



REPUBLIC OF TURKEY  
MINISTRY OF ECONOMY

2013

**FOREIGN  
DIRECT  
INVESTMENTS  
IN TURKEY**

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MINISTRY OF ECONOMY**

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IN TURKEY  
2013**

**GENERAL DIRECTORATE OF INCENTIVE  
IMPLEMENTATION AND FOREIGN INVESTMENT**

## FOREWORD

Due to proliferation of multilateral and fragmented production process and development of globalization and cooperation facilities, the importance and scope of foreign direct investments have expanded so far. In addition to the technology transfer, employment and foreign trade opportunities, contribution to international country profile is can be seen as another aspect of foreign direct investment flows. Besides, World economy is still struggling to reach its pre-crisis performance and volatility of international capital flows are also points out significancy of foreign direct investment for especially developing economies as more stable and reliable financing element.

Turkey has managed to become part of this vision and foreign direct investments has surged apparently in second half of 2000's because of political and economic stability achieved during these years. In Turkey, foreign direct investment inflows have been 134.8 billion US Dollars in 2004-2013 period while it has realized as 16.8 billion US Dollars in 1975-2003 period. This picture is the main evidence of progress that has been made in Turkey in terms of doing business and international cooperation approach.

In 2013, Turkey has remained in 22th position in global foreign direct investment inflows according to the World Investment Report published by United Nations Conference on Trade and Development (UNCTAD). Moreover, in West Asia Region, Turkey is the leader foreign direct investment destination which can be seen as a proof that our country is perceived as a safe heaven by international investor in it's region.

However, outward investments of Turkey has realized as 3.1 billion US Dollars and Turkey has preserved his position as one of the major potential investor countries

When we look at global developments, we can see that global foreign direct investment inflows have increased by 9 % and reached up to 1.45 trillion US Dollars and seem to overcome negative effects of macroeconomic uncertainties especially in advanced countries. On the composition side, developing country foreign direct investment inflows have outpaced developed countries, same as past three years. This trend is also parallel with increasing share and importance of developing countries in global economy. As an important aspect of

development process, foreign direct investments constitutes another dimension of international competition. This competition necessitates the sustainable transformation and renovation of countries in order to present stable and favorable business environment. In this context Turkey has shined through strong domestic market, dynamic population, strategic location, proximity to main transportation lines and especially macroeconomic stability and reasonable international cooperation approach. In line with the continuous improvement purposes, the Coordination Council for the Improvement of Investment Environment (YOIKK) carried on its regulation, policy recommendation and coordination studies continuously for more than a decade.

Moreover, principles of main legislation on foreign direct investments provide equal treatment of international investors with the locals in terms of rights and obligations, free transfer of profits, capitals and other financial assets in line with bilateral and multilateral treaties, and rules in order to offer a reliable investment environment. The investor confidence is also built by free trade agreements (FTA) that helps to develop our foreign trade with neighbor countries and increase mutual investments by bilateral investment treaties (BIT).

This report is a reference work and outcome of an effort to share detailed information about global and Turkey's FDI inflows and ongoing works to improve investment environment further.

In the forthcoming period, Turkey will surely strengthen bilateral economic relationships and, improve its economic structure in an investment friendly environment. I have full faith of that, Turkey's commitment to vision of international cooperation and purpose of being a part of global value chain will be pursued by both public and private organizations and we will keep taking confident steps towards transforming our economy into international production base.

**Nihat ZEYBEKCI**

Minister of Economy

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## **A.FOREIGN DIRECT INVESTMENT INDICATORS**

### **1.2013 GENERAL OVERVIEW**

#### **1.1. World Foreign Direct Investment Flows Outlook**

The foreign direct investments (FDI), after getting into a recovery trend in 2010 and 2011 owing to elimination of adverse effects of the global financial crisis, started to show downward trend in 2012 as a result of adverse effects of macroeconomic fluctuations. In 2013, FDI flows showed signs of recovery again.

The latest version of World Investment Report that includes the final data for 2013, prepared by the United Nations Conference on Trade and Development (UNCTAD) and considered as one of the most prominent sources regarding global distribution of FDI by country and sector, was published in June 2014.

According to the UNCTAD's preliminary assessments<sup>1</sup>, the value of global FDI flows in 2013 increased to the level of USD 1.45 trillion with an increase of 9% compared to 2012. In 2013, while actual FDI flows to developing countries soared by around 6.7% compared to 2012, this ratio was approximately 9.5% for developed countries. Global FDI flows are expected to sustain its upward trend and actualize around 1.6 trillion in 2014.

According to UNCTAD's report, FDI flows are estimated to increase in next 3 years and reach to USD 1.6 trillion, USD 1.7 trillion and USD 1.85 trillion for the years of 2014, 2015 and 2016 respectively.

Within this context, the share of FDI flows to developing countries which exceeded 50% for the first time in 2010, again realized over 50% threshold with 61% (USD 886 billion) and outpaced advanced countries (USD 565 billion) in 2013 (Chart 1). Besides, half of the top 20 home economies have consisted of developing and transition economies. Both the attraction of developing countries' growth performance and unfavourable economic

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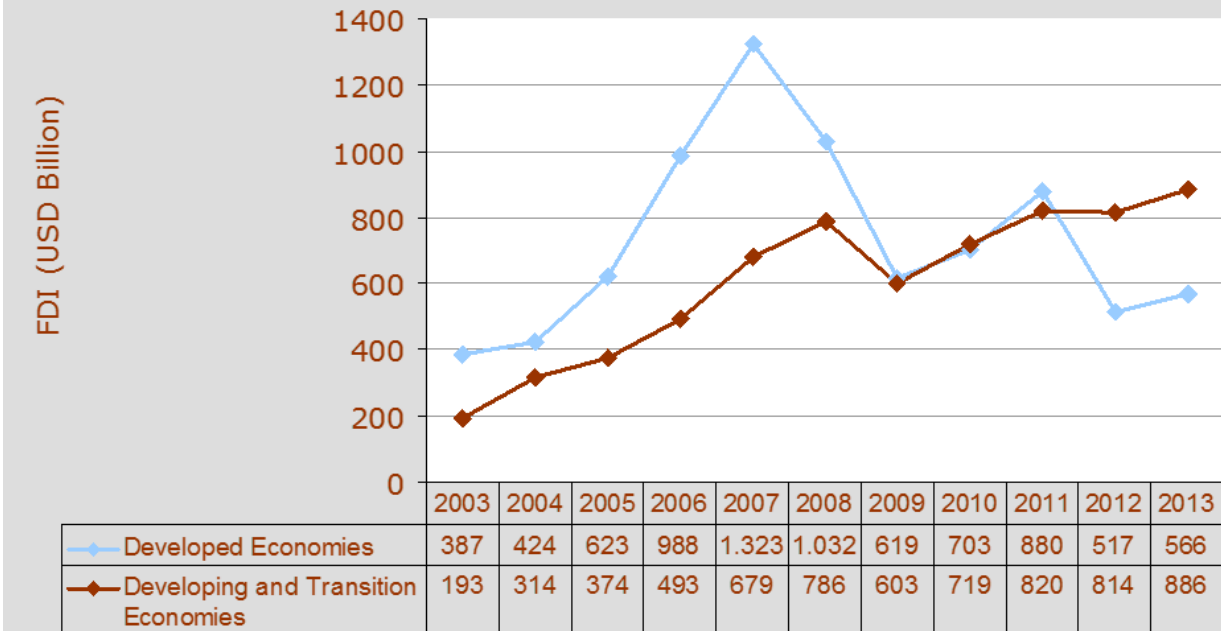
<sup>1</sup> World Investment Report, June 2014, UNCTAD

conditions in US and EU especially in the aftermath of global crisis, have encouraged the FDI flows towards developing countries that have gained importance in recent years. However, in line with the accelerated economic activity, advanced economies' global share is predicted to rise again in forthcoming years. There are plenty of different factors effecting FDI inflows. First of all, due to the depreciation seen in all developing countries exchange rates after tapering period, company shares have become cheaper for foreign parties. This circumstances may well support export oriented sectoral FDI flows. Meanwhile decelerating domestic consumption outlook might discourage domestic market oriented FDI flows. Besides, liquidity glut in the post great recession process had galvanized private sector borrowings. Therefore, it can be expected that excess indebtedness, might canalize companies to attract foreign investments. As a result of these developments, FDI flows are predicted to strengthen in both developed and developing countries in 2014.

United States preserved its first position among the top recipient countries in the world by attracting an FDI amount of USD 187.5 billion with an increase of 17%. The United States was followed by China (USD 123.9 billion) and Russia (USD 79.3 billion).

In 2013, Asia is the first region among the top recipient regions in terms of global FDI flows with a share of 29% (USD 426 billion) and Latin America is second with 20% (USD 292 Billion) while Europe and North America shares are very close to each other with 17% (USD 250.8 billion and USD 249.9 billion respectively) and took third position.

**Chart 1: FDI Inflows, by Groups of Economies**



Source: World Investment Report (WIR) 2014, UNCTAD

In 2013, FDI inflows to Turkey decreased by 3% compared to previous year and realized as USD 12.9 billion. In terms of global amount of FDI inflows, Turkey ranked 22<sup>nd</sup> in the world by moving up two places in 2013 (Table 1).



**Table 1: Global FDI Inflows, Top 10 Host Economies and Turkey 2011-2013  
(USD Billion)**

2011			2012			2013		
Rank	Country	FDI	Rank	Country	FDI	Rank	Country	FDI
1	The United States	224	1	The United States	161	1	The United States	188
2	China	124	2	China	121	2	China	124
3	Belgium	119	3	Hong Kong	75	3	Russia	79
4	Hong Kong	96	4	Brazil	65	4	Hong Kong	77
5	Brazil	66	5	Singapore	61	5	Brazil	64
6	Australia	65	6	Australia	56	6	Singapore	63
7	Germany	59	7	Russia	51	7	Canada	62
8	Russia	55	8	The United Kingdom	46	8	Australia	50
9	The United Kingdom	51	9	Canada	43	9	Spain	39
10	Singapore	50	10	Ireland	28	10	Mexico	38
<b>25</b>	<b>Turkey</b>	<b>16</b>	<b>22</b>	<b>Turkey</b>	<b>13.2</b>	<b>22</b>	<b>Turkey</b>	<b>12.9</b>
	World Total	1,700		World Total	1,330		World Total	1,452

Source: World Investment Report (WIR) 2014, UNCTAD

In terms of FDI flows, Turkey's share among global and developing countries realized as 0.9% and 1.5% respectively (it was 1.6% in 2012). Generally, Turkey's share in global FDI have stayed stable at a level of 1-2% for many years. Despite residual effects of great recession and unfavorable conditions in its region, Turkey has managed to be the top recipient country in Western Asia Region in 2013 as it were 2012.

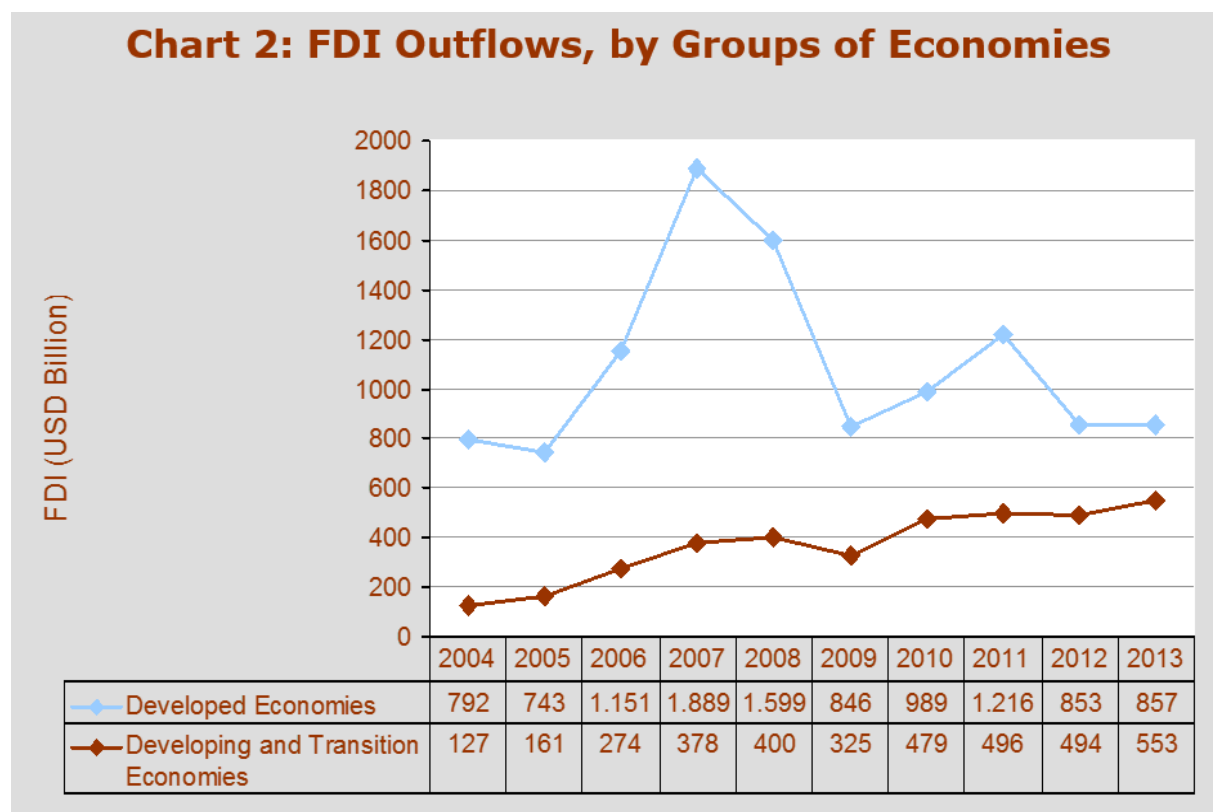
Regarding FDI outflows of the countries that have the highest proportion in direct investments in Turkey, the outflows of EU Countries which particularly have an important share of 52% in Turkey's FDI, increased by 10% in 2013 after a 54% shrank in 2012 and prevented FDI flows to decline steeply in Turkey for the year of 2013. Moreover, economic developments on Turkey's top 10 European investor countries (The Netherlands, Austria, The United States, Belgium, Germany, Luxemburg, The United Kingdom, Greece, France and Spain) which accounted for 74% of FDI inflows, have a direct influence on investments to Turkey. Analyses also presents positive correlation between economic growth and FDI outflows in these countries.

According to the UNCTAD's Report, global FDI outflows increased by 4.8% in 2013 compared to 2012 and reached to USD 1,411 billion. The FDI outflows of developed countries

representing 61% of total investments, soared by 0.6% to USD 857 billion. Developing and transition economies accounted for 39% of global investments with USD 553 billion. In 2013 the growth rate of FDI outflows of developing and transition economies outpaced developed countries with a ratio of 12% but developed countries maintained their leading position in terms of FDI outflows.

In 2013, The United States maintained its position among the top investor countries, ranking first in the world with an investment amount of USD 338 billion. Japan (USD 136 billion) and China (USD 101 billion) followed the United States.

In terms of FDI outflows Turkey had ranked 32<sup>nd</sup> with USD 4.1 billion in 2012, and in 2013 Turkey ranked 38<sup>th</sup> with USD 3.1 billion. In addition to this, Turkey’s position has remained unchanged among most promising investor home economies and remained at 14<sup>th</sup> place (After The United States, China, Japan, United Kingdom, Germany, India, France, Canada, Republic of Korea, Brazil, United Arab Emirates, The Netherlands, Russian Federation respectively).



Source: WIR, 2014

According to UNCTAD's Report, the total inward FDI stock worldwide reached to USD 26.3 trillion as of 2013. The United States, United Kingdom and Hong Kong hosted the top three rankings in terms of FDI stock. Turkey's FDI stock value actualized as USD 145.5 billion and the FDI stock to GDP ratio fell to 18% in 2013 from 24% in previous year.

Although the share of developing countries in FDI inflows was higher than developed countries in 2013, this trend has not yet reflected to the FDI stocks, so developed countries still preserve their leading positions in terms of FDI stocks.

**Table 2: FDI Inward Stock, Top 10 Host Economies and Turkey (2013)**

Rank	Country	FDI Stock (USD Billion)
1	The United States	4,935.2
2	The United Kingdom	1,605.6
3	Hong Kong	1,443.9
4	France	1,081.5
5	China	956.8
6	Belgium	924.0
7	Germany	851.6
8	Singapore	837.7
9	Switzerland	747.4
10	Brazil	724.6
<b>31</b>	<b>Turkey<sup>2</sup></b>	<b>145.5</b>

Source: WIR, 2014

### Greenfield Investments

Cross border mergers and acquisitions transactions and greenfield investments, are the cornerstones of global FDI flows. In this regard, greenfield investments surged by 9% to USD 672 billion.

In sectoral basis, considering total greenfield investments, services sector amounted to USD 385 billion with 20% increase, agriculture and mining sector amounted to USD 29 billion with 14% increase while manufacturing sector fell to the level of USD 258 billion with 4% decline.

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<sup>2</sup> Data on foreign direct investment in Turkey are obtained through an annual survey conducted with the FDI enterprises in Turkey, which are selected on the basis of certain criteria. Both book values and market values of the FDI enterprises are reported in the survey. In order to determine market values of the FDI enterprises that are quoted at the Istanbul Stock Exchange (ISE), market values announced by the ISE are used. As for the other enterprises, book values are multiplied with market value/book value ratios announced by the ISE for the related sectors.

The data in UNCTAD's Report show that the value of the greenfield investments remained unchanged at the level of USD 9.5 billion in 2013 compared to the last year.

## **Mergers and Acquisitions (M&A)**

According to the UNCTAD's Report, total value of worldwide cross border mergers and acquisition transactions reached to USD 349 billion in 2013 with a 5% increase compared to the previous year.

In 2013, a look at the sectoral distribution of cross-border mergers and acquisitions shows that 36% of the transactions were made in manufacturing sector and 44% in services sector. Compared to 2012, in terms of the value of cross border mergers and acquisition transactions, manufacturing sector raised to the level of USD 126 billion with 11% increase, agriculture and mining sector mounted to USD 68 billion with 32% increase and services sector realized as USD 155 billion with 7% decline.

The data in UNCTAD's Report show that the value of the cross border M&A transactions in Turkey which amounted to USD 2 billion in 2012 declined to USD 590 million in 2013.

## **1.2. Foreign Direct Investment Flows in Turkey**

### **1.2.1. Components of Foreign Direct Investments<sup>3</sup>**

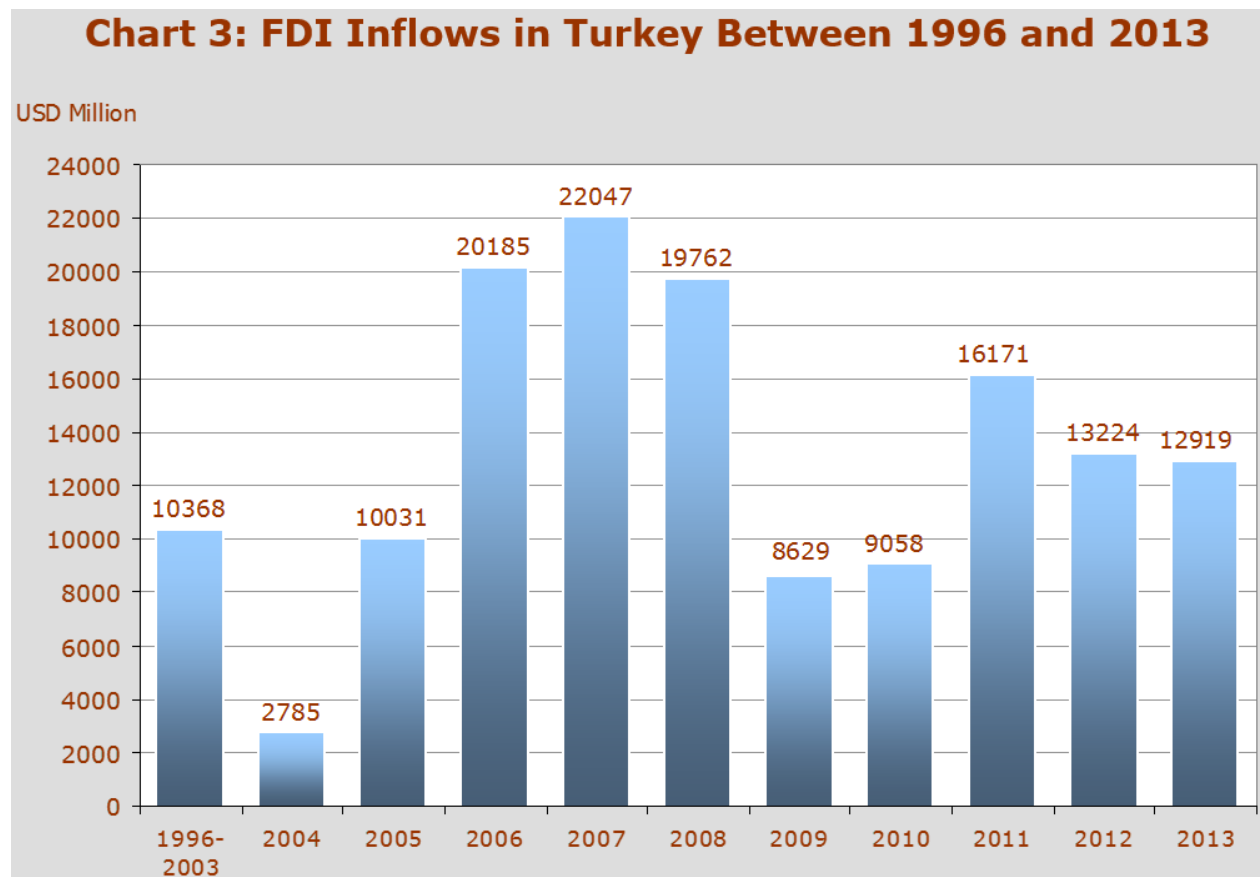
Thanks to stable and predictable policies that have been carried out during the last decade, Turkey has managed to establish a confident economic environment, and in this context, FDI inflows to the country increased significantly. While the accumulated FDI inflows to Turkey until the year 2003 accrued to only about USD 16.8 billion, it reached to USD 134.8 billion in between 2004-2013 with an increase of approximately eightfold.

