REPUBLIC OF TURKEY
MINISTRY OF ECONOMY

FOREIGN DIRECT INVESTMENTS IN TURKEY 2015

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GENERAL DIRECTORATE OF INCENTIVE

IMPLEMENTATION AND FOREIGN INVESTMENT

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1.1. World Foreign Direct Investment Flows Outlook

In 2015, global FDI inflows have reached 1.76 trillion USD with a remarkable 38% rate of increase compared to 2014 in which macroeconomic fragilities, economy policy uncertainties, mounting geopolitical risks and particular large divestment transactions caused foreign direct investment (FDI) inflows to decline. Thus, global FDI inflows have reached the highest level since the year of 2008 which global recession has occurred. It has seen that large scale merger and acquisition (M&A) deals and corporate reconfiguration transactions have been the major causes of this increase. Increase rate of global FDI inflows recedes back to 15% when aforementioned M&A deals and corporate reconfiguration activities are excluded. This kind of reconfiguration activities have a large influence on balance of payment statistics while having a limited affect on real economic activity. The primary motivation of such direct investment motive and configuration is corporates' efforts to relocate headquarters in order to avoid tax burden.

The latest version of World Investment Report that includes the final data for 2015, prepared by the United Nations Conference on Trade and Development (UNCTAD) and considered as one of the most prominent sources regarding global breakdown of FDI by country and sector, was published in June 2016.

According to the UNCTAD's[1] assessments, the value of global FDI inflows which decreased by 10.5% in 2014, elevated to the level of USD 1.76 trillion in 2015 with an increase of 38% compared to 2014. FDI inflows to developing countries - which consist of developing and transition economies - have increased by 5.9% and became USD 799.7 billion while FDI inflows to developed countries have surged significantly by 84.4% and became USD 962.5 billion. In light of these developments, FDI inflows to developed economies have reached their peak levels since the global recession and outpaced developing economies after two years.

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[1] World Investment Report, June 2016, UNCTAD

Nearly a fourfold increase in the US, 65% increase in Europe and within the scope of transactions, M&A deals were the locomotive of this performance. Besides, it can be seen that large increase of FDI inflows in the US was an important element of increase in FDI inflows in the world and specifically developed countries.

Among European countries, FDI inflow upsurge in Ireland, the Netherlands and Switzerland constituted 77% of the total increase and M&A deals are considered as the main factor in direct investment performance of these countries like other developed countries.

Among developing countries, Developing Asia reached a new record high with an annual 16% increase. In terms of sub-regional developments, performance of the East and South Asian Countries was quite significant while ongoing 7 years of decline cycle in West Asia region has continued in 2015.

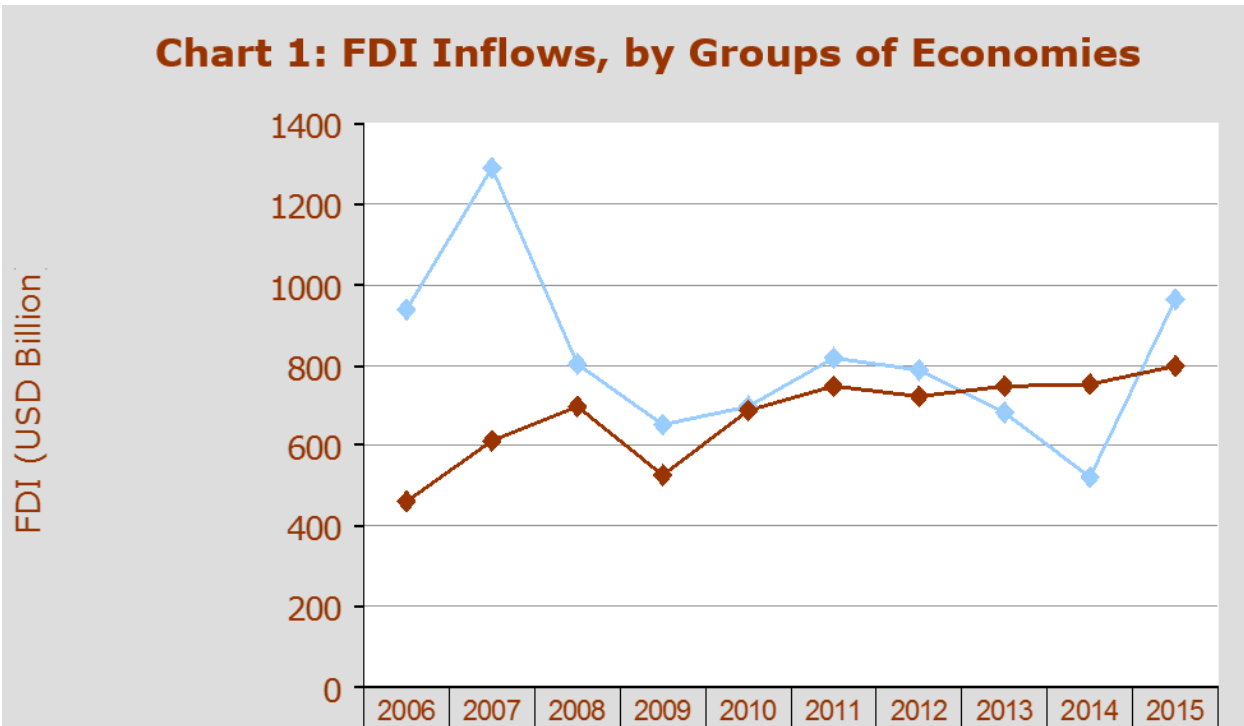
In Latin America, FDI inflows have remained steady due to falling commodity prices and weak growth performance. Economic slowdown and embargo caused Russian FDI inflows to decline sharply. However, ongoing expansion in Asian countries has compensated the weak performance of other country groups and led the increase trend in developing country FDI inflows as a whole.

In 2016, FDI inflows are forecasted to decrease around 10-15% due to the persistent global economic fragilities, low growth outlook for a wide range of countries, slowdown in certain commodity exporting countries, measures to curb companies' relocation efforts to tax heavens and slump in multinational companies' profitability. M&A data collected for the first four months of 2016 also supports the negative outlook for 2016 which indicates 32% decline with respect to the previous year, and the expectation for deceleration covers both developed and developing countries. In the midterm, global economic activity is expected to recover and FDI inflows are estimated to start increasing in 2017 and surpass USD 1.8 trillion level in 2018.

The share of developed countries in global FDI inflows fell behind the developing countries for the first time in their history in 2013 and 2014 before they took the lead back along with a remarkable FDI inflow increase in 2015 and their share has realized as 55%. Thus, total FDI inflow share of developing countries have decreased to 45% (Graph 1). Five out of top ten FDI host economies consisted of developing countries.

In 2015, the US has become top host country with USD 379.9 billion while Hong Kong (USD 174.9 billion) and China (USD 135.6 billion) followed. All these three countries enjoyed the highest performance ever in terms of FDI inflows in 2015.

In 2015, Asia was the first region among the top host regions in terms of global FDI flows with a share of 31% (USD 541 billion) and Europe was the second with 29% (USD 504 billion) while North America was the third with 24% (USD 429 billion), followed by Latin America with 10% (USD 168 billion).



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Developed Countries	940	1289	802	654	700	817	787	680	522	962
Developing Countries	462	613	696	527	689	749	724	747	755	800

Source: World Investment Report 2016, UNCTAD

According to the report which excludes the latest revisions made by Central Bank of Republic of Turkey (CBRT) in compliance with IMF sixth edition of Balance of Payment Manual; in 2015, FDI inflows to Turkey has realized as USD 16.5 billion (USD 16.8 billion according to CBRT data). In terms of global FDI inflows, Turkey moved up 2 places and ranked 20th in the world, and moved up 3 place and ranked 8th among developing countries (Table 1).

Table 1: Global FDI Inflows, Top 10 Host Economies and Turkey 2013-2015 (USD Billion)

2013			2014			2015		
Rank	**Country**	**FDI**	**Rank**	**Country**	**FDI**	**Rank**	**Country**	**FDI**
1	US	211.5	1	China	128.5	1	US	379.9
2	China	123.9	2	Hong Kong	114.1	2	Hong Kong	174.9
3	Hong Kong	74.5	3	US	106.6	3	China	135.6
4	Canada	71.8	4	Brazil	73.1	4	Ireland	100.5
5	Singapore	66.1	5	Singapore	68.5	5	Netherlands	72.6
6	Australia	57.0	6	Canada	58.5	6	Switzerland	68.8
7	Russia	53.4	7	The UK	52.4	7	Singapore	65.3
8	Brazil	53.1	8	Netherlands	52.2	8	Brazil	64.6
9	Netherlands	51.4	9	Australia	39.6	9	Canada	48.6
10	The UK	47.6	10	India	34.6	10	India	44.2
25	**Turkey**	**12.3**	**22**	**Turkey**	**12.1**	**20**	**Turkey**	**16.5**
	World Total	**1,427.2**		**World Total**	**1,277.0**		**World Total**	**1,762.2**

Source: World Investment Report (WIR) 2016, UNCTAD

In terms of FDI inflows in 2015, Turkey's share among global FDI flows remained unchanged at the level of 1% in 2015 compared to 2014. The share of FDI flows among developing countries has risen from 1.6% to 2.1% with respect to the previous year. In line with the remarkable developments in FDI flows to Turkey in recent years, Turkey's share in global FDI flows seemed to be consistent above a certain level.

In accordance with the increasing share of Asian countries in global FDI flows year by year, the outward FDI appetite of Asian countries has also risen in parallel with the expanding globalization opportunities. Turkey's potential for attracting foreign direct investment has been increasing every year and FDI pattern become significantly diversified. In 2015, the share of FDI inflows originating from the EU which constitutes 70% of cumulative FDI inflows in 2002-2015 period, decreased to 58% similar to the levels of the last three years. The decrease in the EU origin FDI inflow share in recent years, the increasing prominence of Asian countries and the significant rise in the US investments in 2015 confirmed this picture. Furthermore, according to the Report, in 2015, Turkey was top FDI host country in the West Asia Region where there has been a decline in the amount of FDI inflows since 2008, and the countries have suffered from geopolitical and social problems in recent years. Turkey increased its share in 2015 as well as 2012, 2013 and 2014 attracting 39% of total investment in the region solely.

According to the UNCTAD's Report, global FDI outflows increased by 11.8% in 2015 compared to 2014, and reached USD 1.47 trillion. The FDI outflows of developed countries escalated by 33% to USD 1.1 trillion and accounted for 72% of global FDI outflows. On the other hand, outflows of the developing economies, representing 28% of total FDI outflows, decreased by 21% to USD 409 billion. In terms of FDI outflows of the developed countries, Europe originated FDI outflows increased dramatically by 85%, after the losses which lasted for 4 consecutive years, enabling the region to have the leader investor position in 2015. The M&A transactions were considered as the main factor related to this increase, and it is emphasized that these transactions were influenced by ease of financial conditions due to measures taken by the European Central Bank and the steps to avoid tax burden.

With regards to the decline in FDI outflows by developing countries, the slowdown in economic activity, the fall in commodity prices and the depreciation of the local currencies were the main parameters. Besides, specific to Russia, sanctions blocking access to international capital markets seemed to be influential.

