the assessment, completion, and/or financing of an export transaction.

The service providers are selected based on our long-term experience with the type of support that U.S. companies usually seek when doing business in Turkey. For example, 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 CS Turkey.

U.S. companies will also find large multinational U.S. accounting and financial firms operating in Turkey to assist in establishing a presence in the Turkish market. Listed categories are *Business Consulting, Customs Brokerage, Legal Services, Real Estate Services and Translation*.

If you need additional information or assistance in locating service providers in categories not listed, contact CS Turkey directly: Sema Okurer ([sema.okurer@trade.gov](mailto:sema.okurer@trade.gov)) or Gozde Sezgin ([gozde.sezgin@trade.gov](mailto:gozde.sezgin@trade.gov)).

The BSP directory is intended to provide an additional resource to U.S. exporters doing business in this geographic area. The BSP directory is not comprehensive and inclusion does not constitute an endorsement or recommendation by the U.S. Government or Commercial Service. Limited due diligence is conducted, but we strongly recommend that you perform your own due diligence and background research on any company. We assume no responsibility for the professional ability or integrity of the providers listed. We also reserve the right not to list a particular company.

### **Principle Business Associations**

*AmCham Turkey/ABFT - American Business Forum in Turkey* [www.amchamturkey.com](http://www.amchamturkey.com)

ABFT was established in January 2004 in Istanbul as the “Voice of American Business in Turkey”. ABFT’s primary mission is to act as a bridge between Turkey and the United States to further improve bilateral trade, investment and relations and to support Turkey’s economic development by strengthening the business environment and stimulating FDI. The U.S. Ambassador to Turkey is the ABFT Honorary Chair. ABFT has seven committees: Public Affairs, Investment Environment, Sustainability, Healthcare & Life Sciences, Defense & Aerospace, Digital Economy, and Energy & Infrastructure. As an American Chamber of Commerce in Turkey, ABFT has as members more than 125 prominent U.S. firms, representing over \$54 billion in investments that have created more than 90,000 jobs in Turkey. ABFT regularly visits government officials and hosts trade and investment events. It also publishes an annual report on the business and investment climate in Turkey.

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

When founded in 1986, DEİK was tasked with leading foreign economic relations of the Turkish private sector, particularly with regard to foreign trade, international investments, services, contracting and logistics;

exploring inward and outward investment opportunities, helping boost Turkey's exports, and coordinating similar business development activities.

In 2014, DEİK was restructured (carved away from TOBB and placed under the Ministry of Economy) to allow for more structured engagement of the Turkish private sector with counterparts in other countries. There are 133 business councils under DEİK and each is responsible for developing commercial relations with one country. The council for the United States is the Turkey-U.S. Business Council (TAİK).

*TAİK – Turkey-U.S. Business Council* [www.taik.org.tr](http://www.taik.org.tr)

TAİK, operating under the umbrella of DEİK, was formed in 1985 as the first business council in Turkey with the goal of enhancing trade and investment relations between Turkey and the United States. It is the largest of the 133 bilateral business councils formed under DEİK.

TAİK's vision is primarily to increase bilateral trade and investment, to be recognized as a reliable source of information and as a networking channel on trade issues for both countries, and to help U.S. companies view Turkish companies as key partners and Turkey as an investment destination.

TAİK carries out its mission through a range of activities such as conferences, forums, business summits, lobbying, networking luncheons and dinners, educational site visits, etc.

*TMB - Turkish Contractors Association* [www.tmb.org.tr](http://www.tmb.org.tr)

The Turkish Contractors Association (TCA) is an independent, non-profit professional organization based in Ankara. The association was founded in 1952 and represents the leading construction companies in Turkey. Its members' business make up nearly 70% of all domestic and 90% of all international contracting work done by Turkish construction companies. Since the early 1970's, Turkish contractors have completed almost 9,300 projects in 119 countries. Their business volume abroad has reached \$356 billion.

In addition to offering contracting services at international standards both within and outside Turkey, nearly 75% of TCA members are also active in various fields of construction industry investments, manufacturing, engineering and consulting.

*TOBB - The Union of Chambers and Commodity Exchanges of Turkey* [www.tobb.org.tr](http://www.tobb.org.tr)

TOBB, established in 1950 in Ankara, is the highest legal entity in Turkey representing the private sector (1.8 million companies). It is the largest non-profit organization in the country, covering 365 Chambers and Commodity Exchanges. All companies in Turkey are required to be member of a Chamber of Commerce or a Chamber of Industry. All Chambers of Commerce and Industry must be members of TOBB. In 2004, TOBB established the TOBB Economics and Technology University, which participates not only in major social and commercial bodies, but also in some private and government organizations in Turkey.

*TUGIAD - Young Businessmen Association of Turkey* [www.tugiad.org.tr](http://www.tugiad.org.tr)

TUGIAD, founded in 1986 in Istanbul, has 870 members, who are active in 60 sectors, including construction, textiles, foreign trading, automotive and spare parts, tourism, food, machinery, and production of metal products. TUGIAD is the first national, and the only international, association of young businessmen of Turkey. TUGIAD has representative offices in Greece, Italy, the United States, Canada, Romania, and the United Kingdom. TUGIAD members are primarily engaged in foreign business activities, with annual exports totaling \$18 billion and imports, \$23 billion.

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

TUSIAD, established in 1971, is a voluntary business organization of CEOs and executives from major industrial and services companies in Turkey, including Fortune 500 companies. With 4,000 member companies, it is very

representative of the economic activity of the country. TUSIAD is based in Istanbul and has representative offices in Washington D.C., Brussels, Paris, Berlin, London, and Beijing.

### **Limitations on Selling US Products and Services**

Most of the time, Turkey follows EU directives in terms of standards that document a product's quality and safety. For products for which the CE Mark (European Conformity) is required by EU regulations, Turkey also requires it. If the CE Mark is required for a specific product for the Turkish market and the U.S. manufacturer does not have this required certification, it cannot be marketed in Turkey.

The Ministry of Economy has the right to specify products which may not be imported into Turkey. Currently, due to environmental concerns, some specific waste regulated by "Product Safety and Inspection 2018/3," certain specific chemicals regulated by "Product Safety and Inspection 2018/6" and certain scrap regulated by "Product Safety and Inspection 2017/23" may not be imported into Turkey.

Other than products that fall into the groups listed above, there are no sales limitations specific to U.S. products.

As for delivery of professional services, there are certain foreign practitioners who may not practice in Turkey:

- Dentists and midwives
- Pharmacists
- Veterinarians
- Lawyers

### **Web Resources**

For additional information on entering the Turkish market, or if you have specific questions pertaining to your product or market niche, please visit the CS Turkey website: [www.export.gov/turkey](http://www.export.gov/turkey). You may also promote your company as a provider of services to U.S. companies on our website as a BSP.

For further information on the content provided in this section, contact [office.istanbul@trade.gov](mailto:office.istanbul@trade.gov).

For information about investing in Turkey, email [info@invest.gov.tr](mailto:info@invest.gov.tr) or visit: [www.invest.gov.tr/en-US/ContactUs](http://www.invest.gov.tr/en-US/ContactUs).

## **Leading Sectors for US Exports & Investments**

### **Civilian Aerospace Technology & Equipment**

#### **Overview**

Turkey is an emerging aerospace hub for markets in Europe, the Middle East, the Caucasus, and North Africa. Given its proximity to developed and emerging markets, with over fifty countries within three hours flight time from Istanbul, and growing economy and population base, Turks have come increasingly to rely on domestic and international air service over the past decade. As a result of expansion of private airline companies, the number of domestic and international flights has increased significantly, leading to a surge in total passenger and cargo traffic.

The Turkish civil aviation sector has seen considerable growth (over 200%) over the past decade. Since 2003, Turkey's average annual airport passenger volume has grown by 13.3%. The total number of passengers reached 193.3 million in 2017, an all-time record for Turkey and an 11% increase over 2016. The total number of countries with which Turkey has air transportation agreements has increased significantly in recent years to 169, making Turkey one of the fastest growing countries with respect to its flight network. According to Airports Council International's (ACI) 2017 end-of-year report, total passenger traffic at Istanbul Ataturk Airport increased by 5.9% annually, making it the 5<sup>th</sup> largest airport in Europe. By 2033, Istanbul is expected to host more than 50,000 long-haul passengers per day. The New Istanbul Airport, with the first phase to be completed in October 2018, is also forecasted to be the largest airport in the world.

New private airlines, including low cost airlines, have emerged or grown. There has also been growth in MRO activities, with new MRO centers being established in Istanbul. Turkish HABOM, based in Istanbul at Sabiha Gokcen Airport, is a large MRO facility consisting of THY Technic joint ventures for wide- and narrow-body aircraft repair and maintenance. Sabiha Gokcen also hosts an engine repair shop and various other MRO facilities of varying size and scale. According to official Turkish Government statistics, there are 51 taxi operators, 68 general aviation firms, 25 balloon operators, along with 98 maintenance and 45 ground services companies, mainly concentrated around the Istanbul region. There are currently 12 civil aviation companies, 3 of which perform cargo operations, with a total of 517 aircraft as of 2018. The total number of air platforms, including air taxis, balloons, agricultural aircraft and general aviation aircraft is much higher. The annual turnover figure was close to \$20 billion in 2017, which is 8 times higher than what it was 15 years ago, despite the sharp increase in the \$/TL exchange rate. Growth in the overall sector also brought a significant increase in the number of flight destinations, reaching 55 domestic destinations from 7 hubs and 296 international destinations in 119 countries in 2017. Turkish Airlines (THY) flies to the most destinations nonstop from a single airport. There are more than 55 countries within narrow-body reach, which makes Istanbul a natural global hub for aviation. The airline has 327 aircraft and holds 2% of the world market. In March 2018, the Boeing Company signed a contract with THY for twenty-five 787 aircraft with an option to purchase five additional 787s.

Turkish MRO companies like THY Technic, Pegasus Technic and others are also competing to increase their share of the MRO market and expand their customer portfolios. According to aviation industry experts, 12% of the airline industry costs pertain to aircraft maintenance, which provides significant opportunities to MRO companies.

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

The government has prioritized the aviation sector and brought some incentives to make it more attractive for both customers and airlines. Low-cost airlines have become more popular, regulations pertaining to fares have been revised, and discounts in airport service, landing and passenger fees, and tax reductions for ticket fares and jet fuel have been implemented. THY has been privatized (over 50% is publicly traded), bilateral service agreements have been signed, the Civil Aviation Authority has become more active in the international arena, and construction of new airports (the New Istanbul Airport being the most significant) has started.

The Turkish Government has also given a fresh start to space projects and established the Space Technologies Directorate under the supervision of the Transportation Ministry. Turkey's procurement planners are taking new steps to further nationalize the country's planned space programs in an effort to become less reliant on foreign providers. In May 2015, the Turkish Satellite Assembly, Integration and Test Center (UMET) was established. UMET is a spacecraft production and testing facility owned by the Ministry of National Defense and operated by Turkish Aerospace Industries (TAI). UMET will serve as a technology center for both civilian and military use where satellites up to 5,000 kg will be tested in simulated space conditions. Turkey has an ambitious goal to become a space power by 2023, the centennial of the Republic and the government plan to put 16 satellites in orbit by 2020. The regulatory framework for a Turkish Space Agency is also being finalized. In November 2017, SpaceX signed a contract for launch services for the Turksat 5a/5b new-generation communication satellites.

According to the Turkish Defense Manufacturers Association (SASAD) records, regarding its members' procurements, but not including civilian MRO activities, total sector turnover for civilian aircraft/parts & components was \$660 million in 2017, \$542 million of which stems from exports, while total imports were approximately \$350 million. The United States is the number one trading partner and has 50% of the total import market in Turkey for this category.

#### **Leading Sub-Sectors**

- Aircraft / aircraft parts
- MRO activities
- Satellites and launch services
- Civil aviation and air traffic control systems
- New airport projects

#### **Opportunities**

The aerospace market in Turkey is heavily reliant on imports with regard to air platforms and related equipment as depicted in the above table. American 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, automated landing systems, avionics, etc. The preferred model for airport development in Turkey is currently the Build-Operate-Transfer (BOT) model. The State Airports Authority (DHMI) remains the largest procurement authority with respect to air traffic control (ATC) equipment, navigation aids (such as such as Automatic direction finder (ADF), inertial navigation, compasses, radar navigation, VHF omnidirectional range (VOR) and GNSS), airport infrastructure and airport security systems. In 2018, DHMI has a procurement budget of TL 127.8 million for electronics/telecom equipment, vehicles (primarily for snow fighting), facility upgrades/energy, IT requirements and security equipment.

The New Istanbul International Airport Project, among the largest transportation projects in Turkey, provides significant business opportunities to U.S. exporters. The airport, which is being executed in phases with completion set for 2023, will cater to 150 million passengers annually. The airport is expected to open on October 29, 2018, at completion of the initial phase. At full completion, the airport will have 6 independent

runways, 3 control towers, 4 terminal buildings and 16 taxiways. The project model is BOT and the estimated project cost is €7 billion.

#### **Web Resources**

- General Directorate of State Airports Authority (DHMi) – [www.dhmi.gov.tr](http://www.dhmi.gov.tr)
- Turkish Airlines (THY) – [www.thy.com](http://www.thy.com)
- Directorate General of Civil Aviation – [www.shgm.gov.tr](http://www.shgm.gov.tr)
- Ministry of Transport, Maritime Affairs and Communications – [www.ubak.gov.tr](http://www.ubak.gov.tr)

For further information on this section or more on potential opportunities, contact:

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## Construction Equipment & Services

### Overview

	2015	2016	2017	2018 estimated
Total Local Production	52,820	54,930	59,980	62,970
Total Exports	16,990	15,200	16,380	17,190
Total Imports	9,130	9,300	8,900	9,300
Total Market Size	44,960	49,030	52,500	55,120
Exchange Rates	2.91TL	3.46TL	3.76TL	4.55TL (7/12/18)

(total market size = (total local production + imports) - exports)

Unit: \$ millions

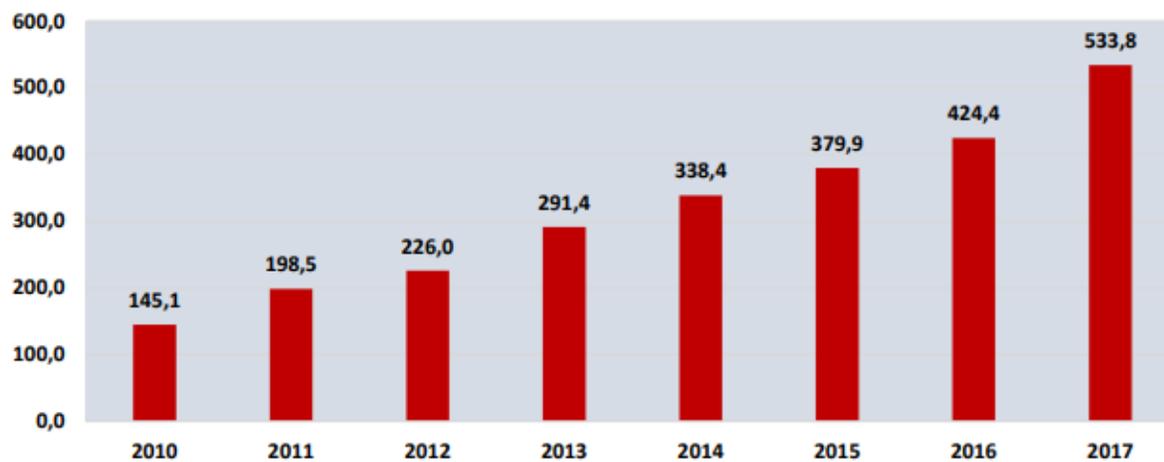
source: IMSAD – The Association of Turkish Construction Materials Producers

The Turkish Government's efforts to develop the country to be a top 10 global economy by 2023, the centennial anniversary of the Republic, have led to major infrastructure and superstructure projects, some of which are already complete. The government claims that, by 2023, Turkey will boast 10,000 km of high-speed railway, an extensive metro system in Istanbul and Ankara, a new airport and a new large suspension bridge over the Bosphorus in Istanbul, thousands of kilometers of new highways, and as many as 7 million rebuilt, earthquake-safe homes.

Turkey's construction industry has developed rapidly since the 1950s with the support of such major infrastructure projects and an ongoing urban regeneration plan. While Istanbul hosts the largest projects and the majority of housing, there are also numerous opportunities in secondary cities. Mega PPP projects are being implemented in Turkey with financing methods such as the BOT model, BO, Build-Lease and TOR models, amounting to a \$50 billion portfolio.

The Turkish Government sees the construction sector as a locomotive to boost the economy as it involves many other sub-sectors. Even though the construction sector itself is only 8-9% of Turkey's GDP, with its sub-sectors, it is equal to one-third of GDP. Large Build-Operate-Transfer projects, which are above the TL 1 billion mark, receive a Treasury Guarantee for the debt to be borne by investors. This action by the Turkish Government has eased finding credits for major infrastructure projects. The construction sector expenditure in Turkey increased even during the global economic crisis.

### Turkey Construction Sector Expenditures (Unit: Turkish Lira Billion)



source: Turkish Statistics Institute

With current economic conditions, a slowdown in this growth is expected. However, the sector agrees that the real estate side will take a bigger hit than the infrastructure projects, even though they will also experience some slowdown. Political instability also affects the construction sector and foreign firms working in Turkey, including through high insurance rates for travel to the country. With the strong dollar, it is more challenging for U.S. firms to compete with local companies. However, even though Turkey is an industrialized country, its manufacturing capabilities lack very high-end technological equipment. Therefore, these type of materials along with high value-added services, such as bridge engineering, are still needed and sourced from outside of Turkey.

On the other hand, operating in the Turkish market brings access to Turkish contractors, who often have contracts in other countries, mainly in the Middle East, North and Sub-Saharan Africa, the Caucasus and the Balkans. According to data from the Turkish Contractors Association, in the period 1972-2018Q1, Turkish contractors have undertaken 9,300 projects in 120 countries with a total business volume of \$360 billion. Turkish contracting companies compete on 5 continents and offer high-quality, affordable services. They are open to international partnerships, not only in contracting, but also in construction industry investments, ranging from building materials production to infrastructure, housing, industrial plants and tourism projects in the African, Eurasian and Middle Eastern countries. The "World's Top 250 International Contractors in 2016" list published by the leading international industry magazine *Engineering News Record* (ENR) lists 46 Turkish companies, only second to China's 65 firms. The United States is third with 43 firms. These top EPC firms in Turkey can be the best fit for U.S. firms, on both the service and manufacturing side, who would like to enter third markets in the region. Turkish construction companies can tolerate risks and accomplish projects in high-threat environments. Therefore, U.S. firms can benefit from partnering with Turkish firms on work in the many countries in the region experiencing turmoil or conflict.

With an agreement between the U.S. and Turkish Export Import Banks, projects with U.S. and Turkish firms can be financed more easily in third countries. However, as the U.S. ExIm is currently (as of June 2018) without a full board, its financing is limited to \$10 million.

### **Leading Sub-Sectors**

The high-speed railway between Ankara and Izmir, the Istanbul Canal Project and, in particular, the New Istanbul Airport Project are some of the future potential projects in which U.S. firms can participate as equipment suppliers or engineering consultancy service providers.

#### *Green Building*

In response to a spike in national energy demand, the government has implemented policies focused on increasing energy efficiency. External pressures have also encouraged more environmentally responsible development and international investors and non-profits have brought environmentally conscious principles to some of Turkey's high-profile developments. In many ways, green building in Turkey has reached an unprecedented peak, making the U.S. Green Building Council's Top 10 Countries for LEED list for the first time in 2015 and each year since. Major commercial developments now advertise awareness of environmental issues or designs based on sustainable principles and malls and major office developments are engaging in green retrofit processes.

#### *PPP Projects*

Public Private Partnership (PPP) projects present the most opportunities for U.S. firms. While it may be burdensome for foreign firms to partake directly in government contracts, as PPP projects are executed by private sector consortia, U.S. firms will find it easier to win contracts from such projects. Consortia are responsible for procuring, building and also operating the projects. Therefore, they look for companies that can deliver life-cycle cost. As U.S. company products and services are known for their quality and efficiency,

we have seen many be successful in these projects or even join the consortium directly as in the case of GE and health campus projects.