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<sup>3</sup> According to Foreign Direct Investment Law no 4875; foreign direct investment inflow is defined as the net amount of cross-border transfers by companies based in Turkey which are classified as equity capital or other capital in Central Bank of the Republic of Turkey's balance of payment statistics and transfers for acquisitions of real estate by foreigners.

FDI inflows to Turkey has had an upward trend especially since 2005, and it reached to USD 22 billion in 2007 as the highest level ever recorded. However, the country's economy affected by the decline in global FDI flows which was due to the economic crisis in 2008 before begin to rise in 2010. Then FDI inflows reached to USD 16 billion in 2011 which was relatively high figure but in 2012 and 2013, FDI inflows remained below that level (Graph 3).

FDI inflows to Turkey reached to USD 13.2 billion in 2012; and USD 12.9 billion of in 2013. As previously mentioned, according to the UNCTAD's report, Turkey rose to the 22<sup>nd</sup> rank moving up two places among the host countries in 2012.



Source:CBRT

Out of the USD 12.9 billion of the FDI inflows received in 2013, USD 9.7 billion came as the equity component and USD 3.2 billion was from real estate purchases (Table 3).

**Table 3: FDI Inflows by Component (1996–2013) (USD Million)<sup>4</sup>**

	1996-2005	2006	2007	2008	2009	2010	2011	2012	2013
	(Cumulative)								
<b>Cumulative FDI (net)</b>	<b>23,184</b>	<b>20,185</b>	<b>22,047</b>	<b>19,762</b>	<b>8,629</b>	<b>9,058</b>	<b>16,171</b>	<b>13,224</b>	<b>12,919</b>
<i>Capital (Net)</i>	<b>18,064</b>	<b>16,982</b>	<b>18,394</b>	<b>14,713</b>	<b>6,184</b>	<b>6,221</b>	<b>14,145</b>	<b>10,126</b>	<b>9,678</b>
Inflow	<b>19,605</b>	<b>17,639</b>	<b>19,137</b>	<b>14,748</b>	<b>6,266</b>	<b>6,256</b>	<b>16,136</b>	<b>10,759</b>	<b>10,246</b>
Outflow	<b>-1,541</b>	<b>-657</b>	<b>-743</b>	<b>-35</b>	<b>-82</b>	<b>-35</b>	<b>-1,991</b>	<b>-633</b>	<b>-568</b>
<i>Other Capital<sup>b</sup></i>	<b>938</b>	<b>281</b>	<b>727</b>	<b>2,112</b>	<b>663</b>	<b>343</b>	<b>13</b>	<b>462</b>	<b>192</b>
<b>Real Estate Purchases (Net)</b>	<b>4,182</b>	<b>2,922</b>	<b>2,926</b>	<b>2,937</b>	<b>1,782</b>	<b>2,494</b>	<b>2,013</b>	<b>2,636</b>	<b>3,049</b>

Source: CBRT

a) Estimate

b) Investment credits received by foreign-owned companies from the foreign partner

### 1.2.2. Foreign Direct Investments by Sector<sup>5</sup>

An analysis of the sectoral breakdown of FDI inflows in the last 10 years reveals that the financial intermediation sector holds the top place with USD 43 billion. Financial intermediation sector is followed by the manufacturing sector (23.6 USD billion), the energy sector (USD 14.4 billion), the telecommunications sector (USD 11.4 billion), and wholesale and retail trade sector (USD 5 billion).

In 2013, financial intermediation, energy and manufacturing have been the top three sectors in Turkey in terms of FDI inflows accounting for an 81.2% of the total (Table 4). While finance sector FDI has been increased of USD 1.7 billion compared to previous year, the increase in the energy sector has been realized as USD 1.4 billion.

<sup>4</sup> 2013 data, released in 2014 Balance of Payments Report published by the Central Bank of the Republic of Turkey in April 2014, were used in this report. Balance of Payments statistics concerning previous years which are published by the Central Bank of the Republic of Turkey are revised retrospectively upon requirement.

<sup>5</sup> In terms of equity component of FDI inflows in 2013

**Table 4: FDI Inflows by Sector, 2013 (USD Million)**

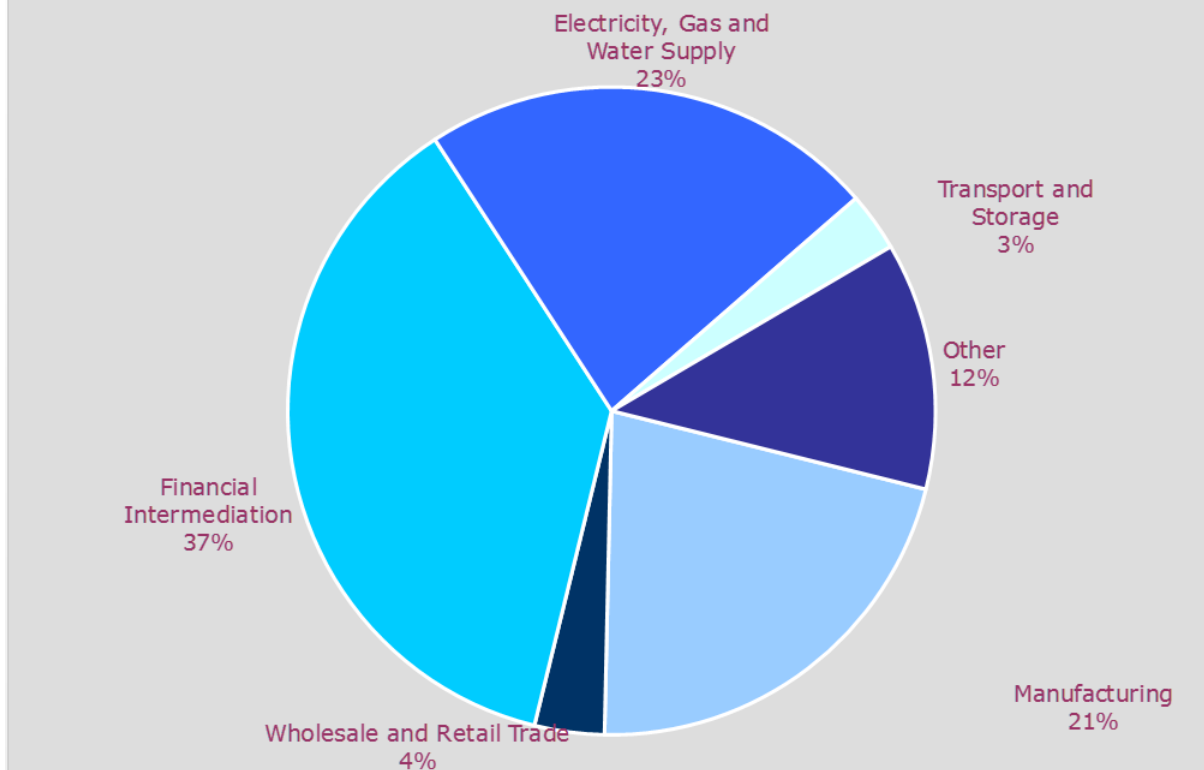
<b>Rank</b>	<b>Sector</b>	<b>Inflow</b>	<b>Share (%)</b>
1	Financial Intermediation	3,789	37.0
2	Electricity, Gas and Water Supply	2,335	22.8
3	Manufacturing	2,199	21.5
4	Wholesale and Retail Trade	357	3.5
5	Transport and Storage	300	2.9
6	Mining and Quarrying	240	2.3
7	Construction	200	2.0
8	Administrative and Support Service Activities	142	1.4
9	Real Estate, Renting and Business Activities	130	1.3
10	Information and Communication	122	1.2
	Other	432	4.2
	<b>Total</b>	<b>10,246</b>	<b>100.0</b>

Source:CBRT

Finance sector held the first place with USD 3.8 billion of FDI inflows in 2013. Besides, the fact that considerable part of the M&A transactions in Turkey were made in this sector, significant capital increases were also observed. The major transaction which was reflected in the balance of payments in 2013 was USD 932 million FDI inflow in return of the acquisition of shares of Yapı Kredi Sigorta A.Ş. by Germany oriented Allianz for USD 1.6 billion .

In 2013, energy sector followed finance sector in terms of FDI inflows, and the most of the transactions has arisen from capital increases.

**Chart 4: Sectoral Distribution of FDI Inflows 2013**



Source:CBRT

**Table 5: Sectoral Distribution of FDI Inflows, 2004-2013 (USD Million)**

Sector	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Financial Intermediation	127	3,856	6,954	11,717	6,136	817	1,621	5,883	2,084	3,789	42,984
Electricity, Gas and Water Supply	63	2	1,164	567	1,055	2,153	1,824	4,293	924	2,335	14,380
Manufacturing	206	865	1,701	4,131	3,972	1,640	924	3,596	4,342	2,199	23,576
Wholesale and Retail Trade	36	78	456	234	2,088	389	435	709	221	357	5,003
Transportation and Storage	6	21	453	679	96	230	183	222	130	300	2,320
Mining and Quarrying	74	41	123	336	145	89	136	146	213	240	1,543
Construction	2	81	215	287	337	209	310	301	1,428	200	3,370
Administrative and Support Service Activities	0	17	30	2	25	22	17	55	234	142	544
Real Estate, Renting and Business Activities	1	216	79	448	453	210	241	300	173	130	2,251
Telecommunication	670	3,263	6,353	472	97	173	36	36	133	122	11,355
<b>Total</b>	<b>1,190</b>	<b>8,535</b>	<b>17,639</b>	<b>19,137</b>	<b>14,748</b>	<b>6,266</b>	<b>6,256</b>	<b>16,136</b>	<b>10,759</b>	<b>10,246</b>	<b>110,912</b>

Source: CBRT



### 1.2.3. FDI Inflows<sup>6</sup> by Home Country

Table 6: FDI Inflows by Home Country 2012-2013 (USD Million)

2012				2013			
Rank	Country	Capital Inflow	(%)	Rank	Country	Capital Inflow	(%)
1	United Kingdom	2,044	19.0	1	Germany	1,900	18.5
2	Austria	1,519	14.1	2	The Netherlands	1,002	9.8
3	The Netherlands	1,381	12.8	3	Russia	871	8.5
4	Luxembourg	1,186	11.0	4	Azerbaijan	796	7.8
5	Germany	491	4.6	5	Austria	659	6.4
6	Malaysia	461	4.3	6	Lebanon	574	5.6
7	Switzerland	454	4.2	7	Spain	531	5.2
8	The United States	439	4.1	8	Japan	493	4.8
9	Saudi Arabia	439	4.1	9	Qatar	469	4.6
10	Azerbaijan	338	3.1	10	The United States	326	3.2
	<b>Total</b>	<b>10,759</b>	<b>100.0</b>		<b>Total</b>	<b>10,246</b>	<b>100.0</b>

Source: CBRT

Source: CBRT

In 2013 Germany, The Netherlands and Russia were the top investor countries in Turkey. In addition to this, the amount of FDI inflows from Lebanon, Azerbaijan, and Japan revealed that there was an increasing interest of Asian countries in Turkey. Despite a rise in FDI flows from other regions, FDI inflows to Turkey from the EU countries sustained long lasting dominant share in total.

<sup>6</sup> Net amount of transfers of the companies and branch offices with foreign capital and domestic companies with the participation of foreign capital. Other capital, that is, investment credits received by foreign-owned companies from foreign partners and transfers for acquisition of real estate by foreigners are excluded.

#### 1.2.4. Foreign Direct Investments in Mergers and Acquisitions<sup>7</sup>

In 2013, Turkey has maintained its economic stability in spite of the uncertainties and fragility in the world economy.

There exist differences regarding the number and value of M&A transactions in different reports prepared by various organizations, due to the different methods of analysis and calculation.

According a report published by Ernst & Young, in 2013, while the number of M&A transactions showed an increase, trading volume decreased compared to previous year. In 2013, 336 M&A transactions were announced which is new record high for Turkey. However, according to Deloitte's report, M&A transaction number has moderated and amounted as 217. Ernst & Young's report shows that the total volume of M&A transactions was about USD 13.7 billion in 2013; while according to Deloitte's report, the relevant figure was around USD 17.5 billion. Considering the sustained unfavourable consequences of global financial crisis and the turmoil in Middle East, this high number of M&A transactions in Turkey reveals that the country has been a major hub for the foreign investments by maintaining its macroeconomic stability.

According to Ernst & Young's report, in contrast to previous year, in terms of total volume of M&A transactions in 2013, the share of foreign investors was 24%, and the share of Turkish investors was 76%. Deloitte's report, on the other hand, states that the share of foreign investors was -all time low- 30%. The profile of the investors demonstrates that the foreign investors remained behind Turkish investors in terms of both the number and volume of transactions (the number of transactions of Turkish investors was 222, the number of transactions of foreign investors is 114, trading volume of Turkish investors was USD 10.4 billion, while trading volume of foreign investors was USD 3.3 billion).

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<sup>7</sup> Kaynaklar:

Annual Turkish M&A Review 2013, Deloitte, January 2014

Birleşme ve Satın Alma İşlemleri 2013 Raporu, Ernst & Young, January 2014

Another analysis of the Ernst & Young’s report is the evaluation regarding the large-volume transactions. When analyzing the M&A transactions carried out by foreign investors, an apparent dominance of the EU countries and the United States was observed as in previous years in terms of the number of transactions. United Arab Emirates, Japan and Malaysia were also among the top ranking countries alongside the U.S. and EU countries.

**Table 7: Top Five Cross-Border M&A Transactions in 2013<sup>8</sup>**

Acquired Company	Acquiring Company	Home Country of the Acquiring Company	FDI (USD Million)
Yapı Kredi Sigorta A.Ş.	Allianz	Germany	932
Alternatif Bank	Commercial Bank Of Qatar	Qatar	445
Enerjisa Enerji A.Ş.	DD Turkey Holdings SARL	Germany	345
Mutlu Akü	Inalex Pty Ltd	South Africa	221
Mars Lojistik	Japon Hitachi Transport System	Japan	154

Source: Ministry of Economy, CBRT

In 2013, significant M&A transactions were realized mainly in finance, energy and manufacturing sectors. The biggest transaction was the sale of majority shares of Yapı Kredi Sigorta A.Ş. to German Allianz in return of USD 932 million. Other major transactions were as follows; the sale of all Alternatif Bank shares to Qatar based Commercial Bank of Qatar for USD 445 million, the transfer of 50% shares of Enerjisa Enerji A.Ş. to DD Turkey Holdings SARL for USD 345 million, the sale of all shares of Mutlu Akü to South African Inalex Pty Ltd for USD 221 million, the sale of 51% shares of Mars Lojistik to Japanese Hitachi Transport System for USD 154 million, the sale of 80% share of Dentaş Kağıt A.Ş. to Mosburger GmbH for USD 100 million and finally the sale of all shares of the Namet Gıda San ve Ticaret A.Ş. to Gulf Delicatessen Investors SARL for USD 70 million.

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<sup>8</sup> In terms of the equity component of FDI inflows in 2012.

### 1.3. Companies with Foreign Capital in Turkey<sup>9</sup>

By the end of 2013 there are 37,495 companies with foreign capital operating in Turkey. 31,373 of them are companies and branch offices with foreign capital, and 6,122 of them are formed by participation of foreign partners to existing domestic companies. (Table 8)

**Table 8: Number of Companies with Foreign Capital by Year According to Their Mode of Establishment**

Year	Company Establishment	Participation	Branch Office	Total
1954-2008 (Accumulated )	14.967	3.627	499	19.093
<b>2009</b>	2.185	550	66	2.801
<b>2010</b>	2.663	527	81	3.271
<b>2011</b>	3.628	635	95	4.358
<b>2012</b>	3.621	577	82	4.280
<b>2013</b>	3.403	206	83	3.692
<b>Total</b>	<b>30.467</b>	<b>6.122</b>	<b>906</b>	<b>37.495</b>

Provisional Data, Source: Ministry of Economy

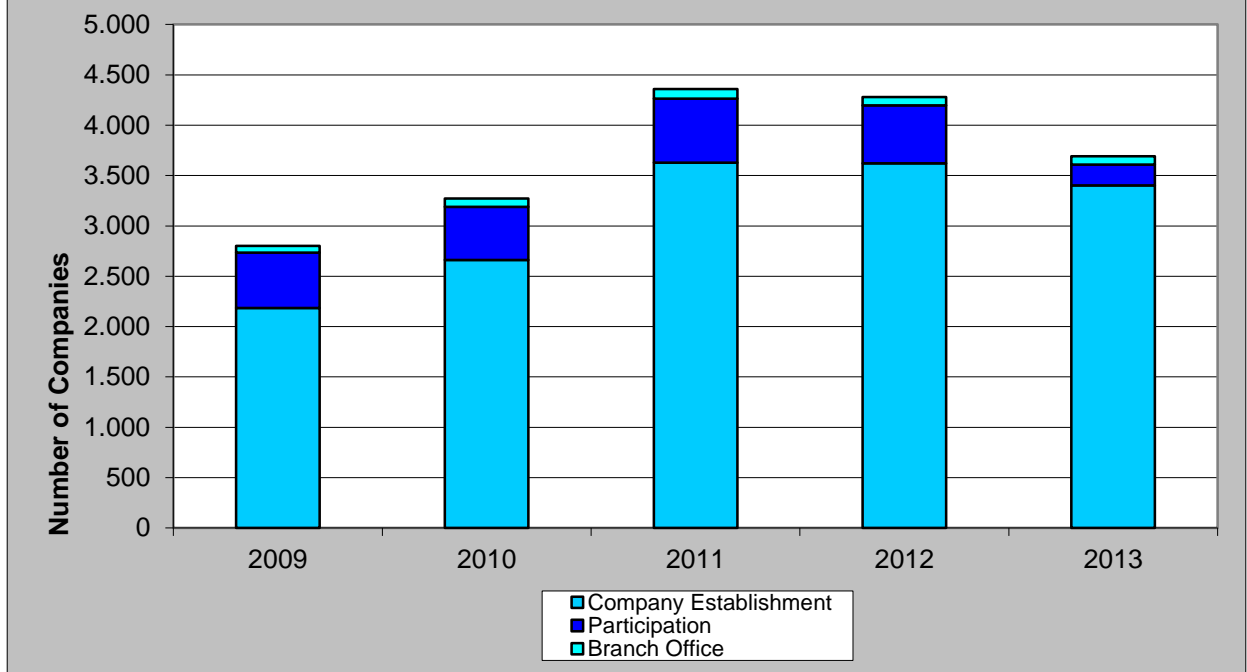
Following the decrease in 2009, number of companies with foreign capital increased by 17% and 33% in 2010 and 2011, respectively. With the decrease since 2012, this figure reached to average of the last five years.

By the end of 2013, 78.6% of the 37,495 companies with foreign capital are limited companies, 19.2% of them are joint stock companies, and the rest 2.2% are branch offices.

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<sup>9</sup> Number of companies with foreign capital is subject to change continuously due to updates on liquidations or exit of foreign partner. Revisions are made periodically.