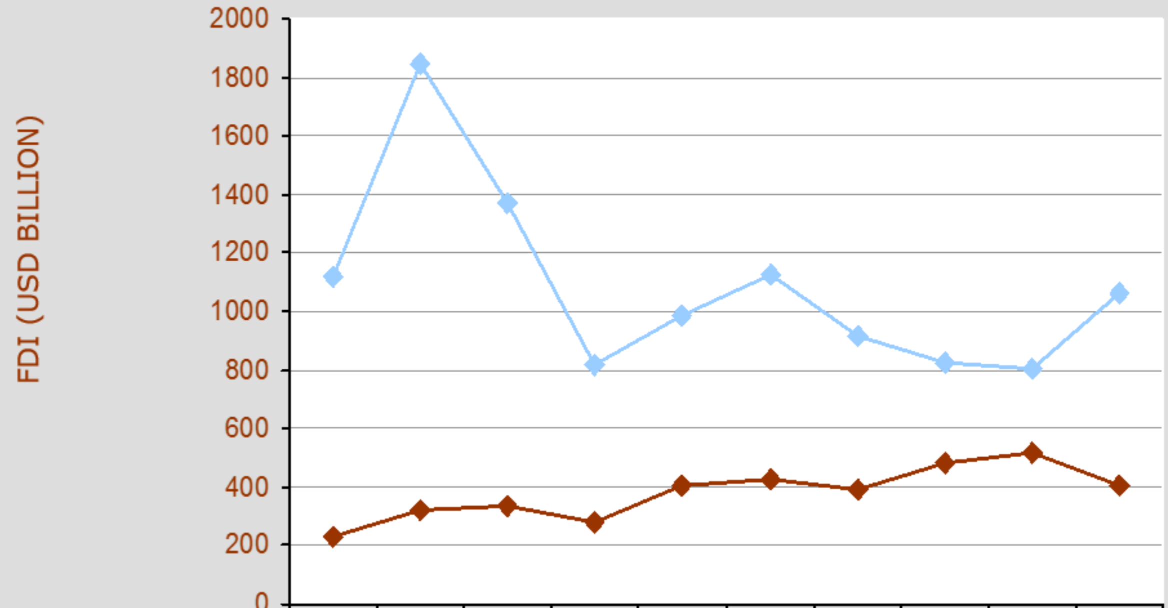
In 2015, among the top investor countries, the US ranked first in the world with an investment amount of USD 300 billion followed by Japan (USD 129 billion) and China (USD 128 billion). Developed countries among the first 20 investor countries were US, Japan, Netherlands, Ireland, Germany, Switzerland, Canada, Luxembourg, Belgium, France, Spain, Italy, Sweden and Norway respectively. These countries have been the leading investors in terms of FDI outflows in previous years as well.

In 2015, the developing countries among the top 20 investor countries were China, Hong Kong, Singapore, South Korea, Russia and Chile respectively. While the share of total FDI outflows of developing countries was 15% in 2007, it constitutes a share of 39% in total FDI outflows amounting to USD 518 billion in 2014, which has also reached to an average of 32% in the last five years. However, this ratio decreased to 28% which amounts to USD 409 billion in 2015. Unlike 2014, the decline in FDI outflows from developing countries can be interpreted as a brake in the enlargement process of developing countries in 2015. Indeed, the end of rapid growth surpassing for the last 10 years in developing countries; because of the reasons such as the narrowing gap between actual growth and potential growth, falling commodity prices, regional risks, weaker borrowing facilities and slowing growth rates all over the world; can be the reason of the inertia in FDI outflows of developing countries. However, it should be taken into consideration that the increase in FDI outflows from developed countries arose from specific M&A deals in 2015.

Another important aspect in FDI flows in the world was related to commodity prices. Since 2013, diminishing mining and metal ore prices and the sharp drop in oil prices since the end of 2014, have manifested themselves in foreign direct investments in the mining sector. While around 20% of total M&A transactions were in the mining sector in 2010-2011, this ratio decreased to 4% in 2015. Moreover, greenfield investments in the same sector fell by half (to 5%) in 2013-2015 period compared to 2009-2011 period.

In terms of FDI outflows, Turkey ranked 37th with USD 4.8 billion in 2015, while ranking 29th with USD 6.7 billion in 2014. Indeed, the average FDI outflows in Turkey was USD 4.3 billion in 2011-2015 period, and 1.7 billion in 2006-2010 period. It shows that Turkish FDI outflows have improved in recent years.

Chart 2: FDI Outflows, by Groups of Economies



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Developed Countries	1.120	1.843	1.369	820	983	1.128	918	826	801	1.065
Developing Countries	232	322	334	278	409	430	391	485	518	409

Source: WIR, 2016

According to the UNCTAD's Report, the worldwide inward FDI stock have reached the level of USD 25 trillion as of 2015. The US, Hong Kong and the United Kingdom hosted the top three rankings in terms of global FDI stock. Turkey's FDI stock value realized as USD 145.5 billion and the FDI stock to GDP ratio which is 22% in 2014, has moderated slightly to 20% in 2015.

According to the latest worldwide sectoral FDI stock estimations conducted in 2014, services sector constituted 64% of the total FDI stock, the share of manufacturing sector was 27%, the remaining share of 9% is covered by agriculture, mining and other sectors.

Although the share of developing and developed countries in FDI inflows seemed to be balanced in recent years, this trend has not reflected to the FDI stocks yet, therefore developed countries maintained their leading positions in terms of FDI stock.

Table 2: FDI Inward Stock, Top 10 Host Economies and Turkey (2015)

Rank	Country	Inward FDI Stock (USD Billion)
1	United States	5.588
2	Hong Kong	1.573
3	United Kingdom	1.457
4	China	1.221
5	Germany	1.121
6	Singapore	978
7	Switzerland	833
8	France	772
9	Canada	756
10	The Netherlands	707
35	**Turkey**[2]	**145.5**

Source: World Investment Report, 2016

Greenfield Investments

Cross border M&A and greenfield investment transactions are the cornerstones of global FDI flows. In 2015 total value of global greenfield investment projects surged by 8.5% compared to 2014. This upsurge was 12.3% in developed countries and 6.6% in developing countries. In 2015, the majority of the greenfield investment projects (66%) were planned to put into practice in developing countries in line with the previous years.

Considering the sectoral composition of total greenfield investments, the investments in services and manufacturing sectors have increased compared to the previous year. Services sector greenfield investment projects were amounted to USD 408 billion with 18% increase, manufacturing sector projects surged to the level of USD 322 billion with 2% increase while agriculture and mining sector projects increased by 16% and reached USD 35 billion.

The data in UNCTAD's Report shows that, in 2015, the value of the greenfield investments in Turkey surged by 10 % and amounted to USD 6.1 billion. For the last decade,

[2] 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.

annual average of USD 13.2 billion greenfield investment projects point out Turkey's medium term FDI potential together with M&As.

Mergers and Acquisitions (M&A)

According to the UNCTAD's Report, in 2015, total value of worldwide cross border M&A transactions which declined in 2012 and 2013, started to increase again in 2014 and reached level of USD 721.5 billion in 2015 with 67% increase compared to the previous year. The major factor of this increase has been the two-fold rise of cross-border M&A transactions in developed countries amounting USD 631 billion. In 2015, the share of cross border M&A transactions of developed countries increased to 87%, on the other hand, the share of developing countries decreased to 13% (In 2014, the share of developed countries was 70%, whereas the share of developing countries was 30%).

In terms of the sectoral composition of the amount of cross-border M&A transactions in 2015, there was a decrease in the share of agricultural and mining sectors, in contrast to the increase in the shares of manufacturing and services sectors. Under this circumstances, 54% of the transactions was conducted in manufacturing sector and 42% in services sector. In 2015, in terms of the value of cross border M&A transactions, manufacturing sector was realized as USD 388 billion with 105% increase and services sector reached USD 302 billion with a 46% increase. However, M&As in agricultural and mining sector was realized as USD 32 billion. Thus, 2015 seems to be notable in terms of significant M&A value increases in sectoral context of the.

According to UNCTAD's Report, the total value of the cross border M&A transactions in Turkey amounted to USD 3 billion in 2015 with 46% increase compared to 2014. The Report also emphasizes that the increase in the value of cross-border M&A transactions had a significant effect on the increase in FDI inflows to Turkey in 2015.

1.2. Foreign Direct Investment Flows in Turkey

1.2.1. Components of Foreign Direct Investments[3]

Turkey has managed to establish a confident economic environment thanks to stable and predictable policies that have been carried out since the early 2000s, and thus, FDI inflows to Turkey increased dramatically. While the accumulated FDI inflows to Turkey between 1975 - 2004 reached about USD 19.6 billion, it reached USD 161 billion between 2005 - 2015 with an approximately eightfold increase.

FDI inflows to Turkey have had an upward trend and have realized over the level of USD 10 billion in each year since 2005, and it reached USD 22 billion in 2007 as the highest level ever recorded. However, Turkey had also been affected by the decline in global FDI flows due to the economic crisis in 2008. FDI inflows, which began to rise again in 2010, reached a relatively high level of USD 16.2 billion in 2011. In 2012, 2013 and 2014 FDI inflow figures were around a band of USD 12-13 (Graph 3).

According to CBRT's Balance of Payments disseminated based on Sixth Manual of IMF, FDI inflows to Turkey, which was USD 12 billion 523 million in 2014, reached USD 16 billion 819 million in 2015 with an increase of 34.3%. Besides, this figure was the highest value after the global recession in terms of FDI inflows to Turkey, and it was 4th highest level ever (after 2007, 2006 and 2008 respectively). As previously mentioned, according to the UNCTAD's report, Turkey ranked 20th in the world, moving up 2 places from the previous year's ranking among the host countries in 2015.