## Opportunities

Some of the major projects are presented below:

- **New Istanbul Airport Project** – A massive new airport in Istanbul is estimated to cost around \$10 billion. The project will eventually be capable of handling 150 million passengers a year, which would make it the world's largest airport. The consortium that won the tender consists of Limak, Cengiz, Kolin, Mapa, Kalyon companies forming the Istanbul Grand Airport (IGA) Management Company with equal shares. They submitted the highest bid in the amount of €22 billion for a 25-year lease. The first phase of the airport is scheduled to open in October 2018, but subsequent phases still present opportunities for U.S. companies.
- **PPP Health Campus and City Hospital Projects** – New hospital projects, including health campuses, city hospitals and state hospitals, will be built in 30 cities. Contracts have been signed for 21 of the 31 health campuses. The winning consortium of each project will finance the construction and operate the campus for 25 years against guaranteed annual lease payments to be made by the Ministry of Health. The contractors will be responsible for all repair and maintenance works in the city hospitals, including technology renewals, during this period.
- **Istanbul Finance Center Project** – The government wants Istanbul to be a major global financial center. A large area in the Anatolian side of Istanbul is reserved for the Financial Center. Many high-rise buildings are currently under construction and the majority of banks in Turkey are moving their headquarters to this area. Other relevant businesses are also in the process of designing or building their properties.
- **The Istanbul Canal Project** – Canal Istanbul, what President Erdogan himself called a "crazy project," might become a reality. The 45-km proposed canal would turn western Istanbul into an island, diverting oil tankers away from the Bosphorus, where they clog traffic and pose environmental risks. The tender for geological and engineering works was announced and the construction tender is planned within two years. The prime minister has promised that the canal, which is estimated to cost over \$20 billion, will be completed by 2023. Speculators claim that the government will most likely have to fund the project itself or provide very solid traffic guarantees to attract the private sector.
- **Istanbul New City Project** – This project, estimated to cost \$28 billion, is linked to the Istanbul Canal Project, with new residential and commercial building planned around the canal.

## Web Resources

- **Turkish Contractor's Association (TCA):** TCA is an independent, non-profit professional organization based in Ankara, Turkey. The association was founded in 1952 and represents the leading construction companies in Turkey. The business volume of its members encompasses nearly 70% of all domestic and 90% of all international contracting work done by Turkish construction companies. For more information, visit [www.tmb.org.tr/?language=eng](http://www.tmb.org.tr/?language=eng)
- **The Association of Real Estate Investment Companies (GYODER):** GYODER, the Association of Real Estate Investment Companies, was established in 1999 by representatives of existing and founding Real Estate Investment Companies (REICs) to promote and represent the real estate industry, to encourage the development of the industry, and to provide, improve and protect standards for quality, control and education within the sector. For more information, visit [www.gyoder.org.tr](http://www.gyoder.org.tr).

- **The Association of Turkish Construction Material Producers (İMSAD):** İMSAD has represented the Turkish construction industry, both nationally and internationally, since 1984. The association has accepted industry associations and stakeholders along with industrialists as members and is organized as an umbrella organization with 35 industry associations, 80 industry companies and participating members. For more information, visit: <http://en.imsad.org>
- **Oxford Business Group:** [www.oxfordbusinessgroup.com/country/Turkey](http://www.oxfordbusinessgroup.com/country/Turkey)
- **TEBA News:** Progress report on major projects and tenders [www.tebanews.com.tr](http://www.tebanews.com.tr)
- **Ministry of Health General Directorate of Health Investments:** [www.kamuozel.gov.tr](http://www.kamuozel.gov.tr)
- **Yapi.com.tr:** Daily news portal of Construction Industry Center focusing on the world of architecture and the built environment [www.yapi.com.tr](http://www.yapi.com.tr)

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## Defense Technology & Equipment

### Overview

The 2018 Ministry of Defense (MOD) budget is around \$10.8 billion (\$/TL at 4.4). Half of this budget is allocated to spending on procurement of goods and services, including modernization programs. This does not include spending by the Ministry of Interior's Gendarmerie, the Coast Guard, defense procurements funded by the Turkish Treasury and the Undersecretariat for Defense Industry Support Fund. Along with MOD spending, the proposed 2018 budget for the Gendarmerie is \$3 billion, for the Coast Guard \$155 million, and for the National Police \$6.3 billion.

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 Public Procurement Law No 4734 and Public Tender Contracts Law No 4735, which came into effect on January 1, 2003. The Undersecretariat for Defense Industries (SSM) oversees all new TuAF procurements except for those related to logistics and certain smaller projects. Per the State of Emergency decree published in the Official Gazette on December 24, 2017, SSM is tied to the Presidency. Ratified by Law No 3238, the Defense Executive Committee (SSIK) is the main decision-making body for defense procurements and is led by the President. The Chief of General Staff, Minister of the Interior and Minister of National Defense are the other members of SSIK. In accordance with amendments to the Public Procurement Law, dated October 7, 2012, SSM is empowered in defense procurement decisions and processes. SSM collects annual earnings in the Defense Industry Support Fund, which consists of revenues from levies and indirect taxes on alcohol and tobacco and is estimated to exceed \$1 billion.

Turkey is aiming to improve its manufacturing capabilities and develop a self-sufficient national defense by 2023, the centennial of the Turkish Republic. To attain this goal, Turkey seeks to maximize local manufacturing capabilities through R&D and technology transfer. Large-scale systems integrator companies along with SMEs that develop subsystems for systems integrators are playing a key role in developing indigenous solutions for the defense industry. According to official figures, off-the-shelf direct imports have fallen from 98% to 12% since the 1990s and local production in TuAF procurements has increased from 25% to 68% since 2003.

Data released by the Defense and Aerospace Industry Manufacturers' Association (SASAD) indicates that sector-wide turnover saw a 12.14% increase in 2017 and reached \$6.6 billion. The lion's share of total revenue goes to land platforms with \$2.4 billion and military air platforms with \$1.1 billion.

Turkey's defense industry has changed significantly in less than a decade as Turkey has become more involved in co-production, co-development projects, which have also brought along export opportunities. It has seen rapid growth over the last 10 years and reached the transition point from prototypes to serial production. As of late 2017, the total number of ongoing defense projects was close to 600, with 50 new projects starting in 2017. According to SASAD, Turkey's defense exports reached \$1.8 billion in 2017. The total value of orders received in 2017, including civilian aviation products, was close to \$8 billion. The United States, with a 34% share, is the number one export market for Turkey, followed by the European Union. According to SASAD, Turkey's total defense imports reached \$1.54 billion in 2017 and U.S. companies received 35% of the total market share. According to the Stockholm International Peace Research Institute (SIPRI), Turkey increased its military spending by 46% between 2008 and 2017. At \$18.2 billion, it is the 15<sup>th</sup> largest military spender globally. SIPRI lists Turkey as the world's 6<sup>th</sup> largest defense importer after India, Saudi Arabia, UAE, China and Algeria. The Turkish defense industry has an aggressive goal to reach \$25 billion by 2023. The top export items in 2017 were aircraft and helicopter parts, engines, parts of tanks and other armored land vehicles, ammunition for other weapons, turbojets for civilian aircraft, hunting rifles, and receiver/transmitter equipment for military use.

## Leading Sub-Sectors

- air platforms
- aircraft parts and components
- naval systems
- electronics
- telecommunications equipment
- radars/sensors
- space systems
- land systems/parts and components
- unmanned systems
- cyberwarfare
- arms and ammunition
- electronic warfare
- naval platforms

## Opportunities

Although the focus is on meeting national requirements through domestic solutions, the size and sophistication of upcoming projects provide opportunities for U.S. companies. In fact, the U.S. Department of Commerce's International Trade Administration has identified Turkey as a top destination for U.S. defense exports (see [www.trade.gov/topmarkets/defense-products.asp](http://www.trade.gov/topmarkets/defense-products.asp)).

TuAF requirements are met through direct purchases from domestic and foreign markets or by participation in joint production programs. These 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 TuAF's needs.

The modernization of TuAF will also bring export opportunities to U.S. companies. In the next decade, combat weapons and equipment currently in TuAF's 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

- Undersecretariat for Defense Industries [www.ssm.gov.tr](http://www.ssm.gov.tr)
- Ministry of National Defense [www.msb.gov.tr](http://www.msb.gov.tr)
- Defense and Aerospace Industry Exporters' Association [www.turksavunmasanayi.gov.tr](http://www.turksavunmasanayi.gov.tr)
- Defense and Aerospace Industry Manufacturers' Association [www.sasad.org.tr/en](http://www.sasad.org.tr/en)

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## Energy & Mining – Renewables, Smart Grid, Oil & Gas, Coal, Power Generation

### Overview

#### *Energy Sector*

	2015	2016	2017	2018 estimated
Total Local Production	1380	1,480	1,490	1,500
Total Exports	270	285	290	300
Total Imports	3660	4,040	4,380	4,600
Imports from the US	53	56	65	80
Total Market Size	4770	5,235	5,580	5,800
Exchange Rates	2.70	2.90	3.50	4.70

(total market size = (total local production + imports) - exports)

Units: \$ millions

Source: Ministry of Energy and Natural Resources, State Institute of Statistics.

Turkey is Europe's 6<sup>th</sup> largest electricity market; 84% of power generation comes from the private sector and 16% from state-owned EUAS. The 2017 power generation growth rate was 7.7%, while demand increased by 5.6%. Turkey has a semi-liberalized, but regulated market. EXIST (Energy Exchange Istanbul) is the electricity spot market of Turkey, which includes day-ahead and intraday markets, where 40% of electricity is traded with 854 market participants. Electricity prices in real time can be followed in EXIST's website.

Turkey will spend \$110 billion on energy investments by 2023 (the centennial of the Turkish Republic), distributed as \$27 billion for nuclear power plants; \$22 billion for wind power; \$17 billion for hydroelectric; \$15 billion for the network; \$14 billion for coal mining development and coal-fired power plants; \$7 billion for solar power; \$3 billion for gas-fired power plants; and \$5 billion for other types of plants. The Ministry of Energy and Natural Resources (MENR) predicts that Turkey's current electricity demand of 280 TWh will increase to 414 TWh by 2023.

Turkey's electric energy generation capacity reached 85,200 MW at the end of 2017, generating 295.5 billion kWh of electricity. Natural gas-fired power plants provided 37% of this power generation, coal-fired power plants provided 33%, hydroelectric 20%, wind energy 6%, geothermal 2%, and other resources 2%.

Turkey is targeting an additional 10,000 MW increase in both wind and solar energy installed capacity within 10 years. Turkey plans to have a total installed capacity of 34,000 MW in hydroelectric energy and 1,000 MW in biomass energy. Having reached 1,155 MW of installed capacity, the new target for geothermal energy is 4000 MW by 2030. U.S. firms have been successful in supplying equipment in the renewable energy market.

MENR has a new policy to increase exploration and production of indigenous energy resources with the target of 2/3 of electricity generation coming from domestic energy resources by 2020. Currently, this ratio is approximately 52%. The reason for this strategy is that the cost of energy commodity imports, such as oil, gas and coal, continues to exceed \$50 billion annually, increasing Turkey's current account deficit. Turkey plans to decrease this amount by using domestic resources such as lignite coal, renewables and nuclear energy.

The Turkish Government has been tendering licenses for the development of new coal fields integrated with new coal-fired plants, which are estimated to be 18.5 GW. The license winners will develop the coal mines with the proven reserves, build the power plants, and operate them for 30 years with special incentive prices guaranteed to be considerably higher than the spot market price. These newly introduced incentives will increase local production of coal mines, which means development of new coal mines. Therefore, mining equipment demand will increase during the next five years in Turkey.

Turkey imports coking coal and steam coal from the United States for several industries in Turkey such as the steel industry, cement plants and for the consumption by coal-fired power plants at the Mediterranean Sea and Black Sea coasts. However, these U.S. coal exports will likely be affected by March 2018 U.S. tariff increases on imports of steel. In retaliation to the U.S. steel tariffs in June 2018, Turkey imposed an additional 5% tariff on imports of coal from the United States. U.S. coal suppliers compete with suppliers from Russia, Ukraine, South Africa, South American countries and Australia.

Turkey has also started importing LNG from the United States and, depending on price, initial amounts may increase as demand peaks in the winter.

### *Renewable Energy*

At the end of 2017, Turkey's wind energy installed capacity reached 6,516 MW, solar capacity tripled to 2,642 MW and geothermal capacity reached 1,100 MW.

Turkey's ambitious vision for 2023 includes the following targets for renewable energy: renewables will meet 30% of installed power capacity of 120 GW (estimate for 2023); hydroelectric power plant capacity will reach 34 GW; wind energy capacity will reach 20 GW; solar will reach 5 GW; geothermal energy capacity will reach 4000 MW; and waste-to-energy power plant capacities will reach 1000 MW. An estimated \$46 billion will be invested for newly built solar, wind and hydroelectric power plants by 2023.

MENR developed a new model, the YEKA Renewable Energy Zone, through which MENR awards contracts to investors that provide power purchase guarantees for every 1000 MW of solar or wind power generated on the condition that the investor builds manufacturing facilities for 500 MW of solar or wind power equipment in-country.

The General Directorate of Renewable Energy within MENR announced the following candidate locations for the next YEKA renewable energy projects to be announced in 2018:

#### New Wind Energy YEKA Candidate Locations:

- Saros
- Gelibolu
- Kiyıkoy

#### New Solar Energy YEKA Candidate Locations:

- Hatay-Erzin
- Nigde-Bor
- Sanliurfa

In addition to this methodology, renewable energy investments below 1 MW do not require a license, but require permission from the regional electric distribution company when there is a need to connect to the grid. If the electricity produced is used solely at the investor's premises, such permission is not required.

MENR is targeting a 10,000 MW/year increase in both solar and wind energy installed capacity within 10 years.

### *Nuclear Energy Investments*

Turkey's target is to meet 10% of electricity demand from nuclear energy and it plans to have two fully operational nuclear power plants (NPP) by 2028. For this reason, the Turkish Government signed two intergovernmental agreements (IGAs), one with Russia and one with Japan. The Russian project in Akkuyu will have four 1,200 MW VVER units (4,800 MW) costing approximately \$20 billion. The second NPP to be built in the province of Sinop by a Japanese-French-Turkish consortium will have a total capacity of 4,480 MW (4 units of ATMEA1) under Public-Private-Partnership (PPP) at a total estimated cost of \$22 billion. A feasibility study for a third NPP is being conducted by another consortium.

Mitsubishi Heavy Industries, Areva, and Engie (51%) and Turkish national power generation company EUAS (49%) will be the Sinop NPP shareholders. It will generate 40 billion kWh of electricity annually, with the first unit starting operations in 2023 and the last unit in 2028. Japan will provide \$17-18 billion in credit. The 100% power purchase guarantee will be for 20 years and the power plant will operate for 60 years. After 20 years, the power plant will sell electricity on the spot market as an IPP. The Project Company will develop a localization plan (including the local content rate) and a technology transfer plan based on the local content rate. However, it is reported that the initial cost of 2.1 trillion yen (\$20 billion) has climbed to 4 trillion yen (\$38 billion) since the agreement for the plant was signed in 2013. For this reason, the Itochu company pulled out of the consortium earlier this year. Japanese companies have told Turkish officials that it will be difficult to complete the project by 2023.

A draft nuclear energy law is under consideration and envisages the Turkish Government being responsible for disposal of radioactive waste and spent fuel.

#### *Electricity Distribution Network Renovation and Smart Grid*

There are 21 regional electricity distribution companies (DisCos) in Turkey and all are fully privatized. Technical and non-technical losses in electricity distribution varies from region to region and ranges between 6-40%. The average loss in distribution grids is 15%. To lower these losses and upgrade the grid, DisCos invested 4.3 billion TL (approx. \$1.1 billion) in 2016 and 5.9 billion TL (approx. \$1.5 billion) in 2017. Further investments to improve the grids are expected to follow in 2018 and 2019. DisCos have spared TL 200 million (approx. \$45 million) just for R&D investments, which include grid upgrade technologies, smart grid, and energy storage.

The DisCos' goal is to renovate the entire grid by 2020 and then quickly convert to smart grid. For this purpose, ELDER, the Association of Distribution System Operators, initiated the Smart Grid Roadmap 2023 project with the participation of all DisCos.

The Energy Market Regulatory Authority (EMRA) receives, evaluates and allows expenditures from DisCos for their potential investments in grid upgrades as reflected in consumers' bills. EMRA allows DisCos to invest 5% of grid upgrade investments on implementation of smart grid systems.

MENR's 5-year strategic plan looks to decrease distribution utility losses to 10% on average by 2020.

#### *Electricity Transmission*

The Turkish Electricity Transmission Company (TEIAS) is the only electric transmission company owned by the state while all 21 DisCos are private. TEIAS owns and operates 66,453 km of high voltage transmission lines, 729 sub-stations with 163,849 MVA power capacity covering all of Turkey. The transmission lines are 30-40 years old; TEIAS has so far renovated 30% of the lines and plans to renovate the remaining 70% by 2020, with plans to spend approximately \$3.3 billion to accomplish this. TEIAS experienced blackouts in recent years due to some technical failures. Therefore, air-surveillance, repair and maintenance have become a priority. U.S. firms offering such services should contact TEIAS for potential opportunities.

Energy Exchange Istanbul (EXIST): Electricity trading companies through EXIST trade electricity by quoting prices on the "day-ahead market," the "intra-day market" and the "balancing power market." Interested parties can follow electricity prices online at EXIST's website (<https://www.epias.com.tr/en>). Prices are quoted on a Turkish Lira per MWh (TL/MWh) basis. EPIAS (Energy Markets Operation, Inc.) operates EXIST under a special law.

Natural Gas Commodity Market: the Turkish Government plans to establish, under EXIST, a new natural gas commodity market soon to trade natural gas supplies. It is also a government target to establish an energy hub where natural gas supplied from countries in the region will be dispatched to Europe.

Natural Gas Storage: MENR is targeting 20% natural gas storage capacity. For this purpose, state-owned energy company Botas held tenders to increase the existing capacity of 1 bcm storage at the Salt Lake (Tuz Golu) to 5.4 bcm. The capacity of the storage facility in Silivri will also be increased to 4.6 bcm. MENR gives importance to FSRU (Floating Storage Regasification Unit) projects as well, with two in operation and an additional two being considered.

TANAP Trans Anatolian Natural Gas Pipeline Project (Southern Gas Corridor): This \$9.2 billion pipeline project, will start at the Georgia-Turkey border and extend to the Turkey-Greece border at a total length of 1,850 km (1,810 km onshore + 2 X 19 km offshore). The initial transportation capacity is 16 billion cubic meters per annum (bcma) (570 billion cubic feet) (expandable to 31 bcma--1.1 trillion cubic feet). The new pipeline will initially supply 10 bcma of gas to Europe and 6 bcma of gas to Turkey. The gas will be sourced from Azerbaijan's Shah Deniz II field in the Caspian Sea.

The gas supply from Azerbaijan through the TANAP pipeline started flowing to Turkey in June 2018. TANAP is part of the Southern Gas Corridor (SGC), which will bring Azeri gas to the European Union. The SGC consists of three pipelines: the South Caucasus Pipeline Extension from Shah Deniz, which will transport the gas via Azerbaijan and Georgia, the TANAP pipeline via Turkey, and the TAP pipeline, which starts from Greece and will take the gas across Albania and then via an offshore section in the Adriatic to Italy. The first gas is expected to flow via SGC in 2019-2020. A branch is expected to take Azeri gas from Greece to Bulgaria and further north.

### **Leading Sub-Sectors**

- Smart grid systems (SCADA, GIS, AMR, AMI, Automated Demand Side Management, PLC and other communication systems, Volt-VAR control systems, OT, CIS, Control Centers, etc.)
- Grid modernization and voltage and frequency regulation systems
- FSRUs (Floating Storage Regasification Unit)
- LNG Facilities
- Solar energy power generation engineering and design services
- Geothermal power plant equipment
- Waste-to-energy systems
- Wind turbines and generators
- Energy storage systems
- Smart LED Lighting Systems
- Fuel cells
- Hydroelectric turbines and coal gasification systems
- Natural gas pipeline compressors, pumps, valves, pumps and other pipeline-related equipment and services
- Nuclear consultancy and nuclear power plant equipment and services

### **Opportunities**

The U.S. Department of Commerce's International Trade Administration identifies Turkey as a top destination for U.S. smart grid technology, renewable energy and civil nuclear exports (see [www.trade.gov/topmarkets](http://www.trade.gov/topmarkets)). U.S. During the next five years, implementation of smart grid systems and projects will create major opportunities in Turkey. The 21 DisCos will implement grid upgrades and smart grid systems to decrease the 15% average technical and non-technical losses to an average nationwide loss of 10% by 2020. Such investments for transmission and distribution lines will total up to \$8.1 billion.