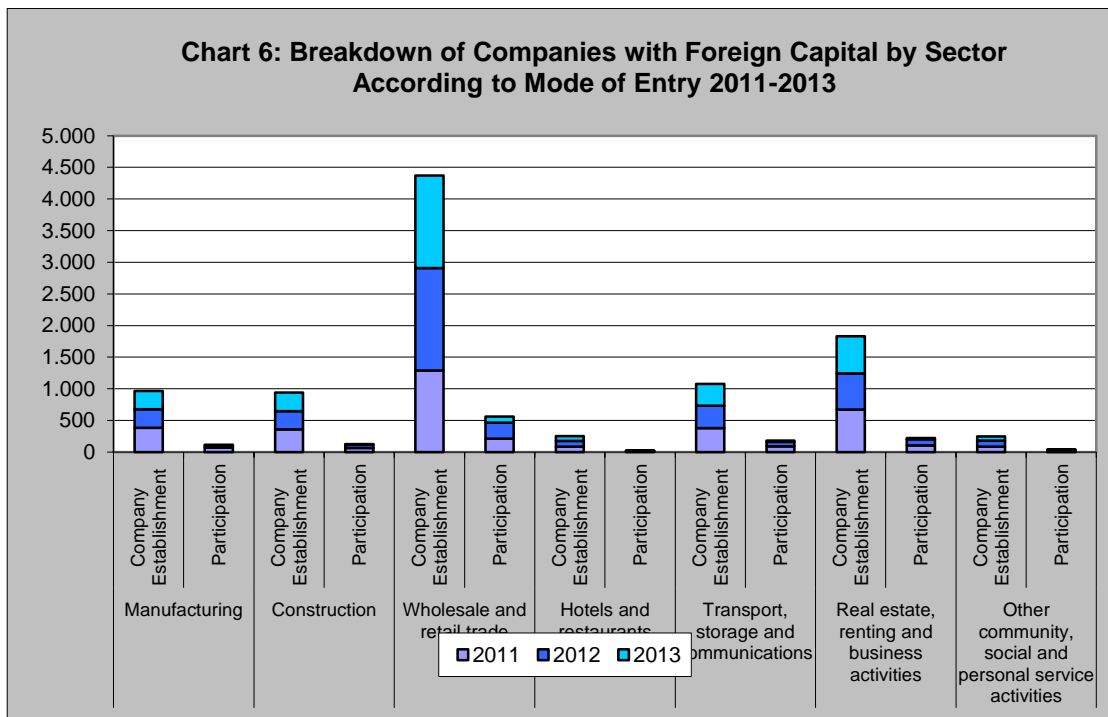
**Chart 5: Breakdown of Companies with Foreign Capital by Mode of Establishment 2009-2013**



Provisional Data, Source: Ministry of Economy

The average share of the new companies and branch offices between the period of 2009-2013 is around 83.7% of the total companies with foreign capital.

**Chart 6: Breakdown of Companies with Foreign Capital by Sector According to Mode of Entry 2011-2013**



Provisional Data, Source: Ministry of Economy

Majority of the companies with foreign capital that have investments in Turkey operate in wholesale and retail trade, which is followed by the real estate rental and business activities and transport storage and communications sectors.

### 1.3.1. Sectoral Breakdown of Companies with Foreign Capital

Of the total 37,495 companies with foreign capital in Turkey by the end of 2013, 12,660 are operating in the wholesale and retail trade, 5,376 are in manufacturing industry, and 6,071 are in real estate rental and business activities sector. Chemicals and chemical products are in the first place in terms of number of companies with foreign capital in manufacturing industry, and the following sub-sectors are manufacture of food products, beverages and tobacco and manufacture of textiles respectively (Table 9).

**Table 9: Sectoral Breakdown of Companies with Foreign Capital**

Sectors	1954-2008	2009	2010	2011	2012	2013	1954-2013
	(Cumulative)						Total
Agriculture, hunting, fishing and forestry	286	52	62	70	55	41	566
Mining and quarrying	376	72	81	101	20	23	673
Manufacturing	3.490	369	422	463	322	310	5.376
<i>Manufacture of food products, beverages and tobacco</i>	342	51	64	45	21	14	537
<i>Manufacture of textiles</i>	397	16	22	32	19	17	503
<i>Manufacture of chemicals and chemical products</i>	382	37	51	59	36	37	602
<i>Manufacture of machinery and equipment n.e.c.</i>	303	30	28	38	28	28	455
<i>Manufacture of motor vehicles, trailers and semi-trailers</i>	209	17	8	15	10	9	268
<i>Other Manufacturing</i>	1.857	218	249	274	208	205	3.011
Electricity, gas and water supply	299	121	122	136	150	145	973
Construction	1.729	286	314	435	341	306	3.411
Wholesale and retail trade	5.664	876	1.100	1.535	1.897	1.588	12.660
Hotels and restaurants	1.398	162	139	99	95	82	1.975
Transport, storage and communications	1.629	248	332	481	441	380	3.511
Financial intermediation	260	15	15	32	28	23	373
Real estate, renting and business activities	3.001	446	513	793	693	625	6.071
Other community, social and personal service activities	961	154	171	213	238	169	1.906
<b>Total</b>	<b>19.093</b>	<b>2.801</b>	<b>3.271</b>	<b>4.358</b>	<b>4.280</b>	<b>3.692</b>	<b>37.495</b>

Provisional Data, Source: Ministry of Economy

When the sectoral distribution of the companies with foreign capital between the years of 2009-2013 is observed; the sectors of wholesale and retail trade, real estate rental and business activities are in the first two places. Transportation, communication and storage services sector is in the third place which had been occupied by the manufacturing industry since 2011. In 2013, the total number of the companies with foreign capital in electricity, gas and water supply sector increased by 131%, compared to the value in 2009. It is followed by 93% in wholesale and retail trade, real estate rental and business activities sector and 87% in transport, storage and communications.

### 1.3.2. Companies with Foreign Capital by Home Country

In distribution of 37,495 companies with foreign capital by country groups, EU countries rank first place with a total of 18,223 companies. Among the EU countries; Germany with 5,703 companies, the United Kingdom with 2,656 companies, and the Netherlands with 2,308 companies rank first three (Table 10).

Of the 3,692 companies established in 2013, 1,327 have partners from the EU, 1,335 from Near and Middle Eastern and 337 from other European countries (Table 11).

**Table 10: Breakdown of Companies with Foreign Capital by Home Country**

Countries	1954-2008	2009	2010	2011	2012	2013	1954-2013
	(Cumulative)						Total
EU Countries	10.775	1.409	1.408	1.763	1.541	1.327	18.223
Germany	3.278	480	455	596	487	407	5.703
The Netherlands	1.486	142	174	183	173	150	2.308
United Kingdom	1.797	187	157	185	172	158	2.656
Italy	629	85	91	111	108	101	1.125
Other EU Countries	3.585	515	531	688	601	511	6.431
Other European Countries (Except EU)	2.125	319	401	450	423	337	4.055
Africa Countries	311	66	97	130	151	198	953
North America	958	141	133	189	153	127	1.701
U.S.A.	839	109	101	162	114	99	1.424
Canada	119	32	32	27	39	28	277
Central and South America, Caribbean	107	17	15	20	19	26	204
Near and Middle East Countries	3.288	603	920	1.433	1.650	1.335	9.229
Other Asia	1.296	222	262	336	304	313	2.733
China	307	39	41	54	54	71	566
South Korea	129	20	18	16	29	27	239
Other	860	163	203	266	221	215	1.928
Other Countries	233	24	35	37	39	29	397
<b>Total</b>	<b>19.093</b>	<b>2.801</b>	<b>3.271</b>	<b>4.358</b>	<b>4.280</b>	<b>3.692</b>	<b>37.495</b>

Provisional Data, Source: Ministry of Economy

### 1.3.3. Companies with Foreign Capital by the Size of Capital

The distribution of companies with foreign capital by their equity capital size shows that the share of companies with less than USD 50,000 of equity capital had a downward trend between 2009 and 2011 which reversed in 2012, reaching to a value of 58.5 % in 2013.

Nevertheless, the share of the companies with an equity capital within the range of USD 50,000-200,000 followed an opposite trend by increasing till 2011, and decreasing since 2012.

The share of the companies with a capital higher than USD 500,000 was 6.3% in 2013 (Table 12).

**Table 11: Breakdown of Companies with Foreign Capital by Amount of Equity Capital (2009-2013)**

Capital Amount (\$)	2009		2010		2011		2012		2013	
	Number of Companies	Share in Total (%)	Number of Companies	Share in Total (%)	Number of Companies	Capital Amount (\$)	Number of Companies	Share in Total (%)	Number of Companies	Share in Total (%)
<50.000	1.296	46,3	1.462	44,7	1.842	42,3	2.020	47,2	2.158	58,5
50.000 - 200.000	922	32,9	1149	35,1	1720	39,5	1.634	38,2	1.102	29,8
200.000 - 500.000	237	8,5	293	9,0	370	8,5	272	6,4	198	5,4
>500.000	346	12,4	367	11,2	426	9,8	354	8,3	234	6,3
<b>Toplam</b>	<b>2.801</b>	<b>100,0</b>	<b>3.271</b>	<b>100,0</b>	<b>4.358</b>	<b>100,0</b>	<b>4.280</b>	<b>100,0</b>	<b>3.692</b>	<b>100,0</b>

Provisional Data, Source: Ministry of Economy

In 2013, 234 companies with an equity capital over USD 500,000, were established. Among these 76 were in the wholesale and retail trade sector, 37 in the manufacturing industry, 28 in real-estate renting and business activities sector, 21 in transportation, communication and storage services, 19 in electricity, gas and water sector and 16 in construction sector. (Table 12).



**Table 12: Breakdown of Companies with Foreign Capital by Sector and Amount of Equity Capital (2012-2013)**

Sectors	2012					2013				
	Capital Amount (\$)									
	<50.000	50.000-200.000	200.000-500.000	>500.000	Toplam	<50.000	50.000 - 200.000	200.000 - 500.000	>500.000	Toplam
Agriculture, Hunting, Forestry and Fishery	19	28	5	3	55	20	13	4	4	41
Mining and Quarrying	5	13	1		19	11	7	2	3	23
Manufacturing Industry	137	113	30	37	317	154	92	27	37	310
<i>Food Products, Beverage and Tobacco Manufacturing</i>	7	8	4	2	21	5	7	1	1	14
<i>Textile Products Manufacturing</i>	11	7	1		19	5	8		4	17
<i>Chemical Substance and Products Manufacturing</i>	16	13	3	4	36	18	11	3	5	37
<i>Machinery and Equipment Manufacturing</i>	9	11	3	6	29	16	9	3		28
<i>Motor Land Vehicle Manufacturing</i>	4	1	2	3	10	6	2		1	9
<i>Other Manufacturing</i>	90	73	17	22	202	104	55	20	26	205
Electricity, Gas and Water	90	36	10	15	151	80	39	7	19	145
Construction	139	137	31	33	340	167	98	25	16	306
Wholesale and Retail Trade	809	816	133	145	1.903	896	533	83	76	1.588
Hotels and Restaurants	43	38	5	9	95	54	14	8	6	82
Transport, Communication, Storage	215	172	23	32	442	226	122	11	21	380
Activities of Financial Intermediation Organizations	9	5	1	13	28	8	6	1	8	23
Real-estate Renting and Business Activities	431	193	22	48	694	437	138	22	28	625
Other Communal, Social and Individual Service Activities	123	83	11	19	236	105	40	8	16	169
<b>Total</b>	<b>2.020</b>	<b>1.634</b>	<b>272</b>	<b>354</b>	<b>4.280</b>	<b>2.158</b>	<b>1.102</b>	<b>198</b>	<b>234</b>	<b>3.692</b>

Provisional Data, Source: Ministry of Economy

In 2013, 104 of the 234 companies with an equity capital over USD 500,000, were companies with partners from EU countries. Among them the Netherlands was prominent with 25 companies (Table 13).

**Table 13: Breakdown of Companies with Foreign Capital by Home Country and Amount of Equity Capital (2012 - 2013)**

Ülkeler	2012					2013				
	Capital Amount (Dollars)									
	<50.000	50.000 - 200.000	200.000 - 500.000	>500.000	Total	<50.000	50.000 - 200.000	200.000 - 500.000	>500.000	Total
EU Countries	865	433	85	165	1.548	859	291	73	104	1.327
<i>Germany</i>	263	157	32	39	491	253	112	25	17	407
<i>The Netherlands</i>	85	51	7	28	171	86	25	14	25	150
<i>England</i>	108	37	7	19	171	118	25	5	10	158
<i>Italy</i>	58	31	6	13	108	54	27	10	10	101
<i>Other EU Countries</i>	351	157	33	66	600	348	102	19	42	511
Other European Countries (Except EU Countries)	204	151	30	38	423	218	89	20	10	337
North Africa Countries	50	50	7	8	115	90	51	10	7	158
Other Africa Countries	20	16	0	1	37	30	8	1	1	40
North America	82	49	9	11	151	91	22	3	11	127
<i>U.S.A.</i>	63	33	7	10	113	70	15	3	11	99
<i>Canada</i>	19	16	2	1	38	21	7	0	0	28
Central and South America, Caribbean	9	5	1	4	19	16	5	1	4	26
Near and Middle East Countries	635	800	118	92	1.645	663	539	69	64	1.335
Other Asia	134	118	20	31	303	172	93	19	29	313
Other Countries	21	12	2	4	39	19	4	2	4	29
<b>Total</b>	<b>2.020</b>	<b>1.634</b>	<b>272</b>	<b>354</b>	<b>4.280</b>	<b>2.158</b>	<b>1.102</b>	<b>198</b>	<b>234</b>	<b>3.692</b>

Provisional Data, Source: Ministry of Economy

#### 1.3.4. Geographical Distribution of Companies with Foreign Capital

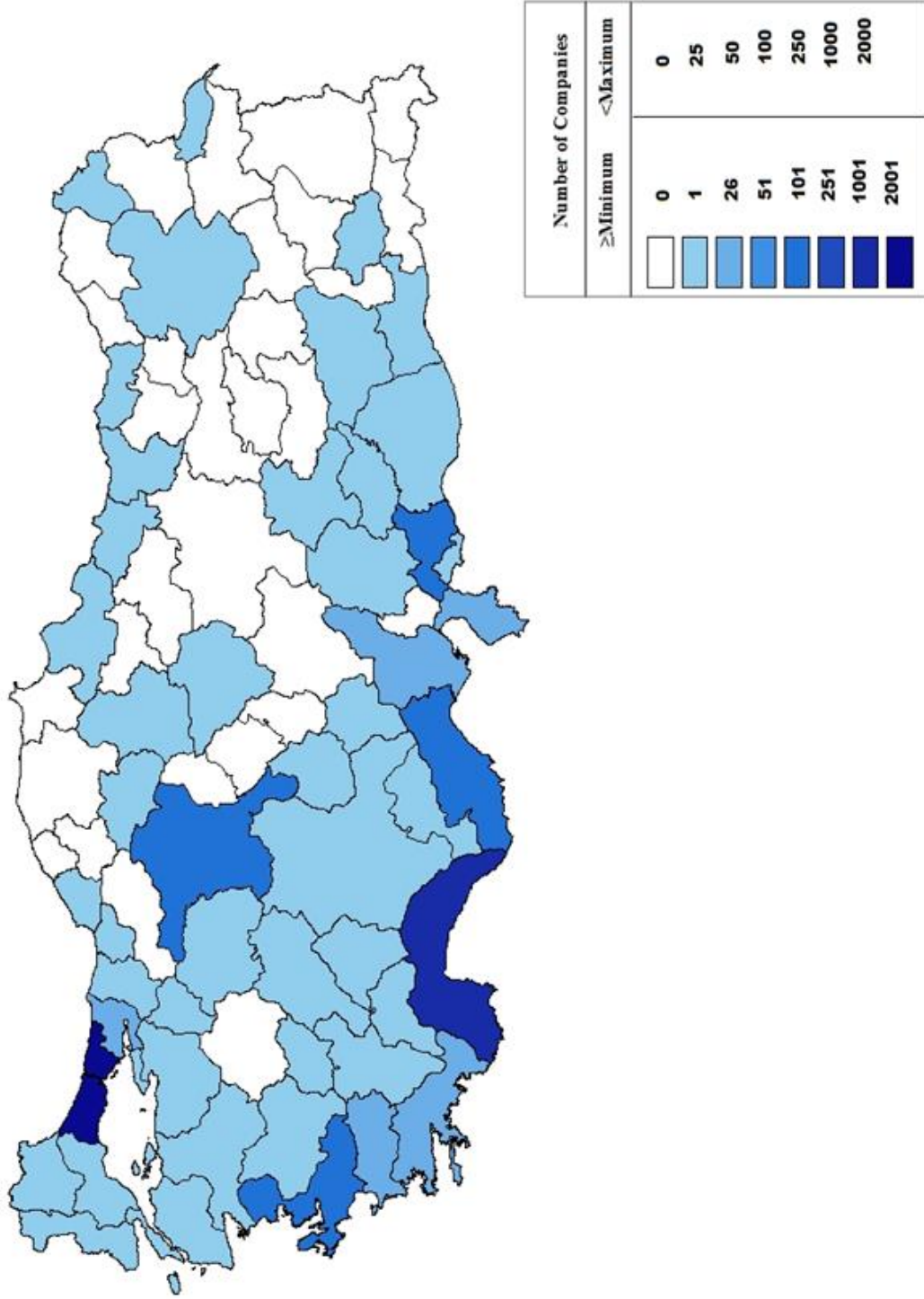
According to the distribution of 37,495 companies with foreign capital by their province of establishment, Istanbul ranked first with 22,229 companies. Following cities are Antalya with 4,093, Ankara with 2,340 and İzmir with 1.981 companies (Table 14).

**Table 14: Breakdown of Companies with Foreign Capital by Province of Establishment (Top 10 Provinces)**

City	Number of Companies (1954-2012)	Share in Total (%)	Number of Companies (2013)	Share in Total (%)
İSTANBUL	19.811	58,61	2.418	65,49
ANTALYA	3.813	11,28	280	7,58
ANKARA	2.149	6,36	191	5,17
İZMİR	1.822	5,39	159	4,31
MUĞLA	1.463	4,33	37	1,00
MERSİN	583	1,72	146	3,95
BURSA	594	1,76	20	0,54
AYDIN	522	1,54	36	0,98
KOCAELİ	384	1,14	31	0,84
GAZİANTEP	214	0,63	125	3,39
Other Provinces	2.448	7,24	249	6,74
<b>Total</b>	<b>33.803</b>	<b>100,00</b>	<b>3.692</b>	<b>100,00</b>

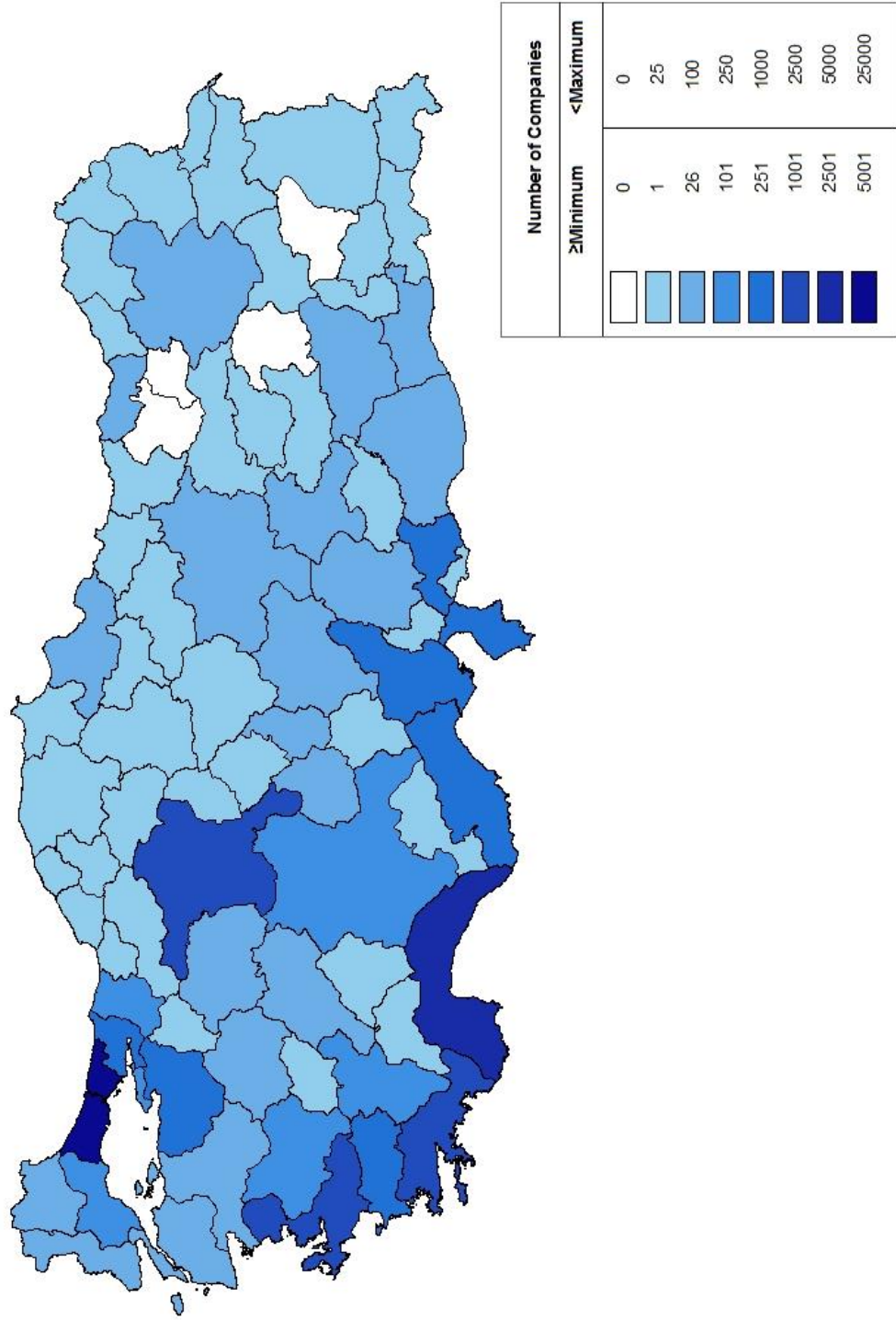
Provisional Data, Source: Ministry of Economy

Map 1: Breakdown of Companies with Foreign Capital by Province of Establishment (2013)



Provisional Data, Source: Ministry of Economy

**Map 2: Breakdown of Companies with Foreign Capital by Province of Establishment (1954-2013)**



Provisional Data, Source: Ministry of Economy

In the province of Istanbul where 59.3% of the 37,495 companies with foreign capital are operating, the fields that the companies with foreign capital mostly focus on are wholesale and retail trade, real estate rental and business activities and manufacturing industry sectors (Table 15).