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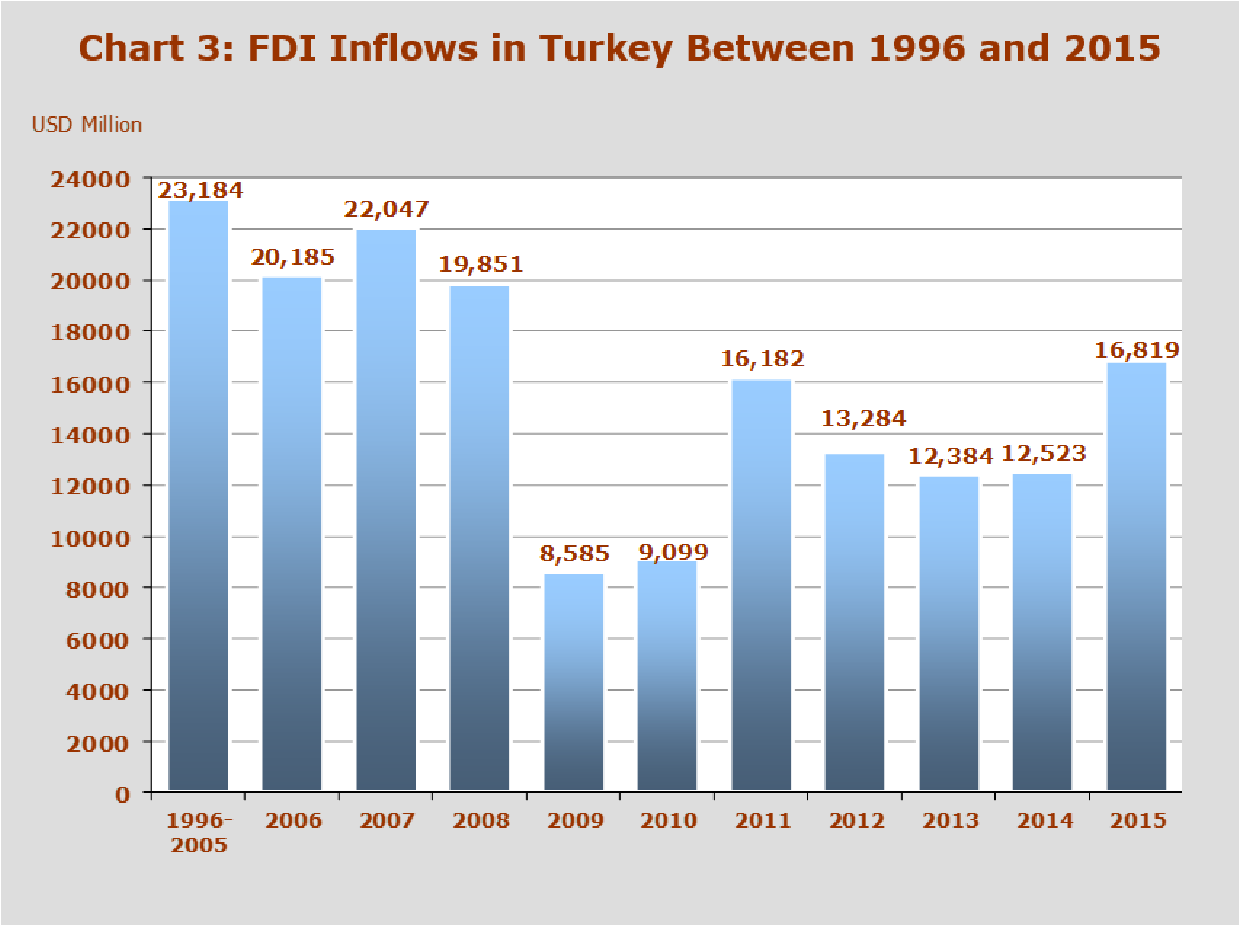
[3] According to Foreign Direct Investment Law no 4875; foreign direct investment inflow is defined as the net amount of cross-border transfers by companies based in Turkey which are classified as equity capital or other capital in Central Bank of the Republic of Turkey's balance of payment statistics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



Source:CBRT

Out of the USD 16.8 billion of the FDI inflows received in 2015, the equity component constituted USD 12.7 billion while the real estate purchases constituted USD 4.1 billion (Table 3).

Table 3: FDI Inflows by Component (1996–2015) (USD Million)[4]

	1996-2005 (Cumulatively)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Foreign Direct Investment	**23,184**	**20,185**	**22,047**	**19,851**	**8,585**	**9,099**	**16,182**	**13,284**	**12,384**	**12,523**	**16,819**
Capital (Net)	18,064	16,982	18,394	14,713	6,184	6,221	14,145	10,126	9,310	8,315	11,494
Inflows	19,605	17,639	19,137	14,748	6,266	6,256	16,136	10,759	9,878	8,576	11,858
Liquidation Outflows	1,541	657	743	35	82	35	1,991	633	568	261	364
Other Capital (Intra Company Loans)	938	281	727	2,201	619	384	24	522	25	-113	1,169
Real Estate Purchases (Net)	4,182	2,922	2,926	2,937	1,782	2,494	2,013	2,636	3,049	4,321	4,156

Source: CBRT
a) Investment credits received by foreign-owned companies from the foreign partner (Loans received from foreign partners by companies with foreign capital)

1.2.2. Foreign Direct Investments by Sector[5]

The analysis of the sectoral breakdown of FDI inflows in the last 10 years reveals that the financial intermediation sector held the top place with USD 43.6 billion. Financial intermediation sector was followed by manufacturing sector (29.5 USD billion), energy sector (USD 16 billion), telecommunications sector (USD 7.8 billion), and wholesale and retail trade sector (USD 6.6 billion).

In 2015, manufacturing (USD 4.1 billion), financial intermediation (USD 3.5 billion) and transportation and storage activities (USD 1.5 billion) were the top three sectors which amounted to 77% of the total (Table 4). Compared to previous year, FDI inflows have increased in all these three sectors and increase rates were 50% for manufacturing, 140% for financial intermediation, and 157% for transportation and storage sectors.

[4] 2015 data used in this report is based onBalance of Payments Report published by the Central Bank of the Republic of Turkey released in March 2016. Balance of Payments statistics concerning previous years which are published by the Central Bank of the Republic of Turkey are revised retrospectively when necessary.

[5] In terms of equity component of FDI inflows in 2015

Table 4: FDI Inflows by Sector, 2015 (USD Million)[6]

Rank	Sector	FDI Inflows	(%)
1	Manufacturing	4,111	34.7
2	Financial Intermediation	3,535	29.8
3	Transportation and Storage	1,524	12.9
4	Electricity, Gas and Water Supply	1,261	10.6
5	Wholesale and Retail Trade	569	4.8
6	Mining and Quarrying	202	1.7
7	Real Estate, Renting and Business Activities	169	1.4
8	Information and Communication	150	1.3
9	Construction	76	0.6
10	Human Health and Social Service Activities	59	0.5
	Other	202	1.7
	Toplam	**11,858**	**100,0**

Source:CBRT

Manufacturing sector held the first place with USD 4.1 billion of FDI inflows in 2015. In 2015, USD 1.3 billion FDI capital transfer from Goldman Sachs International to Socar Türkiye Enerji A.Ş. in return of certain equity participation and USD 603 million transfer from B.S.A. International to AK Gıda Sanayi ve Ticaret regarding the purchase of 80% of total stakes can be noted as the major transactions took place in the sector.

In 2015, manufacturing sector was followed by finance sector. USD 2.1 billion capital transfer from Banco Bilbao Vizcaya Argentineria in return of purchase of certain stakes of Garanti Bankası A.Ş. was the leading transaction in finance sector. Moreover, USD 285 million capital transfer regarding the acquisition of Tekstil Bankası by Industrial and Commercial Bank of China, and the transfer regarding the capital increase in ING Bank A.Ş. are the other major transactions in the sector.

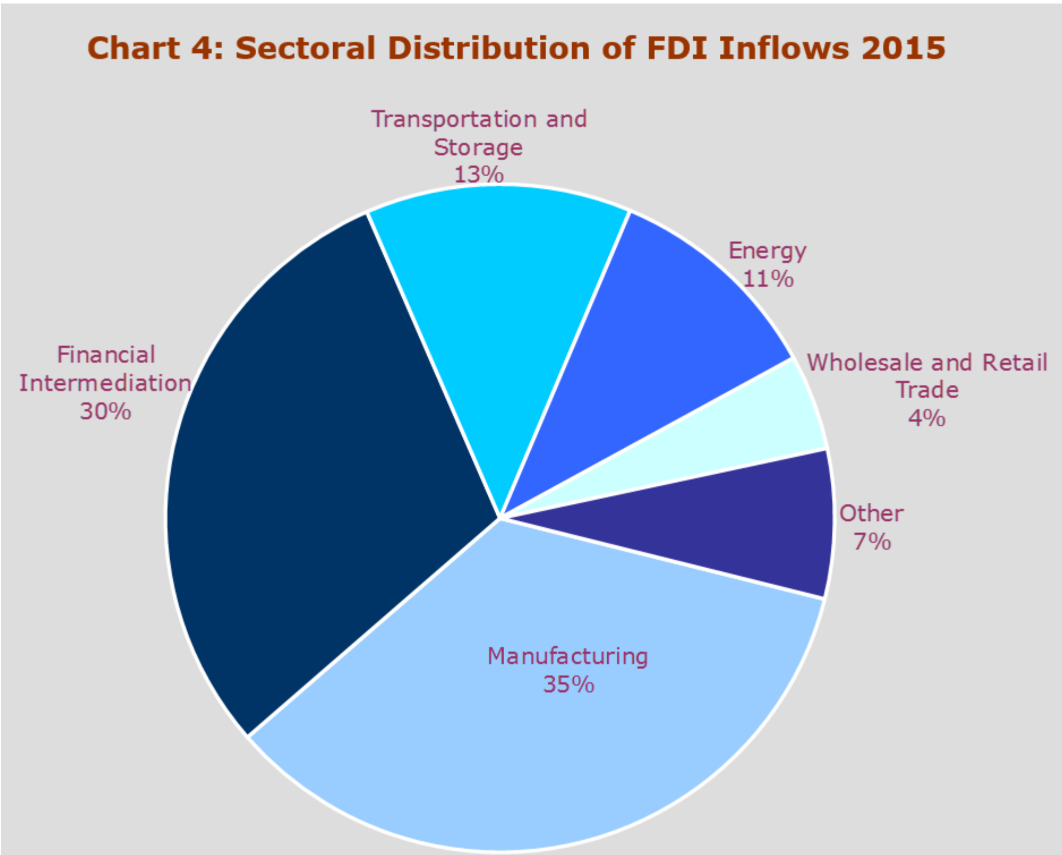
In 2015, the USD 940 million transfer by China Merchant Holdings in return of purchase of 64.5% of Fina Holding A.Ş. stakes was the leading transaction in transport and storage sector which was third sector in terms of sectoral FDI inflow performance (the origin of the transaction was recorded as Luxembourg in the balance of payments due to

[6] 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.

location of the subsidiary). Additionally, another major transaction was USD 316.5 million transfer by Malaysia Airports regarding the acquisition of Limak Yatırım Enerji A.Ş.

Energy is another prominent sector in 2015 FDI inflows. Several large capital increase transactions were significant in energy sector such as AO Rusatom's transfer to Akkuyu Nükleer A.Ş, Canub Qaz Dahlizi QSC's transfer to Tanap Doğalgaz İletim A.Ş. and Lukoil Europe Holdings' transfer to Lukoil Euroasia Petrol A.Ş.

In addition, USD 350 million transfer in return of purchase of 30.7% shares of Boyner Perakende ve Tekstil Yatırımları A.Ş. by Mayhoola For Investments Opc was the biggest transaction in wholesale and retail trade sector.