Other opportunities exist in solar, wind, waste-to-energy, geothermal and hydroelectric energy projects. Although cost is important, many Turkish firms seek high efficiency, quality American products with financing and operational experience. Additionally, roof-top solar power generation and energy storage investments will create many opportunities.

Smart LED street lighting, expansion projects for refinery and petrochemical facilities, FSRU and local LNG equipment supply projects will be other opportunities. Coal supply to Turkey will still be attractive.

The U.S. Trade & Development Agency, U.S. ExIm Bank and the Overseas Private Investment Corporation would consider financing renewable energy projects in Turkey. U.S. ExIm Bank provides financing for renewable energy projects with a repayment period of 18 years after project commissioning.

### Web Resources

- Ministry of Energy and Natural Resources: [www.enerji.gov.tr](http://www.enerji.gov.tr)
- Energy Market Regulatory Agency: [www.epdk.gov.tr](http://www.epdk.gov.tr)
- EXIST (Energy Exchange Istanbul): [www.epias.com.tr/en](http://www.epias.com.tr/en)
- Renewable Energy General Directorate: [www.yegm.gov.tr](http://www.yegm.gov.tr)
- Turkish Electricity Transmission Company (TEIAS): [www.teias.gov.tr](http://www.teias.gov.tr)
- Turkish Electricity Distribution Company (TEDAS): [www.tedas.gov.tr](http://www.tedas.gov.tr)
- Turkish Electricity Generation Company (EUAS): [www.euas.gov.tr](http://www.euas.gov.tr)
- Bio Mass Atlas: <http://bepa.yegm.gov.tr> (by resource)
- Hydroelectric Atlas: [www.yegm.gov.tr/HES/index.aspx](http://www.yegm.gov.tr/HES/index.aspx)
- Solar Atlas of Turkey (GEPA): [www.yegm.gov.tr/MyCalculator](http://www.yegm.gov.tr/MyCalculator)
- Wind Atlas: [www.yegm.gov.tr/YEKrepa/REPA-duyuru\\_01.html](http://www.yegm.gov.tr/YEKrepa/REPA-duyuru_01.html) (province by province)

For project financing, see:

- U.S. ExIm Bank: [www.exim.gov](http://www.exim.gov)
- Overseas Private Investment Corporation: [www.opic.gov](http://www.opic.gov)
- U.S. Trade & Development Agency: [www.ustda.gov](http://www.ustda.gov)
- TurSEFF: [www.turseff.org/en](http://www.turseff.org/en)
- World Bank Country Page: [www.worldbank.org/en/country/turkey](http://www.worldbank.org/en/country/turkey)
- International Finance Corporation: [www.ifc.org](http://www.ifc.org)
- European Bank for Regional Development Country Page: [www.ebrd.com/turkey.html](http://www.ebrd.com/turkey.html)
- TSKB Development and Investment Bank: [www.tskb.com.tr/en](http://www.tskb.com.tr/en)
- Kalkinma Development Bank of Turkey: [english.kalkinma.com.tr](http://english.kalkinma.com.tr)

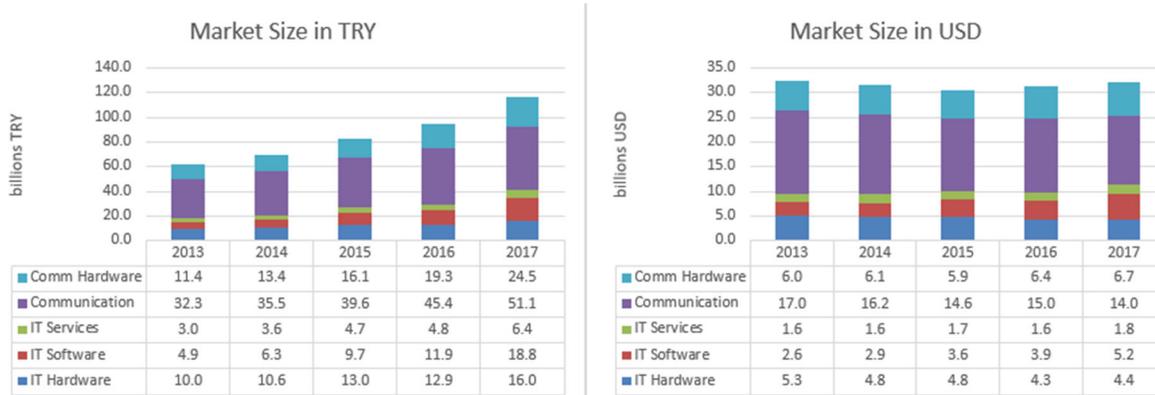
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[www.export.gov/turkey](http://www.export.gov/turkey)

## Information and Communication Technology

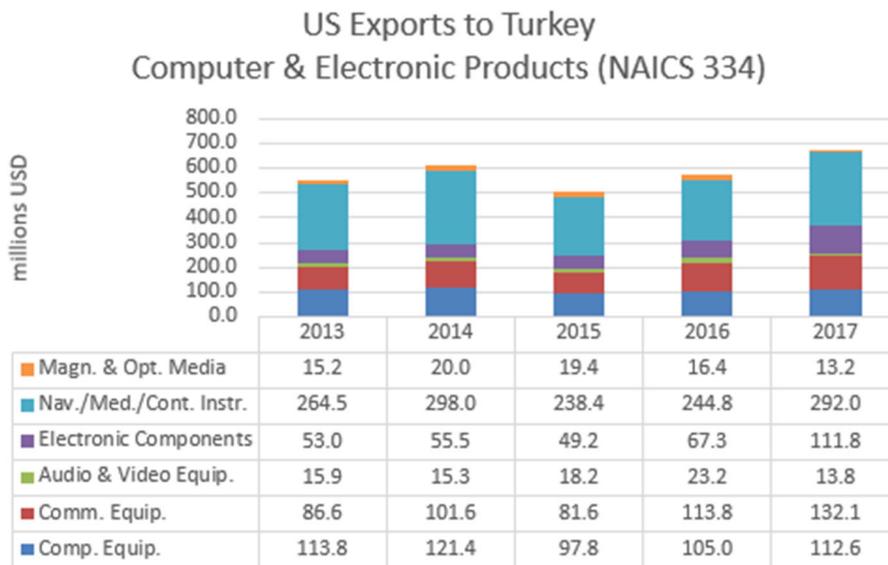
### Overview

Following are market size estimates for the ICT Sectors:



source: [www.tbd.org.tr](http://www.tbd.org.tr)

Following are U.S. exports of computer and electronic products to Turkey:



source: <https://usatrade.census.gov>

IT spending on hardware, software, IT services and telecommunication services in Turkey has reached \$32 billion. Employment in the sector climbed to 128,000 jobs and Turkey's exports are valued at approximately \$1.3 billion. With a large domestic market and sizeable potential, spending in the ICT sector is expected to grow faster than the global average.

As of April 2017, 78% of households in Turkey had broadband internet access, up from 73% the previous year. The percentage of computer and internet usage among individuals aged 16-74 was around 57% and 67%, respectively, in 2017. These numbers are significantly higher for the male population, at 67% and 75%, respectively. The annual growth rate in number of internet users is 13%.

Social media penetration is 63% with a 6% user growth rate. 42% of internet users has used e-government services and 25% has bought goods or services online, up from 20% in 2016.

The most heavily invested areas in ICT are as follows:

- 4.5G/5G technology-smart phones and tablets
- Cloud computing
- M2M
- Data Centers and disaster recovery areas
- IT services

The Turkish technology market has significant growth potential as the technology-driven young population continues to buy consumer electronics, software and products.

Traditionally, significant PC sales were confined to Istanbul, Ankara and Izmir, but now PC sales has 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 subscriptions, modems, software and other IT products and services.

The broadband market reach 69 million subscribers at the end of 2017. Currently, fixed broadband user numbers in Turkey have reached 11.9 million. xDSL technology is the main technology in the country with 8.7 million subscribers. In addition, there are 2.3 million fiber and 827,000 cable internet users. The fixed broadband penetration rate in Turkey is 14.7%, compared with the 30.6% average OECD rate, indicating strong potential in Turkey.

Fiber optic infrastructure investments have accelerated the fixed broadband market, with Turkish Telekom leading with 256,000 km (as of end of 2017) of fiber optic infrastructure compared with other operators, whose fiber optic length totals 68,000 km.

The mobile broadband penetration rate, at nearly 70% at the end of 2017, has increased in Turkey as well. 56.1 million users connect to the internet through mobile phones, in comparison with 1.2 million connecting through computers. There are three major GSM cellular operators in Turkey; Turkcell, Vodafone and Turk Telekom's mobile operator AVEA. Turkcell had the lead with a 41.3% market share, followed by Vodafone with 36.6% and Turk Telekom/AVEA with 22.1%.

After Turkcell, Turk Telekom and Vodafone were awarded 3G licenses in 2008, and the 3G market has rapidly evolved over recent years, reaching a 91.3% penetration rate in 2017. Today, mobile phone users use 3G plus. LTE licenses are given to companies and, as of April 1, 2016, 4.5G (LTE) technology came into use in the Turkish market. Within a year, the total number of 4.5G subscribers had reached 57 million. As a result of 4.5G deployment in Turkey, m-commerce, mobile broadband, mobile banking services and mobile television services increased, creating favorable business opportunities for investors. New technology investments and efforts to transition to 5G technology will accelerate sector expansion.

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

The three GSM cellular operators, Turkcell, Vodafone and former AVEA, and the fixed line operator Turk Telekom invested in equipment and services at a total value of \$4 billion to expand their services. 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.

The BTK (Information and Communication Technologies Authority) has registered over 75 million GSM cellular phone handsets in Turkey. The user penetration rate is 94%. 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 recent years. GSM cell phone sets suitable for video downloading and TV broadcasting equipped with wide band internet access will contribute to growth in this sector. These new technologies will be the basis for the enhanced 3G and 4.5G (LTE) operations.

In Turkey, Northel 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 GSM frequencies in Turkish market start from 800 and go up to 2600 MHz. As for frequency variation operator Turkcell has the widest spectrum.

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/Bimeks, Turkish Teknosa, Vatanbilgisayar and Gold Bilgisayar have been competing for a number of years in Turkey.

### **Leading Sub-Sectors**

- Cyber security solutions
- Cyber forensics solutions
- Consumer electronics
- 4.5G-related technologies and services
- Fiber optic solutions
- Notebook PCs
- Audiovisual equipment
- Wireless equipment and services
- Internet Protocol Television (IPTV)
- Smart phones

### **Opportunities**

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

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

Fiber Optic solutions are gaining market access as infrastructure investments are made by Turk Telecom and TTNNet and other ISPs.

The cybersecurity segment is expected to grow as corporate and government ICT security systems remain to attract significant funding. Network security against attackers and viruses, email and web security, cyber governance, identity and certificate governance, mobile security, system security, data and application security are the top priorities in the market.

The Turkish Government has increased its expenditures on hardware and software in battling cyber threats. To implement these defenses, the BTK, Department of Transportation and Communication, Departments of Justice and Interior, Turkish National Police, and Turkish military will continue to update their cybersecurity technologies. The Transportation, Maritime Affairs and Communication Ministry formed SOME (Cyber

Incidents Response Teams). SOME is formed under all state organizations and institutions to protect them from cyber-attacks.

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

### **Web Resources**

- TBD (Informatics Association of Turkey): [www.tbd.org.tr](http://www.tbd.org.tr)
- GFK: [www.gfk.com/tr](http://www.gfk.com/tr)
- Invest in Turkey (Republic of Turkey Investment Support and Promotion Agency): [www.invest.gov.tr/en-US](http://www.invest.gov.tr/en-US)
- Bthaber (IT news): [www.bthaber.com](http://www.bthaber.com)
- IS'TE KOBI: [www.istekobi.com.tr](http://www.istekobi.com.tr)
- Turkish Telecom Group Investor Relations: [www.ttinvestorrelations.com](http://www.ttinvestorrelations.com)
- BKM express digital world statistics: <https://bkmexpress.com.tr/dijital-dunyada-2016-yilinin-ilk-turkiye-istatistikleri>
- Turkish Statistical Institute: [www.turkstat.gov.tr](http://www.turkstat.gov.tr)
- KPMG report of Telecom sector: <https://home.kpmg.com/tr/tr/home/insights/2017/01/sektorel-bakis-telekomunikasyon.html>
- TUBISAD (Informatics Manufacturers' Association of Turkey): [www.tubisad.org.tr](http://www.tubisad.org.tr)

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## Medical Technology & Health IT

### Overview

	2016	2017	2018 (est.)	2019 (est.)
Total Local Production	838	768	836	955
Total Exports	445	429	494	550
Total Imports	2,222	1,945	1,933	1,950
Imports from the U.S.	445	398	386	351
Total Market Size	2,620	2,284	2,275	2,355

(total market size = (total local production + imports) - exports)

Unit: USD (millions)

With a population of 80 million, Turkey is a growing market for medical technologies and healthcare services. The Ministry of Health (MoH) at the national level is responsible for planning the country's healthcare policy and is also the largest provider of healthcare services. Turkey spends 5.4% of its GDP on healthcare. The central budget allocates nearly \$10 billion to the provision of healthcare services. Although this amount increased by 12% over the previous year in terms of local currency, due to depreciation of the Turkish Lira against the dollar, it actually decreased in dollar terms. According to OECD figures, Turkey's per capita spending on healthcare has reached \$800, which is a 3.5-fold increase since 2002, when the transformation program in healthcare started. The Turkish Government has been able to manage its currency losses, facing an increasing demand for healthcare services, by maintaining steady reimbursement prices of medical devices, causing problems for foreign firms dealing with these low and steadily decreasing rates (when accounting for inflation and currency fluctuations).

The Government of Turkey has an objective to increase the country's skill-set and knowledge-base in order to manufacture medical devices in the country. To realize this objective, Parliament passed a law two years ago giving procurement guarantees to products from medical device technology companies that partially or wholly manufacture in Turkey. The first tender under this law will open in July 2018; it entails procurement of medical imaging, ultrasound and patient monitors. The winner will receive a procurement guarantee for five years. The target is for the winner to begin sourcing local content and partially manufacturing in the second year and to increase gradually the local content. The Government encourages partnering with a Turkish company to form a consortium.

The MoH is responsible for the construction, management, and medical operations in public 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 those who can either afford private healthcare, are covered under a private insurance plan, or social security insurance holders who are treated in private hospitals that have agreements with the Social Security Institute (SGK).

Healthcare expenses of social security beneficiaries treated at a public hospital are reimbursed by the SGK as long as medical equipment and pharmaceuticals used are included on the reimbursement (SUT) list. Medical equipment manufacturers who want to be part of the reimbursement system must ensure that their equipment is included on this list. Private hospitals do not necessarily follow this listing and manufacturers deal with these hospitals on an account basis.

The MoH is the biggest player in the healthcare market in terms of investing in healthcare facilities and operating these facilities. The table below shows the distribution of healthcare facilities by ownership type:

Type	2002				2016				Growth %	
	# of Hospitals	%	# of Hospital Beds	%	# of Hospitals	%	# of Hospital Beds	%	# of Hospitals	# of Hospital Beds
Min of Health	774	67%	107,394	65%	876	58%	132,921	61%	13.1%	23.7%
University	50	4%	26,341	16%	69	5%	37,707	17%	38%	43.1%
Private	271	23%	12,387	8%	565	37%	47,143	21%	108%	281%
Other	61	6%	18,349	12%	0	0%	0	0%	-100%	-100%
Total	1,156		164,471		1,510		217,771		30.6%	32.4%

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 tender requirements used by MoH.

The MoH is also contracting the construction and management of a new group of hospitals, known as 'city hospitals' or 'healthcare campuses.' There will be 31 such developments. Contracts of 20 of these campuses have been tendered and given to various consortia. These new hospitals will replace, and thus renew, about 50,000 beds in the current hospital bed stock. By 2023, the MoH targets operating 169,000 high quality hospital beds. These new healthcare campuses will be financed with the Public Private Partnership (PPP) model. The winning contractor of each project finances the construction cost of the project and operates the campus for 25 years against guaranteed annual lease payments from MoH. Each of these campuses has 500 to 4,000 beds and houses several general and specialized hospitals and labs with accompanying recreational areas. There is international interest, including from U.S. companies, in these tenders. These projects constitute business opportunities for U.S. medical companies and healthcare service providers, often when they team with the Turkish construction companies. For further information on these PPP projects, please visit the official website of the Private-Public-Partnership Directorate under the MOH - [www.saglikyatirimlari.gov.tr](http://www.saglikyatirimlari.gov.tr)

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

Medical tourism is a rapidly developing new sector in Turkey. Increasingly, patients from Europe and the Middle East come to Turkey for medical treatment as high quality healthcare services are offered at relatively more economical prices. There are 46 Joint Commission International (JCI)-certified hospitals in Turkey, making Turkey the country with the third highest number of JCI-certified hospitals (excluding the United States). 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). As some of these surgical procedures have long waiting lists in European countries, Turkey has become an attractive country for medical procedures.

Turkey has taken a very progressive approach towards utilizing health IT solutions in the country's healthcare structure. When a citizen reports to a medical doctor in Turkey, all his/her healthcare information is recorded in an Electronic Health Record (EHR). ICD-10 coding is the standard for the description of illnesses in these records. All doctor visits, diagnostics, treatments, and prescription are entered in the record. The system produces e-prescriptions which are filled at pharmacies. This also makes it possible for the pharmacies to claim

their receivables from the Social Security Institute online. Data collected from throughout the country is centrally stored on MoH servers. In April 2015, the MoH launched a mobile application which makes it possible for every citizen to access his/her health record. For the coming years, MoH aims is to use the data collected for effectively so that they can do forecasting and trending patterns of illnesses in Turkey, to have citizens be more active in managing their healthcare by accessing their healthcare records, and if there is need, to encourage citizens to use of remote monitoring devices to communicate with their healthcare providers on a more regular basis. MoH is also working on integrating 'Clinical Decision Support' elements into the current EHR systems to reduce diagnosis errors. Telemedicine is still in its early stages and there are some pilot projects to provide medical support from larger hospitals to smaller hospitals in rural areas.

For a U.S. company to market its medical equipment and health IT solutions in Turkey, it should find representatives in the Turkish market with strong business development capabilities. Medical equipment exports to Turkey must adhere to Turkish customs regulations. For more information regarding these regulations, please consult with U.S. Commercial Service Turkey. U.S. company representatives in Turkey must register products in the National Data Bank (UTS) that tracks all medical equipment marketed in Turkey. To learn more about registering in this data bank, e-mail U.S. Commercial Service Turkey Medical Sector Specialist Ebru Olcay at [ebru.olcay@trade.gov](mailto:ebru.olcay@trade.gov). Following this step, if the product is under the reimbursement system, it should also be registered with the Social Security Agency.

### **Leading Sub-Sectors**

There are about 6,000 companies in the medical device and disposables market in Turkey. Local manufacturers primarily manufacture disposables, surgical tools, stents, prosthetics and hospital furniture. In general, all major categories of medical equipment are present in the market both in private and public hospitals. At this point, they seek state-of-the-art and innovative medical equipment and solutions. Turkey imports the following medical equipment and devices:

- Advanced pre-screening and diagnostics devices
- Advanced point-of-care devices
- Advanced surgical devices
- Cancer treatment devices
- Wound management devices
- Surgical devices using robotics technologies
- Dental equipment
- Implants used in orthopedics and traumatology
- Health IT solutions, especially for critical decision-making processes
- Remote patient monitoring devices
- Telemedicine systems

### **Opportunities**

Total bed capacity in Turkish hospitals exceeds 200,000. Privatization and transformation of the healthcare system with the establishment of new healthcare facilities under the PPP model, and ongoing MoH hospital projects present opportunities for U.S. companies involved in medical technologies and services. In addition, The U.S. Department of Commerce's International Trade Administration has identified Turkey as a promising market for U.S. health IT companies (see [www.trade.gov/topmarkets/health-it.asp](http://www.trade.gov/topmarkets/health-it.asp)).