**Table 15: Breakdown of Companies with Foreign Capital by Sector and Province of Establishment (1954-2013)**

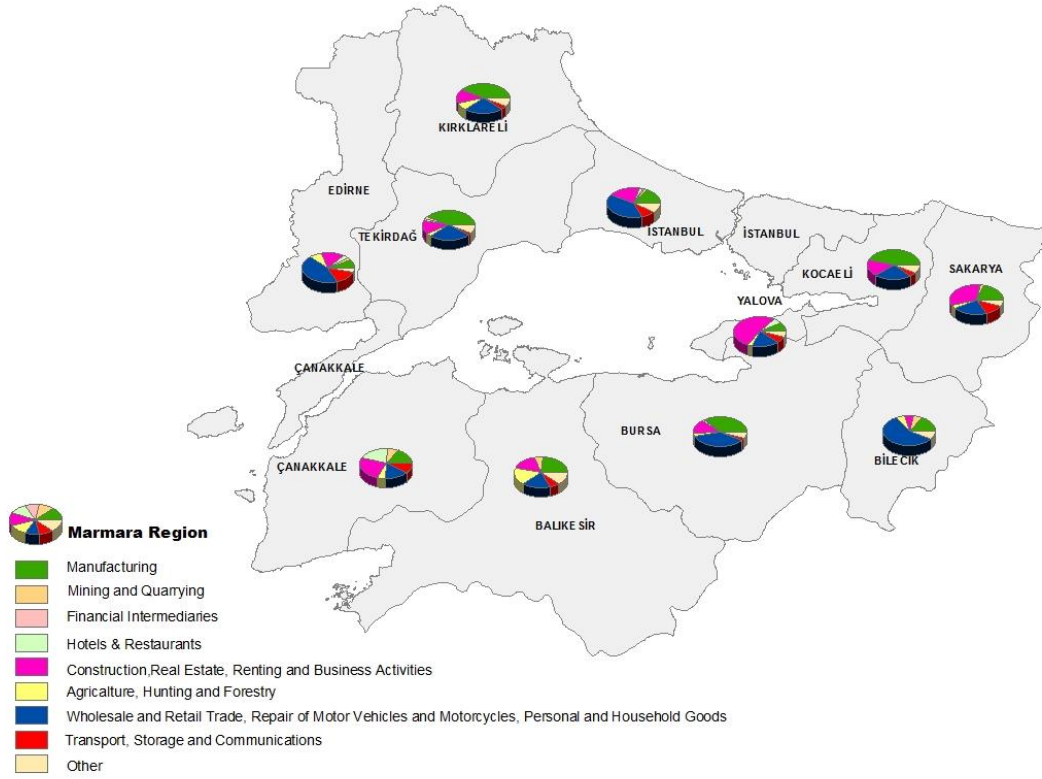
Sectors	Istanbul	Antalya	Ankara	İzmir	Muğla
Agriculture, hunting, fishing and forestry	178	96	27	69	23
Mining and quarrying	280	29	131	58	9
Manufacturing	3.200	252	301	417	61
<i>Manufacture of food products, beverages and tobacco</i>	266	35	26	58	6
<i>Manufacture of textiles</i>	343	6	8	25	4
<i>Manufacture of chemicals and chemical products</i>	410	25	22	38	1
<i>Manufacture of machinery and equipment</i>	274	9	36	41	2
<i>Manufacture of motor vehicles, trailers and semi-trailers</i>	106	0	10	19	0
<i>Other Manufacturing</i>	1.801	177	199	236	48
Electricity, gas and water supply	565	51	171	62	6
Construction	1.490	694	267	149	219
Wholesale and retail trade	8.466	714	686	684	136
Hotels and restaurants	732	609	78	80	284
Transport, storage and communications	2.187	486	127	129	209
Financial intermediation	322	10	12	9	7
Real estate, renting and business activities	3.548	947	381	236	501
Other community, social and personal service activities	1.261	205	159	88	45
<b>Total</b>	<b>22.229</b>	<b>4.093</b>	<b>2.340</b>	<b>1.981</b>	<b>1.500</b>

Provisional Data, Source: Ministry of Economy

64% of the 37,495 companies with foreign capital in Turkey operate in Marmara region, 14.7% of them in Mediterranean, 11.6% in Aegean region, 7.5% of them in Central Anatolia and remaining 2.2% in other regions. The wholesale and retail trade, manufacturing industry, real estate rental and business activities and transportation, communication and storage service sectors which have the highest numbers of the companies with foreign capital are mostly operating in Marmara Region (Map 3,4,5,6,7,8,9).

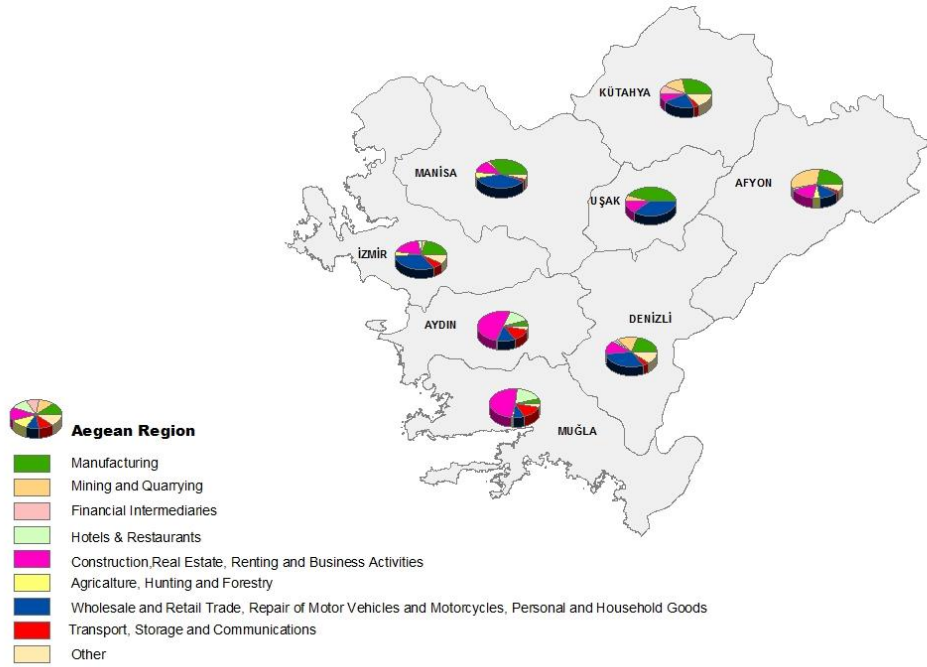
## Regional Distribution of Companies with Foreign Capital by Sector

Map 3: Marmara Region

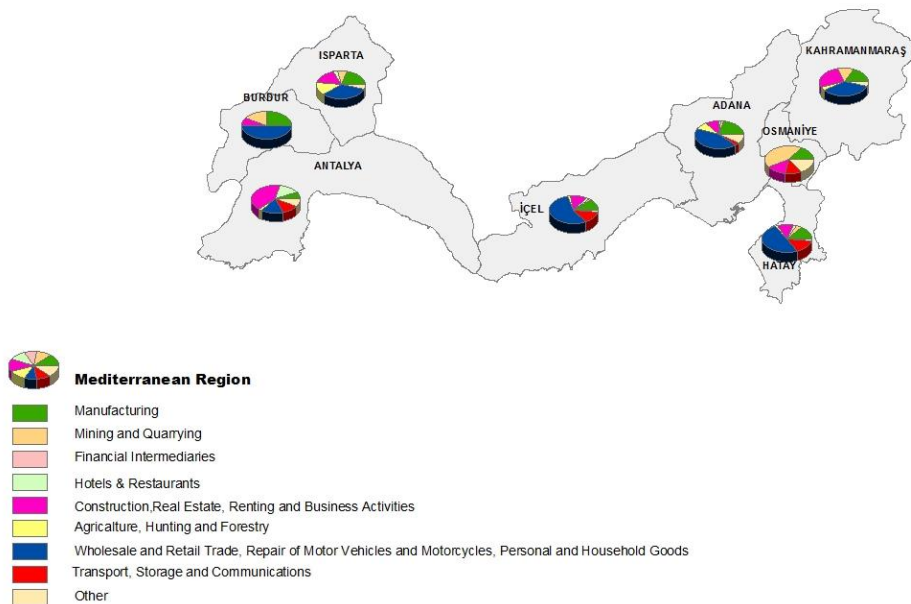




## Map 4: Aegean Region

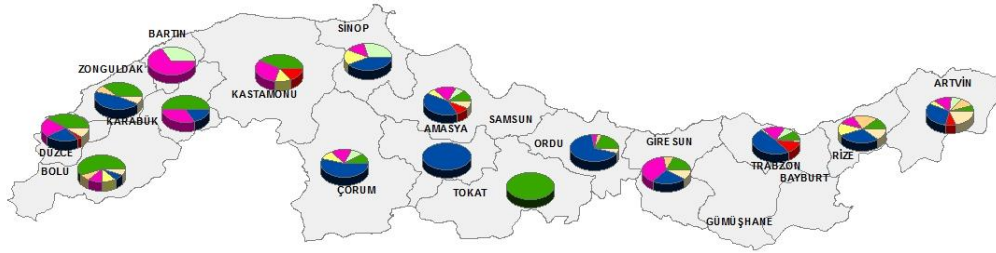


## Map 5: Mediterranean Region

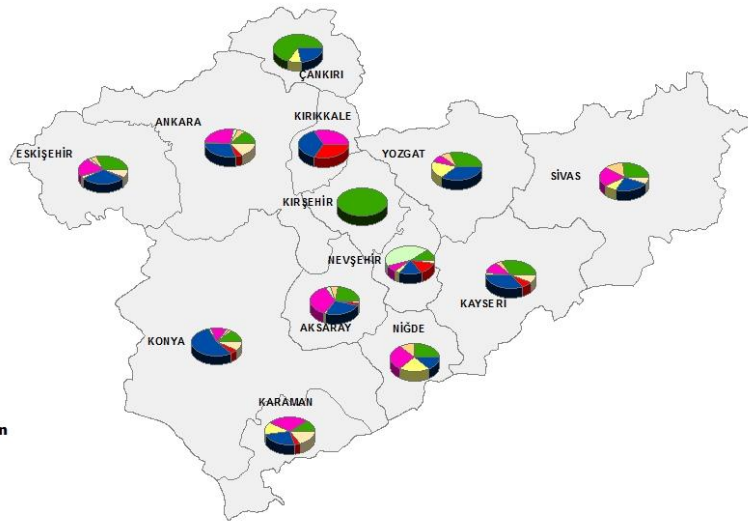




## Map 6: Black Sea Region



## Map 7: Central Anatolia Region





#### 1.4. Investment Projects of Companies with Foreign Capital in Turkey

In the period of 2009-2013, a total amount of USD 29.1 billion was registered for investment with 1,059 projects started by companies with foreign capital. 240 investment certificates were issued for the projects to be carried out by these companies in 2013. The projected investment amount regarding these projects was USD 6.9 billion. (Table 16)

**Table 16: Investment Projects of Companies with Foreign Capital**

	Greenfield Projects for Production or Services		Expansion Projects		Other Types of Investment <sup>a</sup>		Total	
	Projects (Number)	Investment Amount (USD Million)	Projects (Number)	Investment Amount (USD Million)	Projects (Number)	Investment Amount (USD Million)	Projects (Number)	Investment Amount (USD Million)
2009	78	3.657	50	1.743	36	2.075	164	7.474
2010	112	2.438	61	876	35	1.828	208	5.141
2011	112	3.727	67	1.601	32	281	211	5.608
2012	117	1.801	84	1.895	35	296	236	3.993
2013	106	4.135	76	854	58	1.921	240	6.910
<b>Total</b>	<b>525</b>	<b>15.757</b>	<b>338</b>	<b>6.969</b>	<b>196</b>	<b>6.400</b>	<b>1.059</b>	<b>29.127</b>

Source: Ministry of Economy

a) Modernization, Product Diversification, Integration

44% of the 240 projects initiated in 2013 were greenfield projects in production and services sectors, 32% were expansion, 24% were modernization, product diversification and integration projects. USD 4.1 billion investment amount registered for the 106 greenfield investment projects makes up 59.8%, USD 854 million for the 76 expansion investments makes up 12.4% and USD 1,921 million for the 58 modernization, product diversification and integration investment projects makes up 27,8% of the total investment amount. The greenfield projects corresponded to approximately 49.6% of the projects initiated in the last 5 years in numbers, and they had a share of 54.1% in the total investment amount.

The number of projects launched by the companies with foreign capital rose by 1,7% in 2013 compared to 2012, and the amount of investment increased by 73.1%. In the sectoral distribution in terms of total investment amount, automotive sector had predominant place with USD 2.1 billion investment amount corresponding to a share of 30.5% (Table 17). In the

industry, the Ford Otomotiv Sanayi .A.Ş.'s projects amounting to USD 818 million, Tofaş Türk Otomobil Fabrikası A.Ş.' projects with values of USD 811 million were the leading ones.

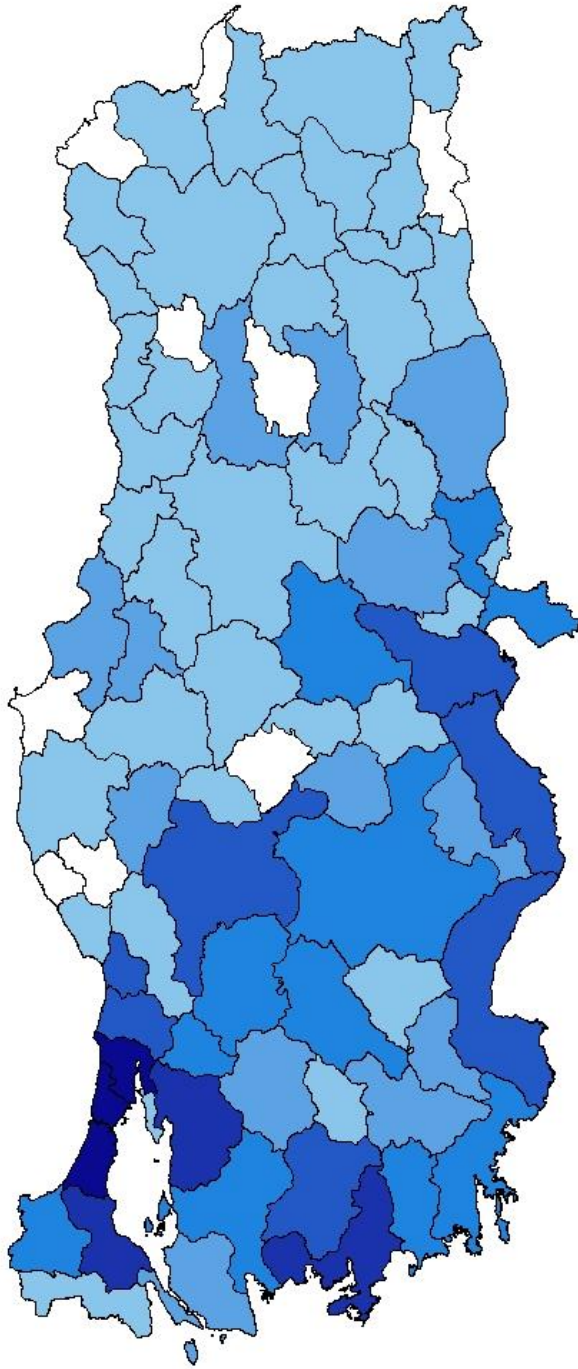
Even though the electricity, gas and water production and distribution sector which was in the second place only had a share of 4.6% in terms of number of investment projects, it reached to an investment volume of USD 1.7 billion with 11 projects. The leading projects in 2013 in this investment amount were investment projects of içinde Komet Enerji Sanayi ve Ticaret A.Ş. with USD 733.9 million, Kalehan Enerji Üretim ve Ticaret A.Ş.'s with USD 550.4 million.

In the health sector which was in the third place with a share of 11.3%; ATM Sağlık Kayseri Yatırım ve İşletme A.Ş.'s USD 482 million project and Mersin Entegre Hastane Hizmetleri Yatırım ve İşletme A.Ş.'s with USD 273.6 million were the significant projects in the sector in 2013.

Besides Sumitoma Rubber Ako Lastik San. ve Tic. A.Ş.'s USD 459 million project and Ica Ic İçtaş Astaldi Üçüncü Boğaz Köprüsü Kuzey Marmara Otoyolu Yatırım ve İşletme A.Ş.'s with USD 330 million were the other important projects in the manufacturing industry and services sector.

Since 2009 the projects initiated in manufacturing and electricity, gas and water production industries have accounted for an important part of total investment value. In last five years these sectors' average investment amount was about 2.25 million (Table 18).