Source: CBRT

Table 5: Sectoral Distribution of FDI Inflows, 2006-2015 (USD Million)

Sectors	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Manufacturing	1,701	4,131	3,972	1,640	924	3,599	4,519	2,209	2,731	4,111	29,537
Financial Intermediation	6,954	11,717	6,136	817	1,621	5,883	2,084	3,415	1,470	3,535	43,632
Transportation and Storage	453	679	96	230	183	221	130	364	594	1,524	4,474
Electricity, Gas and Water Supply	1,164	567	1,055	2,153	1,824	4,293	773	1,795	1,131	1,261	16,016
Wholesale and Retail Trade	456	234	2,088	389	435	707	221	377	1,136	569	6,612
Mining and Quarrying	123	336	145	89	136	146	188	717	365	202	2,447
Real Estate, Renting and Business Activities	79	448	453	210	241	300	173	128	227	169	2,428
Telecommunication	6,353	472	97	173	36	36	133	110	214	150	7,774
Construction	215	287	337	209	310	301	1,427	178	232	76	3,572
Human Health and Social Services Activities	71	176	147	105	112	232	546	106	202	59	1,756
Total	**17,639**	**19,137**	**14,748**	**6,266**	**6,256**	**16,136**	**10,759**	**9,878**	**8,576**	**11,858**	**121,253**

Source:CBRT

1.2.3. Foreign Direct Investment Inflows[7] by Home Country

Table 6: FDI Inflows by Home Country 2014-2015 (USD Million)

2014			
Rank	Country	Capital Inflow	(%)
1	The Netherlands	2,016	23.5
2	The United Kingdom	1,051	12.3
3	Azerbaijan	884	10.3
4	Russia	723	8.4
5	Germany	601	7.0
6	Luxembourg	528	6.2
7	Italy	488	5.7
8	The United States	334	3.9
9	France	281	3.3
10	Japan	257	3.0
	Total	**8,576**	**100.0**

Source: CBRT

2015			
Rank	Country	Capital Inflow	(%)
1	Spain	2,178	18.4
2	The United States	1,568	13.2
3	Luxembourg	1,263	10.7
4	The Netherlands	1,188	10.0
5	Azerbaijan	786	6.6
6	Belgium	753	6.4
7	Russia	747	6.3
8	The United Kingdom	596	5.0
9	China	451	3.8
10	Germany	387	3.3
	Total	**11,858**	**100.0**

Source: CBRT

[7] 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.

In 2015, Spain, the United States and Luxembourg were the top investor countries in Turkey. In addition to European Countries, Asian investors' appetite to Turkey have continued with a momentum. Although FDI flows from other regions have been rising, EU Countries sustained their long lasting dominant share in total.

1.2.4. Foreign Direct Investments in Mergers and Acquisitions [8]

In 2015, despite the negative conditions and political uncertainty in Turkey and its region, thanks to macroeconomic stability, high resistance to economic crisis and several investment advantages, FDI inflows reached the highest level in Turkey since the 2008 crisis. The main reason of this development was the increase in both the volume and the number of M&As of international investors in 2015 compared to 2014. This situation shows that Turkey maintained the perception of being an attractive country for investments. Also, it is expected that M&As in Turkey continue to attract the attention of domestic and foreign investors in 2016.

Due to the differences in methods of analysis and calculation used by various organizations in their reports, discrepancies can be observed in terms of value and the number of transactions, although data of M&A are parallel with each other in general.

According to the report published by Ernst & Young, in 2015, the number of M&A transactions showed a similar trend with the previous year and realized as 319, while volume of transactions declined dramatically. In 2015, total value of transactions amounted to USD 10.7 billion which includes both disclosed and undisclosed transaction values (this value was USD 17.7 billion in 2014). According to the Report, the number of transactions which had the transaction value over USD 100 million was 21 similiar to previous year and investments of SMEs continued. In 2015, total volume of the transactions is estimated at USD 15 billion including undisclosed transactions. On the other hand, according to Deloitte's M&A report, M&A transaction number realized as 245 in 2015, total value of M&A transactions amounted to USD 16.4 billion with the decrease of 9% compared to 2014. Although both reports point out that the value of M&As of foreign and domestic

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[8] Resources: Annual Turkish M&A Review 2015, Deloitte
Mergers and Acquisitions Report Turkey 2015, Ernst & Young

investors declined, the amount of undisclosed transactions can result in discrepancies in these values.

According to Ernst & Young's report, in terms of total volume of M&A transactions in 2015, the share of foreign investors (62%) surpassed the transaction volume of domestic investors significantly amounting to USD 6.6 billion, unlike the previous year (This was the first time foreign investors surpassed domestic investors in terms of transaction volume since 2012). In terms of the number of transactions, in 2015, domestic investors (196 operations) outpaced foreign investors (123 operations) in line with the recent trend. On the other hand, Deloitte's report states that M&A transactions of foreign investors was USD 11.5 billion in 2015 and their share increased to 70% which represents a significant level with 125 transactions.

In terms of the number of transactions, the dominance of the EU countries and the United States is observed as the previous years when M&A transactions carried out by foreign investors were analyzed. In terms of transaction volume; Japan, United Arab Emirates, Qatar, India and Sweden were the major investor countries respectively, in addition to the United States and European Union countries. In 2015, in terms of the number of transactions, the United States took place on the top with 23 transactions and followed by the United Kingdom and Germany. On the other hand, in terms of transaction volume in 2015, the United States, Germany, the United Kingdom, China, Malaysia and Japan were the leading countries.

Table 7: Top Five Cross-Border M&A Transactions in 2015

Acquired Company	Acquiring Company	Acquired Share (%)	Home Country of the Acquiring Company	FDI (USD Million)
Socar Türkiye Enerji A.Ş.	Goldman Sachs International	13	The USA	1,300
Fina Holding A.Ş.	China Merchants Holdings	64.5	China (Luxembourg)	940
Ak Gıda Sanayi ve Ticaret	B.S.A. International	80	Belgium	603
Boyner Perakende ve Tekstil Yatırımları A.Ş.	Mayhoola For Investments Opc	30.7	Qatar	350
Limak Yatırım Enerji A.Ş.	Malaysia Airports	40	Malaysia	317

Source: Ernst&Young, Deloitte

In 2015, the major M&A transactions took place predominantly in finance, manufacturing, transportation and energy sectors. The biggest transaction was the sale of the %13 share of Socar Türkiye Enerji A.Ş. to the USA based Goldman Sachs International in return of USD 1.3 billion. Additionally, regarding the sale of 14.9% of Garanti Bank shares, which took place in 2014, the Spanish company Banco Bilbao Vizcaya Argentaria (BBVA) transferred USD 2.1 billion in 2015, which was the highest capital inflow reflected to balance of payments statistics. In 2015, second largest transaction was the sale of 64.5% share of Fina Holding A.Ş. to China based China Merchants Holdings in return of USD 940 million (the transfer for this operation was recorded as FDI flows from Luxemburg in the balance of payments statistics). Another major M&A transactions in 2015 were the acquisition of 80% of Ak Gıda Sanayi ve Ticaret amounting USD 603 million transferred from Belgium, USD 316.5 million transfer regarding the acquisition of Limak Yatırım Enerji A.Ş. by Malaysia Airports, the acquisition of 30.7% of Boyner Perakende ve Tekstil Yatırımları A.Ş. by Qatar based company Mayhoola For Investments Opc valued at USD 350 million and the USD 285 million transfer in return of acquisition of Tekstil Bankası by China based Industrial and Commercial Bank of China.

1.3. Companies with Foreign Capital in Turkey[9]

By the end of 2015 there were 47,593 companies with foreign capital operating in Turkey. 41,116 of them are companies and branch offices with foreign capital, and 6,477 were 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

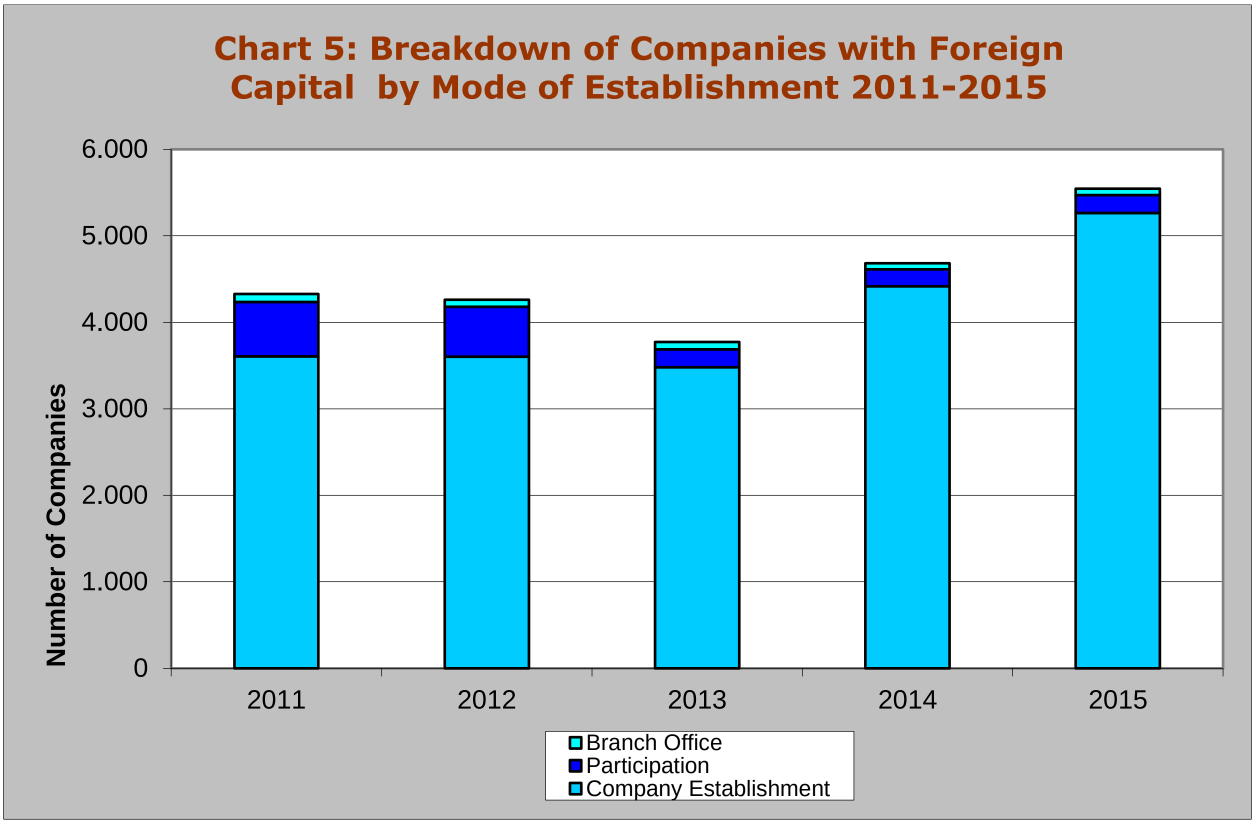
Year	Company Establishment	Participation	Branch Office	Total
1954-2010 (Accumulated)	19,693	4,668	639	**25,000**
2011	3,607	628	94	**4,329**
2012	3,604	574	82	**4,260**
2013	3,482	205	87	**3,774**
2014	4,416	196	72	**4,684**
2015	5,264	206	76	**5,546**
Total	**40,066**	**6,477**	**1,050**	**47,593**

Provisional Data, Source: Ministry of Economy

Number of companies with foreign capital decreased by 1.6% and 11.3% in 2012 and 2013. Following the increase in 2014 by 24%, the number of companies with foreign capital reached the highest value of the last five years by 18.4% increase in 2015.