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 operate not only in large cities but also in more remote parts of the country. These new hospitals are all state-of-the-art facilities that use advanced medical equipment.

## Web Resources

- Ministry of Health [www.saglik.gov.tr](http://www.saglik.gov.tr)
- Healthcare Products Manufacturers' and Representatives' Association (SADER) [www.sader.org.tr](http://www.sader.org.tr)
- Health Industry Employers' Association (SEIS) [www.seis.org.tr](http://www.seis.org.tr)
- Leading Industry Expo: expoMED Eurasia and LabtekMED Eurasia, March 28-30, 2019  
[www.expomedistanbul.com/en](http://www.expomedistanbul.com/en)
- HiMMS18 Eurasia, October 25-27, 2018: [www.himsseurasia.com/?lang=en](http://www.himsseurasia.com/?lang=en)

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## Smart City Technology Equipment

### Overview

Smart City projects in Turkey are fewer in number than in European countries and in the United States. Limited funding and qualified human resources are the main obstacles. A lack of Global Information Systems (GIS) infrastructure is another challenge; only 3% of municipalities have completed their GIS investments or implemented GIS systems. However, the Ministry of Development (MinDev), with the help of the other relevant ministries, prepared the Information Society Strategy and Action Plan for 2015-2018. The English version is found at <http://www.bilgitoplumustratejisi.org/en>. According to this study, many cities have already introduced smart applications, particularly in transport and urban services.

Accessing services through electronic channels and e-government is the most popular application within municipalities. However, smart applications in the fields of energy and water management are on their way, with Supervisory Control and Data Acquisition (SCADA) and GIS applications in particular, by electric utilities, water and sewage administrations in major cities. Smart metering is still in very early stages. To facilitate the development of smart cities in Turkey, MinDev assigned the Ministry of Environment and Urbanization (MinEnv) as the responsible institution and MinEnv recently established a new Smart Cities and Geospatial Technologies Department under the Directorate General of Geospatial Informatics, Planning and Coordination, Application and Development. This new department is developing a more detailed smart city strategy and action plan, as well as leading all country-wide smart city applications, such as city information system software and 3D data modeling development software, both of which will be used by all municipalities and central government organizations.

### Leading Sub-Sectors

#### *Smart Energy*

Smart grid systems deployment has already started in Turkey. Stages of implementation vary from one electric distribution company (DisCo) to another. Most have deployed SCADA and GIS systems. DisCos give importance to smart grid deployment to decrease losses, increase reliability and quality. The Turkey Smart Grid 2023 (TSG'2023) Vision and Strategy Roadmap sets some targets for full smart grid system implementation in Turkey. TSG'2023 will be implemented during and after the 3<sup>rd</sup> Tariff Implementation Period (2016-2020) and is aimed at providing a road map to DisCos on the 2035 smart grid vision in the short and medium term (3<sup>rd</sup> and 4<sup>th</sup> Tariff Implementation Periods) by highlighting priorities. Several DisCos have approval to implement different types of energy storage pilot projects to understand the benefits of energy storage in electric distribution. The Turkish Government plans to change 30% of street lighting (there are currently 7.5 million street lights) to smart LED lighting systems by 2023. This change is estimated to bring a savings of \$40 million, which would increase to \$130 million with further LED conversion between 2023-2033.

#### *Smart Mobility*

Intelligent Transportation Systems (ITS) are being installed in many Turkish cities. However, other than the major cities, such as Istanbul, Izmir, and Ankara, the majority are in the early stages. The Ministry of Transportation stated in its Action Plan of 2013-2023 that all cities will implement smart traffic light systems according to traffic density; green wave systems where cars, after encountering one red light, pass through subsequent green lights when maintaining a specific speed; digital traffic signs; and solar powered bus stops with digital arrival time boards.

Currently, all smart transportation projects are planned and realized by local municipalities; however, while some use their own resources, others use local or foreign funding resources. Since there is no central ITS institution, it is not possible to obtain the total amount of spending or planned spending for all projects in Turkey.

Some implementations are as follows: Ankara has smart bus stops, an online traffic density map, and an online tracking system for fire department vehicles. Izmir implemented in 2018 the most advanced ITS system in the country - the Fully Adaptive Traffic Management System – and continues to upgrade it. This system includes: fully adaptive intersections; online traffic density maps for passengers/drivers; special traffic lights, such as talking lights, for the disabled; and an enforcement system to track speed/parking/lights, etc. A World Bank-funded project continues to be implemented and e-payment cards will be used on all modes of transportation, including ferries, busses, trains, and metros. Istanbul has an intelligent signalization system, electronic enforcement system, traffic congestion and emergency management center, talking roads & talking vehicles (connected vehicles), an automated parking system with unmanned payment points, e-payment cards, smart bus stops, special info points at bus stops for the disabled via cards. Other cities have shared bicycle systems (Antalya, Izmir, Erzincan, Kocaeli, Yalova) to use a green transportation system. E-cards are used in both highly populated (Istanbul) and smaller (Mardin) cities. ITS systems are utilized partially in Eskisehir, Konya, Mardin, Kahramanmaraş, Gaziantep, Sakarya, Yalova, Kars, Edirne, and Manisa.

### *Smart Infrastructure*

Turkey's accession process to the European Union, though currently stalled, has been a major impetus for large-scale environmental remediation and implementation of new environmental standards. Local municipalities play an important role in recycling, water purification, waste-sewage treatment, environmental remediation and solid waste management. The U.S. Department of Commerce's International Trade Administration has identified Turkey as a top 10 market for U.S. environmental technology exports (see [www.trade.gov/topmarkets/environmental-tech.asp](http://www.trade.gov/topmarkets/environmental-tech.asp)).

Preventing water loss is a priority for Turkish municipalities. The water authorities of some large and industrialized cities have implemented SCADA systems to identify water losses and network failures. However, this system needs to be expanded to less developed regions of Turkey as well. Restoration of the sewage network and treatment of sewage sludge are also important. Moreover, the textile, cement, iron/steel, chemical, food processing and automotive sectors will need to make investments in wastewater treatment.

With respect to waste management and recycling, Turkey is mostly in line with European legislation; however, it lacks source separation recycling. Although not an EU member, 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 \$96 billion. Such alignment should be complete by 2024. Although there are recycling facilities, more development of regional solid waste processing and recycling facilities and sanitary landfills is needed. The government also plans to remediate and upgrade existing unsanitary landfills. With President Erdogan's wife Mrs. Emine Erdogan's initiative, the government buildings including the public schools and hospitals are expected to switch to source separation recycling, which is expected to advance the whole system when fully implemented. In some major cities waste to energy systems are being implemented. Private sector companies and organized industrial zones are also among potential buyers.

Regarding the air pollution controls subsector, Turkey has made great strides in improving monitoring of air quality and has instituted a national air pollution monitoring program. The main sources of ambient air pollution in Turkey are thermal energy generation through coal-fired power plants, home heating units, motor vehicles and industrial sources. The government is requiring the installation of flue gas desulfurization (FGD) units on all new and existing power plants, opening up high-value projects in the air pollution control market.

### **Opportunities**

As of April 2018, the World Bank approved a \$91.54 million loan for the Sustainable Cities II Project in Turkey. This is the second project in a series under the Program for Sustainable Cities, which aims to improve the

economic, financial, environmental, and social sustainability of Turkish cities by enabling interested municipalities to access financing for their investments and to deliver improved services to their citizens. The first Sustainable Cities Project, valued at \$132.7 million, was approved on December 20, 2016. The project is being implemented by Iller Bank of Turkey, which was established in 1933 to fund reconstruction activities of Turkish municipalities. The grant will assist the southern cities of Antalya and Mugla through financing investments in infrastructure needed to meet service delivery requirements in the water and wastewater systems. Both cities will also receive support in preparing urban and financial investment plans through the first Sustainable Cities Project's Institutional Strengthening component, which is co-financed by the European Commission.

Currently, the Government of Turkey is considering extending this support to Denizli, Kayseri, Balikesir, Ordu, Kahramanmaraş, Malatya, Mardin, and Van so citizens can benefit from improved public transport, water and sanitation services, waste management, and energy services. U.S. companies can participate in these projects as vendors to the municipalities.

The semi-government owned Turkish telecom company, Turk Telekom, and one of its affiliated companies, Innova, have a smart city management platform where all smart applications operating in the city are managed by a single operations center. Together, they have completed two smart city pilot projects with the municipalities of Karaman and Kars. They have also moved on to the second phase of the municipality of Antalya's smart city infrastructure project and have similar projects in the pipeline with the municipalities of Kirsehir and Mersin. U.S. companies can integrate their technology to this platform. As Turk Telecom has broadband fiber infrastructure in every city in Turkey, it could act as an integrator for U.S. companies while reaching out to Turkish municipalities.

#### **Web Resources**

- Smart City Institute - [www.novusens.com/en](http://www.novusens.com/en)
- Turkish Green Building Institute - [www.cedbik.org](http://www.cedbik.org)
- Turkish Informatics Foundation - [www.tbv.org.tr/en](http://www.tbv.org.tr/en)
- Public Technology Platform - [www.kamuteknolojiplatformu.org](http://www.kamuteknolojiplatformu.org)
- World Bank in Turkey - [www.worldbank.org/en/country/turkey](http://www.worldbank.org/en/country/turkey)
- Ministry of Environment and Urbanization - [www.csb.gov.tr/](http://www.csb.gov.tr/)
- Turk Telekom - [www.turktelekom.com.tr/en](http://www.turktelekom.com.tr/en)
- Innova - [www.innova.com.tr](http://www.innova.com.tr)
- Iller Bank: [www.ilbank.gov.tr/](http://www.ilbank.gov.tr/)
- Environment Protection and Packing Wastes Utilization Foundation: [www.cevko.org.tr](http://www.cevko.org.tr)

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## Transportation Technology & Equipment

### Overview

Turkey's transportation and logistics sector is one of the country's fastest growing industries—tripling in value since 2002, with an average 20% annual growth rate. This growth combined with Turkey's strategic location as a bridge between East and West is creating new opportunities for U.S. exporters of transportation and intelligent technologies. Turkey is not only a major transit country, but also a key freight destination. Given Turkey's increasing population – now close to 80 million – and inward migration to larger cities from rural areas, traffic has become a crucial issue, compelling local municipalities to invest heavily in Intelligent Transportation Systems (ITS). As a result, Turkey has doubled its transportation industry investment budget from 20% to 40% over the last decade. This sector is dependent on critical foreign technologies such as ITS, thus providing opportunities for U.S. firms in this area.

Turkey's Customs Union Agreement with the European Union (EU) and its currently stalled application for full EU membership is pushing the transportation industry to consider new investments in Turkey. Turkey's current transportation network is below EU-27 standards. Even if EU accession does not occur in the near future, Turkey has an ambitious goal to comply with all EU rules and regulations, as a majority of its foreign trade is with Europe.

U.S. firms have a comparative advantage in high-tech products; therefore, they are encouraged to take advantage by forming agreements to act as suppliers of these types of specialized technologies to Turkish firms.

The influence of the transportation sector is expected to increase more in the future, as many highway, railway, and other transportation-related projects are either already underway or expected in order to accommodate the needs of an increasingly industrialized country in the years to come. Experts believe that “combined transportation” will have a very big share in the transportation industry. Further on the horizon, due to the increased infrastructural partnership between private and government enterprises, marine and railway freightage will have a big role in cargo moving for combined transportation. The Government of Turkey has committed to new investments in this sector to keep up with future demand which is expected to reach the following targets in 2023, the centennial of the Turkish Republic:

- Foreign trade volume to reach \$1.1 trillion, with \$500 billion in exports and \$600 billion in imports.
- GDP to reach \$2 trillion
- Transported cargo to reach 625 billion tons.

Below are planned transportation projects:

### *Rail*

The Turkish Government has prioritized improvements in this sector:

- Liberalization of the rail system (state will maintain ownership, but private transportation companies will be able to transport cargo in their own wagons). Three private companies have started working in the rail system in Turkey, and more are expected.
- 10% share increase for passenger rail and 15% for cargo transportation rail.
- “Modern Iron Silk Road” to be completed by 2023 to establish rail connection between the Far East and Western Europe.
- Marine ports to be connected to railroads.
- Total rail length will reach 25,000 km in 2023, including additional 3,500 km high-speed railway, 8,500 km rapid railway and 1,000 km conventional railway.

- 8,000 km of existing rail to be restored and modernized with new signal systems.
- Main stations and terminal stations to be renovated (500 km each year) and new terminal stations for high-speed trains to be constructed.
- Electrification and signal systems, along with renovation of existing lines.
- Ensuring branch line connections with logistics centers, factories, industries, organized industrial zones and ports with great freight potential and increasing the combined and freight transport.
- New metro lines/light rail systems/trams in larger cities.

#### *Air*

- Planned airports: 8
- Terminal buildings: 4
- Turkey ranks 9<sup>th</sup> in the world and 3<sup>rd</sup> in Europe in terms of passenger volume; 3<sup>rd</sup> Istanbul airport being built
- \$25 billion profit aimed to be achieved.

#### *Land Transportation (Roads & Highways)*

- 23,522 km of existing divided roads with plans to increase to 37,000 km
- 5,748 km of highway construction to be completed by 2023
- 9,000 bridges/viaducts with total length of almost 600 km to be completed
- Izmit Bay Suspension Bridge (4<sup>th</sup> largest in the world with 1,550 m-long center span)
- Canakkale 1915 Suspension Bridge (will be completed by 2023 on a BOT basis, and be the world's longest bridge at 3,623 m)
- 3-floor Istanbul tunnel (will be completed in 2020 at \$3.5 billion cost; 110 m below the sea and 6.5 km long; two roads and one metro line)
- 238 tunnels with total length of 346 km (including metro lines)
- Kanal Istanbul (will connect Marmara Sea with Black Sea and be an alternative route to the Bosphorus Strait; 45-50 km long, 145-150 m wide on the surface, 125 m wide on the floor, 25 m deep to accommodate large ships)

#### *Marine Transportation*

- "Three Big Ports along the Three Big Seas" project on the Aegean, Black Sea and Mediterranean aiming for three transfer ports in every sea surrounding the country:
  - West on Aegean Sea - Candarli port: will be among the first transit ports in Europe with a 12 million twenty-foot equivalent unit (TEU) capacity
  - North on Black Sea - Filyos port: with 25-million ton capacity
  - South on Mediterranean Sea - Mersin port expansion
- Container transportation capacity will reach \$32 billion
- Liquid cargo will reach a capacity of 350 billion tons and dry cargo, 500 billion tons
- Turkey will rank among top ten in the world with regard to ship size
- Increased combined/multimodal/intermodal types of transportation
- Marina capacity to increase to 35,000 ships

- Construction of seven new cruise ports
- Higher emphasis on sustainability and efficiency through projects like “Green Port”
- Kanal Istanbul: alternative to straits that connect Black Sea and Mediterranean (43 km long and 400 m wide)

### **Leading Sub-Sectors**

All high-technology systems, products, equipment in all modes of transportation, including those related to Intelligent Transportation Systems are in great demand. Below are some examples:

- Traffic engineering, management, measurement, control and signal systems
- Electronic detection, and camera and security systems
- Variable message, communication and digital information systems
- Lighting systems
- Tunnel SCADA, vehicle tracking and fleet management, data management
- Marine technology: port superstructure, vessel tracking systems, oil spill detection and contingency preparedness, underwater mapping.

### **Opportunities**

- Euroasia Rail Turkey – Izmir, April 10-12, 2019, [www.eurasiarail.eu](http://www.eurasiarail.eu)
- Intertraffic Istanbul, April 10-12, 2019, [www.intertraffic.com/en/istanbul](http://www.intertraffic.com/en/istanbul)

### **Web Resources**

- Ministry of Transport, Maritime Affairs and Communications: [www.ubak.gov.tr](http://www.ubak.gov.tr)
- Ministry of Transport Directorate General of Merchant Marine: [www.denizticareti.gov.tr](http://www.denizticareti.gov.tr)
- General Directorate of Highways (KGM): [www.kgm.gov.tr](http://www.kgm.gov.tr)
- General Directorate of State Railways (TCDD): [www.tcdd.gov.tr](http://www.tcdd.gov.tr)
- Turkish Statistical Institute: [www.turkstat.gov.tr](http://www.turkstat.gov.tr)

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## **Advanced Manufacturing**

### **Overview**

Turkey's sizeable population, growing economy, expanding middle class, young population, dynamic entrepreneurial class, and advantageous geographic position as a bridge between Europe, Asia and Africa has made the country an important manufacturing and distribution hub. Turkey is the 17<sup>th</sup> largest economy in the world and its industrial output accounts for 28% of GDP. Turkey positions itself in the global value chain by leveraging its logistical advantage, lower labor costs and flexible production capabilities.

Advanced manufacturing technologies are increasingly being implemented across Turkey with international companies leading the way. The early adapting industries are automotive and aviation manufacturing, both dominated by major international companies with numerous local suppliers that must meet the latest technical and technological requirements.

Turkey needs to take concrete steps in digitalization and advanced manufacturing to move from growth dependent on cheap labor to that based on high productivity and innovation. Through advanced manufacturing technologies, Turkey can move up the global value chain, ensure its future global competitiveness and boost the economy. Currently, approximately 30% of Turkey's manufacturing output and 37% of its exports consist of medium- and high-tech products, while these make up 63% of EU exports. A priority of the Turkish Government is to bring medium- and high-tech product manufacturing up to the EU average, utilizing advanced manufacturing technologies.

Based on the size of the economy, over the next decade, Turkey is expected to invest about \$3-4.5 billion annually (1-1.5% of manufacturers' revenue) in the integration of industry 4.0 solutions into the manufacturing process. The digitalization progress will necessitate further investment to upgrade the country's technological infrastructure, such as in fixed & mobile broadband services and fiber optics. It will also require transforming the education system to include a focus on Science, Technology, Engineering and Math (STEM) skills.

If Turkey fully adapts the industry 4.0 concept, it could save \$15 billion/year in current manufacturing costs. This analysis is based on a 4-7% estimated increase in productivity, considering total production costs.

In 2017, the Ministry of Science, Industry and Technology established the "Digital Transformation Platform in Industry," which is a public-private-partnership integrating and coordinating efforts towards competency and technology support for industrial enterprises. The Turkish Government has announced that Turkey's "Industry 4.0 Roadmap" will be launched in 2018 and will detail the new incentives and financial support to implement advanced manufacturing solutions.

Turkey is still in the EU accession process and, therefore, is able to access EU Horizon2020 funds, providing \$500,000 - \$2.5 million in support for private sector projects in various Industry 4.0 areas.

### **Leading Sub-Sectors**

Innovative materials/technical textiles: Innovative materials/technical textiles are used in sectors such as aerospace, agriculture, construction and infrastructure, medical, energy, transportation, marine, and defense. Turkey's total imports in this category (including composites) is around \$3.5 billion. The market is expected to grow between 8-12% annually.

Additive manufacturing: The automotive, aerospace and defense, household appliances, jewelry, and medical/dental industries started to use additive manufacturing in Turkey in 2014. Small and medium-sized enterprises (SMEs) seek additive manufacturing primarily for the molding process and typically outsource this service. Turkey accounts for 1.2% of global additive manufacturing use (2017 figure). Over 450, mostly polymer-based, 3D printers are used in manufacturing. There is growing demand for advanced 3D printers

and CAD and CAM programs; advanced printing materials, including biomaterials; and large-scale additive production capabilities.

**Industrial Automation:** According to the Industrial Automation Association (ENOSAD) of Turkey, the industrial automation market in Turkey was valued at \$1.5 billion in 2016, with an annual growth rate of over 20%. It is expected to reach \$4 billion within the next five years.

Many international companies present in Turkey also serve Russia, the CIS, the Middle East and North African markets, with an annual regional business volume of around \$3.5 billion.

**IIOT/Big Data and Analytics:** Some of the solutions used by Turkish companies include:

- Supply chain and warehouse management processes – real-time tracking of demand, order fulfillment, manufacturing flow, returns, etc.
- Production lines – real-time control of performance, product durability and safety
- Predictive maintenance – real-time monitoring of industrial manufacturing devices allowing companies to predict when maintenance is required

Industry analysts estimate that the Turkish market size will reach a cumulative amount of \$90 billion between 2017-2022, including sensors, optronics, M2M software and hardware, Artificial Intelligence, modeling and simulations, cloud services, and cybersecurity applications.