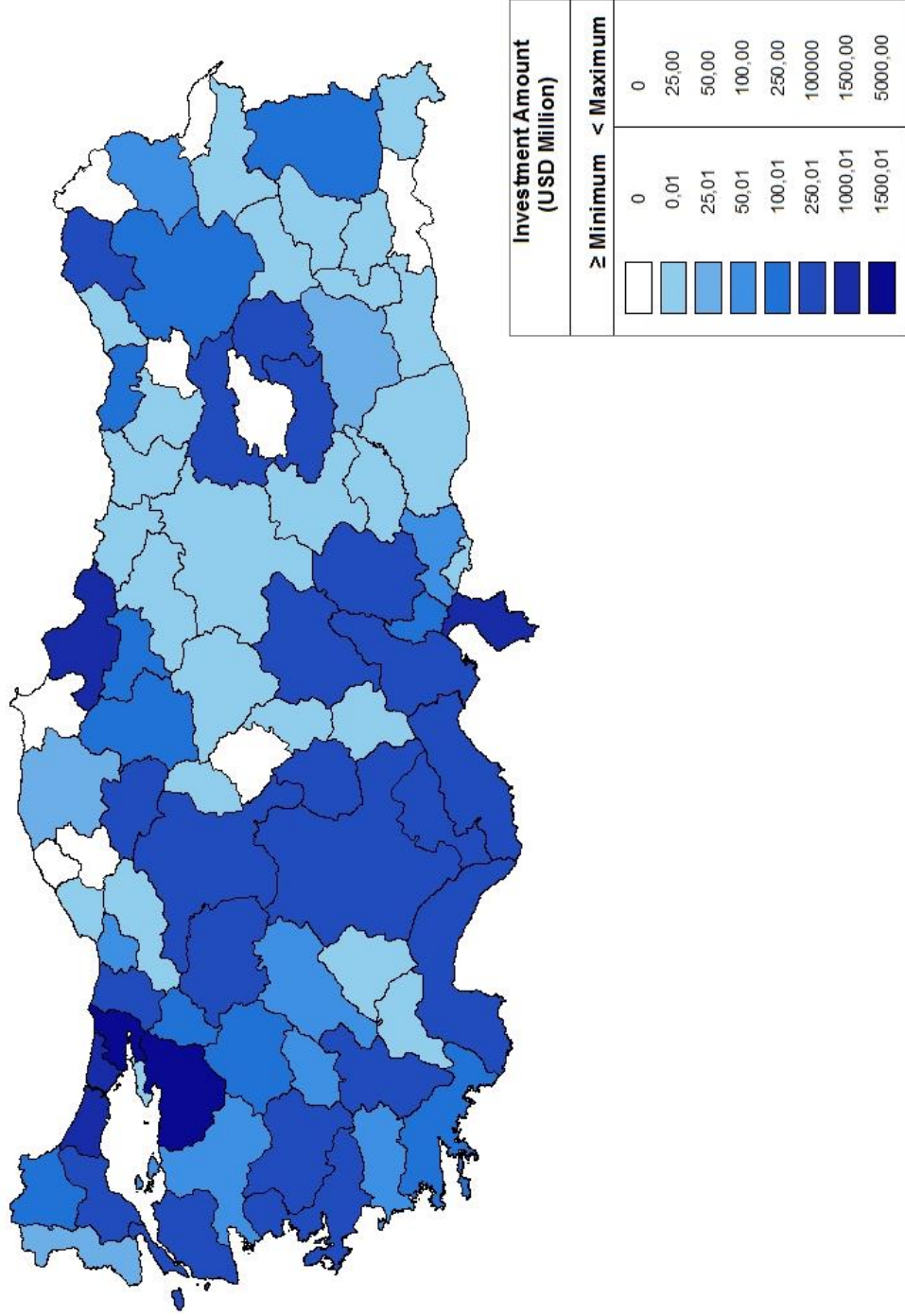
Map 10: The Distribution of Investment Projects by Province (2009-2013)



Number of Investment Projects	
≥Minimum	<Maximum
0	0
1	5
6	10
11	20
21	50
51	100
101	200

Source: Ministry of Economy

Map 11: The Distribution of Investment Amount of Investment Projects by Province (2009-2013)



Source: Ministry of Economy

**Table 17: Sectoral Distribution of the Investment Projects of Companies with Foreign Capital in 2013**

Sectors	Projects Started for Greenfield Investments		Projects Started for Expansion Investments		Other Type of Investments <sup>a</sup>		Total		The Shares of the Sectors In Total (%)	
	Number of Projects	Investment (Million Dollars)	Number of Projects	Investment (Million Dollars)	Number of Projects	Investment (Million Dollars)	Number of Projects	Investment (Million Dollars)	Number of Projects	Investment (Million Dollars)
AGRICULTURE, HUNTING	3	5,8	2	11,6	2	12,0	7	29,4	2,9	0,4
MINING	10	21,4	3	11,0	1	0,6	14	32,9	5,8	0,5
Metal Ore Mining	3	5,8	0	0,0	0	0,0	3	5,8	1,3	0,1
Mining and Quarrying	7	15,6	3	11,0	1	0,6	11	27,2	4,6	0,4
MANUFACTURING INDUSTRY	66	1.192,7	65	792,0	51	1.898,5	182	3.883,3	75,8	56,2
Food and Beverages	11	61,9	7	95,2	12	40,8	30	197,9	12,5	2,9
Textile	3	8,7	0	0,0	0	0,0	3	8,7	1,3	0,1
Chemistry	7	243,0	6	72,9	1	2,2	14	318,0	5,8	4,6
B.Y.S. Machinery and Equipment Manufacturing	5	15,4	14	60,8	9	180,6	28	256,8	11,7	3,7
B.Y.S. Electrical Machinery and Devices Manufacturing	1	9,1	1	1,6	3	6,1	5	16,9	2,1	0,2
Motor Land Vehicle. Trailer and Semi-trailer Manufacturing	7	68,4	11	476,6	8	1.559,3	26	2.104,3	10,8	30,5
Main Metal Industry	0	0,0	0	0,0	1	2,3	1	2,3	0,4	0,0
Metal Goods Industry	5	9,3	10	28,6	3	3,2	18	41,2	7,5	0,6
Paper and Paper Products Manufacturing	3	5,8	1	3,1	2	4,9	6	13,9	2,5	0,2
Plastic and Rubber Products Manufacturing	6	466,2	7	26,7	4	7,9	17	500,8	7,1	7,2
Manufacturing of Non-Metal Other Substances	3	112,1	2	3,7	5	30,7	10	146,4	4,2	2,1
Recycling the Scissel and Salvage	3	15,0	0	0,0	0	0,0	3	15,0	1,3	0,2
Ship and Yacht	0	0,0	2	15,6	2	58,0	4	73,6	1,7	1,1
Other Manufacturing	12	177,8	4	7,2	1	2,5	17	187,5	7,1	2,7
ELECTRICITY, GAS AND WATER	10	1.657,6	0	0,0	1	2,5	11	1.660,1	4,6	24,0
HOTELS AND RESTAURANTS	7	70,7	2	10,6	2	4,2	11	85,6	4,6	1,2
TRANSPORTATION, COMMUNICATION AND STORAGE OPERATIONS	4	76,5	3	28,4	0	0,0	7	105,0	2,9	1,5
Supportive and Assisting Transportation Activities	2	71,2	1	14,7	0	0,0	3	85,9	1,3	1,2
Land transport; transport via pipelines	1	3,2	1	12,8	0	0,0	2	16,0	0,8	0,2
Telecommunication	1	2,1	1	0,9	0	0,0	2	3,1	0,8	0,0
EDUCATION SERVICES	1	0,9	0	0,0	0	0,0	1	0,9	0,4	0,0
REAL-ESTATE, RENTAL AND WORKING ACTIVITIES	1	0,6	1	0,9	0	0,0	2	1,5	0,8	0,0
HEALTH	3	778,9	0	0,0	1	2,7	4	781,7	1,7	11,3
OTHER SERVICE ACTIVITIES	1	329,9	0	0,0	0	0,0	1	329,9	0,4	4,8
TOTAL	106	4.135,1	76	854,5	58	1.920,6	240	6.910,2	100,0	100,0

Source: : Ministry of Economy



**Table 18: Sectoral Distribution of the Investment Projects of Foreign-owned Companies with Investment Certificates between 2009 and 2013**

Sectors	2009		2010		2011		2012		2013	
	Projects (Number)	Investment Amount (USD Million)	Projects (Number)	Investment Amount (USD Million)	Projects (Number)		Projects (Number)	Investment Amount (USD Million)	Projects (Number)	Investment Amount (USD Million)
Agriculture, Hunting	2	4	8	40	4	16	6	19	7	29
Mining	6	212	8	19	6	20	9	84	14	33
Manufacturing Industry	112	3.198	151	3.299	160	1.575	171	2.160	182	3.883
Electricity, Gas and Water	17	2.134	11	1.143	17	2.498	9	949	11	1.660
Hotels and Restaurants	11	113	15	213	7	64	9	126	11	86
Transportation, Communication and Storage Activities	10	1.722	6	362	14	1.427	22	608	7	105
Educational Services	0	0	0	0	0	0	1	1	1	1
Real Estate, Rental and Working Activities	1	0	1	1	1	1	3	5	2	1
Health	1	35	5	60	2	6	4	23	4	782
Wholesale and Retail trade	1	6	1	1	0	0	0	0	0	0
Other Service Activities	3	51	2	3	0	0	2	18	1	330
<b>Total</b>	<b>164</b>	<b>7.474</b>	<b>208</b>	<b>5.141</b>	<b>211</b>	<b>5.608</b>	<b>236</b>	<b>3.993</b>	<b>240</b>	<b>6.910</b>

Source: Ministry of Economy



The provincial distribution of the investment amount of the projects launched in 2013 reveals that Kocaeli where the motor vehicles, trailers and semi-trailers industry, food industry and machinery projects have an important place and Bursa where the motor vehicles, trailers and semi trailers industry is intense take the first two locations of the investment projects.

Kocaeli with USD 4.51 million was in the first place in terms of investment amount in 2009-2013. The provinces of Bursa (USD 4.46 million) and İstanbul (USD 1.3 million) followed Kocaeli.

**Table 19: Distribution of Investment Projects of Companies with Foreign Capital by Province 2009-2013 (USD Million)**

Province	2009	2010	2011	2012	2013	2009-2013
KOCAELİ	400	1.298	1.366	506	939	4.509
BURSA	1.997	230	375	758	1.099	4.460
İSTANBUL	230	259	124	232	454	1.299
SAMSUN	1.209	0	14	11	12	1.246
HATAY	223	5	1	1.011	0	1.239
ADANA	360	308	8	301	14	991
TEKİRDAĞ	474	266	34	57	157	987
DENİZLİ	0	769	0	4	127	900
KARAMAN	0	15	7	15	749	786
ARTVİN	13	0	703	0	0	716
MANİSA	106	108	265	170	46	696
KAYSERİ	49	22	58	57	485	672
İZMİR	137	110	67	229	128	671
MERSİN	96	40	120	38	281	575
ELAZIĞ	0	6	533	7	10	556
BİNGÖL	0	0	1	0	550	551
ÇANKIRI	0	26	5	0	492	523
SAKARYA	21	337	35	73	39	505
ANTALYA	26	311	39	29	31	436
ESKİŞEHİR	53	58	1	86	213	411

Source: Ministry of Economy

The provincial distribution of the total number of the investment projects launched between 2009-2013 exhibits that Kocaeli (142) and İstanbul (129) took the first two places. Bursa followed them with 79 projects.

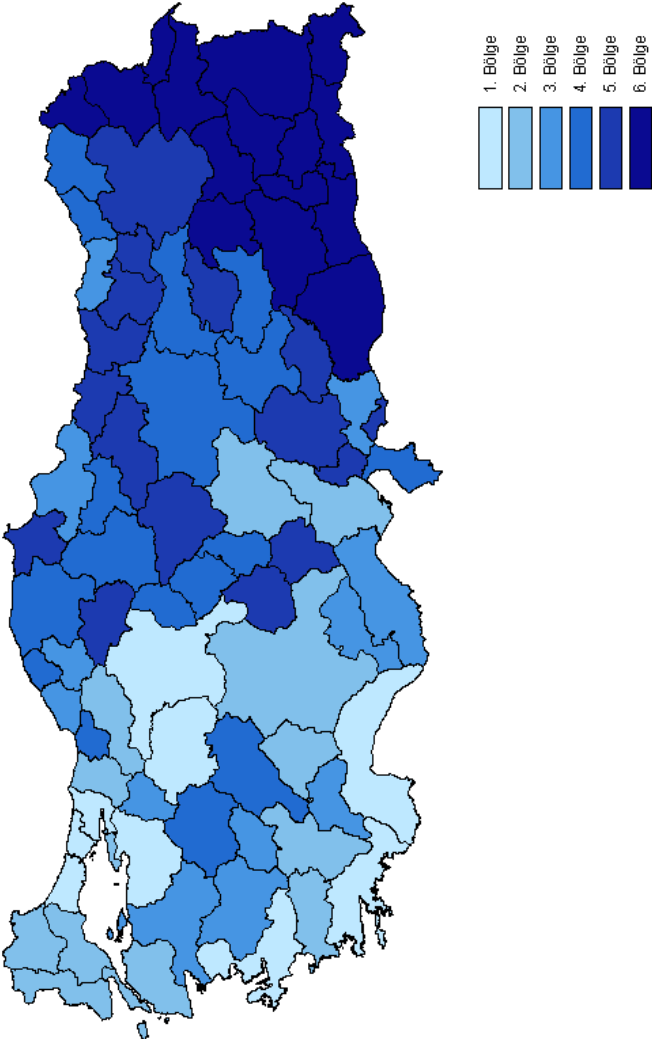
**Table 20: Distribution of Investment Projects of Companies with Foreign Capital by Province 2009-2013 (Number of Projects)**

Provinces	2009	2010	2011	2012	2013	2009-2013
KOCAELİ	31	27	27	37	20	142
İSTANBUL	15	22	29	34	29	129
BURSA	14	14	15	18	18	79
İZMİR	14	16	11	14	21	76
TEKİRDAĞ	7	9	10	13	12	51
ANKARA	7	8	9	12	11	47
MANİSA	5	9	10	11	9	44
ANTALYA	6	14	9	6	5	40
MERSİN	3	7	7	6	5	28
ADANA	6	4	3	5	6	24
SAKARYA	4	6	6	3	4	23
DÜZCE	3	2	6	2	8	21
ESKİŞEHİR	4	4	1	4	7	20
BİLECİK	3	2	3	3	7	18
BALIKESİR	0	5	2	4	6	17
MUĞLA	4	6	1	5	1	17
HATAY	5	2	1	8	0	16
GAZİANTEP	2	1	4	4	4	15
KIRKLARELİ	3	2	3	5	2	15
KAYSERİ	1	3	6	2	2	14

Source: Ministry of Economy

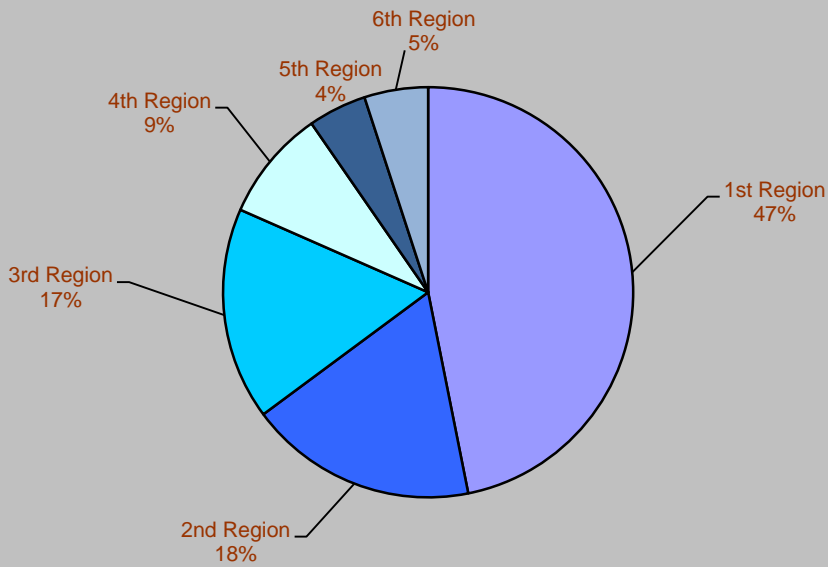
Analysis of the number of projects and the investment amounts in 2013 for the framework of regional and sectoral investment encouragement schemes indicates that the projects were mostly concentrated in the first region where the FDI companies heavily operate (Chart 7-8).

Map 12: Regions in the Scheme of State Aids for Investments Provinces

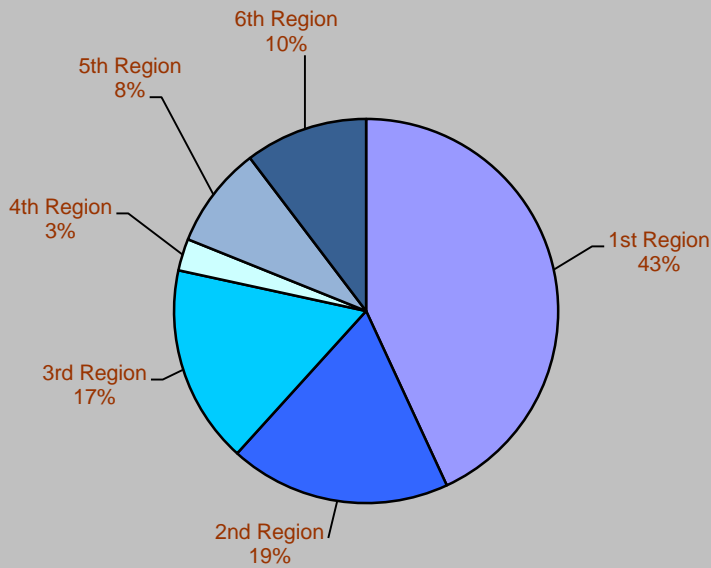


Source: Ministry of Economy

**Chart 7: Distribution of the Number of the Projects in 2013 by Region**



**Chart 8: Distribution of the Investment Amount of the Projects in 2013 by Region**



Source: Ministry of Economy

USD 3.03 billion of USD 6,9 billion total investment benefited from the encouragement measures of the general scheme, while total investment amount of USD 1

billion was supported within the scheme of large scale projects and USD 2,9 billion benefited from the regional scheme (Table 21).

**Table 21: Distribution of Investment Projects by Schemes of State Aids Category in 2013 (Million USD)**

Support Class	Regional		Large Scale		General		Total	
	Number	Investment Amount	Number	Investment Amount		Number	Investment Amount	Number
Energy	0	0	0	0	11	1,660	11	1,660
Services	22	219	0	0	8	1,108	30	1,327
Manufacturing	93	2,622	9	1,007	83	262	185	3,890
Mining	14	33	0	0	0	0	14	33
<b>Total</b>	<b>129</b>	<b>2,874</b>	<b>9</b>	<b>1,007</b>	<b>102</b>	<b>3,030</b>	<b>240</b>	<b>6,910</b>

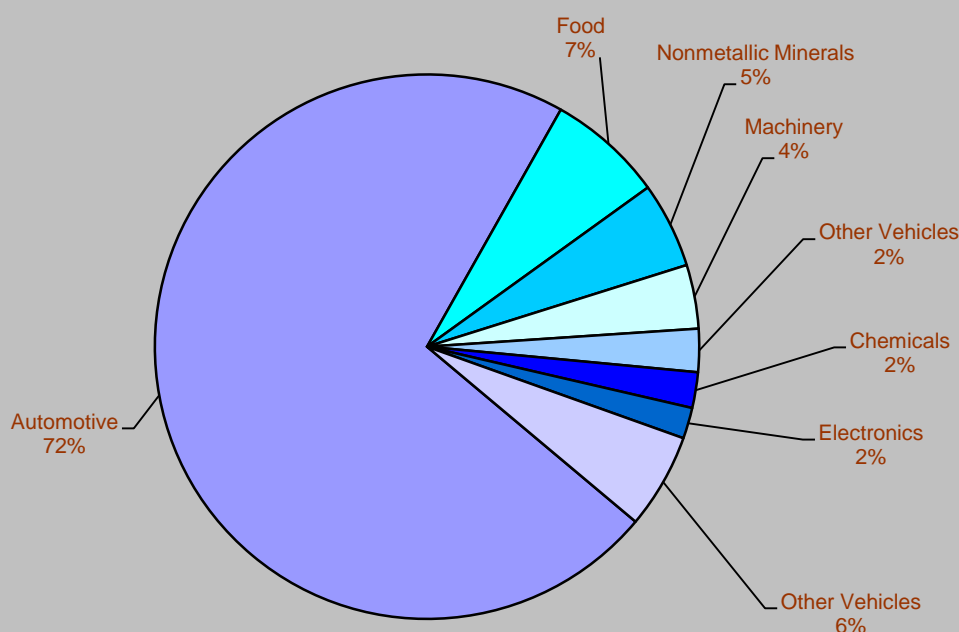
Source: Ministry of Economy

Similar to 2012, a significant part of the investments that benefit from general scheme was in the energy sector in 2013. Energy sector projects accounted for USD 1.66 billion of the USD 3.03 billion of investments which benefited from the General Encouragement Scheme. Manufacturing industry took the first place among the investments benefited from the regional scheme and scheme of large scale projects.

Nine projects that benefited from large scale project scheme with a total investment amount of USD 1 billion were in manufacturing. The investments benefiting from the large scale project scheme in the manufacturing industry were in automotive industry, manufacture machinery and electronics sectors.

When the sectoral distribution of 129 projects with a total amount of USD 2.9 billion benefiting from the Regional and Sectoral Scheme is reviewed, it is seen that with an investment amount of USD 2.6 billion, manufacturing industry took the first place. In the manufacturing industry, the automotive industry ranked first with an investment amount of USD 2.03 billion and a share of 72% (Chart 9). Manufacture of food products and non-metallic minerals sectors followed it.