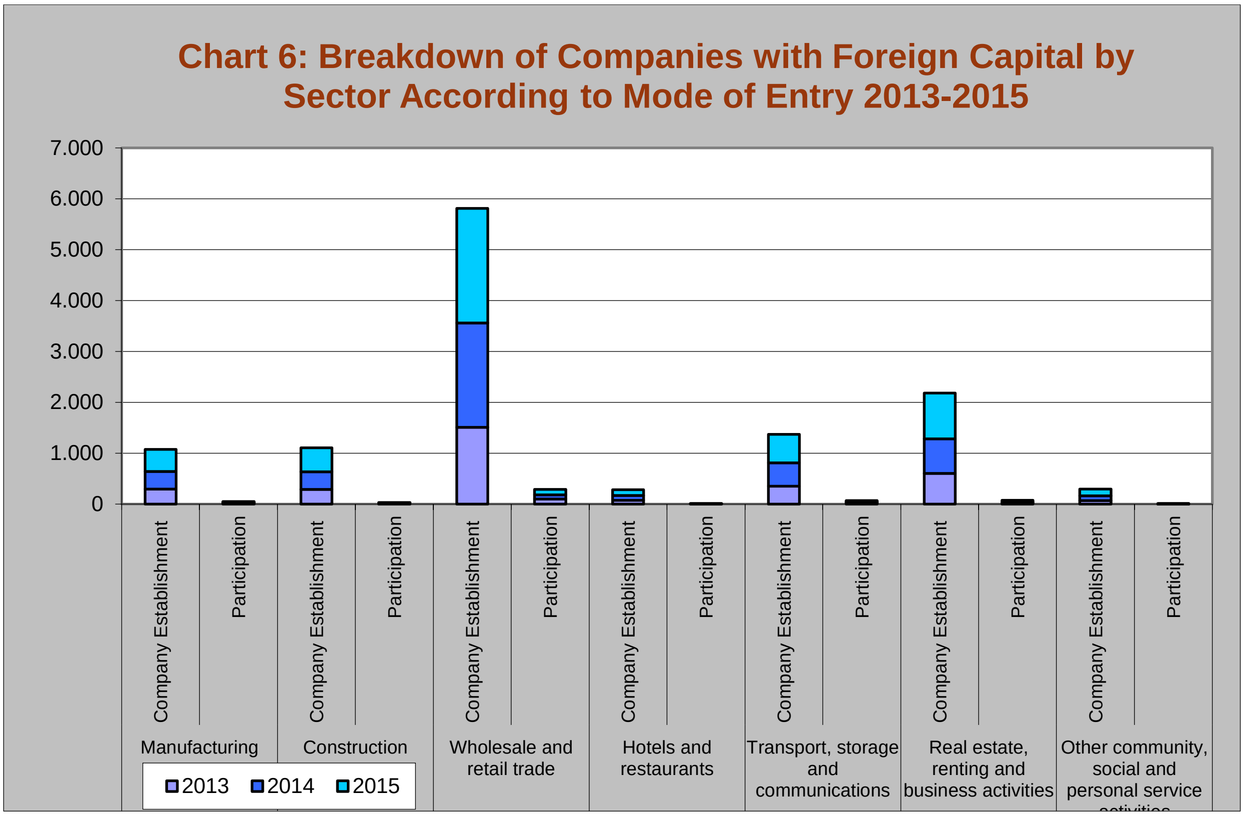
By the end of 2015, 80% of the 47,593 companies with foreign capital were limited companies, 18.9% were joint stock companies, and the remaining 1.1% were branch offices.

[9] 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.



Provisional Data, Source: Ministry of Economy

The average share of the new companies and branch offices between the period of 2011-2015 was around 86.4% of the total companies with foreign capital.



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 47,593 companies with foreign capital in Turkey by the end of 2015, 17,235 were operating in the wholesale and retail trade; 7,696 were in real estate rental and business activities sector, and 6,188 were in manufacturing industry. Chemicals and chemical products were in the first place in terms of number of companies with foreign capital in manufacturing industry, followed by manufacture of textiles, manufacture of food products, beverages and tobacco sub-sectors respectively (Table 9).

Table 9: Sectoral Breakdown of Companies with Foreign Capital

Sectors	1954-2010 (Cumulative)	2011	2012	2013	2014	2015	1954-2015 Total
Agriculture, hunting, fishing and forestry	397	69	55	39	70	47	677
Mining and quarrying	526	101	20	23	18	26	714
Manufacturing	4,262	459	322	318	375	452	6,188
Manufacture of food products, beverages and tobacco	457	45	20	16	12	14	564
Manufacture of textiles	435	32	19	17	38	62	603
Manufacture of chemicals and chemical products	465	56	36	37	49	35	678
Manufacture of machinery and equipment	358	38	28	27	35	27	513
Manufacture of motor vehicles, trailers and semi-trailers	232	15	10	10	10	20	297
Other Manufacturing	2,315	273	209	211	231	294	3,533
Electricity, gas and water supply	533	136	149	143	139	171	1,271
Construction	2,308	432	336	306	356	489	4,227
Wholesale and retail trade	7,623	1,525	1,890	1,636	2,171	2,390	17,235
Hotels and restaurants	1,683	98	94	82	101	111	2,169
Transport, storage and communications	2,191	481	439	390	501	584	4,586
Financial intermediation	287	32	28	25	12	16	400
Real estate, renting and business activities	3,914	787	690	640	711	954	7,696
Other community, social and personal service activities	1,276	209	237	172	230	306	2,430
Total	25,000	4,329	4,260	3,774	4,684	5,546	47,593

Provisional Data, Source: Ministry of Economy

With regard to the sectoral distribution of the companies with foreign capital between 2011 and 2015; the sectors of wholesale and retail trade, real estate rental and business activities ranked in the first two places. The manufacturing industry which had a downward trend between 2011-2013, increased since 2014. In 2015, the total number of the companies with foreign capital in electricity, gas and water supply sectors increased by 90%, compared to the value in 2011. It is followed by 88% increase in wholesale and retail trade and 72% in transport, storage and communications.

1.3.2. Companies with Foreign Capital by Home Country

In distribution of 47,593 companies with foreign capital by country groups, EU countries ranked first with a total of 20,648 companies. Among the EU countries; Germany with 6,491 companies, the United Kingdom with 2,910 companies, and the Netherlands with 2,591 companies ranked as the top three (Table 10).

Of the 5,546 companies established in 2015, 1,256 had partners from the EU, 2,985 from Near and Middle Eastern and 373 from other Asian countries (Table 11).

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

Countries	1954-2010 (Cumulative)	2011	2012	2013	2014	2015	1954-2015 Total
EU Countries	**13,467**	**1,749**	**1,532**	**1,348**	**1,296**	**1,256**	**20,648**
Germany	4,193	590	484	416	377	431	6,491
The Netherlands	1,791	184	172	157	142	145	2,591
United Kingdom	2,109	184	170	161	137	149	2,910
Italy	800	113	107	102	98	86	1,306
Other EU Countries	4,574	678	599	512	542	445	7,350
Other European Countries (Except EU)	**2,834**	**447**	**419**	**345**	**322**	**343**	**4,710**
Africa Countries	**475**	**131**	**151**	**206**	**305**	**390**	**1,658**
North America	**1,219**	**187**	**151**	**134**	**112**	**147**	**1,950**
U.S.A.	1,035	159	114	105	91	123	1,627
Canada	184	28	37	29	21	24	323
Central and South America, Caribbean	**138**	**20**	**21**	**25**	**18**	**22**	**244**
Near and Middle East Countries	**4,799**	**1,424**	**1,643**	**1,369**	**2,264**	**2,985**	**14,484**
Other Asia	**1,777**	**334**	**304**	**317**	**328**	**373**	**3,433**
China	387	53	55	71	96	93	755
South Korea	168	16	29	28	25	14	280
Other	1,222	265	220	218	207	266	2,398
Other Countries	**291**	**37**	**39**	**30**	**39**	**30**	**466**
Total	**25,000**	**4,329**	**4,260**	**3,774**	**4,684**	**5,546**	**47,593**

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 an upward trend between 2011 and 2015.

The number of companies with an equity capital within the range of USD 50,000-200,000 which followed a downward trend between 2012-2014, increased in 2015. The number of the companies with an equity capital within the range of USD 200,000-500,000 and companies with a capital higher than USD 500,000 followed a downward trend between 2011 and 2015.

The share of the companies with a capital higher than USD 500,000 was 3.2% in 2015 (Table 11).

Table 11: Breakdown of Companies with Foreign Capital by Amount of Equity Capital (2011-2015)

	2011		2012		2013		2014		2015	
Capital Amount ($)	Number of Companies	Share in Total (%)	Number of Compani es	Share in Total (%)	Number of Companies	Share in Total (%)	Number of Companies	Share in Total (%)	Number of Companies	Share in Total (%)
<50.000	1,833	42.3	2,013	47.3	2,220	58.8	3,447	73.6	4,187	75.5
50.000 - 200.000	1702	39.3	1615	37.9	1,100	29.1	801	17.1	989	17.8
200.000 - 500.000	365	8.4	263	6.2	198	5.2	239	5.1	194	3.5
>500.000	429	9.9	369	8.7	256	6.8	197	4.2	176	3.2
Toplam	4,329	100.0	4,260	100.0	3,774	100.0	4,684	100.0	5,546	100.0

Provisional Data, Source: Ministry of Economy

In 2015, 176 companies with an equity capital over USD 500,000, were established. Among these 69 companies have been operating in the wholesale and retail trade sector, 27 in real estate renting and business activities sector, 25 in the manufacturing industry, 17 in electricity, gas and water sector, 13 in construction sector, and 11 in transportation, communication and storage services. (Table 12).

Table 12: Breakdown of Companies with Foreign Capital by Sector and Amount of Equity Capital (2014-2015)

Sectors	2014					2015				
	Capital Amount ($)									
	<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
Agriculture, Hunting, Forestry and Fishery	**52**	**11**	**3**	**4**	**70**	**33**	**11**	**3**	**0**	**47**
Mining and Quarrying	**15**	**0**	**2**	**1**	**18**	**14**	**8**	**3**	**1**	**26**
Manufacturing Industry	**250**	**67**	**26**	**32**	**375**	**307**	**95**	**25**	**25**	**452**
Food Products, Beverage and Tobacco Manufacturing	5	5	1	1	12	11	2	0	1	14
Textile Products Manufacturing	24	8	4	2	38	41	19	1	1	62
Chemicals and Chemical Products Manufacturing	36	11	0	2	49	21	7	3	4	35
Machinery and Equipment Manufacturing	19	9	2	5	35	15	7	2	3	27
Motor Land Vehicle Manufacturing	4	0	2	4	10	16	3	1	0	20
Other Manufacturing	162	34	17	18	231	203	57	18	16	294
Electricity, Gas and Water	**98**	**15**	**9**	**17**	**139**	**130**	**12**	**12**	**17**	**171**
Construction	**244**	**73**	**25**	**14**	**356**	**329**	**119**	**28**	**13**	**489**
Wholesale and Retail Trade	**1,565**	**419**	**115**	**72**	**2,171**	**1,768**	**482**	**71**	**69**	**2,390**
Hotels and Restaurants	**70**	**21**	**5**	**5**	**101**	**86**	**20**	**4**	**1**	**111**
Transport, Communication, Storage	**400**	**75**	**12**	**14**	**501**	**467**	**88**	**18**	**11**	**584**
Activities of Financial Intermediation Organizations	**4**	**1**	**3**	**4**	**12**	**8**	**2**	**0**	**6**	**16**
Real-estate Renting and Business Activities	**571**	**83**	**33**	**24**	**711**	**783**	**121**	**23**	**27**	**954**
Other Communal, Social and Individual Service Activities	**178**	**36**	**6**	**10**	**230**	**262**	**31**	**7**	**6**	**306**
Total	**3,447**	**801**	**239**	**197**	**4,684**	**4,187**	**989**	**194**	**176**	**5,546**

Provisional Data, Source: Ministry of Economy

In 2015, 79 of 176 companies with an equity capital over USD 500,000, were companies with partners from EU countries. Among them the Netherlands was prominent with 19 companies (Table 13).