**Robotics:** There are 12,000 industrial robots in Turkey, with about half in the automotive industry. According to 2017 statistics, countries with advanced robotics in manufacturing use 300 robots per 10,000 workers. This number is just 12 in Turkey, which shows the potential growth opportunities for robotics in manufacturing industries.

**Augmented and virtual reality:** The use of A/R- and V/R-based systems in manufacturing in Turkey is still in its infancy; however, there is great interest in the market to adopt these technologies. In the aviation, defense, automotive, electronics, durable goods and textile industries, a number of large companies use A/R and/or V/R to select parts in the warehouse, to transmit repair instructions over mobile devices, for product simulation, for production process simulation in the design phase, and for worker training.

## **Opportunities**

Turkey ranks 16<sup>th</sup> among markets for U.S. manufacturing technology exports, according to the U.S. Department of Commerce's International Trade Administration (see [www.trade.gov/topmarkets/manufacturing-tech.asp](http://www.trade.gov/topmarkets/manufacturing-tech.asp)). In Turkey, companies with the greatest demand for advanced manufacturing technology solutions are those active in the automotive, aviation, defense, durable consumer goods, electronics, chemical, machinery, steel, construction, textile, food processing, energy and mining industries.

When industry 4.0 applications are evaluated in these industries, the emerging opportunities are in: information and material flows, supplier integration, product simulation and modeling and production process in the design phase, advanced materials, flexible production, big data analytics, enhanced cybersecurity, and smart product and production lines that increase predictability. In addition, there is a significant need for qualified solution partners and systems integrators.

A recent report by the Turkish Informatics Foundation indicates that 50% of manufacturers in Turkey plan to invest in industry 4.0 within the next 3 to 5 years, 20% still do not have any knowledge/strategy, and the remaining 30% plan investments in 5 to 10 years. In a survey conducted by TUBITAK-The Scientific and Technological Research Council of Turkey in 2018, the technologies that Turkish SMEs consider most important for their industry are automation and control systems, advanced robotics, and additive manufacturing.

## Web Resources

### *Organizations*

Ministry of Industry and Technology: [www.sanayi.gov.tr](http://www.sanayi.gov.tr)

Scientific and Technological Research Council of Turkey (TUBITAK): [www.tubitak.gov.tr/en](http://www.tubitak.gov.tr/en)

Turkish Machinery Federation (MAKFED): [www.mib.org.tr/en](http://www.mib.org.tr/en)

Turkish Industrial Automation Association (ENOSAD): [www.enosad.org.tr](http://www.enosad.org.tr)

Turkish Composites Manufacturers Association: [www.kompozit.org.tr/en/home](http://www.kompozit.org.tr/en/home)

### *Trade Events*

Smart Future Expo: [www.smartfutureexpo.com](http://www.smartfutureexpo.com)

Robot Investments Forum and Exhibition: [www.robotyatirimlari.com/en](http://www.robotyatirimlari.com/en)

Eurasian Composites Show: [www.eurasiancomposites.com](http://www.eurasiancomposites.com)

ANKIROS-ANNOFER-TURKCAST: [www.ankiros.com/home-en](http://www.ankiros.com/home-en)

MAKTEK Eurasia: [www.maktekfuari.com/en](http://www.maktekfuari.com/en)

WIN Eurasia: [www.win-eurasia.com/en](http://www.win-eurasia.com/en)

For further information on this section or for more on potential opportunities, contact:

Perim Akguner

Commercial Specialist

U.S. Commercial Service Turkey

[perim.akguner@trade.gov](mailto:perim.akguner@trade.gov)

[www.export.gov/turkey](http://www.export.gov/turkey)

## Agriculture

### Overview

Turkey's agricultural economy is among the top ten in the world, with half of the country consisting of agricultural land and nearly a quarter of the population employed in agriculture. Turkey is a major producer of wheat, sugar beets, milk, poultry, cotton, tomatoes and other fruits and vegetables, and is the top producer in the world for apricots and hazelnuts. As inputs to animal food for its meat and rapidly growing poultry sector, Turkey import oilseeds, including soybeans and meals, as well as grain products. Turkey also imports additional cotton as an input for its advanced textile sector, and inputs for its food processing and bakery sector.

Turkey is an important tourism destination with opportunities for U.S. exporters in the HRI (Hotel, Restaurant, Institutional) sector. The Turkish retail food sector continues to grow in 2018, with the organized retail sector split evenly between traditional small grocery stores and modern retail chains, with a new emphasis on deep discount stores. The young and growing population provides opportunities for growth and new product introductions. Turkey has a well-developed food processing sector that is producing for the Turkish market and also exporting regionally.

### Agriculture, Aquaculture, and Forestry

	2015	2016	2017
Total Local Production	59,356	53,412	52,000
Total Exports	17,012	16,400	17,246
Total Imports	14,461	13,945	15,745
Imports from the US	1,498	1,492	1,840
Total Market Size	56,804	50,956	50,499
Exchange Rates	2.72	3.02	3.65

(total market size = (total local production + imports) - exports)

Units: \$ millions

source: Turkish Statistical Institute and Global Trade Atlas

### Leading Sub-Sectors

Feed inputs to Turkey's meat and poultry sector, as well as cotton for the textile sector are the key opportunities for U.S. exports, as well as tree nuts, such as almonds and walnuts. Turkey's textile industry remains vital 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. Total Turkish imports of U.S. cotton were valued \$730 million in 2017.

Turkey's growing poultry sector is dependent on soybeans and other imported feed ingredients. The poultry and feed industry has been investing in modern crushing facilities and is continuing to expand its 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 and protein feed sources by Turkey's feed industry. The U.S. continues to be one of the leading suppliers of soybeans for the Turkish market; however, regulations on biotechnology have interfered with the market periodically since October 2009. In calendar year 2017, total U.S. exports of soybeans and soybean meal were worth \$160 million. There are also opportunities in supplying tree nuts, rice, pulses, and hardwood lumber products, as well as consumer oriented and functional food products.

## **Opportunities**

For opportunities to enter the Turkish market, it is recommended that exporters review reports in the relevant sectors produced by the USDA Foreign Agricultural Service (FAS) Office in Turkey, noted below under Web Resources. Turkey's young and growing population, as well as growing regional exports of flour, poultry, and processed food provide opportunities for U.S. exporters to provide inputs. All reports can be found on the [FAS Global Agricultural Information Network search page](#).

## **Web Resources**

For additional information on accessing opportunities in the Turkish food and agriculture sector, the USDA Foreign Agricultural Services produces a number of helpful reports with market information and details. Start with the [Exporter Guide to Turkey](#), as well as the [Turkish Retail Food Sector Report](#), [Food Processing Ingredients Report](#), and [Hotel, Restaurant and Food Service Sector Report](#). For sector specific reports on commodities, our latest reporting on the [feed and grain sectors](#), the [livestock](#) and [poultry](#) sectors, and the [cotton sector](#) can always be found on the [FAS Global Agricultural Information Network search page](#).

Turkey can be a complex market for food and agricultural products, so it is imperative to understand import requirements and have a reliable and experienced partner in Turkey. Additional information can be found in the FAS Food and Agriculture Import Regulations and Standards Country Report for Turkey, and by contacting the USDA Foreign Agricultural Service in Turkey. Turkey's Foods Foreign Trade Association ([TUGIDER](#)) may be contacted to get information on potential local representatives in Turkey as it represents the major food importers in Turkey. Food trade shows in Turkey can be helpful to visit, such as [Anfas Food Products](#), [World Food Istanbul](#), and Food Ingredients [Fi Istanbul](#), to meet importers and assess the market before trying to enter.

Foreign Agricultural Service  
U.S. Embassy Ankara  
[agankara@fas.usda.gov](mailto:agankara@fas.usda.gov)

## **Customs, Regulations & Standards**

### **Trade Barriers**

In 2005, the European Commission began European Union (EU) accession proceedings with the Republic of Turkey. Prior to beginning its move towards EU accession, Turkey and the EU formed a Customs Union in 1995. The Customs Union agreement covers industrial products and processed agricultural goods. Turkey adopted the EU's common external tariff (CET) for most industrial products, as well as for the industrial components of agricultural products. Both the EU and Turkey agreed to eliminate all customs duties, quantitative restrictions and charges with equivalent effect on their bilateral trade. Turkey's adoption of the EU's CET also resulted 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. Turkey and the EU have committed to modernizing the Customs Union to cover additional sectors such as services and agricultural, though discussions have been delayed by political concerns.

The Government of Turkey estimates that, as a result of its accession to the European Customs Union, the average duty rate for imports from the EU and EFTA countries has dropped from approximately 10% to zero. Turkey has reserved some exempted categories for sensitive products with tariffs on these items generally much higher than the Common Customs Tariff (CCT). Some agricultural goods will remain protected by steep tariffs.

Turkey is a member of the WTO and regulates its customs in line with General Agreement on Tariffs and Trade (GATT) requirements. While generally in compliance with the WTO agreement, Turkey often fails to notify the WTO of changes to import requirements. When this occurs, companies' views are often not taken into account, nor are they given ample time in which to comply and adapt to changes in how they do business. These changes to import requirements can serve as non-tariff barriers such as implementation of reference price systems, lack of control certificates, new burdensome documentation requirements, and unnecessary and intrusive inspections. Even though customs legislation is a direct translation of EU legislation, there may be differences in how they are interpreted and, therefore, implemented.

Agricultural trade is subject to tariff quotas and price regulation, which have produced a high degree of protection. While the agricultural and pharmaceutical sectors have seen a number of protectionist and localization hurdles, these issues have also arisen in a number of industries like medical devices, apparel and eCommerce. Moreover, the Turkish procurement system remains prone to opaque and lengthy tendering processes, onerous terms and conditions, and substantial delays, which can hamper procurement deals. The U.S. Government has raised these matters in high level discussions with the Turkish side and, in cooperation with industry, continues to pursue mutually agreeable solutions.

For more information and help with trade barriers, contact:

International Trade Administration  
Enforcement and Compliance  
202-482-0063  
[ECCommunications@trade.gov](mailto:ECCommunications@trade.gov)  
[www.trade.gov/enforcement](http://www.trade.gov/enforcement)

### **Import Tariffs**

Turkey has been a WTO member since 1995 and a GATT member since 1951. The EU and Turkey have been linked by a Customs Union agreement since 1995. Turkey has been a candidate country to join the EU since 1999, and is a member of the Euro-Mediterranean Partnership.

Turkey applies the Customs Union Common External Tariff (CET) to industrial goods, and its Most-Favored Nation (MFN) tariffs for non-agricultural products are low, on average 5%. However, this relative openness is not reflected in Turkey's WTO commitments as it has left 66% of its non-agricultural tariff lines unbound. Tariff protection is high for agricultural products. The Customs Union with the EU and free-trade agreements provide duty-free access for many of Turkey's most important trading partners. In addition, Turkey has the possibility to open tariff-rate quotas for non-agricultural goods, its investment encouragement programs provide for duty and tax concessions on imports, exporters benefit from an inward-processing scheme, and a "suspension list" enables manufacturers to import certain raw materials and intermediary inputs at low or duty-exempt rates.

On June 21, 2018, Turkey implemented \$266.5 million in tariffs against a range of U.S. goods imports in retaliation for U.S. steel and aluminum tariffs. These increased tariffs range from 4-70% in addition to the MFN tariffs. Trade remedies continue to be an important policy tool for Turkey, as it is one of the WTO's main users of safeguard and antidumping measures.

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 Cost Insurance Freight (CIF) 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 1% to 8% and can reach up to 18% 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.

Turkey relies on internal taxes on goods and services to raise government revenue, rather than trade taxes such as customs duties. Turkey's VAT and the Special Consumption Tax (SCT) make no distinction between imported and domestically produced goods, in principle. However, the SCT on alcoholic beverages varies considerably depending on the type of product. The tax system has the potential to favor the consumption of some products relative to others. Other products impacted by the SCT include petroleum products, motor vehicles, aircraft, vessels, and durable consumer goods. VAT is imposed at the general rate of 18%, but reduced rates (8% and 1%) are applied on some goods and services, and certain types of transactions are tax exempt. Together, VAT and SCT provide over half of the government's revenue.

Both imports and exports are subject to a number of border measures in Turkey, including outright prohibitions, licensing, controls, and restrictions. Eleven categories of goods are subject to import license and 26 require export license. On the export side, Turkey adheres to international agreements for the prohibition or control of strategic goods and has provisions for export quality control checks of certain agricultural products.

## **Import Requirements & Documentation**

### *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, including firearms, hazardous materials, and other products that can be imported by authorized establishments only or for which approval from the Directorate General of Security is required. Before December 2011, the majority of food and non-food imports required a "Control Certificate," which is an import license indicating whether or not the product is eligible for import. In accordance with the import regime enacted in December 2011, Control Certificates are required only for animals, animal products, and certain plants such as seeds, seedlings, saplings and flower bulbs.

### *Import Documentation*

Turkish documentation procedures require that a commercial invoice and bill of lading or airway bill 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.

#### *Conformity Compliance (CE Mark)*

Companies selling to the Turkish market must submit evidence of conformity compliance (CE Mark) either by providing a conformity certificate from a notified body or a manufacturer-issued declaration of conformity, which declares compliance with all relevant standards and directive annexes. The declaration of conformity must mention the applicable directive(s), the name of the manufacturer or its 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 examination certificate should also be submitted.

The technical file is a dossier, which includes a user manual, product specifications, technical drawings and standards applied per the appropriate directives and corresponding annexes. Although it may not be enforced by the Government of Turkey for every imported product with the CE marking, manufacturers are assumed to have prepared the technical file. It has been reported to CS Turkey that several American companies had difficulties when asked to submit a technical file after their products were shipped to Turkey. Certain companies had intellectual property rights (IPR)-related concerns and were reluctant to provide drawings or in-depth information about the technical specifications of the product. In order to avoid customs delays, the importer should be knowledgeable about the relevant procedures and the required documentation.

#### *Commercial Invoice*

The commercial invoice must be submitted in triplicate, including the original copy and must contain a complete description, quantity, unit cost, HS code, delivery method of the goods, and country of origin, along with all required payment terms and letter of credit number if transaction was actualized through this payment method.

#### *Certificate of Origin*

It is required by certain foreign countries for tariff purposes, certifying the country of origin of specified goods. The certificate of origin is to be prepared in duplicate. No corrections are permitted on this document, and it should be in English. A Certificate of Origin is usually prepared by the exporter or the freight forwarder and notarized and attested to by a local Chamber of Commerce or a World Trade Center. The Turkish Embassy or Consulate in the United States must certify the Certificate of Origin. One copy of the document must be surrendered to 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 along with three copies.

#### *Proforma Invoices*

The proforma invoice must not be more than six months old at the time of application. The word "proforma" must be included in the document. It must contain an unexpired option (if appropriate), indicate freight and insurance charges separately, and bear the importer's name, description, unit price, quantity, delivery/payment method of specified goods. Products falling under the EU 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. See the Standards and CE mark section below.

### *Health Certification*

Special health certificates are required for imports of plants, seeds, live 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). APHIS inspects and certifies that plants, plant products and live animals and animal products conform to health and sanitary/phytosanitary requirements as required by the Turkish regulations. U.S. exporters are encouraged to obtain information from the importer prior to shipment because of the complexity of sanitary and 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), an independent regulatory body. Inspection of imported products is regulated by the Communiqué on Import Inspection of Tobacco, Tobacco Products, Alcohol and Alcoholic Beverages (Product Safety and Inspection: 2018/19). Nevertheless, non-tariff barriers, arduous documentation requirements, and high duty rates continue to limit trade in alcoholic beverages. Cigarettes can only be imported by cigarette producers, which are permitted by the government under a special decree (such as Philip Morris, RJ Reynolds, British Tobacco, etc.).

### *Importation of Precious Metals/Stones*

Precious metals (e.g., gold and platinum) may only be imported by members of Borsa Istanbul (the Istanbul Exchange). The Istanbul Exchange consists of domestic or foreign banks, precious metals companies, currency offices, precious metals producing and marketing companies and precious metals refineries. Turkey officially became a member in 2007 of the Kimberley Process Certification Scheme, which is a joint government, international diamond industry and civil society initiative to stem the flow of conflict diamonds. See information on regulations pertaining precious metals and stones importation at [www.borsaistanbul.com/en/products-and-markets/markets/precious-metals-and-diamond-markets](http://www.borsaistanbul.com/en/products-and-markets/markets/precious-metals-and-diamond-markets).

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 Ministry of Health and Ministry of Agriculture. Upon entry of specific food and agricultural products, the importer should be prepared to present the approved Control Certificate (if required) together with originals of invoice, ingredient list, Certificate of Origin, veterinary health certificate or plant health certificate, etc., as well as other import documentation such as the bill of lading. Imports of food products into Turkey are allowed only if they conform to regulations related to import controls and Turkish Food Codex ([www.tarim.gov.tr/GKGM/Menu/81/Turkish-Food-Codex-Legislation](http://www.tarim.gov.tr/GKGM/Menu/81/Turkish-Food-Codex-Legislation)). Turkey is harmonizing its food import regulations and Turkish Food Codex Regulation with those of the EU. If the product in question is not covered by the Turkish Food Codex, officials can refer to international regulations such as International Organization for Standardization (ISO), Codex Alimentarius or relevant EU Directives if it is not harmonized yet, on a case-by-case basis.

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 Commerce. 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 product. Particular product groups require a widespread network of maintenance facilities in each of Turkey's seven geographic regions. Vehicles fall into this category. The existing import regime instructs an importer to provide services and also to maintain necessary parts for at least 10 years, following the importation of the last vehicle.

Type-approval is no longer needed for imported telecommunications equipment. Under the framework of the EU Customs Union, telecommunications equipment that meets certain conditions such as harmonized frequencies in Turkey can be imported without the approval of the Telecommunications Regulatory Authority. There is a national frequency plan if the equipment's frequency is not harmonized (however, typically it is) then it is necessary to apply to the Authority for the approval.

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, petrocokes, petroleum, arsenic, mercury, lead sulfides and carbonates, fluorocarbons, other chemicals and scrap metals.

### **Labeling/Marking Requirements**

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.

For certain goods, specific labels might be needed, i.e., some products might need to be cleared by the Ministry of Agriculture and Forestry, and some by the Turkish Standards Institute (TSE). Information that needs to be posted on the labels are announced on websites of the relevant institutions.

Although Turkey is not an EU member, it has fully implemented many of the European CE marking directives.

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

The U.S. Department of Commerce's Bureau of Industry and Security (BIS) is responsible for implementing and enforcing the Export Administration Regulations (EAR), which regulate the export and re-export of some commercial items, including "production" and "development" technology.

The items that BIS regulates are often referred to as "dual use" since they have both commercial and military applications. Further information on export controls is available at: [BIS Exporting Controls](#)

#### **[BIS Enforcement](#)**

BIS has developed a list of "red flags," or warning signs, intended to discover possible violations of the EAR. The list can be found in the "[Know Your Customer](#)" guidance document.

If there is reason to believe a violation is taking place or has occurred, report it to the Department of Commerce by calling the 24-hour hotline at +1(800) 424-2980, or via the confidential lead page at: [BIS Reporting Violations](#)

The EAR does not control all goods, services, and technologies. Other U.S. government agencies regulate more specialized exports. For example, the U.S. Department of State has authority over defense articles and services. A list of other agencies involved in export control can be found on the [BIS website](#).

It is important to note that in August 2009 a broad-based interagency review of the U.S. export control system was initiated, with the goal of strengthening national security and the competitiveness of key U.S. manufacturing and technology sectors by focusing on current threats, as well as adapting to the changing economic and technological landscape. As a result, the Administration launched the Export Control Reform Initiative (ECR Initiative) which is designed to enhance U.S. national security and strengthen the United States' ability to counter threats such as the proliferation of weapons of mass destruction.

The reform is being implemented in three phases. Phases I and II reconcile various definitions, regulations, and policies for export controls, all the while building toward Phase III, which will create a single control list, single licensing agency, unified information technology system, and enforcement coordination center.

#### **For additional information on ECR**

BIS provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two-day seminars and focus on the basics of exporting as well as more advanced topics. [A list of upcoming seminars](#)

For further details about the Bureau of Industry and Security and its programs, please visit the [BIS website](#).