**Chart 9: Distribution of Manufacturing Sector Investments Benefited from the Regional and Sectoral Scheme in 2013**



Source: Ministry of Economy

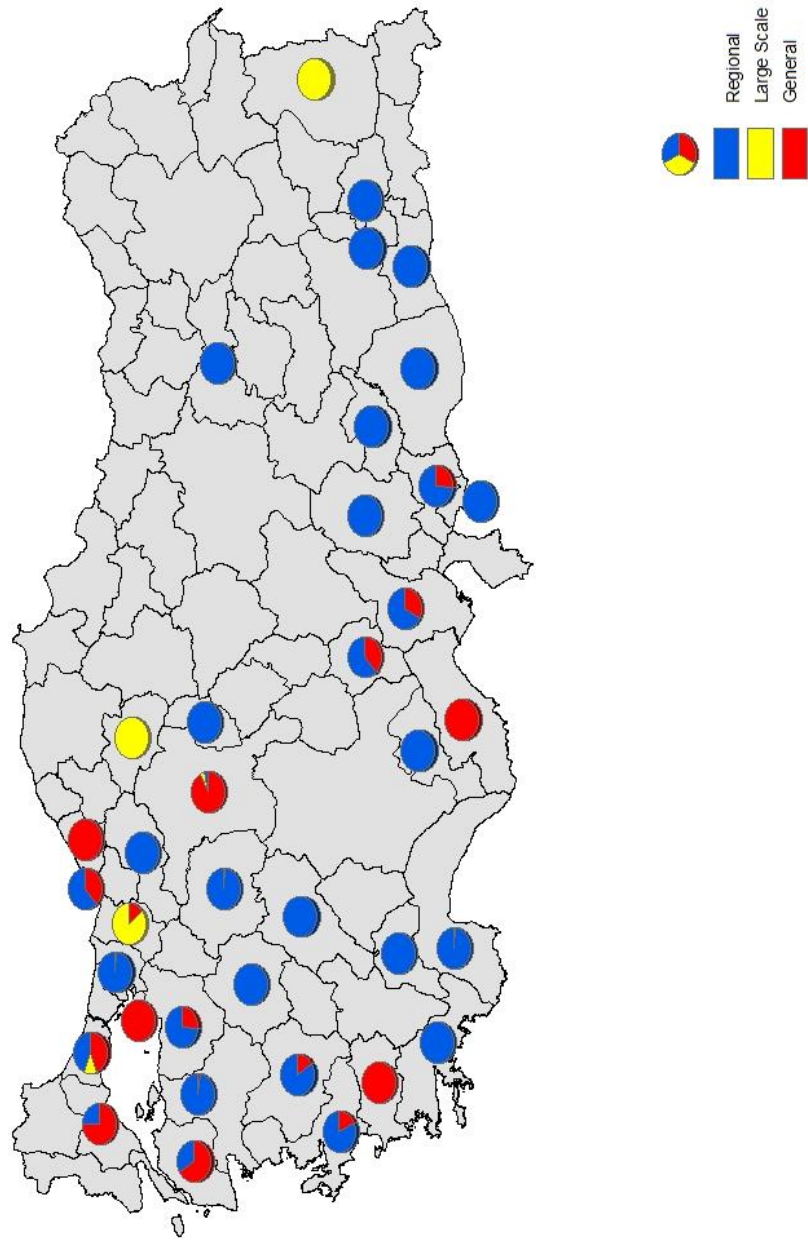
In 2012, 240 investment certificates were issued for a total investment amount of USD 6.9 billion. 27 of these certificates had individual investment values over USD 30 million and their total investment value amounts to USD 5.96 billion. According to sectoral distribution of these 27 projects manufacturing sector had the leading position according to investment amount and manufacturing sector according to number of projects (Table 22).

**Table 22: Distribution of Investment Projects by Schemes of State Aids Category in 2013 (Million USD)**

Support Class	Regional		Large Scale		General		Total	
	Number	Investment Amount	Number	Investment Amount	Number	Investment Amount	Number	Investment Amount
Energy	0	0	0	0	5	1,639.0	5	1,639.0
Services	1	68.7	0	0	3	1,085.6	4	1,154.2
Manufacturing	10	2,121.5	7	951.8	1	89.6	18	3,163.0
<b>Total</b>	<b>11</b>	<b>2,190.2</b>	<b>7</b>	<b>951.8</b>	<b>9</b>	<b>2,814.2</b>	<b>27</b>	<b>5,956.2</b>

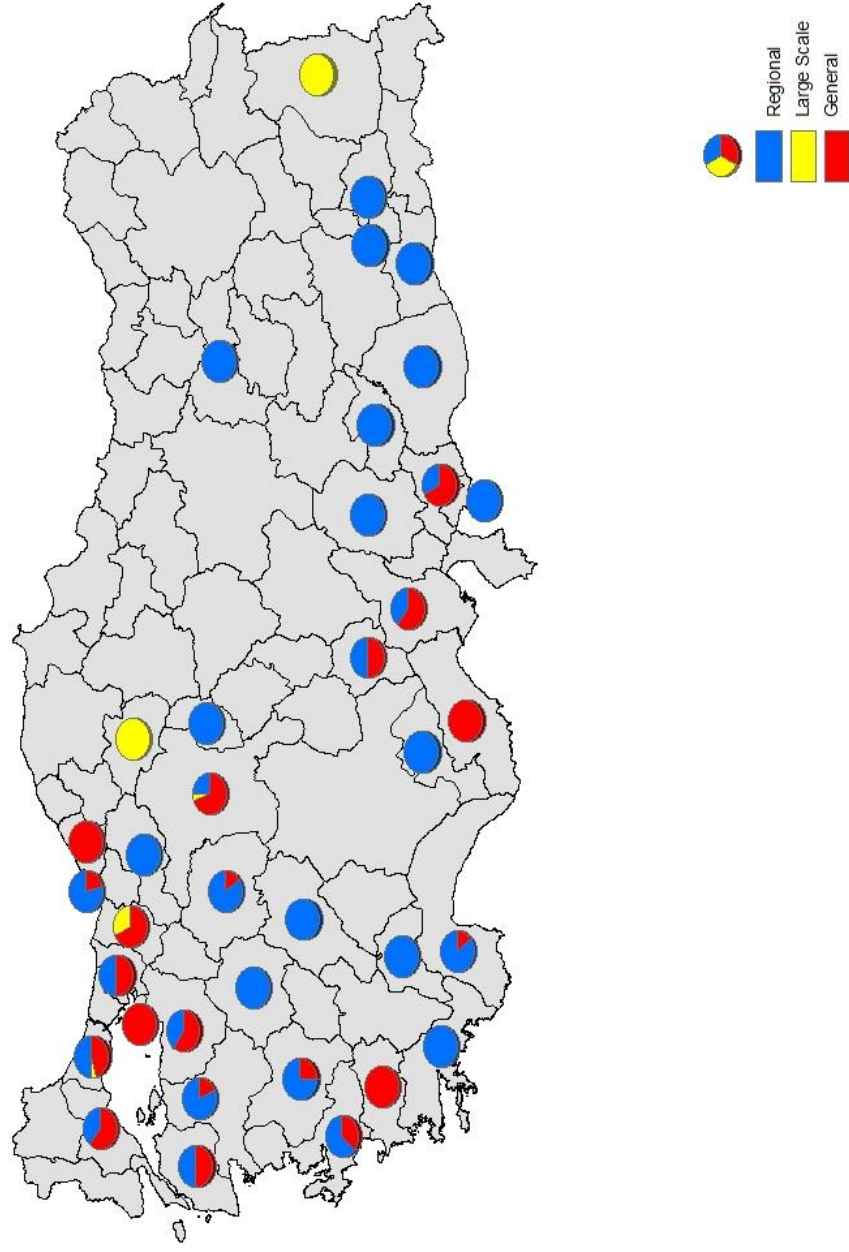
Source: Ministry of Economy

Map 13: Geographical Distribution of Investment Projects in 2013 by Category of State Aid for Investment Schemes (USD Million)



Source: Ministry of Economy

Map 14: Geographical Distribution of Investment Projects in 2013 by Category of State Aid for Investment Schemes (Number of Projects)



Source: Ministry of Economy



## 2. INVESTOR COUNTRIES IN TURKEY

In the last 10-year period, The Netherlands took the first place with USD 17.8 billion in terms of FDI flows to Turkey. Austria (USD 9.3 billion), the United States (USD 8.8 billion) and Belgium (USD 7.3 billion) and Germany (USD 7.2 billion) are the other top investor countries following the Netherlands.

The first ten countries in terms of FDI inflows in order <sup>10</sup> were the Germany, The Netherlands, Russia, Azerbaijan, Austria, Lebanon, Spain, Japan, Qatar and the United States in 2013. Germany, the Netherlands and Russia had, 18.5%, 9.8%, and 8,5% shares in FDI inflows respectively in the same year.

**Table 43: FDI in Turkey in 2013  
(USD Million)**

Rank	Country	Capital	(%)
1	Germany	1,900	18.5
2	The Netherlands	1,002	9.8
3	Russia	871	8.5
4	Azerbaijan	796	7.8
5	Austria	659	6.4
6	Lebanon	574	5.6
7	Spain	531	5.2
8	Japan	493	4.8
9	Qatar	469	4.6
10	The United States	326	3.2
	Other	2,625	25.6
	<b>Total</b>	<b>10,246</b>	<b>100</b>

Source: CBRT

**Table 5: FDI in Turkey, 2004-2013  
(USD Million)**

Rank	Country	Capital	(%)
1	The Netherlands	17,816	16.1
2	Austria	9,273	8.4
3	The United States	8,803	7.9
4	Belgium	7,322	6.6
5	Germany	7,162	6.5
6	Luxembourg	6,875	6.2
7	The United Kingdom	6,799	6.1
8	Greece	6,697	6.0
9	France	6,173	5.6
10	Spain	4,868	4.4
	Other	29,124	26.3
	<b>Total</b>	<b>110,912</b>	<b>100</b>

Source: CBRT

Germany and the Netherlands, among the top investors countries in 2013, also ranked in the top ten in terms of FDI inflows to Turkey in the period between 2004-2013. It is worth mentioning that nine out of top ten investor countries were the EU countries in that period.

FDI flows from Lebanon and Qatar in 2013 and FDI flows taking place from the United Arab Emirates and Saudi Arabia since 2004, are the clear evidence of Asian

<sup>10</sup> Net amount of transfers of the companies and branch offices with foreign capital and domestic companies with the participation of foreign capital. Other capital that is investment credits received by foreign-owned companies from foreign partners and transfers for acquisition of real estate by foreigners are excluded.

countries' increasing interest in Turkey. Along with the United States and EU countries, FDI flows from Asian countries prove that Turkey has attracted investments from different regions of the world in recent years.

**Table 25: FDI and Number of Companies for Countries in Top 10**

Rank	Country	Number of Companies in Turkey*	FDI in Turkey** (2013) (USD Million)	Global FDI Outflows*** (2013) (USD Million)
1	Germany	5,706	1,900	57,550
2	The Netherlands	2,318	1,002	37,432
3	Russia	1,668	871	94,907
4	Azerbaijan	1,445	796	1,490
5	Austria	735	659	13,940
6	Lebanon	263	574	690
7	Spain	547	531	26,035
8	Japan	183	493	135,749
9	Qatar	48	469	8,021
10	The United States	1,428	326	338,302

Sources:

\* Provisional Data, Ministry of Economy

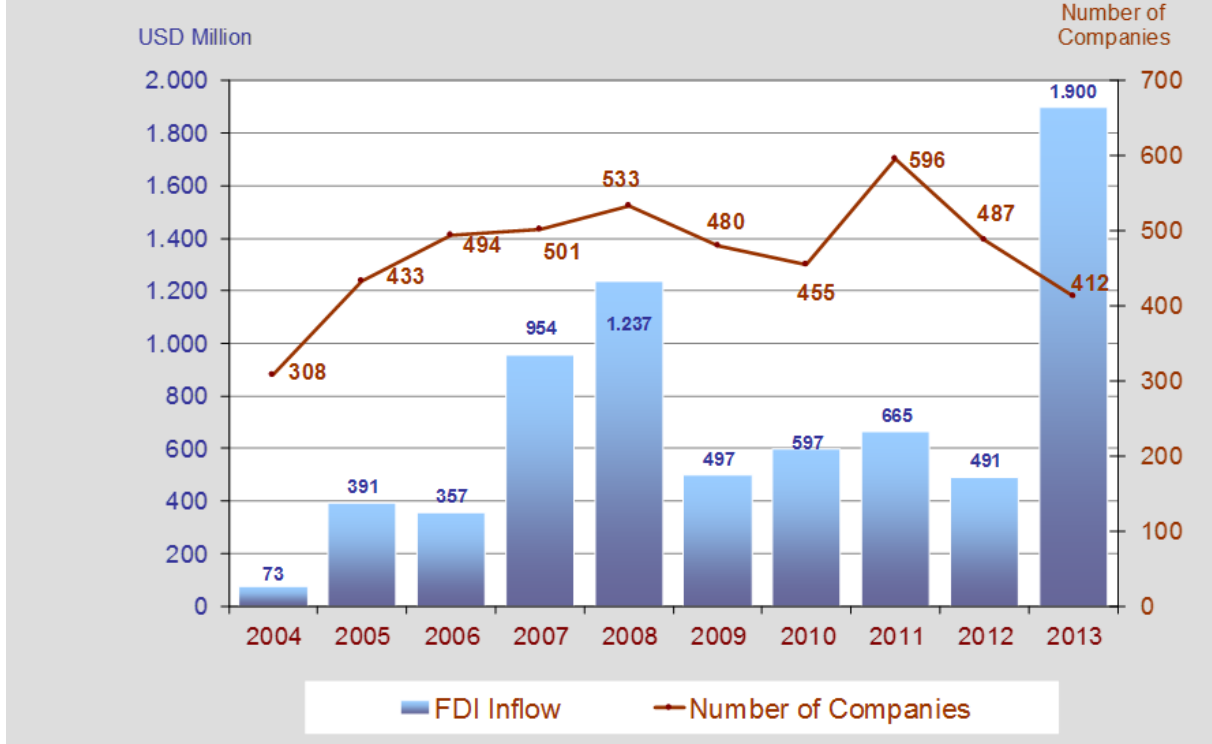
\*\* CBRT

\*\*\* WIR, 2013

### **Germany**

FDI flows from **Germany** to Turkey amounted 1.9 billion in 2013 and took the first place, reaching its highest level in 2004-2013 period. According to UNCTAD's data, FDI outflows from Germany was about USD 57.5 billion in 2013. FDI inflows from Germany amounting 1.9 billion constitutes 3,3% of Germany FDI outflows.

**Chart 10: Number of Companies Established in Turkey by Germany Based Investors and FDI Inflows from Germany to Turkey**



Source: Ministry of Economy, CBRT

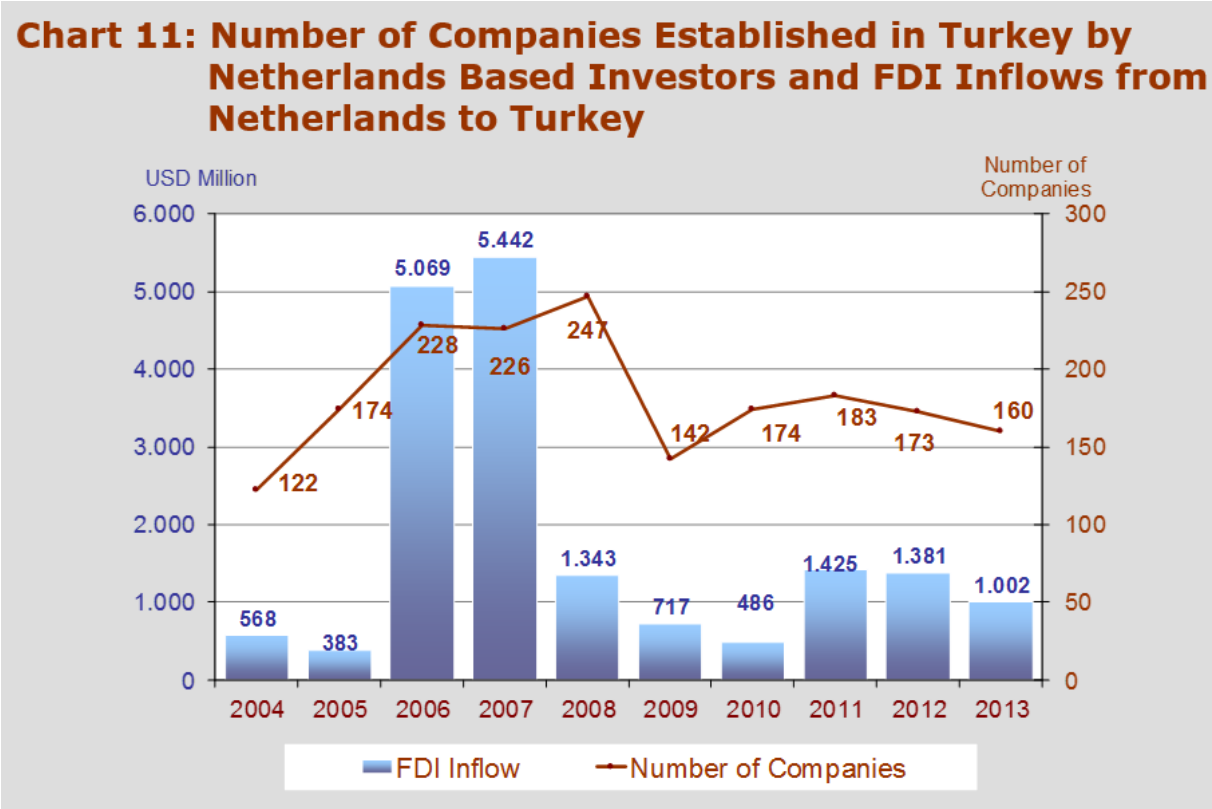
In 2013, almost all FDI flows from Germany were in the finance industry. In 2013, the acquisition of most of the shares of Yapı Kredi Sigorta A.Ş. by the German-based Allianz for USD 932 million and the acquisition of 50% share of Enerjisa Enerji A.Ş. by the DD Turkey Holdings SARL for USD 345 million were the most significant M&A transactions from Germany in the balance of payments in 2013 as a capital inflow from Germany.

In Turkey, 412 companies with German capital began to operate through new establishment or participation to a local company in 2013. Germany is the top country in terms of number of companies with foreign capital with a total of 5,706 companies in Turkey.

### *The Netherlands*

FDI flows from the Netherlands to Turkey, which have been above USD 1 billion since 2011, amounted to USD 1,381 million in 2012 and USD 1 billion in 2013. According

to UNCTAD’s data, the Netherlands FDI outflows were around USD 37.4 billion in 2013 and FDI inflows from the Netherlands to Turkey had a share of 2.7% in total FDI outflows of country.



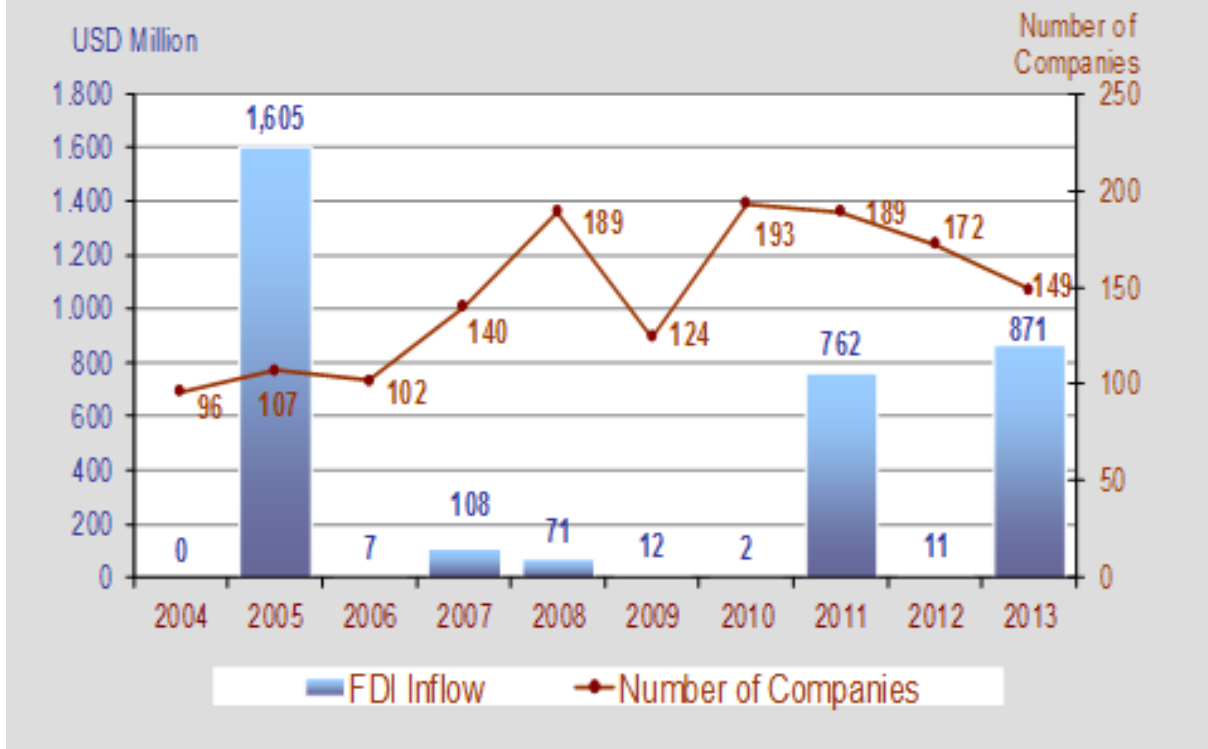
Source: Ministry of Economy, CBRT

The Netherlands based FDI flows mostly originated from various capital increases in energy sector and followed by manufacturing and finance sector. In Turkey, 160 companies with Dutch capital began to operate through new establishment or participation to a local company in 2013. The Netherlands is the fourth country in terms of number of companies with foreign capital with a total of 2,318 companies in Turkey.

**Russia**

FDI flows from **Russia** to Turkey amounted 871 billion in 2013 and reach its highest level between 2004-2013 periods, except the level of 1.6 billion in 2006. In 2013, almost all FDI flows from Russia were in the energy and construction industries.