Table 13: Breakdown of Companies with Foreign Capital by Home Country and Amount of Equity Capital (2014 - 2015)

Country	2014					2015				
	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	1,002	132	64	98	1,296	979	144	54	79	1,256
Germany	286	51	23	17	377	354	50	14	13	431
Netherlands	102	13	12	15	142	97	22	7	19	145
The UK	113	8	4	12	137	109	21	7	12	149
Italy	71	11	7	9	98	64	9	6	7	86
Other EU Countries	430	49	18	45	542	355	42	20	28	445
Other European Countries (Except EU Countries)	265	29	10	18	322	273	46	12	12	343
North Africa Countries	180	49	19	2	250	266	60	13	3	342
Other Africa Countries	51	4	0	0	55	46	2	0	0	48
North America	90	12	2	8	112	125	12	3	7	147
U.S.A.	71	11	2	7	91	104	11	2	6	123
Canada	19	1	0	1	21	21	1	1	1	24
Central and South America, Caribbean	14	1	2	1	18	16	2	2	2	22
Near and Middle East Countries	1,573	518	120	53	2,264	2,194	649	95	47	2,985
Other Asia	237	54	21	16	328	271	70	15	17	373
Other Countries	35	2	1	1	39	17	4	0	9	30
Total	3,447	801	239	197	4,684	4,187	989	194	176	5,546

Provisional Data, Source: Ministry of Economy

1.3.4. Geographical Distribution of Companies with Foreign Capital

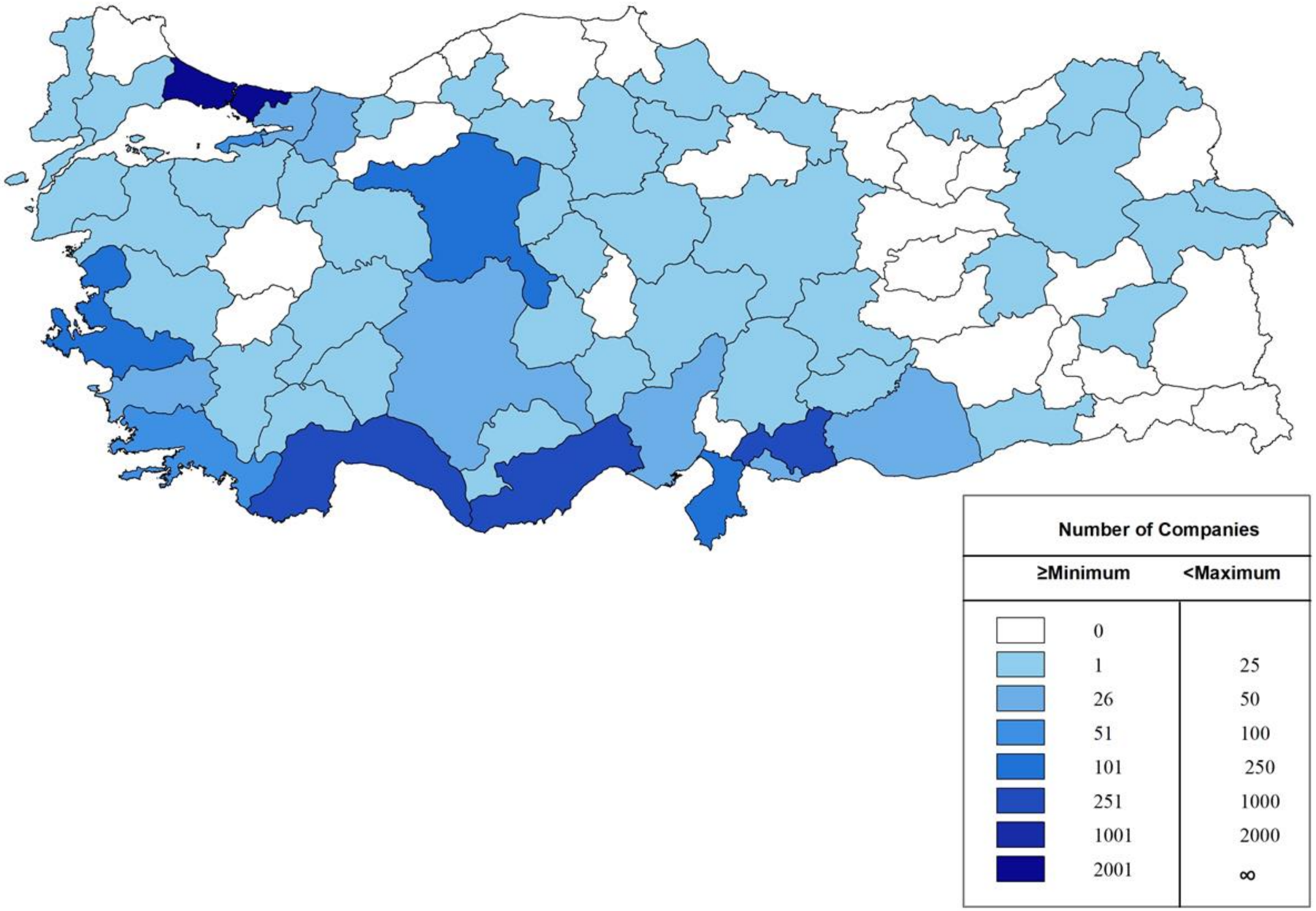
According to the distribution of 47,593 companies with foreign capital by their province of establishment, Istanbul ranked first with 28,782 companies, followed by Antalya with 4,715, Ankara with 2,683, and İzmir with 2,237 (Table 14).

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

City	Number of Companies (1954-2015)	(%)	Number of Companies (2015)	(%)
İSTANBUL	28,782	60.5	3,537	63.8
ANTALYA	4,715	9.9	343	6.2
ANKARA	2,683	5.6	204	3.7
İZMİR	2,237	4.7	141	2.5
MUĞLA	1,576	3.3	54	1.0
MERSİN	1,379	2.9	361	6.5
BURSA	860	1.8	270	4.9
AYDIN	646	1.4	14	0.3
KOCAELİ	617	1.3	47	0.8
GAZİANTEP	512	1.1	137	2.5
Other Provinces	3,586	7.5	438	7.9
Total	**47,593**	**100**	**5,546**	**100**

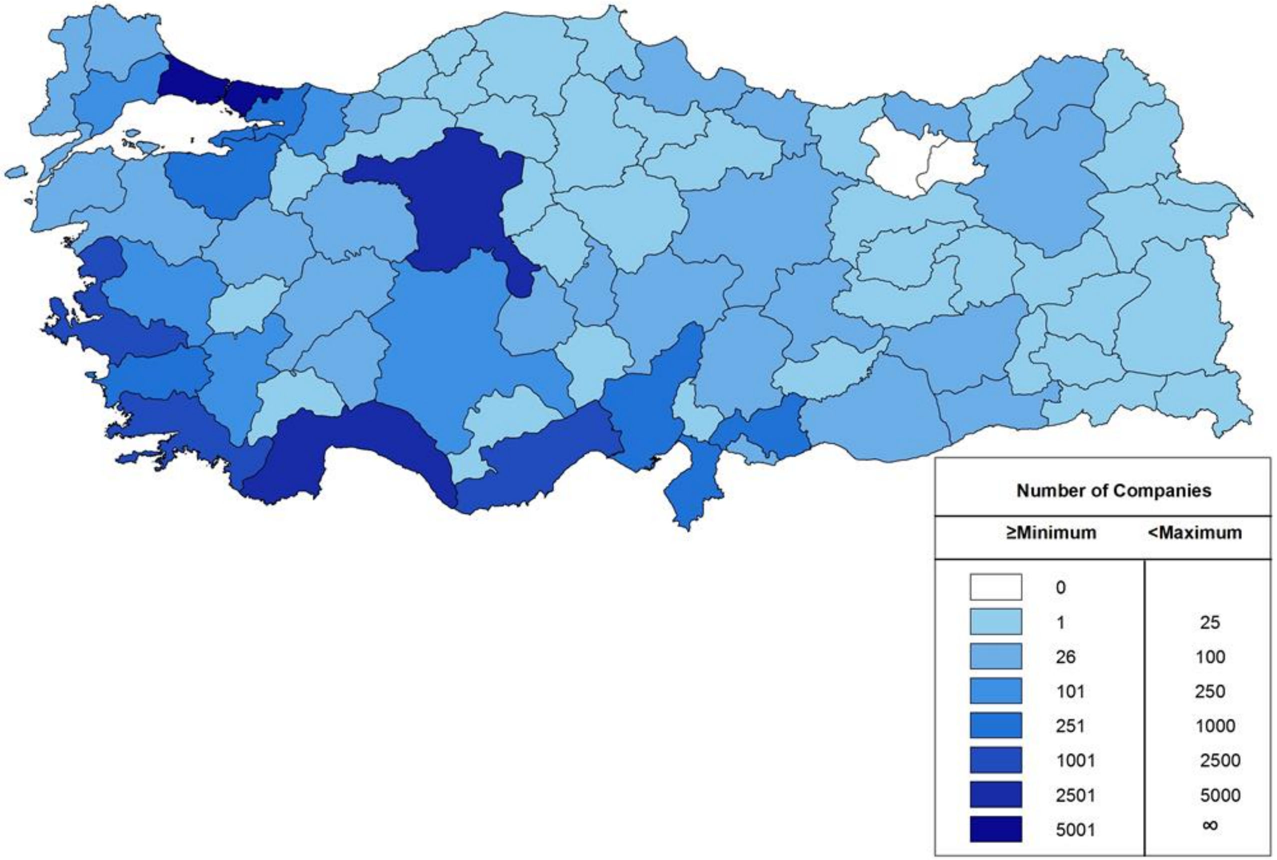
Provisional Data, Source: Ministry of Economy

Map 1: Breakdown of Companies with Foreign Capital by Province of Establishment (2015)



Provisional Data, Source: Ministry of Economy

Map 2: Breakdown of Companies with Foreign Capital by Province of Establishment (1954-2015)



Provisional Data, Source: Ministry of Economy

In the province of Istanbul where 62% of the 47,593 companies with foreign capital have been operating, the fields that the companies with foreign capital mostly focus on were wholesale and retail trade, real estate rental and business activities and manufacturing industry sectors respectively (Table 15).