#### **Temporary Entry**

Goods may be temporarily imported into Turkey without payment of duties and tax, if they are to be used in the production of a product that is to be exported. The necessary permits for goods that are subject to temporary entry can be received from customs offices. The Customs Regime with Economic Impact Application Forms should be submitted along with one or two of the following documents:

Proforma invoice and two copies of translated invoice, catalog and/or technical documents describing technical features of goods - if needed, contract between sender and receiver firms regarding the purpose of shipment and length of stay of the goods – if available, value of the shipment and translation of the contract.

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 Undersecretariat 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. Goods that shall not be availed of temporary entry:

1. Prohibited Products
2. Consumable Products,
3. Goods that cannot be subjected to a sameness detection,
4. Goods that can create economic impediments

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

In the United States, carnets are sold by the U.S. Council for International Business and Roanoke Trade Services. Once the application is submitted online, standard processing is two business days. Rush and same-day services are available for an additional charge.

<https://carnet.roanoketrade.com>  
[www.atacarnet.com](http://www.atacarnet.com)

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

### **Prohibited & Restricted Imports**

The Ministry of Commerce holds the authority to issue the list of prohibited and restricted imports into Turkey. This list is regulated by the Imports Communique issued on December 31, 2016. You may find this Communique issued in the Official Gazette at [www.resmigazete.gov.tr/eskiler/2016/12/20161231M1-2.htm](http://www.resmigazete.gov.tr/eskiler/2016/12/20161231M1-2.htm)

There are two product groups whose import into Turkey is prohibited:

1. Certain waste (including metal scrubs) pertaining to protection of the environment. See communique at [www.resmigazete.gov.tr/eskiler/2013/12/20131231M1-3.htm](http://www.resmigazete.gov.tr/eskiler/2013/12/20131231M1-3.htm) (Turkish).
2. Certain chemicals. See communique at [www.resmigazete.gov.tr/eskiler/2017/12/20171230M2-3.htm](http://www.resmigazete.gov.tr/eskiler/2017/12/20171230M2-3.htm) (Turkish)

Importation of some other products are not prohibited, but restricted if they do not meet the requirements set to protect humans, animals and the environment. For example, importation of electronic devices is not prohibited; however, if these devices are not compliant with the technical standards established by Turkish Standards Institute ([www.tse.gov.tr](http://www.tse.gov.tr)), they may not be imported. Similarly, food products that are not compliant with the requirements set by the Ministry of Food, Agriculture and Livestock, cannot be imported into Turkey.

There is also a different group of products, including unprocessed precious metals, metal scrubs, gasoline, etc., which, due to their nature, can only be imported by certain organizations and designated individuals.

### **Customs Regulations**

Customs information can be accessed at the Turkish Ministry of Customs and Trade, Directorate General of Customs website: <http://english.gtb.gov.tr/trade/customs>.

### **Standards for Trade**

#### **Overview**

Products tested and certified in the United States to U.S. regulations and standards are likely to have to be retested and re-certified to Turkish requirements because of Turkey's Customs Union agreement with the EU and efforts to adapt all EU regulations, which take a different approach to the protection of the health and safety of consumers and the environment.

The CE Mark was established by the EU to ensure the free circulation of products in Europe. The directives that entered into effect were established to ensure health, safety, consumer, and environmental protection. Annexes to the various EU directives specify levels of risk and types of products that must be certified either by a notified body or 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 EU territory 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. Regarding post-market surveillance, the relevant authority in charge of the product safety inspections depends on the type of product in question.

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

### **Standards**

TSE, the sole authorized body for standardization in Turkey, is a public institution founded in 1960 with Law No 132. It is responsible for certification, testing and training as well as surveillance and inspection activities. To execute the duties given it by law, all TSE units are structured in a way that ensures financial and administrative independence.

TSE is an active member of the world standardization community; with full membership in the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC) since 1956, in the Standards and Metrology Institute for Islamic Countries (SMIIC) since 2010, in the European Committee for Standardization (CEN) and in the European Committee for Electrotechnical Standardization (CENELEC) since 2012.

TSE provides standards aimed at enabling companies to produce good and provide services in compliance with rules, laws, codes and standards applicable in global markets. As a notified body, TSE enables clients to gain access to the European and Gulf markets by ensuring their products meet all CE mark requirements according to EU directives/regulations and all G mark requirements according to GSO regulations.

### **Testing, Inspection and Certification**

Conformity assessment is a mandatory step for the manufacturer in the process of complying with specific EU harmonized legislation. The purpose of conformity assessment is to ensure consistency of compliance during all stages, from design to production, to facilitate acceptance of the final product. Products meeting the definition within a directive that Turkey has implemented of a product 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 the 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 with all relevant directives. Conformity assessment bodies in Turkey can be found at [http://ec.europa.eu/growth/tools-databases/nando/index.cfm?fuseaction=country.notifiedbody&cou\\_id=792](http://ec.europa.eu/growth/tools-databases/nando/index.cfm?fuseaction=country.notifiedbody&cou_id=792)

Additionally, within the scope of the Communiqué on Import Inspections for Certain Products that Should Bear CE Marking (No 2017/9), TSE is the relevant authority for import inspections. Within this framework, inspections on products that fall under certain communiqués are carried out electronically through the Risk-Based Control System in Foreign Trade, also known as "TAREKS." This electronic surveillance system enables instant information sharing on the outcome of inspections and keeping track of products/manufacturers that do not meet required safety thresholds.

For products falling outside of the scope of the EU 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.

TSE issues a letter of conformity when a “Declaration of Conformity” is submitted prior to import. However, TSE may still request the technical file and test the products, if required, to confirm that the certificates and/or marks (CE mark) were issued in accordance with the relative regulations.

#### Publication of Technical Regulations

The "Decree on the Regime of Technical Regulations and Standardization for Foreign Trade" conforms to the requirements laid down in the WTO's Agreement on Technical Barriers to Trade. It prohibits discrimination among trading partners and aims to ensure that imported products comply with the requirements for protection of human health and safety, animal or plant life or health, or the environment. The Regime has been amended regularly since 2004 to harmonize with EU technical legislation.

TSE publishes all standards and directives in the Official Gazette ([www.resmigazete.gov.tr](http://www.resmigazete.gov.tr)), which is published daily. Official Gazette documents are available for purchase.

WTO Members are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. Notify U.S. ([www.nist.gov/notifyus](http://www.nist.gov/notifyus)) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country(ies) and industry sector(s) of interest, and can also request full texts of regulations. This service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.”

#### Contact Information

Turkish Standards Institute (Turk Standartlari Enstitusu)  
Necatibey Caddesi 112  
Standart Hazirlama Baskanligi  
06100 Bakanliklar  
Ankara, Turkey  
Tel: +90-312-416-6200  
Fax: +90-312-416-6610  
[www.tse.org.tr/en](http://www.tse.org.tr/en)

Ministry of Commerce  
Dumlupinar Bulvari no:151  
Eskisehir Yolu 9. Km.  
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Ankara, Turkey  
Phone: +90-312-449-1000  
Call Center: +90-312-444-8482  
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<https://english.gtb.gov.tr>

#### Trade Agreements

The European Union and Turkey are linked by a [Customs Union agreement](#), which came into force in 1995. Turkey has been a candidate country to join the EU since 1999, and is a member of the Euro-Mediterranean Partnership (Euromed). Euromed promotes economic integration and democratic reform across 16 neighbors to the EU's south in North Africa and the Middle East. One important part of this work is to achieve mutually satisfactory trading terms for Euromed region's partners.

In addition to the Customs Union with the EU, Turkey is part of regional free trade agreements (FTAs) with the Economic Cooperation Organization/ECO (Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan,

Tajikistan, Turkmenistan and Uzbekistan) and the European Free Trade Area/EFTA (Iceland, Liechtenstein, Norway and Switzerland). Turkey also has bilateral FTAs with Albania, Bosnia and Herzegovina, Chile, Croatia, Egypt, Georgia, Israel, Jordan, Macedonia, Malaysia, Mauritius, Moldova, Montenegro, Morocco, Palestine, Serbia, South Korea, and Tunisia, with some others still to be ratified.

A Tax Treaty Agreement between the United States Government the Government of Turkey for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, together with a related Protocol, was signed in 1996. See the full tax treaty [here](#).

### **Licensing Requirements for Professional Services**

There are no specific licensing requirements to set up a professional services company in Turkey. Standard conditions of establishing a company apply for professional companies such as applying for registration at the Trade Registry Office, certifying the legal books by a notary public and obtaining a tax identity number. To open up a legal services company, one needs to have a law degree and be a member of the Law Bar Association..

### **Web Resources**

- U.S. Bureau of Industry and Security [www.bis.doc.gov](http://www.bis.doc.gov)
- U.S. Department of Commerce International Trade Administration, *About Export Control Reform* [www.export.gov/ecr](http://www.export.gov/ecr)
- Official Gazette [www.resmigazete.gov.tr](http://www.resmigazete.gov.tr)
- Ministry of Commerce <http://english.gtb.gov.tr/trade/customs>
- Turkish Standards Institute [www.tse.org.tr](http://www.tse.org.tr)

## Investment Climate Statement

### Executive Summary

Turkey has been an appealing market for investors for most of the last fifteen years. It experienced strong economic growth on the back of the many positive economic and banking reforms it implemented between 2002 and 2007. After the global economic crisis of 2007, Turkey continued to attract substantial investment as a relatively stable emerging market with a promising trajectory of reforms and a strong banking system. Over the last six years, however, economic and democratic reforms have stalled and in some cases regressed. From 2011, growth slowed, falling to 3.2% in 2016. It rebounded, however, to 7.4% in 2017, due mainly to government stimulus. Despite the growth rebound, government economic policymaking remains opaque, erratic, and politicized, contributing to double-digit inflation and unemployment, and a currency that continues to hit new lows against the dollar. This, combined with an ongoing state of emergency and record debt levels, makes foreign investors cautious, leading to historically low levels of FDI. Despite such high 2017 growth numbers, Turkey is expected to grow 4-4.5% in 2018 and 2019, below government targets of 5.5%.

The Turkish market is generally under-penetrated by U.S. businesses and presents many investment opportunities due to its economic fundamentals and strong conglomerates, although its investment climate is increasingly mixed. Some established U.S. companies recently increased investments in Turkey in the technology, consumer goods, and aerospace sectors. However, due to economic challenges and lack of predictability on the security and political front, many existing firms slowed new investments, and only a few new firms entered the market in 2017. The most positive aspects of Turkey's investment climate are its favorable demographics and prime geographical position, providing access to multiple regional markets. Turkey is also an island of relative stability and growth in a turbulent region, making it desirable for regional operations. Turkey also has a relatively educated work force, developed infrastructure, and a resilient consumption-based economy.

The most negative aspects of Turkey's investment climate are geopolitical risk and widespread concern over the deterioration of the rule of law and security environment. Many observers remain concerned about transparency, corruption, and reduced judicial independence. In the past few years, especially after the July 2016 coup attempt, the government has marginalized critics, confiscated over 1,000 companies worth more than \$10 billion, and purged over 113,000 civil servants, often on terrorism-related charges. The political focus on transitioning to a presidential system, renewed questions over the future of EU-Turkey relations, security concerns and cross-border military operations, and the indefinite state of emergency may negatively affect consumer confidence and investor spending going forward.

Turkey's willingness to make progress on needed structural economic reforms will remain key for the country. Government officials will need to make difficult political choices to liberalize the market to align with the goal of modernizing Turkey's EU Customs Union agreement, itself impacted by worsening relations with the EU. The government's push to require manufacturing and data localization in many sectors are also impacting foreign investment into the country. Other issues of import include tax reform and the decreasing independence of the courts and the Central Bank. Turkey's hosting of three million refugees and political tensions with other countries will also create additional economic burdens on the country.

*Table 1*

Measure	Year	Index/Rank	Website Address
TI Corruption Perception Index	2017	81 of 180	<a href="http://www.transparency.org/research/cpi/overview">http://www.transparency.org/research/cpi/overview</a>

<b>World Bank's Doing Business Report "Ease of Doing Business"</b>	2017	60 of 190	<a href="http://doingbusiness.org/rankings">doingbusiness.org/rankings</a>
<b>Global Innovation Index</b>	2017	43 of 127	<a href="https://www.globalinnovationindex.org/analysis-indicator">https://www.globalinnovationindex.org/analysis-indicator</a>
<b>U.S. FDI in Partner Country (\$M USD, stock positions)</b>	2016	\$3,100	<a href="http://www.bea.gov/international/factsheet/">http://www.bea.gov/international/factsheet/</a>
<b>World Bank GNI per capita</b>	2016	\$11,230	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">http://data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>

## Openness to and Restrictions upon Foreign Investment

### *Policies Towards Foreign Direct Investment*

Turkey acknowledges that it needs to attract significant new FDI to meet its ambitious development goals, as well as finance its current account deficit. As a result, Turkey has one of the most liberal legal regimes for FDI in the Organization for Economic Cooperation and Development (OECD). According to the Central Bank of Turkey, Balance of Payments, Turkey attracted \$7.4 billion of FDI in 2017, slightly down from \$7.5 billion in 2016. U.S. FDI to Turkey was \$162 million in 2017, down from \$338 million in 2016. To attract more FDI, Turkey needs to better enforce international trade rules, ensure the transparency and timely execution of judicial orders, increase engagement with foreign investors on policy issues, and pursue policies to promote strong, sustainable, and balanced growth. It also needs to lift the state of emergency and take other political measures to increase stability and predictability for investors. A stable banking sector, tight fiscal controls, efforts to reduce the size of the informal economy, increasing flexibility of the labor market, improving labor skills, and continuing privatization of state economic enterprises have the potential to improve the investment environment in Turkey.

Most sectors open to the Turkish private sector are also open to foreign participation and investment. All investors, regardless of nationality, face some challenges: excessive bureaucracy, a slow judicial system, high and inconsistently applied taxes, weaknesses in corporate governance, unpredictable decisions made at the local government level, and frequent changes in the legal and regulatory environment, especially given the ongoing state of emergency. Structural reforms that will create a more transparent, equal, fair, and modern investment and business environment remain stalled. Venture capital and angel investing are still relatively new in Turkey, but legislation should continue to facilitate greater development of these financing opportunities.

Turkey does not screen, review, or approve FDI specifically. However, the government established regulatory and supervisory authorities to regulate different types of markets. Important regulators in Turkey include the Competition Authority; Energy Market Regulation Authority; Banking Regulation and Supervision Authority; Information and Communication Technologies Authority; Tobacco, Tobacco Products and Alcoholic Beverages Market Regulation Board; Privatization Administration; Public Procurement Authority; Radio and Television Supreme Council; and Public Oversight, Accounting and +-Auditing Standards Authority. Some of the aforementioned authorities screen as needed without discrimination, primarily for tax audits. Screening mechanisms are executed to maintain fair competition and for other economic benefits. If an investment fails a review, possible outcomes can vary from a notice to remedy, which allows for a specific period of time to correct the problem, to penalty fees. The Turkish judicial system allows for appeals of any administrative decision, including tax courts that deal with tax disputes.

### *Limits on Foreign Control and Right to Private Ownership and Establishment*

There are no general limits on foreign ownership or control, though in some sectors, such as pharmaceuticals, there is strong pressure to partner with local firms as a requirement for market access. In many areas, Turkey's regulatory environment is business-friendly. Investors can establish a business in Turkey irrespective of nationality or place of residence. There are no sector-specific restrictions that discriminate against market access, which are prohibited by WTO regulations. However, there is increasing pressure in some sectors to partner with local companies and transfer technology, and some discriminatory barriers to foreign entrants, such as on the basis of "anti-competitive practices," especially in the ICT sector.

### *Other Investment Policy Reviews*

In recent years, Turkey has not conducted an investment policy review through the OECD. Turkey's last investment policy review through the WTO was conducted on March 15 and 17, 2016. Turkey has not conducted an investment policy review through the United Nations Conference on Trade and Development (UNCTAD). Turkey has cooperated with the World Bank to produce several reports on the general investment climate that can be found at [www.worldbank.org/en/country/turkey/research](http://www.worldbank.org/en/country/turkey/research).

### *Business Facilitation*

The Republic of Turkey Investment Support and Promotion Agency (ISPAT) is the official organization for promoting Turkey's investment opportunities to the global business community and assisting investors before, during, and after their entry into Turkey. Its web site is the hub where both foreigners and locals can register their businesses. It is clear and easy to use, with information about legislation and company establishment. ([www.invest.gov.tr/en/US/investmentguide/investorguide/Pages/EstablishingABusinessInTR.aspx](http://www.invest.gov.tr/en/US/investmentguide/investorguide/Pages/EstablishingABusinessInTR.aspx))

The conditions for setting up a business and share transfer are the same as those applied to local investors. International investors may establish any form of company set out in the Turkish Commercial Code (TCC), which offers a corporate governance approach that meets international standards, fosters private equity and public offering activities, creates transparency in managing operations, and aligns the Turkish business environment with EU legislation as well as with the EU accession process.

Turkey defines micro, small, and medium-sized enterprises according to Decision No. 2012/3834 of the Official Gazette, dated November 4, 2012:

- a. Micro-sized enterprises: fewer than 10 employees annually and less than 1 million Turkish lira in net annual sales or financial statement.
- b. Small-sized enterprises: fewer than 50 employees annually and less than 8 million Turkish lira in net annual sales or financial statement.
- c. Medium-sized enterprises: fewer than 250 employees annually and less than 40 million Turkish lira in net annual sales or financial statement.

### *Outward Investment*

The government promotes outward investment via investment promotion agencies and other platforms. It does not restrict domestic investors from investing abroad.

### **Bilateral Investment Agreements and Taxation Treaties**

Since 1962, Turkey has negotiated and signed agreements for the reciprocal promotion and protection of investments. As of 2017, Turkey has 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.

#### B. Bilateral Taxation Treaties:

Turkey has a bilateral taxation treaty with the United States.

### **Legal Regime**

#### *Transparency of the Regulatory System*

The GOT has adopted policies and laws that, in principle, should foster competition and transparency. Accounting, legal, and regulatory procedures appear to be consistent with international norms, including standards set forth by the International Financial Reporting Standards (IFRS), the EU, and the OECD. Publicly traded companies adhere to international accounting standards and are audited by well-respected international firms. Copies of draft bills are generally made available to the public by posting them to the websites of the relevant ministry, Parliament, or Official Gazette. Foreign companies in several sectors, however, claim that regulations are applied in a nontransparent manner, especially under the ongoing state of emergency, which grants the government extraordinary powers. In particular, public tender decisions and regulatory updates can be opaque and politically driven.

#### *International Regulatory Considerations*

Turkey is a candidate for membership in the EU; however, the accession process has stalled, with the opening of new accession chapters put on hold. Some, though not all, Turkish regulations have been harmonized with the EU, and the country has adopted many European regulatory norms and standards. Turkey is a member of the WTO, though it does not notify all draft technical regulations to the WTO Committee on Technical Barriers to Trade (TBT).

#### *Legal System and Judicial Independence*

Turkey's legal system is based on civil law, and provides means for enforcing property and contractual rights, and there are written commercial and bankruptcy laws. Turkey's court system, however, is overburdened, which sometimes results in slow decisions and judges lacking sufficient time to grasp complex issues. Judgments of foreign courts, under certain circumstances, need to be upheld by local courts before they are accepted and enforced. Recent developments reinforce the Turkish judicial system's need to undertake significant reforms to adopt fair, democratic and unbiased standards. Worsening rule of law and the GOT's attempts to control court rulings are especially worrisome. Court cases in theory are open to the public, though under the state of emergency more cases are now restricted.

#### *Laws and Regulations on Foreign Direct Investment*

Turkey's investment legislation is simple and complies with international standards, offering equal treatment for all investors. The New Turkish Commercial Code No. 6102 ("New TCC") was published in the Official Gazette on February 14, 2011. The backbone of the investment legislation is made up of the Encouragement of Investments and Employment Law No. 5084, Foreign Direct Investments Law No. 4875, international treaties and various laws and related sub-regulations on the promotion of sectorial investments. Regulations related to M&A include: 1) Turkish Code of Obligations: Article 202 and Article 203, b) Turkish Commercial Code: Articles 134-158, c) Execution and Bankruptcy Law: Article 280, d) Law on the Procedures for the Collection

of Public Receivables: Article 30, and e) Law on Competition: Article 7. The government's primary website for investors is [www.invest.gov.tr/en-US/Pages/Home.aspx](http://www.invest.gov.tr/en-US/Pages/Home.aspx)

Although most U.S. investors have not been directly affected to date, there is an increased perception that the government is willing to use its executive authority to interfere in the court system in ways that could affect foreign investors, to include favoring domestic companies.