**Chart 12: Number of Companies Established in Turkey by Russia Based Investors and FDI Inflows from Russia to Turkey**



Source: Ministry of Economy, CBRT

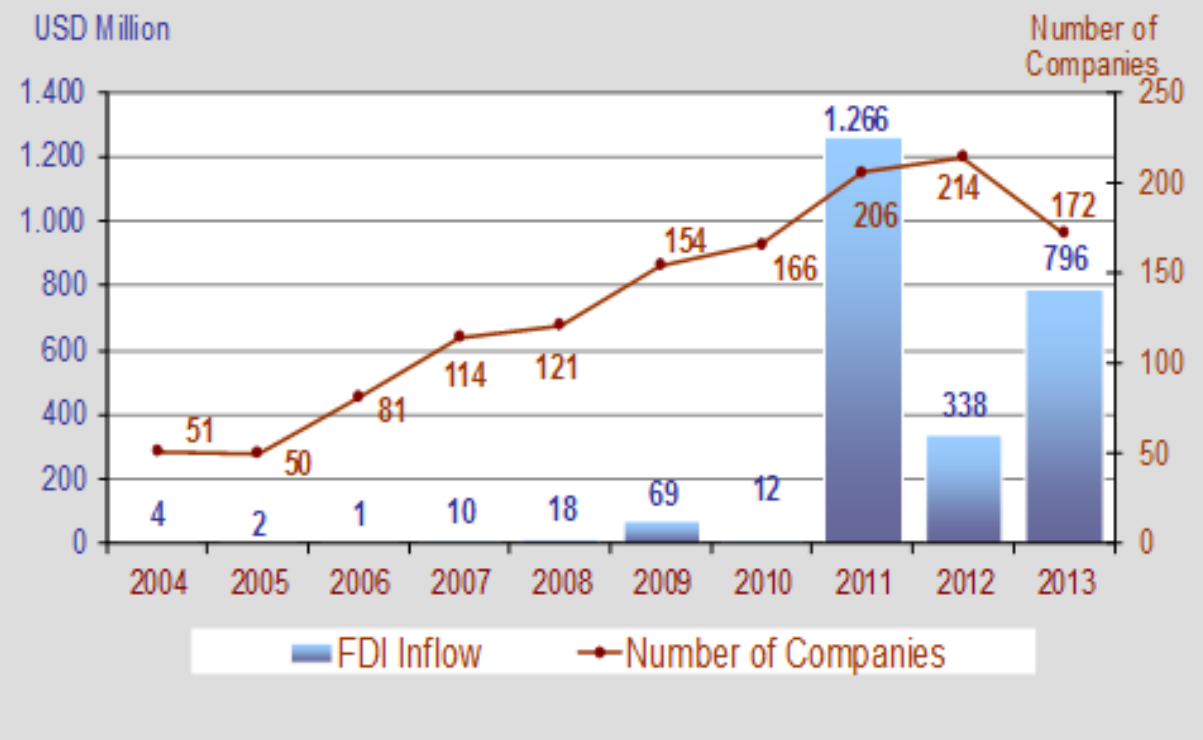
In Turkey, 149 companies with Russian capital began to operate through new establishment or participation to a local company in 2013. The Russia ranks 5<sup>th</sup> in terms of the number of foreign owned companies in Turkey with 1,668 companies.

### *Azerbaijan*

FDI flows from **Azerbaijan** to Turkey, which reached to USD 338 million in 2012, increased to USD 796 million in 2013. The vast majority of FDI flows from Azerbaijan were realized by the state oil and gas company of Azerbaijan, SOCAR.

In Turkey, 172 companies with Azerbaijan capital began to operate in 2013 through new establishment or participation to local companies. Azerbaijan ranks 6<sup>th</sup> in terms of the number of foreign owned companies with its 1,445 companies in Turkey.

**Chart 13: Number of Companies Established in Turkey by Azerbaijan Based Investors and FDI Inflows from Azerbaijan to Turkey**

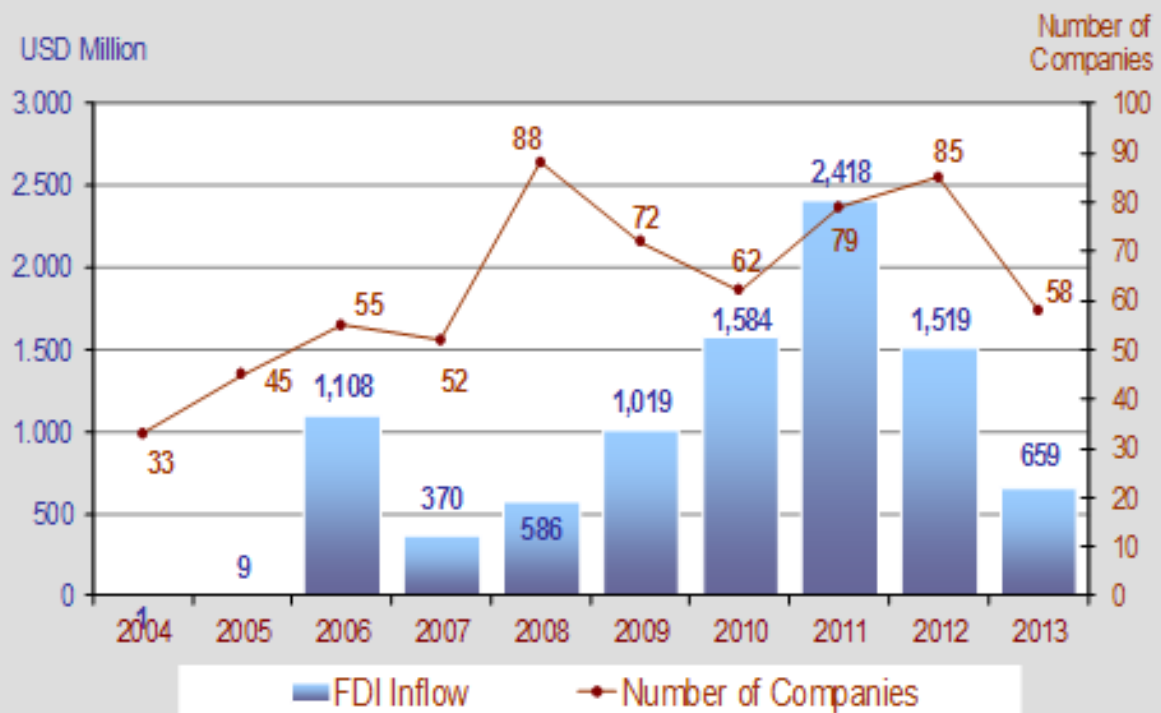


Source: Ministry of Economy, CBRT

### *Austria*

FDI flows from Austria to Turkey have been in high levels since 2006. Austria was in the first place in terms of FDI inflows to Turkey in 2011, took the 2<sup>nd</sup> place in 2012 and took the 5<sup>th</sup> place in 2013 with the FDI transfer amount of 659 million. According to UNCTAD's data, Austrian FDI outflows were around USD 13.9 billion in 2013 with a decrease of 18% compared to the previous year.

**Chart 14: Number of Companies Established in Turkey by Austria Based Investors and FDI Inflows from Austria to Turkey**



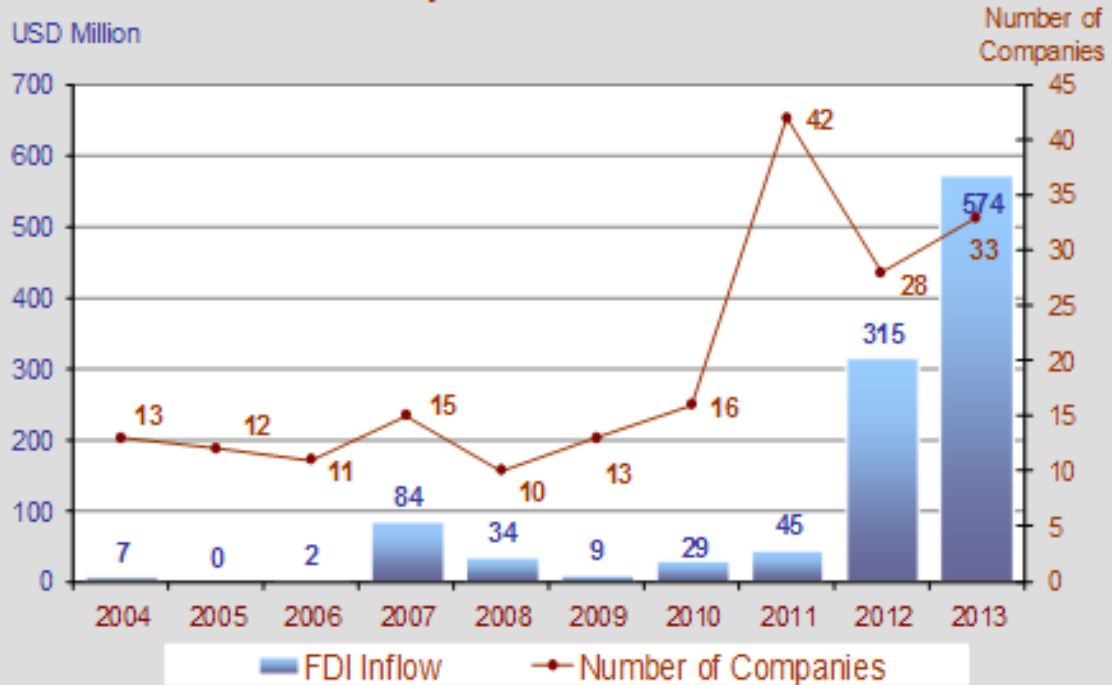
Source: Ministry of Economy, CBRT

In 2013, almost all FDI flows from Austria were in the energy and construction industries. In 2013, the acquisition of 80% share of Dentaş Kağıt A.Ş. by the Austrian-based Mosburger GmbH for USD 100 million was the most significant M&A transaction from Austria in the balance of payments in 2013 as a capital inflow from Austria. In Turkey, 58 companies with Austrian capital began to operate in 2013 through a new establishment or participation to local companies. Austria ranks 12<sup>th</sup> in terms of the number of foreign owned companies with 735 companies in Turkey.

### ***Lebanon***

FDI flows from **Lebanon** to Turkey, which reached to USD 315 million in 2012, increased to USD 574 million in 2013 and has maintained its prominent place among investor countries. According to UNCTAD's data, the share of the FDI flows to Turkey in the FDI outflows of Lebanon (USD 690 billion) had a significant share with a ratio of 83% in 2013.

**Chart 15: Number of Companies Established in Turkey by Lebanon Based Investors and FDI Inflows from Lebanon to Turkey**



Source: Ministry of Economy, CBRT

The transfer of USD 500 billion by Bank Audi for establishment capital of Odea Bank was the largest capital inflow from Lebanon in 2013. Lebanon which has an upward trend increasingly with USD 1,099 million FDI inflows, had a significant share in the FDI flows from Asian countries to Turkey during the 2004-2013 period.

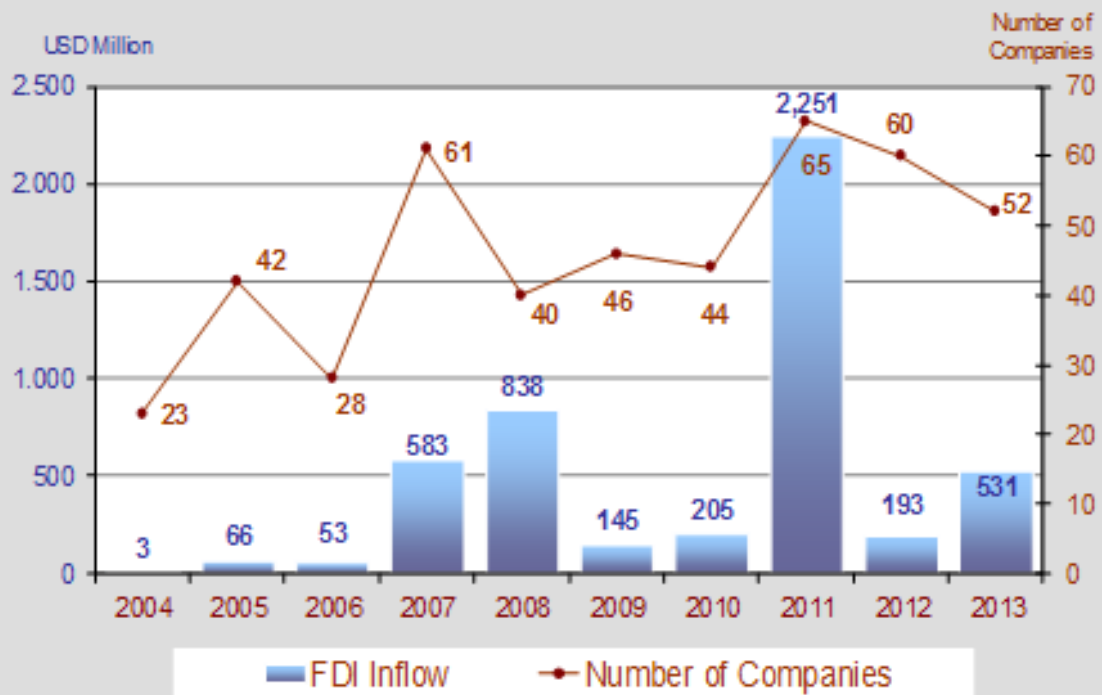
### *Spain*

In 2013, the direct investments from **Spain** to Turkey reached to USD 531 million and mostly arisen from finance and insurance sector.

In Turkey, 52 companies with Spanish capital began to operate in 2013 through a new establishment or participation to local companies. Spain ranks 17<sup>th</sup> in terms of the number of foreign owned companies with its 547 companies in Turkey.



**Chart 16: Number of Companies Established in Turkey by Spain Based Investors and FDI Inflows from Spain to Turkey**



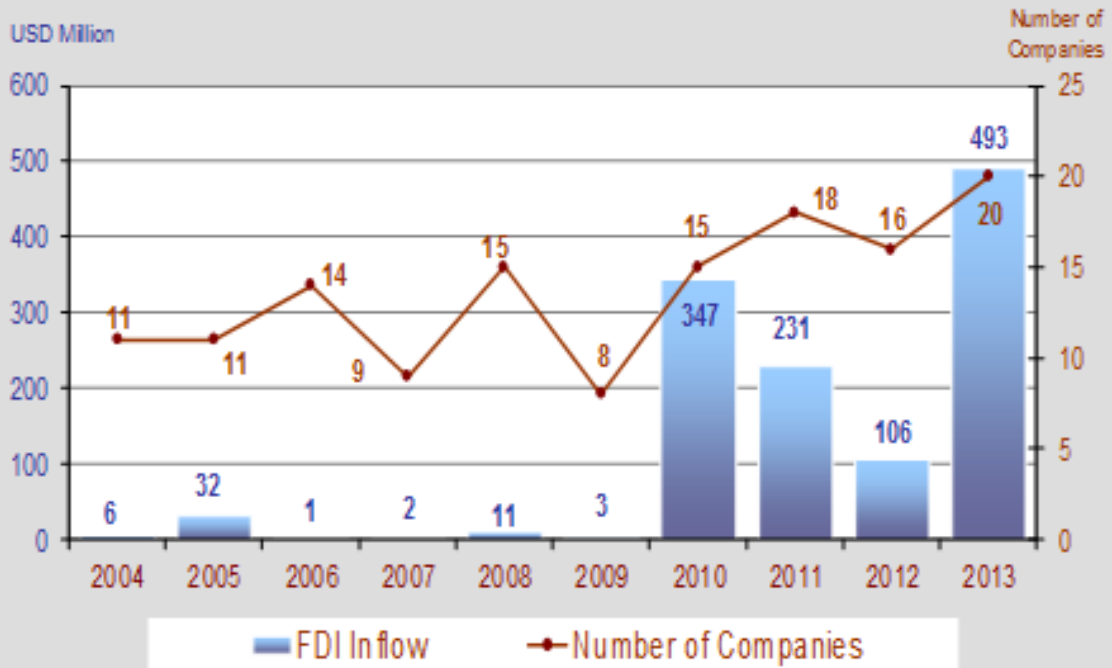
Source: Ministry of Economy, CBRT

### *Japan*

FDI flows from **Japan** to Turkey as have been increased since 2010, and reached to the highest level with the amount of USD 493 million in 2013. According to UNCTAD's data, Japan FDI outflows from Japan were around USD 136 billion in 2013.

The transfer of USD 302 million from Japan for Bank of Tokyo Mitsubishi Ufj Turkey A.Ş. establishment was the largest capital inflow from Japan in 2013. Also, the acquisition of 51% share of Mars Lojistik by the Japan-based Hitachi Transport System LTD for around USD 154 million was the other capital inflow from Japan in the balance of payments in 2013.

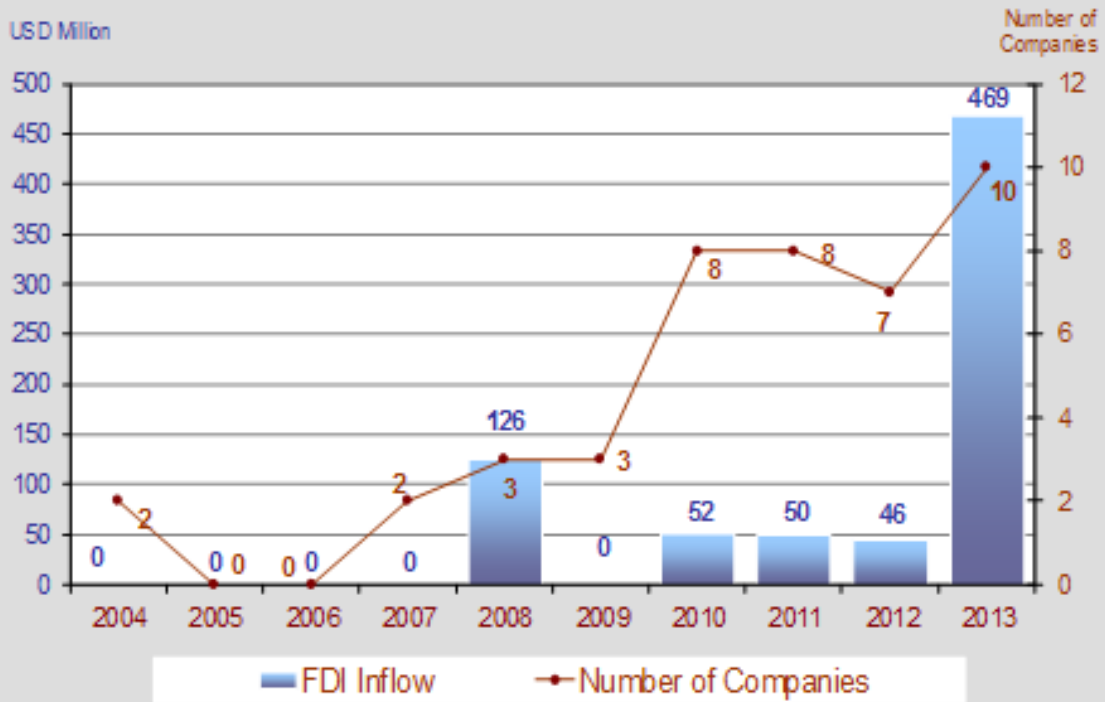
**Chart 17: Number of Companies Established in Turkey by Japan Based Investors and FDI Inflows from Japan to Turkey**



### *Qatar*

FDI flows from **Qatar** reached to the highest level with the amount of USD 469 million and Qatar was among the prominent Asian investor countries in 2013. The acquisition of Alternatif Bank A.Ş. by the Commercial Bank of Qatar for USD 445.7 million was the significant part of inflow from Qatar in 2013.