Table 15: Breakdown of Companies with Foreign Capital by Sector and Province of Establishment (1954-2015)

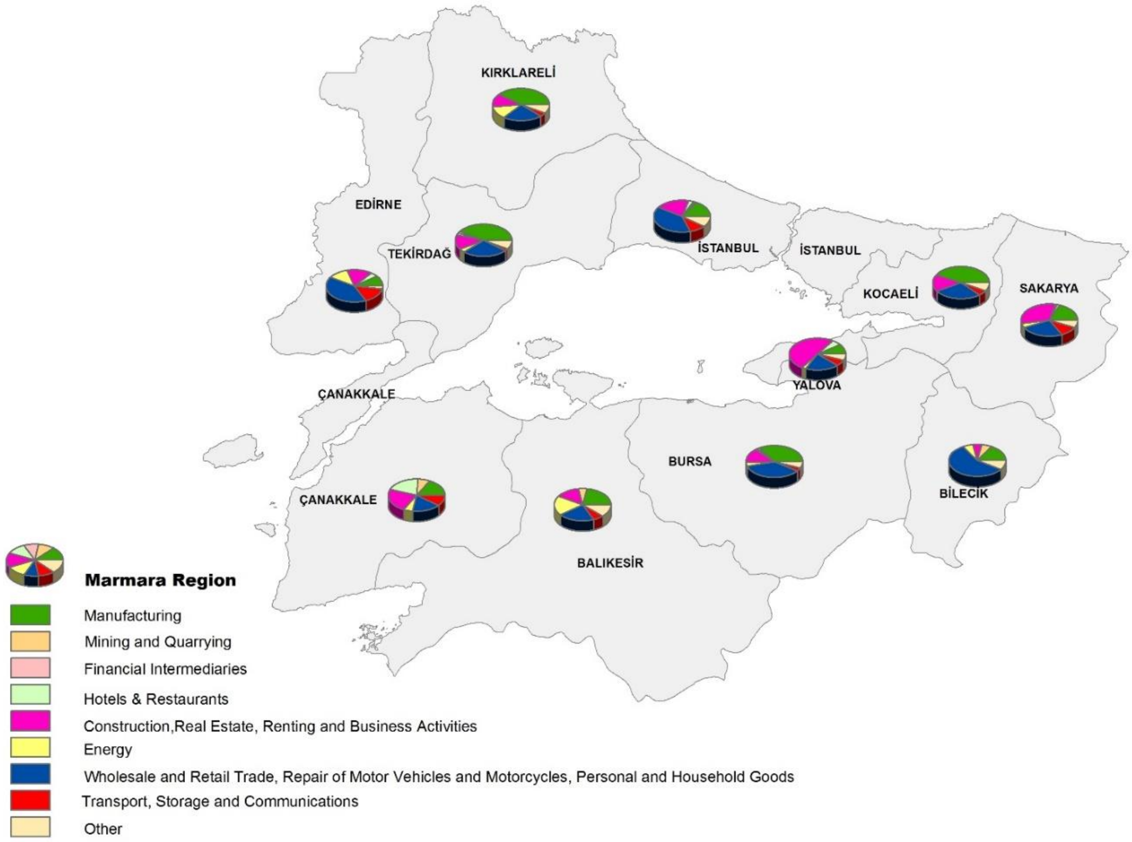
Sectors	Istanbul	Antalya	Ankara	İzmir	Muğla
Agriculture, hunting, fishing and forestry	**216**	**125**	**29**	**79**	**26**
Mining and quarrying	**312**	**32**	**130**	**63**	**8**
Manufacturing	**3,822**	**286**	**328**	**436**	**64**
Manufacture of food products, beverages and tobacco	280	39	26	59	6
Manufacture of textiles	433	7	10	28	4
Manufacture of chemicals and chemical products	462	29	25	38	1
Manufacture of machinery and equipment n.e.c.	318	12	36	43	2
Manufacture of motor vehicles, trailers and semi-trailers	129	1	11	19	0
Other Manufacturing	2,200	198	220	249	51
Electricity, gas and water supply	**768**	**68**	**222**	**85**	**6**
Construction	**2,149**	**750**	**300**	**168**	**225**
Wholesale and retail trade	**11,459**	**967**	**826**	**830**	**175**
Hotels and restaurants	**892**	**636**	**88**	**81**	**287**
Transport, storage and communications	**3,008**	**621**	**140**	**167**	**236**
Financial intermediation	**351**	**10**	**16**	**10**	**7**
Real estate, renting and business activities	**5,013**	**1,057**	**446**	**266**	**512**
Other community, social and personal service activities	**1,703**	**240**	**206**	**108**	**48**
Total	**29,693**	**4,792**	**2,731**	**2,293**	**1,594**

Provisional Data, Source: Ministry of Economy

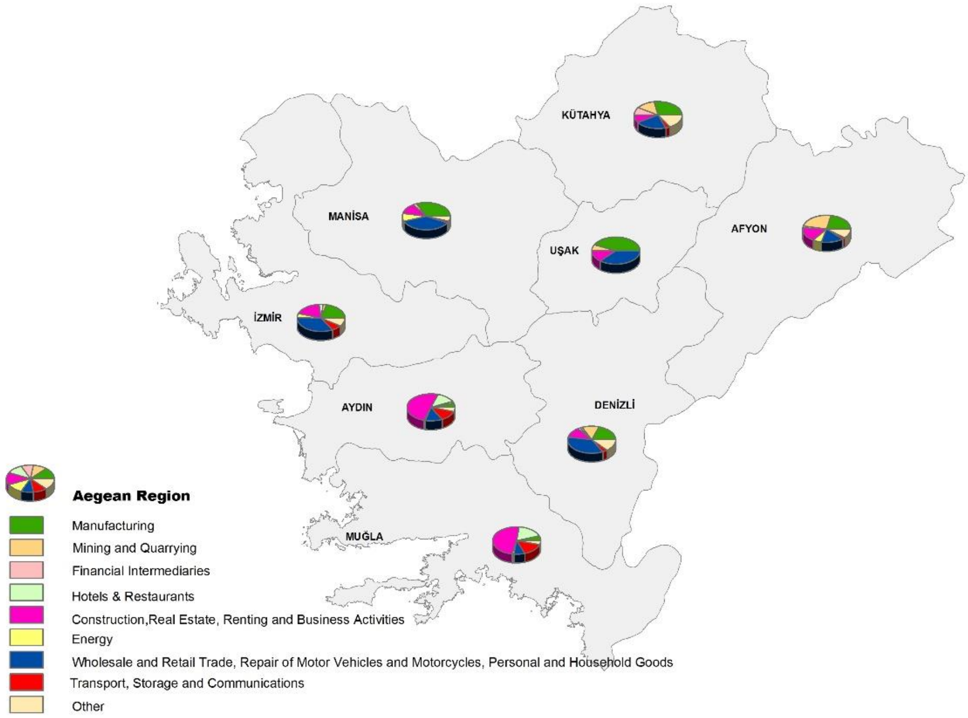
64.8% of the 47,593 companies with foreign capital in Turkey have been operating in Marmara region, 15.1% in Mediterranean, 10% in Aegean region, 6.9% in Central Anatolia and the remaining 3.2% in other regions. The wholesale and retail trade, manufacturing industry, real estate rental and business activities and transportation, communication and storage service sectors which have the highest numbers of the companies with foreign capital have been operating mainly in Marmara Region (Map 3,4,5,6,7,8,9).