#### *Competition and Anti-Trust Laws*

The Competition Authority is the sole authority on competition issues in Turkey and handles private sector transactions ([www.rekabet.gov.tr/en](http://www.rekabet.gov.tr/en)). Public institutions are exempt from its authority. The Constitutional Court can overrule the Competition Authority's finding of innocence in a competition case, as recently happened with an American firm. There have been some cases of Turkish courts blocking foreign company operations on the basis of anti-competitive claims. Such cases can take over a year to resolve, during which time the companies can be prohibited from doing business in Turkey, benefitting their (local) competitors.

#### *Expropriation and Compensation*

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 prompt, adequate, and effective. The GOT occasionally expropriates private real property for public works or for state industrial projects. The GOT agency expropriating the property negotiates the purchase price. If the 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 known outstanding expropriation or nationalization cases for U.S. firms. Although there is not a pattern of discrimination against U.S. firms, the GOT aggressively targeted businesses, banks, media outlets, mining and energy companies with alleged ties to the outlawed "Fethullah Gulen Terrorist Organization (FETO)" and/or the July 2016 attempted coup, including the expropriation of over 1,000 private companies worth more than \$10.7 billion.

#### *Dispute Settlement*

##### ICSID Convention and New York Convention

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 known arbitration cases involving a U.S. company pending before ICSID. Foreign arbitral awards will be enforced if the country of origin of the award is a New York Convention state, if the dispute is commercial under Turkish law, and as long as none of the grounds under article V of the New York Convention are proved by the opposing party.

##### Investor-State Dispute Settlement

The U.S.-Turkey BIT ensures that 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. There is limited data about investment disputes available to the Embassy economic team, with only a handful of known cases. Over the last 15 years, the government has a mixed record of handling investment disputes through international arbitration, with one case resulting in a \$30 million payment and the other resulting in no payment.

##### International Commercial Arbitration and Foreign Courts

Turkey adopted the International Arbitration Law, based on the UNCITRAL model law, in 2001. Local courts accept binding international arbitration of investment disputes between foreign investors and the state. In

practice, however, Turkish courts have sometimes failed to uphold an international arbitration ruling involving private companies and have favored Turkish firms. The GOT has also recently refused to allow arbitration in cases involving public tenders, which has caused problems for some firms. There are two main arbitration bodies in Turkey: the Union of Chambers and Commodity Exchanges of Turkey ([www.tobb.org.tr](http://www.tobb.org.tr)) and the Istanbul Chamber of Commerce ([www.ito.org.tr](http://www.ito.org.tr)). Most commercial disputes can be settled through arbitration, including disputes regarding public services. Parties decide the arbitration procedure, set the arbitration rules, and select the language of the proceedings. The Istanbul Arbitration Center was established in October 2015 as an independent, neutral, and impartial institution to mediate both domestic and international disputes through fast track arbitration, emergency arbitrator, and appointments for ad hoc procedures. Its decisions are binding and subject to international enforcement. ([www.istac.org.tr/en](http://www.istac.org.tr/en)).

### *Bankruptcy Regulations*

Turkey criminalizes bankruptcy and has a bankruptcy law based on the Execution and Bankruptcy Code No. 2004 (EBL), published in the Official Gazette on June 19, 1932, No 2128. The World Bank's Doing Business Report ranked Turkey 113 out of 190 countries for ease of resolving insolvency.

([www.doingbusiness.org/data/exploretopics/resolving-insolvency](http://www.doingbusiness.org/data/exploretopics/resolving-insolvency))

## **Industrial Policies**

### *Investment Incentives*

Turkey's regional incentives program divides various regions of the country into one of six different zones, providing the following benefits to investors: corporate tax privilege; customs tax exemption; Value Added Tax (VAT) exemption; employer's share insurance contributions support; allocation of investment locations; income tax withholding support; land allocation; and government support for credit interests. The program was launched in 2012 and more detailed information can be found at the Ministry of Economy's incentives website: [www.incentives.gov.tr](http://www.incentives.gov.tr).

The incentives program gives priority to high-tech, high-value-added, globally competitive sectors and includes regional incentive programs to reduce regional economic disparities and increase competitiveness. The new investment incentives' "tiered" system provides greater incentives to invest in less developed parts of the country, and is designed to encourage investments with the potential to reduce dependency on the importation of intermediate goods seen as vital to the country's strategic sectors. Other primary objectives are to reduce the current account deficit and unemployment, increase the level of support instruments, promote clustering activities, and support investments to promote technology transfer. The map and explanation of the program can be found at: [www.invest.gov.tr/en-US/Maps/Pages/InteractiveMap.aspx](http://www.invest.gov.tr/en-US/Maps/Pages/InteractiveMap.aspx) or <http://www.invest.gov.tr/en-US/investmentguide/investorguide/Pages/Incentives.aspx>.

Foreign firms are eligible for research and development (R&D) incentives if the R&D is conducted in Turkey. However, investors, especially in the technology sector, say that Turkey has a retrograde brick-and-mortar definition of R&D that overlooks other types of R&D investments (such as in internet platform technologies). Turkey pays close attention to the impact that micro-economic 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 are also a number of technology development zones (TDZs) in Turkey where entrepreneurs are given assistance in commercializing business ideas. The Turkish Government provides support to TDZs, including infrastructure and facilities, exemption from income and corporate taxes for profits derived from software and R&D activities, exemption from all taxes for the wages of researchers,

software, and R&D personnel employed within the TDZVAT, corporate tax exemptions for IT-specific sectors, and customs and duties exemptions.

Turkey's Scientific and Technological Research Council (TUBITAK) has special programs for entrepreneurs in the technology sector, and the Turkish Technology Development Foundation (TTGV) has programs that provide capital loans for R&D projects and/or cover R&D-related expenses. Projects eligible for such incentives include concept development, technological research, technical feasibility research, laboratory studies to transform concept into design, design and sketching studies, prototype production, construction of pilot facilities, test production, patent and license studies, and activities related to post-scale problems stemming from product design. TUBITAK also has a Technology Transfer Office Support Program, which provides grants to establish Technology Transfer Offices (TTO) in Turkey.

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

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

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

#### *Performance and Data Localization Requirements*

The government mandates a local employment ratio of ten Turks per foreign worker. These schemes do not apply equally to senior management and boards of directors, but their numbers are included in the overall local employment calculations. Foreign legal firms are forbidden from working in Turkey except as consultants; they cannot directly represent clients and must partner with a local law firm. There are no onerous visa, residence, work permits or similar requirements inhibiting mobility of foreign investors and their employees. There are no known government-imposed conditions on permissions to invest, including tariff and non-tariff barriers.

There are no performance requirements imposed as a condition for establishing, maintaining, or expanding investment in Turkey. GOT requirements for disclosure of proprietary information as part of the regulatory approval process are consistent with internationally accepted practices, though some companies, especially in the pharmaceutical sector, worry about data protection during the regulatory review process. Enterprises with foreign capital must send their activity report submitted to shareholders, their auditor's report, and their balance sheets to the Turkish Treasury's Foreign Investment Directorate every year by May. Turkey grants most 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.

Offsets are an important aspect of Turkey's military procurement, and increasingly in other sectors, and such guidelines have been modified to encourage direct investment and technology transfer. The GOT is targeting

the energy, transportation, medical devices, and telecom sectors for the usage of offsets. In February 2014, Parliament passed legislation requiring the Ministry of Science, Industry, and Technology (MSIT) to establish a framework to incorporate civilian offsets into large government procurement contracts. The Ministry of Health (MOH) established an office to examine how offsets could be incorporated into new contracts. The law suggests that for public contracts above \$5 million, companies must invest up to 50 percent of contract value in Turkey and "add value" to the sector. In general, labor, health and safety laws do not distort or impede investment, although legal restrictions on discharging employees may provide a disincentive to labor-intensive activity in the formal economy.

Recent laws targeting the ICT sector have increased regulations on data, online broadcasting, tax collection, and payment platforms. In particular, ICT and other companies report GOT pressure to localize data, which they view as a precursor to greater GOT access to user information and source code. The recently amended Law #6493 on Payment and Security Systems, Payment Services and e-money Institutions, also requires financial institutions to establish servers in Turkey in order to localize data. Turkish Banking Regulation and Supervision Board (BDDK) is the authority that issues business licenses as long as companies 1) localize their IT systems in Turkey, and 2) keep the original data, not copies, in Turkey. Regulations on data localization, internet content, and taxation/licensing resulted in the departure of several U.S. tech companies from the Turkish market, and has chilled investment by other possible entrants to the e-commerce and e-payments sectors. The new laws potentially affect all companies that collect private user data, such as payment information provided online for a consumer purchase.

Turkey enacted a new law on Personal Data Protection in April 2016. The law regulates all operations performed upon personal data including obtaining, recording, storage, and transfer to third parties or abroad. For all data previously processed before the law went into effect, there will be a two-year transition period. After two years, all data will either be rendered compliant with new legislation requirements, erased or anonymized. All businesses are urged to assess how they currently collect and store data to determine vulnerabilities and risks in regard to legal obligations. The law created the new Data Protection Authority, which is charged with monitoring and enforcing corporate data use.

## **Protection of Property Rights**

### *Real Property*

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. However, following the coup attempt, the GOT confiscated over 1,000 companies as well as significant real estate holdings for alleged terrorist ties. Although the seizures did not directly impact many foreign firms, it nonetheless raises investor concerns about private property protections under the continuing state of emergency.

The Ministry of Environment and Urbanization enacted a law on title-deed registration in 2012 removing the previous requirement that foreign purchasers of real estate in Turkey had to be in partnership with a Turkish individual or company that owns at least a 50-percent share in the property, meaning foreigners can now own their own land. The law is also much more flexible in allowing international companies to purchase real property. The new law also increases the upper limit on real estate purchases by foreign individuals to 30 hectares and allows further increases up to 60 hectares with permission from the Council of Ministers. To ensure that land has a clear title, interested parties may inquire through the General Directorate of Land and Cadastre ([www.tkgm.gov.tr](http://www.tkgm.gov.tr)).

### *Intellectual Property Rights*

2017 marked the implementation of the much-anticipated comprehensive Intellectual Property Rights (IPR) law, the first in modern Turkey's history, and an important step forward in the country's IPR development. The law brings together a series of "decrees" into a single, unified, modernized legal structure. It also greatly increases the capacity of the country's patent office, and improves the framework for commercialization and technology transfer. However, while the law is much improved, enforcement remains lacking. For this reason, for 2017, Post recommended that Turkey again be included in USTR's Special 301 Report as a Watch List country. IPR enforcement suffers from a lack of awareness and training among judges and officers, as well as a lack of prioritization relative to terrorism and other concerns. Law enforcement officers also do not have ex officio authority to seize and destroy counterfeit goods, which are prevalent in the local market. Software piracy is also high.

Additionally, the practice of issuing search-and-seizure warrants varies considerably. IP courts and specialized IP judges only exist in major cities. Outside these areas, the application for a search warrant must be filed at a regular criminal court (Court of Peace) and/or with a regular prosecutor. The Courts of Peace are very reluctant to issue search warrants. Although, by law, "reasonable doubt" is adequate grounds for issuing a search-and-seizure order, judges often set additional requirements, including supporting documentation, photographs, and even witness testimony, which risk exposing companies' intelligence sources. In some regions, Courts of Peace judges rarely grant search warrants, for example in popular tourist destinations. Overall, according to some investors, it is difficult to protect their rights and general IPR enforcement is deteriorating. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at [www.wipo.int/directory/en](http://www.wipo.int/directory/en).

## **Financial Sector**

### *Capital Markets and Portfolio Investment*

The Turkish Government strongly encourages and offers an effective regulatory system to facilitate portfolio investment. There is sufficient liquidity in the markets to enter and exit sizeable positions. Existing policies facilitate the free flow of financial resources into the product and factor markets. The government respects IMF Article VIII by refraining from restrictions on payments and transfers for current international transactions. Credit is generally allocated on market terms, though the GOT has increased low- and no-interest loans for certain parties, and pressured public banks to increase their lending, especially for public projects and electoral priorities. Foreign investors are able to get credit on the local market. The private sector has access to a variety of credit instruments.

### *Money and Banking System*

The Turkish banking sector, a central bank system, is relatively healthy. The estimated total assets of the country's largest banks are as follows: Ziraat Bankasi A.S. \$107.42 billion, Is Bankasi – \$95.91 billion, Garanti – \$81.85 billion, Akbank \$77.12, Halk Bankasi \$73.61. According to the Banking Regulation and Supervision Agency (BDDK), the share of non-performing loans in the sector was approximately 3.05% as of September 2017. The only requirements for a foreigner to open a bank account in Turkey are a passport copy and either an ID number from the Ministry of Foreign Affairs or a Turkish Tax ID number. The Turkish Government adopted a framework Capital Markets Law in 2012, aimed at bringing greater corporate accountability, protection of minority-shareholders, and financial statement transparency.

The independent Banking Regulation and Supervision Agency (BRSA) monitors and supervises Turkey's banks. BRSA is headed by a board whose seven members are appointed for six-year terms. Bank deposits are protected by an independent deposit insurance agency, the Savings Deposit Insurance Fund (SDIF). Because of historically high local borrowing costs and short repayment periods, foreign and local firms frequently seek

credit from international markets to finance their activities. Foreign banks are allowed to establish operations in the country.

### *Foreign Exchange and Remittances*

#### Foreign Exchange Policies

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 little difficulty in obtaining foreign exchange, and there are no foreign-exchange restrictions, though in 2017, the GOT continued to pressure businesses to conduct trade in lira to prevent further currency depreciation. Funds associated with any form of investment can be freely converted into any world currency; however, the GOT recently took measures to prevent individuals from trading currency on many international Forex websites. The exchange rate is determined by a free-floating exchange rate, though in 2017, the GOT repeatedly took measures to stabilize the depreciating lira.

#### Remittance Policies

In Turkey, there have been no recent changes or plans to change investment remittance policies, and indeed the GOT in 2017 actively encouraged the repatriation of funds. There are also no time limitations on remittances. Waiting periods for dividends, return on investment, interest and principal on private foreign debt, lease payments, royalties, and management fees do not exceed 60 days. There are no limitations on the inflow or outflow of funds for remittances of profits or revenue

### *Sovereign Wealth Funds*

The GOT announced the creation of a Sovereign Wealth Fund (SWF) in August 2016. The controversial fund consists of shares of state owned enterprises (SOEs) and is designed to serve as collateral for raising foreign financing. In February 2017, several leading SOEs, such as Turkish Airlines and Ziraat Bank, were transferred to the SWF. Critics worry management of the fund is opaque and politicized.

### **State-Owned Enterprises**

As of 2017, the sectors with active SOEs include mining, banking, telecom, and transportation. The full list can be found here: <http://euYGulama.dpb.gov.tr/devletteskilati/kontrollu/Kit.aspx>. Allegations of unfair practices by SOEs are minimal, and the Embassy is not aware of any ongoing complaints by U.S. firms. Turkey is not a country party to the World Trade Organization's Government Procurement Agreement. Turkey is a member of the OECD Working Party on State Ownership and Privatization Practices, and OECD's compliance regulations and new laws enacted in 2012 by the Turkish Competitive Authority closely govern SOE operations. In 2015 at the Antalya Leaders' Summit, G20 Leaders endorsed the new global standard on corporate governance which will help policymakers evaluate and improve their national corporate governance frameworks with a view to promote market-based financing and to boost long-term investment. The G20/OECD Principles of Corporate Governance represent a shared understanding with respect to corporate governance standards and practices in areas such as transparency, disclosure, accountability, board oversight, shareholder rights and the role of key stakeholders. They also provide recommendations for national policymakers on executive remuneration, the behavior of institutional investors and how stock markets should function.

### *Privatization Program*

The GOT has continued to make progress on privatization over the last decade. Of 272 companies the state once owned, 54 are fully privatized. Transactions completed under the Turkish privatization program generated \$2.4 billion in 2017. The Turkish government says it is committed to continuing the privatization process despite the contraction in global capital flows. However, other measures, such as the creation of a

Sovereign Wealth Fund with control over major state-owned enterprises, suggests that the government sees greater benefit in using some public assets to raise additional debt rather than privatizing them. Accordingly, the GOT has shelved plans to increase privatization of Turkish Airlines and instead moved them and other SOEs into the Sovereign Wealth Fund. More information about privatization initiatives can be found at the Prime Ministry's Privatization Administration's website at: [www.oib.gov.tr/index\\_eng.htm](http://www.oib.gov.tr/index_eng.htm).

### **Responsible Business Conduct**

In Turkey, responsible business conduct (RBC) is gaining traction and more is being expected of companies. Reforms carried out as part of the EU harmonization process have had a positive effect on laws governing Turkish associations, especially non-governmental organizations (NGOs). However, democratic backsliding under the state of emergency has increased pressure on civil society. Turkey has not yet established a central coordinating office or information agency to assist companies in their efforts, and the topic of RBC is handled by the various ministries. Some U.S. companies have targeted RBC activities towards improving education in Turkey.

NGOs that are active in the economic sector, such as the Turkish Union of Chambers and Commodity Exchanges (TOBB) and the Turkish Industrialists' and Businessmen's Association (TÜSIAD), issue regular reports and studies, and hold events aimed at encouraging Turkish companies to become involved in policy issues. In addition to influencing the political process, these two NGOs also assist their members with civic engagement. The Business Council for Sustainable Development Turkey ([www.tbcsd.org](http://www.tbcsd.org)) and the Corporate Social Responsibility Association in Turkey ([www.csrturkey.org](http://www.csrturkey.org)), founded in 2005, are two associations devoted exclusively to issues of responsible business conduct. The Turkish Ethical Values Center Foundation ([www.tedmer.org.tr](http://www.tedmer.org.tr)), the Private Sector Volunteers Association ([www.osgd.org](http://www.osgd.org)) and the Third Sector Foundation of Turkey ([www.tusev.org.tr](http://www.tusev.org.tr)) also play an important role.

### **Corruption**

Corruption remains a serious concern, a reality reflected in Turkey's sliding score in recent years in Transparency International's annual Corruption Perceptions Index, where it ranked 81 of 180 countries and territories around the world in 2017. Government mechanisms to investigate and punish alleged abuse and corruption by state officials remained inadequate, and impunity remained a problem. Though independent in principle, the judiciary remained prone to government, and particularly executive branch, interference, including with respect to the investigation and prosecution of major corruption cases. In some cases, the state of emergency amplified pre-existing concerns about judicial independence. See the Department of State's annual Country Reports on Human Rights Practices for more details. The government does not actively encourage private companies to establish internal codes of conduct that prohibit bribery of public officials. Turkey is a participant in regional anti-corruption initiatives, specifically co-heading the G20 Anti-Corruption working group with the United States. Locally, the Prime Ministry Inspection Board and other state institutions are responsible for combating corruption.

Public procurement reforms were designed in Turkey to make procurement more transparent and less susceptible to political interference, including through the establishment of an independent public procurement board with the power to void contracts. Critics claim, however, that government officials have continued to award large contracts to firms friendly with the ruling Justice and Development Party (AKP), especially for large public construction projects.

Turkish legislation outlaws bribery, but enforcement is uneven. 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.

The provisions of the Criminal Law regarding bribing of foreign government officials are consistent 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 no 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 Turkish law provides for punishment by imprisonment from four to 12 years. The Prime Ministry's Inspection Board, which advises the Corruption Investigations Committee, is responsible for investigating major corruption cases brought to its attention by the Committee. Nearly every state agency has its own inspector corps responsible for investigating internal corruption. The Parliament can establish investigative commissions to examine corruption allegations concerning cabinet ministers; a majority vote is needed to send these cases to the Supreme Court for further action.

Turkey ratified the OECD Convention on Combating Bribery of Public Officials and passed implementing legislation in 2003 to provide that bribes of foreign, as well as domestic, officials are illegal. In 2006, Turkey's Parliament ratified the UN Convention against Corruption.