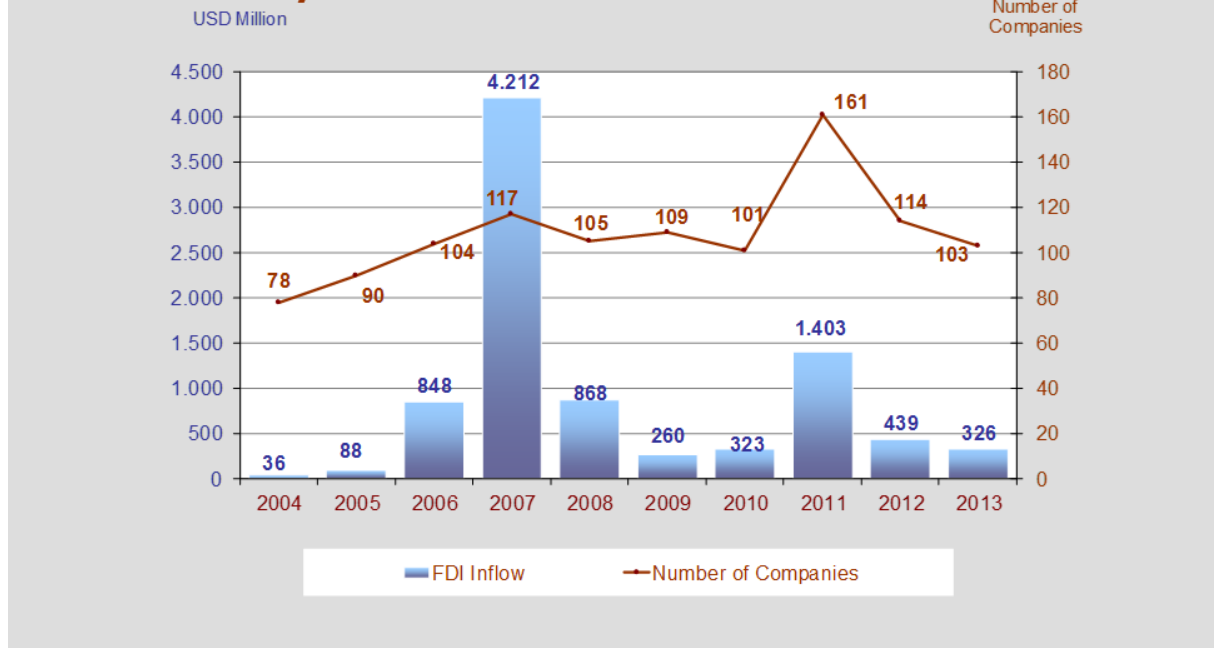
**Chart 18: Number of Companies Established in Turkey by Qatar Based Investors and FDI Inflows from Qatar to Turkey**



### *The United States of America*

FDI flows from **the United States** to Turkey reached to USD 326 million in 2013 which had reached to its highest level of USD 4.2 billion in 2007. According to UNCTAD's data, FDI outflows of the United States decreased by 8% compared to previous year and amounted to USD 338 billion in 2013.

**Chart 19: Number of Companies Established in Turkey by the USA Based Investors and FDI Inflows from the USA to Turkey**



Source: Ministry of Economy, CBRT

In 2013, the acquisition of the all shares of Namet Gıda San ve Ticaret A.Ş. by Gulf Delicatessen Investors SARL for USD 70 million were one of the most significant M&A transactions in the balance of payments in 2013 as a capital inflow from the USA.

In 2013, 103 companies with US capital became operational through either new establishments or participations in a local company. With 1,428 companies, the United States ranks 7<sup>th</sup> in terms of the number of foreign owned companies in Turkey.

## **B. ACTIVITIES FOR INCREASING FOREIGN DIRECT INVESTMENT**

### **1. THE EFFORTS ON IMPROVING INVESTMENT ENVIRONMENT**

#### **1.1. Activities of the Coordination Council for the Improvement of Investment Environment in Turkey (YOIKK) in 2013**

Efforts to improve investment environment play a significant role in enhancing both national and international investments. “The Reform Program for the Improvement of Investment Environment” was adopted by Council of Ministers Leading Decision in 2001 and a public-private dialogue platform, the Coordination Council for the Improvement of Investment Environment (YOIKK), was established to carry on activities to improve investment environment. Since 2001, YOIKK has been continuing its activities with the aim of rationalizing the regulations about investments, developing policies by determining the necessary arrangements that will increase the competitive power of the investment environment and preventing the administrative obstacles faced by the national and international investors. Platform follows a work program under the presidency of the Minister of Economy.

In time, the need for reviewing the structure of YOIKK and its working principles arouse. Therefore, the platform was restructured by the Council of Ministers Leading Decision of 16 January 2012 No. 2012/2, parallel to the economy’s increasing performance and the changing priorities of the private sector. Under the scope of the Decision, working areas of technical committees were re-defined and 10 technical committees<sup>11</sup> were created in line with the views of NGOs.

Recently, to strengthen private sector involvement in YOIKK, Independent Industrialists’ Businessmen’s Association (MUSİAD) which has business experience both in national and international level has included to the platform by the Council of Ministers Leading Decision of 9 July 2014 No. 2014/3. The platform will continue its efforts with increased representative power of private sector.

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<sup>11</sup> YOIKK Technical Committees; “Company Transactions and Corporate Governance”, “Employment”, “Input Supply Strategy (GITES) and Sectoral Licences”, “Investment Location, Environment and Zoning Permits”, “Taxes and Incentives”, “Foreign Trade and Customs”, “Intellectual Property Rights and R&D”, “Legislation on Investment Climate and Legislative Procedures”, “Access to Finance”, “Infrastructure”.

Since 2007, YOIKK Platform has carried out its work to the reduce barriers that investors confront, in a more concrete and result-oriented manner, via action plans which are being shaped according to the priorities of private sector. As is customary, following the completion of 2013-2014 Action Plan, this year, preparations of Action Plan of 2014-2015 have been launched. During the preparation process of the action plan, YOIKK member NGOs' proposals and assessments are primarily taken into consideration. This year, on July 3 2014, Action Plan of 2014-2015 was made public at the 20<sup>th</sup> YOIKK meeting, held under the chair of Minister of Economy. Within the scope of the new action plan, YOIKK studies will be conducted under 63 actions.

Some major developments achieved as a result of the efforts carried out by the YOIKK Technical Committees in 2013 are as follows:

- “Communiqué on General Application of Value Added Tax (VAT)” which brings significant changes such as automatic exit from practice of Special Principles on refund of VAT was published in the Official Gazette No. 28983, on April 26, 2014.
- “Regulation on Protection of Wetlands” which brings regulations that is intended for protection, management and development of wetlands within Turkey's continental shelf and territorial boundaries with determining principles of cooperation and coordination between on duty institutions and organizations was prepared by Ministry of Forest and Water Management entered into force with the Official Gazette No. 28962, on April 4, 2014.
- The Law on the Amending in the Decree Law on the Organization and Duties of Ministry of Family and Social Policies and in the Some Laws and Decree Laws which provides regulations in some areas like Stamp Tax, the commercialization of intellectual property rights and reducing number of stipulated full-time staff in R&D was published in the Official Gazette No. 28918, on February 19, 2014.
- “Regulation on Connection and System Usage” to improve electric supply process was published on January 28, 2014.
- “Regulation on Amending in Mining Implementation Regulation” which was prepared by the Ministry of Energy and Natural Resources for bringing time limitation in taking public interest decision for mining activities in agricultural land

and changing of allocation purpose in pasture areas entered into force with the Official Gazette No. 28875, on January 7, 2014.

- In order to improve the process of application for the changing of pasture allocation purpose, “Regulation on Amending of the Pasture Regulation” was published in the Official Gazette, on November 29, 2013.
- In order to remedy the problems arising from the implementation of the Environmental Impact Assessment (EIA), “Regulation on Environmental Impact Assessment” was published in the Official Gazette, No. 28784 on October 3, 2013.

In addition, over the last decade, many other important legislative changes such as laws, regulations, circulars, were brought as a result of studies conducted under the YOIKK Platform. In the context of these studies;

- Code of Liberalization of Rail Transport in Turkey No.6461 was published in the Official Gazette No. 28634, on May 1, 2013 in order to enhance the service quality of passenger and freight transport through railways.
- Capital Markets Law No.6362 was published in the Official Gazette No.28513, on December 30, 2012 regarding regulation and supervision of the capital market in order to functioning and development of capital markets in a reliable, transparent, effective, stable, fair and competitive environment and protection of rights and interests of investors.
- Turkish Commercial Code No.6335 and Law Regarding Amendment of Entry into Force and Implementation of Turkish Commercial Code was published in the Official Gazette No. 28339, on June 30, 2012.
- Law Regarding Arbitration in Legal Disputes was published in the Official Gazette No. 28331, on June 22, 2012 in order to regulate procedures and principles implemented in the resolution of legal disputes through arbitration.
- Regulations on enhancing the effectiveness of Small and Medium Enterprises Development Organization (KOSGEB) Support Programs were enacted. Moreover, significant steps have been taken to improve credit guarantee system which has an important role in access to finance for Small and Medium Enterprises (SMEs). In this context, in 2009, the Undersecretariat of Treasury was authorized to provide TL1 billion to credit guarantee institutions and Credit Guarantee Fund's

(KGF) current capital increased by 4 times. In the context of these regulations, significant increases were experienced in terms of total amount of guarantee and the volume of credit.

- Law Regarding Encouragement of Research and Development Activities which has significant support measures regarding generalization of R&D activities and innovation was published on the Official Gazette No.26814, on March 12, 2008.
- Law Regarding Establishment of Investment Support and Promotion Agency of Turkey formed in order to enhance the investments needed in the economic development of the country, determine investment support and promotion activities to encourage multinational companies to invest in Turkey was published on the Official Gazette No. 26218, on July 4, 2006.
- Law on Establishment, Coordination and Duties of Development Agencies No.5449 was published in the Official Gazette No.26074, on February 8, 2006 in order to provide the sustainable and balanced growth, fasten the regional and local development, transformation of the regional differences into a balanced structure.

## **1.2. Investment Advisory Council of Turkey**

Investment Advisory Council (IAC) is a platform established by the participation of top executives of the multinational companies in the coordination of Turkish Government and World Bank in order to provide an international perspective to the ongoing investment climate reform studies, improve Turkey's image as an attractive investment destination and reduce administrative barriers to investment.

Investment Advisory Council convenes annually since 2004 and the declaration of outcomes which is set by the IAC members are publicized at the end of the meetings. IAC recommendations which take place in these declarations are the most important input among the factors that contribute the YOIKK studies and agenda setting. These recommendations are regarded as study areas that need further improvements and the efforts to improve these areas has also been followed and announced through IAC Progress Reports, published in Turkish and English annually.



The top level representatives of European Investment Bank, International Monetary Fund (IMF), World Bank and business leaders of the multinational companies such as Mango, Inditext, Alshaya Group, Coca-Cola, Metro Group, Vodafone, Toyota, Fiat, Indesit are among the members of the IAC meetings which convened eight times so far. The last eighth meeting of the IAC, under the chair of Prime Minister Recep Tayyip ERDOGAN, was held in Istanbul on October 31, 2013.

***The Family Picture of the 8<sup>th</sup> Investment Advisory Council, İstanbul, October 31, 2013.***



**THE PARTICIPANT LIST OF THE EIGHT INVESTMENT ADVISORY MEETING-SEPTEMBER 31, 2013**

<b>Institution/ Firm Name</b>	<b>Name</b>	<b>Title</b>	<b>Country</b>	<b>Sector</b>
World Bank	Mr. Jim Yong KIM	President	USA	International Institution
Air Liquide	Mr. Christophe CHALIER	Vice president	France	Industry Chemicals
Alstom	Mr. Patrick KRON	President & CEO	France	Energy and Transport
European Investment Fund	Mr. Richard PELLY	Chief Executive Officer	EU	Finance
Burgan Bank Group	Mr. Eduardo EGUREN	CEO	Kuwait	Banking/Finance
Citigroup	Mr. William J. (Bill) MILLS	Global President - International Country Network Management	USA	Banking/Finance
Eldorado Gold Corporation	Mr. Paul WRIGHT	CEO	Canada	Mining
Energy Allied International	Mr. Mike NASSAR	President & CEO	USA	Energy
E.ON SE	Mr. Jorgen KILDAHL	Director	Germany	Energy
Hitachi Ltd.	Mr. Klaus Dieter RENNERT	Director	Japan	Electronics
Huawei Technologies Co.Ltd.	Ms. Chen LIFANG	Senior Vice President	China	Telecommunications
Khazanah Nasional Berhad	Mr. Tan Sri Dato' Azman Hj. MOKHTAR	CEO	Malaysia	Investment Fund
Medtronic	Mr. Omar ISHRAK	President & CEO	USA	Medical Technology
Nesma Holding Co. Ltd.	Mr. Saleh Ali Al TURKI	President	Saudi Arabia	Holding (Infrastructure)
Sumitomo Rubber Ind. Ltd.	Mr. Ikuji IKEDA	President & CEO	Japan	Rubber
Thyssenkrupp AG	Mr. Ercan KELEŞ	Director	Germany	Machinery
VINCI	Mr. Louis-Roch BURGARD	CEO- Vinci Concessions	France	Infrastructure
<b>Turkish Business Unions/Associations</b>	<b>Name</b>	<b>Title</b>		
The Union of Chambers and Commodity Exchange of Turkey (TOBB)	Mr. Rifat HİSARCIKLIOĞLU	President		
Turkish Exporters Assembly (TİM)	Mr. Mehmet BÜYÜKEKŞİ	President		
Turkish Industry and Business Association (TÜSİAD)	Mr. Muharrem YILMAZ	President		

International Investors Association (YASED)	Ms. Serpil TİMURAY	President
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### 1.3. Turkey's Experience Sharing Programs

Turkey's Experience Sharing Program has been initiated in 2008 in order to share the institutional knowledge that has been accumulated on the improvement of the investment environment in the last 10 years with the requesting countries. Around 350 experts from 35 countries were attended to the training programs conducted in the context of the Turkey's Experience Sharing Program. These programs are as follows;

- November 5, 2008, Experience Sharing Program with Iraq Delegation, Ankara
- November 6-7, 2008, Experience Sharing Program with Kyrgyz Delegation, Ankara
- May 25-27, 2010, Assessment Study on Investment Conditions of Yemen on behalf of Friends of Yemen Group, Sana
- January 27-28, 2011, Experience Sharing Program with Turkish Republic of Northern Cyprus -Raising Awareness and Building Capacity, Girne
- May 2-6, 2011, Experience Sharing Program with Turkish Republic of Northern Cyprus-Designing Structures, Lefkosa
- May 25-26, 2011, Training Program on Improving Investment Climate in Economic Cooperation Organization (ECO) Member Countries and Turkish Experience, Ankara
- October 10-14, 2011, Expert Training Program for the Experts of the Islamic Development Bank (IDB) Members "Turkey's Experience Sharing Program on Investment Climate Reforms", Ankara
- September 24-25, 2012, "Turkey-Palestine Experience Sharing Program", Palestine
- October 2-4, 2012, Experience Sharing Program on Investment Climate Reform for Tunisia, Ankara
- December 17-20, 2012, Expert Training Program for the Experts of the IDB Members "Turkey's Experience Sharing Program on Investment Climate Reforms", Ankara
- April 15, 2013, Experience Sharing Program on Investment Climate Reform for Egypt, Ankara
- September 23, 2013, Expert Training Program for the IDB Member Countries, Ankara

In 2013, The Expert Training Program for the IDB Member Countries included training programs and field visits in Çanakkale and Balıkesir, apart from Ankara, for acquiring regional perspective.

#### **1.4. Turkey's Position in the Investment Indices**

The perception of Turkey as an investment destination is stated clearly in the reports published by various international institutions. These studies which scrutinize the level of investment environment of countries in different scope and contexts are among the most important indicators that affect the decisions of the international investors.

The indices which are based on certain assumptions are regarded as not fully sufficient to provide a detailed analysis on the investment environment of our country. However they are significant in terms of advice the perception of the international investors towards Turkey and they enable a comparison among countries.

In the context of these studies:

- The Doing Business Report which is published by the World Bank is regarded as one of the leading report for investors. According to the revised report that examine 189 countries in terms of time, cost and procedures in 11 different indicators such as starting a business, foreign trade, protecting investors and access to finance, Turkey has been ranked as 69<sup>th</sup> among 189 countries by jumped 3 steps compared to last year in 2014,
- In the Corruption Perception Index published by International Transparency Organization, Turkey moved up by 1 step compared to last year in 2013 and ranked 53<sup>rd</sup> among 177 countries,
- In the Global Competitiveness Report published by World Economic Forum, Turkey ranked 44<sup>th</sup> among 148 countries in 2013.

Moreover, according to “Turkey in 2041: A Look to the Future” survey conducted by PricewaterhouseCoopers, Turkey’s per capita GDP by increasing more than twice the current level will exceed USD 35 thousand and with some developed countries like the U.S.A. in the next 30 years the difference of the income is expected to decrease significantly in 2041.

## 2. BILATERAL INVESTMENT TREATIES

The Agreements on the Reciprocal Promotion and Protection of Investments (Bilateral Investment Treaties or BITs in short), are signed with the countries with which promotion of mutual economic relations would be beneficial, or with which Turkey's investment relations are developing. The main objective of BITs is to stimulate the capital and technology flows between the Parties, provide favorable conditions for investors and to determine the limits of the legal treatment accorded by the hosting countries for mutual investments.

So far, Turkey has signed BITs with 94 countries. Today BITs are fundamental agreements having utmost importance for the international investors. BITs signed by Turkey include "sine qua non" provisions, such as the application of national treatment and most favored nation treatment to foreign investors by the hosting country, guarantee of free transfers of returns and profits, the conditions for nationalization, and resort to international arbitration in case of the arising of a dispute between the investor and the hosting country.

Within the context of BITs negotiations, , BIT negotiations were concluded with People Republic of China, Colombia, Ghana, Kenya, Tunisia, Uganda, Vietnam and Zambia and Agreements were signed with Benin, Djibouti, Gambia, Guinea, The United Mexican States and Mauritius in 2013.

Turkey's BITs that entered into force are shown below . (Table 27)

**Table 26: Bilateral Investment Treaties of Turkey**

	<b>COUNTRY</b>	<b>ENTRY INTO FORCE</b>		<b>COUNTRY</b>	<b>ENTRY INTO FORCE</b>
1	U.S.A.	18.05.1990	39	Kazakhstan	10.08.1995
2	Afghanistan	19.07.2005	40	Kyrgyzstan	31.10.1996
3	Germany	05.12.1965	41	Kuwait	08.05.2013
4	Argentina	01.05.1995	42	Cuba	23.10.1999
5	Albania	26.12.1996	43	Latvia	03.03.1999
6	Austria	01.01.1992	44	Libya	22.04.2011
7	Australia	29.06.2009	45	Lithuania	07.07.1997
8	Azerbaijan	13.05.2013	46	Lebanon	04.01.2006
9	Bangladesh	21.06.1990	47	Hungary	22.02.1995
10	Belarus	20.02.1997	48	Macedonia	27.10.1997
11	Belgium-Luxemburg	04.05.1990	49	Malaysia	09.09.2000
12	United Arab Emirates	24.07.2011	50	Malta	14.07.2004
13	Bosnia-Herzegovina	29.01.2002	51	Egypt	31.07.2002
14	Bulgaria	22.09.1997	52	Mongolia	22.05.2000
15	Czech Republic	01.08.1997	53	Moldova	16.05.1997
16	P.R. of China	20.08.1994	54	Sultanate of Oman	15.03.2010
17	Denmark	01.08.1992	55	Uzbekistan	18.05.1995
18	Indonesia	28.09.1998	56	Pakistan	03.09.1997
19	Estonia	29.04.1999	57	Poland	19.08.1994
20	Ethiopia	10.03.2005	58	Portugal	19.01.2004
21	Morocco	31.05.2004	59	Romania	08.07.2010
22	The Philippines	17.02.2006	60	Russian Federation	17.05.2000
23	Finland	23.04.1995	61	Senegal	17.07.2012
24	France	03.08.2009	62	Serbia	10.11.2003
25	R. Korea	04.06.1994	63	Singapore	27.03.2010
26	Georgia	28.07.1995	64	Slovakia	11.12.2013
27	India	18.10.2007	65	Slovenia	19.06.2006
28	Croatia	21.04.1998	66	Syria	03.01.2006
	Croatia (Additional Protocol)	18.02.2009	67	Saudi Arabia	05.02.2010
29	The Netherlands	14.11.1989	68	Tajikistan	24.07.1998
30	England	22.10.1996	69	Thailand	21.07.2010
31	Iran	13.04.2005	70	Tunisia	28.04.1994
32	Spain	03.03.1998	71	Turkmenistan	13.03.1997
33	Israel	27.08.1998	72	Ukraine	21.05.1998
34	Sweden	08.10.1998	73	Jordan	23.01.2006
35	Switzerland	21.02.1990	74	Yemen	31.03.2011
36	Italy	02.03.2004	75	Greece	24.11.2001
37	Japan	12.03.1993			
38	Qatar	12.02.2008			

Source: Ministry of Economy

**Table 27: Bilateral Investment Treaties Signed by Turkey (in the Process of Ratification)**

	<b>Countries</b>	<b>Date of Signature</b>
1	Bahrain	15.02.2006
2	Bangladesh ( New Agreement)	12.04.2012
3	Benin	11.12.2013
4	Cezayir	03.06.1998
5	Cibuti	25.09.2013
6	Gabon	18.07.2012
7	Gambiya	12.03.2013
8	Güney Afrika Cumhuriyeti	23.06.2000
9	Gine	18.06.2013
10	Kamerun	24.04.2012
11	Karadağ	14.03.2012
12	Kenya	08.04.2014
13	Kolombiya	28.07.2014
14	Kosova	30.05.2012
15	Meksika	17.12.2013
16	Morityus	07.02.2013
17	Nijerya	02.02.2011
18	Pakistan ( Yeni Anlaşma)	22.05.2012
19	SudanBahrein	30.04.2014

Source: Ministry of Economy