### **Resources to Report Corruption**

Contact at government agency or agencies are responsible for combating corruption:

Prime Ministry Inspection Board  
Basbakanlik Merkez Bina Zemin Kat No:11 Bakanliklar/ANKARA  
Ph: +90 312 422 24 00 Fax : +90 312 422 24 99  
[teftis@basbakanlik.gov.tr](mailto:teftis@basbakanlik.gov.tr)

Contact at "watchdog" organization

Seref Malkoc  
Chief Ombudsman  
The Ombudsman Institution  
Kavaklidere Mah. Nevzat Tandogan Caddesi No:4 Cankaya ANKARA  
Ph: +90 312 465 22 00  
[iletisim@ombudsman.gov.tr](mailto:iletisim@ombudsman.gov.tr)

### **Political and Security Environment**

Turkey experiences politically motivated violence, ranging from police response to civil demonstrations to unidentified attacks on opposition-party offices. In July 2016, an attempted coup resulted in the death of more than 240 people, and injured over 2,100 others. Since the July 2015 collapse of the cessation of hostilities between the government and the Kurdistan Workers' Party (PKK) [also operating as the Kurdistan People's Congress (KCK), Kongra Gel (KGK), or via splinter groups like the Kurdistan Freedom Hawks (TAK)], PKK terrorist attacks and violence between government security forces and the PKK have claimed the lives of hundreds of civilians and security forces.

Other U.S.-designated terrorist organizations such as Islamic State of Iraq and Syria (ISIS), the indigenous Revolutionary People's Liberation Party-Front (DHKP/C), and TAK are present in Turkey and conducted attacks in 2015 and 2016. The indigenous terrorist organization DHKP/C, established in the 1970s and designated by the U.S. in 1997, is responsible for several attacks against the U.S. Embassy in Ankara and the U.S. Consulate General Istanbul in recent years. The DHKP/C has stated its intention to commit further attacks against the United States, NATO, and Turkey. In addition, violent extremists associated with other groups have transited Turkey en route to Syria.

There have also been instances in past years of violence against religious missionaries and others perceived as proselytizing for a non-Islamic religion in Turkey. Perpetrators have threatened and assaulted Christian and

Jewish individuals, groups, and places of worship, including several high-profile murders over the last decade. Anti-Israeli sentiment remains high.

### **Labor Policies and Practices**

Turkey has a population of 82.8 million, with 23.6 percent under the age of 14 as of 2017. Over 92.5 percent of the population lives in urban areas. Official figures put the labor force at 31.6 million in 2017. Approximately one-fifth works in agriculture while another fifth works in industrial sectors. The country retains a significant informal sector. In 2017, the official unemployment rate stayed at 10.9%, with 20.8% unemployment among those 15-24 years old. Turkey provides twelve years of free, compulsory education to children of both sexes in state schools. Authorities continue to grapple with facilitating legal employment for working-age Syrians, a major subset of the over 3.4 million displaced Syrian men, women, and children—unknown numbers of which were working informally—in the country in 2017.

Turkey has an abundance of unskilled and semi-skilled labor, and vocational training schools exist at the high school level. There remains a shortage of high-tech workers. Individual high-tech firms, both local and foreign-owned, typically conduct their own training programs. The Ministry of 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.

The use of subcontracted workers for jobs not temporary in nature remained common, including by firms executing contracts for the state. Generally ineligible for equal benefits or collective bargaining rights, subcontracted workers—often hired via revolving contracts of less than a year duration—remained vulnerable to sudden termination by employers and, in some cases, poor working conditions. Employers typically utilized subcontracted workers to minimize salary/benefit expenditures and, according to critics, to prevent unionization of employees.

The law provides for the right of workers to form and join independent unions, bargain collectively, and conduct legal strikes. However, labor strikes have been forbidden since July 2016 under the continuing state of emergency. A minimum of seven workers is required to establish a trade union without prior approval. To become a bargaining agent, a union must represent 40 percent of the employees at a given work site and one percent of all workers in that particular industry. Certain public employees, such as senior officials, magistrates, members of the armed forces, and police, cannot form unions. Nonunionized workers, such as migrants, domestic servants, and those in the informal economy, are also not covered by collective bargaining laws.

Unionization rates generally remain low. Independent labor unions—distinct from their government-friendly counterpart unions—reported that employers continued to use threats, violence, and layoffs in unionized workplaces across sectors. Service-sector union organizers reported that private sector employers sometimes ignored the law and dismissed workers to discourage union activity. Turkish law provides for the right to strike but prohibits strikes by public workers engaged in safeguarding life and property and by workers in the coal mining and petroleum industries, hospitals and funeral industries, urban transportation, energy and sanitation services, national defense, banking, and education. The law explicitly allows the government to deny the right to strike for any situation it determines a threat to national security. Turkey has labor-dispute resolution mechanisms, including the Supreme Arbitration Board, which addresses disputes between employers and employees pursuant to collective bargaining agreements. Labor courts function effectively and relatively efficiently. Appeals, however, can last for years. If a court rules that an employer unfairly dismissed a worker and should either reinstate or compensate him or her, the employer generally pays compensation to the employee along with a fine.

Turkey has ratified key 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 Age; Occupational Health and Safety; Termination of Employment; and Elimination of the Worst Forms of Child Labor. Implementation of a number of these, including 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), remained uneven. Implementation of legislation related to workplace health and safety likewise remained uneven. Child labor continued, including in its worst forms and particularly in the seasonal agricultural sector, despite ongoing government efforts to address the issue. See the Department of State's annual *Country Reports on Human Rights Practices* and the Department of Labor's annual *Findings on the Worst Forms of Child Labor* for more details on Turkey's labor sector and the challenges it continues to face.

### OPIC and Other Investment Insurance Programs

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. OPIC is also active in financing private investment projects implemented by U.S. investors in Turkey, including public hospital projects. Currently, OPIC is looking to support increased lending for renewable energy and energy efficiency projects in Turkey. Small- and medium-sized U.S. investors in Turkey are also eligible to utilize the Small Business Center facility at OPIC, offering OPIC finance and insurance support on an expedited basis for loans from \$100,000 to \$10 million. In 1987, Turkey became a member of the Multinational Investment Guarantee Agency (MIGA).

### Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Economic Data	Host Country Statistical source* <i>www.tuik.gov.tr</i>		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2017	\$851,046	2016	\$857,000	<a href="http://www.worldbank.org/en/country">www.worldbank.org/en/country</a>
Foreign Direct Investment	Host Country Statistical source* <i>Tcmb.gov.tr</i> <i>Economy.gov.tr</i>		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2016	\$4,346	2016	\$3,1001	BEA data available at <a href="http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm">http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm</a>
Host country's FDI in the United States (\$M USD, stock positions)	2016	\$631	2016	\$652	BEA data available at <a href="http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm">http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm</a>
Total inbound stock of FDI as % host GDP	20xx	NA	2016	15.5%	

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data (2017 provisional) <a href="http://www.tcmb.gov.tr">www.tcmb.gov.tr</a>					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	7,437	100%	Total Outward	3,177	100%
Holland	1,768	24%	USA	820	26%
Spain	1,451	20%	Holland	734	23%
Azerbaijan	1,009	14%	United Kingdom	338	11%
Austria	326	4%	Azerbaijan	265	8%
Japan	295	4%	Germany	212	7%

"0" reflects amounts rounded to +/- USD 500,000.

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	1,283	100%	All Countries	497	100%	All Countries	787	100%
Cayman Islands	399	31%	United States	258	52%	Cayman Islands	399	51%
United States	301	23%	Luxembourg	132	27%	Lebanon	138	18%
Luxembourg	142	11%	Germany	28	6%	United States	42	5%
Lebanon	138	11%	United Kingdom	22	4%	Germany	33	4%
Germany	61	5%	China, P.R.: Hong Kong	17	3%	Netherlands	32	4%

### Contact for More Information on the Investment Climate Statement

Economic Specialist  
 U.S. Embassy Ankara  
 110 Atatürk Blvd.  
 Kavaklıdere, 06100 Ankara – Turkey  
 Phone: +90 (312) 455-5555

## Trade & Project Financing

### Methods of Payment

Traditionally, Turkish corporations have satisfied most of their financing requirements through the banking industry. Corporate/banking relationships are easy to establish. However, given the continuing gap between Turkey's extensive needs and its limited internal resources, external financing for public and private projects investment will be necessary 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 Turkish Lira (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 creditworthiness, 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 costs 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, where applicable, should be factored into the bid price. Bids that do not comply with administrative specifications, which include financial criteria, are generally rejected. The validity of a proposal is required to be written in the tender notice. Government tenders often involve bid and performance bonds. Bid bonds cannot be lower than 3% of the value of the tender, while performance bonds are usually equivalent to 6% of the contract value. Bid bonds are not mandatory for consultation services, if it is mentioned in the tender document. The government only calls these bonds in cases of substantial non-performance. All bonds have to be counter-guaranteed by a Turkish national bank.

The contracting authorities may insert some provisions to the tender documents; with regard to procurement of services and works, a price advantage would apply to domestic tenderers up to 15%, and in procurement of goods, a price advantage up to 15%, would apply to domestic tenderers who offer products which are accepted as domestic products by the authority.

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 (usually spin-offs of banks) generally belong to the Factors Chain International (FCI) in Netherlands. Like leasing companies, all factoring and forfeiting companies are having funding difficulties. All U.S. banks active in Turkey deal with at least one of the major leasing and factoring companies.

For more information about the methods of payment and other trade finance options, see the Trade Finance Guide available at [www.export.gov/TradeFinanceGuide](http://www.export.gov/TradeFinanceGuide).

## **Banking Systems**

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 nine largest private banks hold nearly a 2/3 share of total bank assets (information on banks, the listing of banks licensed in Turkey can be viewed at: [www.bddk.org.tr/WebSitesi/English.aspx](http://www.bddk.org.tr/WebSitesi/English.aspx)). Turkish banks engage in core banking services, securities brokering, and other businesses.

The Borsa Istanbul (BIST) is the sole exchange entity of Turkey combining the former Istanbul Stock Exchange (ISE), the Istanbul Gold Exchange and the Derivatives Exchange of Turkey under one umbrella. The Capital Markets Board of Turkey, 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.

The Central Bank and the Banking Regulating and Supervision Agency (BDDK) supervises bank activities in order to guarantee that they meet liquidity requirements and operate in a responsible fashion. The BDDK is responsible for the enforcement of banking laws. It is also authorized to give permits to establish and operate a bank in Turkey. The BDDK also determines the disposition of insolvent banks.

While the Central Bank's Bank Supervision Division acts as the government's supervisory authority, the Ministry of Treasury and Finance is responsible for the management of the state treasury.

## **Foreign Exchange Controls**

There is no GOT limit to the amount of foreign currency that may be brought into Turkey, but not more than 25,000 Turkish lira or €10,000 worth of foreign currency may be taken out of the country, without declaration. 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.

## **US Banks & Local Correspondent Banks**

U.S. and U.S.-affiliated investment and commercial banks present in Turkey include: Citibank, Merrill Lynch Investment Bank, JP Morgan Chase, Wells Fargo Bank and the Bank of New York Mellon.

Some local correspondent banks include state-owned commercial banks include Ziraat Bank and Vakif Bank as well as private banks Turkish Economy Bank, Akbank, Is Bank and Yapi Kredi Bank.

## **Project Financing**

Project financing is available through a multitude of sources including Turkish and foreign commercial banks and investment banks. EXIM Bank and OPIC are two sources 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 European Bank for Reconstruction and Development (EBRD) and the World Bank /International Bank for Reconstruction and Development continue to fund major projects in Turkey.

U.S. ExIm Bank is the official export credit agency of the United States. ExIm Bank is an independent, self-sustaining Executive Branch agency with a mission of supporting American jobs by facilitating the export of U.S. goods and services. When private sector lenders are unable or unwilling to provide financing, ExIm Bank

can fill in the gap for American businesses by equipping them with the financing tools necessary to compete for global sales. In doing so, ExIm levels the playing field for U.S. goods and services going up against foreign competition in overseas markets, so that American companies can create additional good-paying American jobs. Turkey and U.S. ExIm signed a co-financing agreement for projects in third countries in April 2016. However, due to a lack of quorum on the Board of Directors, ExIm is currently unable to consider transactions exceeding \$10 million.

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 160 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 U.S. Commercial Service and OPIC 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 OPIC. This cooperation agreement has been established to better assist small and medium-sized business enterprises.

Leasing issues and licenses are regulated via BDDK. Presently there are 25 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: [www.bddk.org.tr/WebSitesi/English.aspx](http://www.bddk.org.tr/WebSitesi/English.aspx).

Leasing terms are four years or, in very exceptional cases, two years. The equipment leased will be owned by the leaser after the period of the lease. A definite advantage of the leasing process is the VAT reduction from 18% to 1% during the lease period.

### **Multilateral Development Banks**

The U.S. Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the European Bank for Reconstruction and Development and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the European Bank for Reconstruction and Development ([www.export.gov/ebrd](http://www.export.gov/ebrd)) and the World Bank ([www.export.gov/worldbank](http://www.export.gov/worldbank)).

### **Financing Web Resources**

- Trade Finance Guide: A Quick Reference for U.S. Exporters, published by the International Trade Administration's Industry & Analysis team [www.export.gov/TradeFinanceGuide](http://www.export.gov/TradeFinanceGuide)
- Export-Import Bank of the United States [www.exim.gov](http://www.exim.gov)
- ExIm Country Limitation Schedule [www.exim.gov/tools-for-exporters/country-limitation-schedule](http://www.exim.gov/tools-for-exporters/country-limitation-schedule)
- Overseas Private Investment Corporation [www.opic.gov](http://www.opic.gov)
- U.S. Trade and Development Agency [www.ustda.gov](http://www.ustda.gov)
- U.S. Small Business Administration's (SBA) Office of International Trade [www.sba.gov/offices/headquarters/oit](http://www.sba.gov/offices/headquarters/oit)
- USDA Commodity Credit Corporation [www.fsa.usda.gov/about-fsa/structure-and-organization/commodity-credit-corporation/index](http://www.fsa.usda.gov/about-fsa/structure-and-organization/commodity-credit-corporation/index)

## **Business Travel**

### **Business Customs**

Turkish people take pride in their traditions and culture. However, having ties with Western countries, Turks 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 him/herself in an atmosphere similar to that of a contemporary European city. Turks are extraordinarily hospitable people and visiting business people will do well to offer normal courtesies, respect, and to take the time to know their 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**

For the latest travel advisory information for Turkey, see

<https://travel.state.gov/content/travel/en/international-travel/International-Travel-Country-Information-Pages/Turkey.html>

### **Visa Requirements**

A passport and visa are required for U.S. citizens traveling to Turkey. As of January 1, 2015, foreigners wishing to enter Turkey must carry a passport valid for six months beyond the entry date.

U.S. citizens need to obtain their visa prior to their arrival in Turkey. Visa applications can be submitted at Turkish missions abroad or online through the e-Visa application system at [www.evisa.gov.tr/en](http://www.evisa.gov.tr/en).

One exception to the visa requirement applies to U.S. citizens traveling to Turkey by cruise ship. They may enter Turkey without a visa for a maximum of 72 hours, with permission from local security authorities at the port of entry.

For all tourism and commerce-related entries, the traveler is allowed to remain in Turkey for a total of 90 days within a 180-day period.

For additional information, visit the Frequently Asked Questions page on the Turkish Ministry of Foreign Affairs website ([www.mfa.gov.tr/frequently-asked-questions.en.mfa](http://www.mfa.gov.tr/frequently-asked-questions.en.mfa)).

### **Currency**

The Turkish currency is the Turkish Lira. There are banknotes in 5, 10, 20, 50, 100, and 200 Turkish Lira denominations in general circulation. There are also coins, of which the highest is 1 Turkish Lira, equal to 100 Kurus.

Major foreign currency such as U.S. dollars and Euros can be easily changed into Turkish Lira at all banks, post offices (PTT), and exchange offices.

ATMs are everywhere in Turkish cities and towns. The majority of banks have ATMs in addition to numerous free-standing ones at strategic locations. It is possible to withdraw cash on MasterCard, Visa, or other major international credit cards as well as international debit cards. ATMs operate in the same way as those throughout the United States.

Major credit cards are accepted at almost all hotels, most restaurants, department stores, grocery stores, and big retailers.

Banking hours in Turkey are 9:00 AM to 5:00 PM, Monday through Friday. It is also possible to find bank branches that are open on weekends in major shopping malls of large cities..

### **Telecommunications/Electronics**

The telephone and cellular phone coverage in Turkey is extensive and nationwide. Turkey's cellular phone operators are Turkcell (900 Mhz), Vodafone (900 Mhz), and Turk Telekom (1800 Mhz). All offer 3G and 4.5G LTE networks. To avoid international roaming costs, travelers and businesspeople are advised to utilize GSM cellular service prepaid cards.

Wifi internet access is common all over Turkey. Most hotels, restaurants, cafes and businesses as well as transportation hubs offer free wifi.

In Turkey, the standard voltage is 220 Volts and the standard frequency is 50 Hz. Outlets are European style which means travelers from the United States will need a plug adaptor.

### **Transportation**

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. European airlines also have frequent non-stop flights to Turkey. Lufthansa offers service to Istanbul, Izmir, and Ankara from its Star Alliance Frankfurt and Munich hubs. Though THY dominates domestic air travel within Turkey, the Turkish government has liberalized domestic air service, and new airlines also serve the domestic market. Pegasus, Atlas Jet, and Sun Express are among these and most also have direct flights, primarily to European countries, especially during the summer months.

Rail transportation, recently enriched with high-speed train lines, is also available between select major Turkish cities.

Comprehensive networks of inexpensive long distance buses operate between the major cities. Car rental is reasonably priced and in line with European prices. Public transportation is available in major cities; however, businesspeople are advised to use taxis. Metro transportation, though limited to specific routes, is also available in some major cities. Particularly in Istanbul, because of very heavy traffic, using the metro (subway) is strongly recommended on specific routes, like Taksim-Levent, which otherwise might take hours to traverse by vehicle.

### **Language**

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

### **Health**

Medical facilities are available, but may be limited outside urban areas. The care provided in Turkish hospitals varies greatly. New private hospitals in Istanbul, Ankara, Izmir, and Antalya have modern facilities and equipment, numerous U.S.-trained specialists, and international accreditation.

Anyone coming to Turkey should have comprehensive medical insurance. Useful information on medical emergencies abroad, including overseas insurance programs, can be found at the Department of State's Bureau of Consular Affairs website at <https://travel.state.gov/content/travel/en/international-travel/before-you-go/your-health-abroad.html>

It is strongly recommended to drink bottled water or water that has been filtered and boiled. Bottled beverages are safe to drink.

Vaccinations recommended for Turkey and other health precautions can be viewed at the Center for Diseases Control and Prevention's (CDC) website at <https://wwwnc.cdc.gov/travel/destinations/traveler/none/turkey>.

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

Time in Turkey is UTC/GMT + 3 hours.

Compared with the U.S., Turkey is +7 hours from U.S. Eastern Standard Time (e.g., 9am in New York is 4 pm in Istanbul)

Business hours are from 08:30 AM to 5:30 PM, Monday through Friday.

#### Annual Turkish Holidays:

January 1 - New Year's Day (Yeni Yil)

April 23 - National Sovereignty and Children's Day (Milli Egemenlik ve Cocuk Bayrami)

May 1 - Labor & Solidarity Day (Emek ve Dayanisma Gunu)

May 19 – Ataturk Memorial, Youth & Sports Day (Ataturk'u Anma, Genclik ve Spor Bayrami)

July 15 – Democracy & National Solidarity Day (Demokrasi ve Milli Birlik Gunu)

August 30 - Victory Day (Zafer Bayrami)

October 28 (1/2) & October 29 – Turkish Independence Day (Cumhuriyet Bayrami)

Ramadan Feast (Ramazan Bayrami) – 3-day religious holiday at the end of the month of Ramadan (dates vary)

Sacrifice Feast (Kurban Bayrami) - 4-day religious holiday beginning 70 days after Ramadan (dates vary)

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 U.S. Embassy to Turkey website: <https://tr.usembassy.gov/holiday-calendar>.

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

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. 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 the website of Republic of Turkey, Ministry of Commerce: <http://english.gtb.gov.tr>.

### **Travel-Related Web Resources**

- U.S. Department of State Travel Information <https://travel.state.gov/content/travel/en.html>
- Centers for Disease Control and Prevention – Travelers' Health <https://wwwnc.cdc.gov/travel>
- U.S. Department of State Passport Info <https://travel.state.gov/content/passports/en/passports.html>
- U.S. Embassy Ankara <https://tr.usembassy.gov>