Regional Distribution of Companies with Foreign Capital by Sector

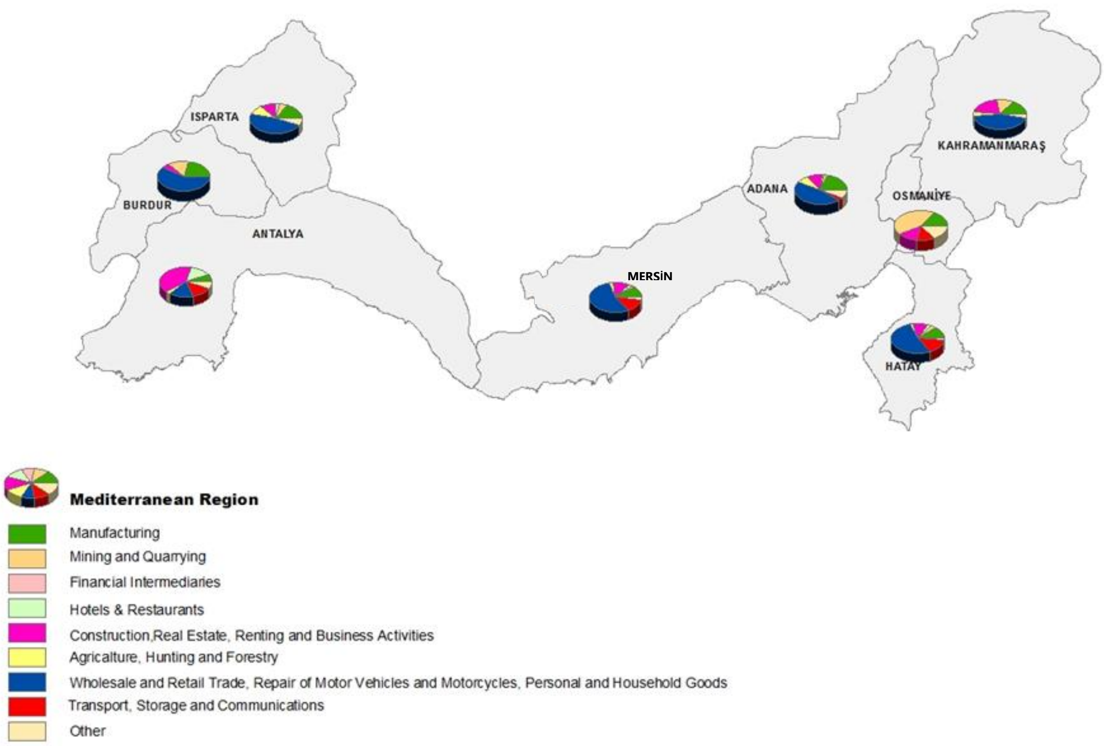
Map 3: Marmara Region



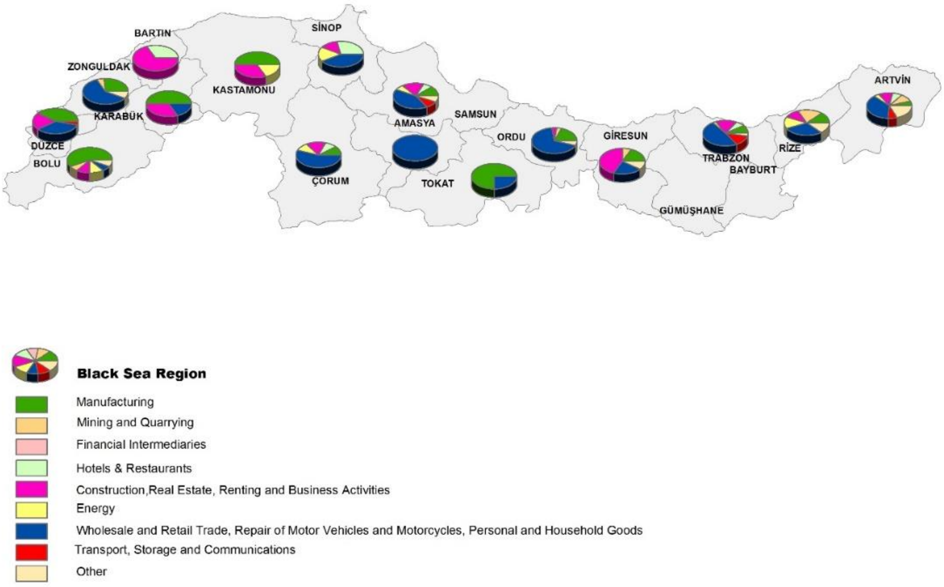
Map 4: Aegean Region



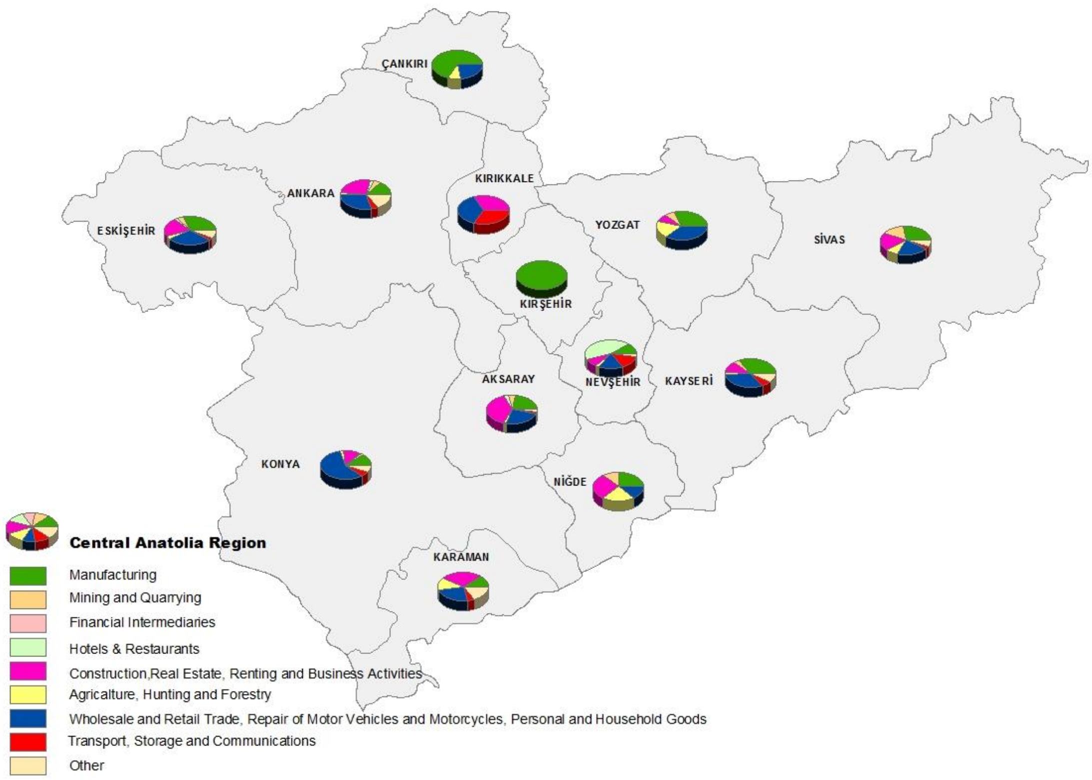
Map 5: Mediterranean Region



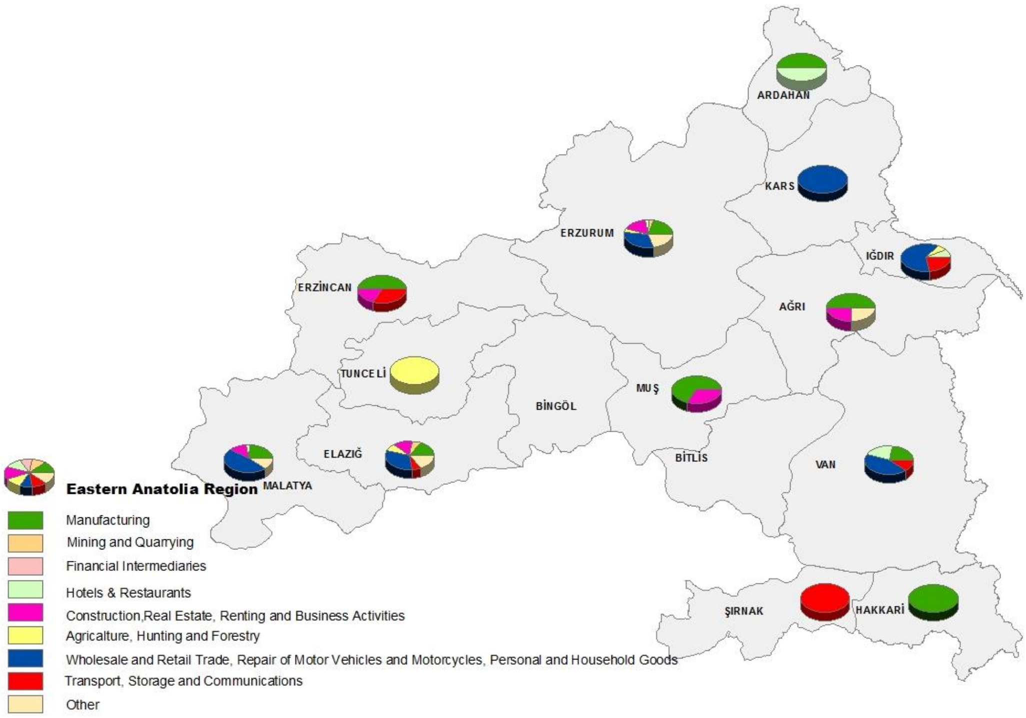
Map 6: Black Sea Region



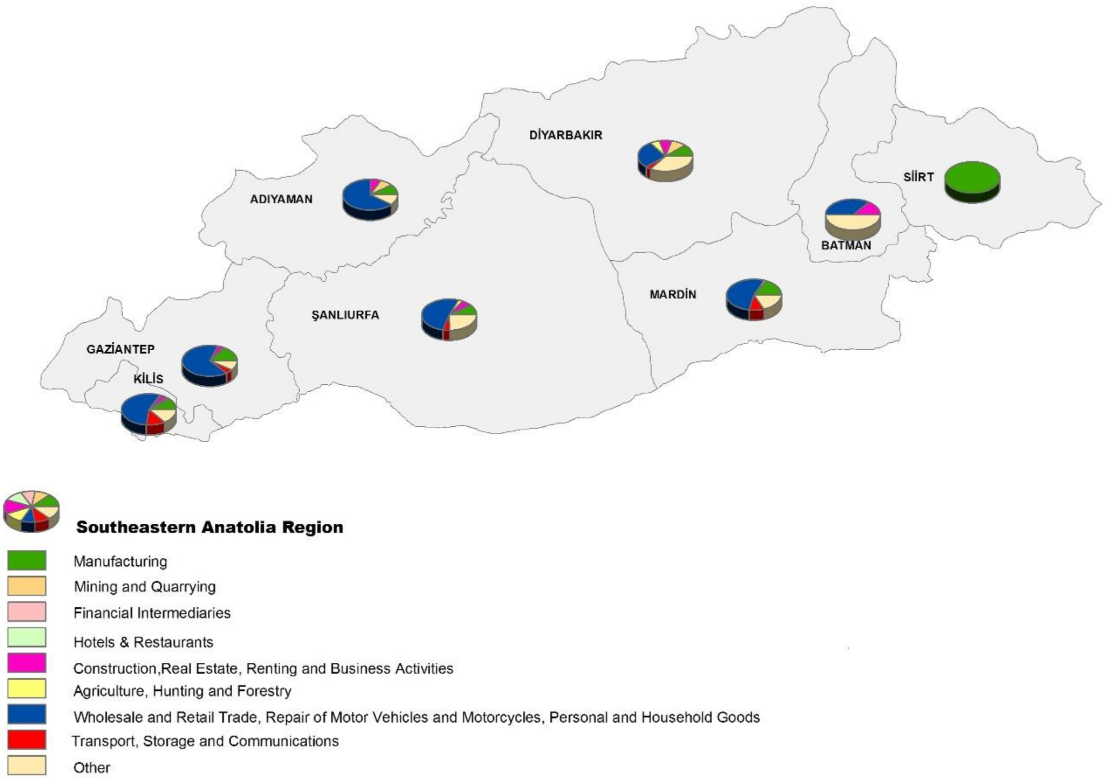
Map 7: Central Anatolia Region



Map 8: Eastern Anatolia Region



Map 9: South Eastern Anatolia Region



1.4. Investment Projects of Companies with Foreign Capital in Turkey

1,140 projects launched between 2011 and 2015 by companies with foreign capital are expected to generate investments worth USD 34.7 billion. 225 investment certificates were issued for the projects to be carried out by these companies in 2015. The projected investment amount regarding these projects was USD 12.1 billion. (Table 16)

Table 16: Investment Projects of Companies with Foreign Capital

	Greenfield Projects for Production or Services		Expansion Projects		Other Types of Investment[a]		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)
2011	99	3,156	68	1,558	30	246	197	4,960
2012	112	1,771	83	2,577	32	272	227	4,620
2013	105	4,150	76	946	57	2,651	238	7,746
2014	118	3,288	88	1,812	47	222	253	5,322
2015	108	10,085	75	1,728	42	257	225	12,069
Total	**542**	**22,450**	**390**	**8,620**	**208**	**3,648**	**1,140**	**34,718**

Source: Ministry of Economy

a) Modernization, Product Diversification, Integration

48% of the 225 projects initiated in 2015 were greenfield projects in production and services sectors, 33% were expansion, and 19% were modernization, product diversification and integration projects. 108 greenfield investment projects expected to generate investments worth USD 10.1 billion with 83.6% share, 75 expansion investments expected to generate USD 1.7 billion with 14.3% share, and 42 modernization, product diversification and integration investment projects expected to generate USD 257 million with 2.1% share of the total investment amount. The greenfield projects corresponded to approximately 48% of the number of projects launched in the last 5 years, and they had a share of 64.7% in the total investment amount.

In the sectoral distribution of the projects launched by the companies with foreign capital in terms of total investment, energy sector had a predominant place with USD 8.8 billion investment amount corresponding to a share of 73% (Table 17). Tanap Doğalgaz İletim A.Ş.'s project with value of USD 8.5 billion was the largest in the energy industry.

The mining sector which ranked second had USD 626 million investment amount and a share of 5.2%. The leading projects in 2015 in this total investment amount were the investment projects of Anagold Madencilik San. ve Tic. A.Ş. with USD 490 million and Aldridge Mineral Madencilik Ltd. Şti. with USD 110 million.

In 2015, mining was followed by the automotive sector with a share of 4.5%. Mercedes-Benz Türk A.Ş.'s USD 300 million project and Toyotetsu Otomotiv Parçaları San. ve Tic. A.Ş.'s USD 40 million were the significant projects in the sector.

Besides, ADN PPP Sağlık Yatırım A.Ş.'s USD 384 million worth project in health sector, Brisa Bridgestone Sabancı Lastik San. ve Tic. A.Ş.'s USD 114 million worth project in the manufacturing and Data Merkezi Bir Üretim İnşaat San. ve Tic. Ltd. Şti.'s USD 135 million worth project in the services sector were the other important projects.

Since 2011 the projects initiated in manufacturing and electricity, gas and water production industries have constituted a considerable portion of total amount of investments. The average investment amount of these sectors during the last five years has been 2.9 billion (Table 18).

Table 17: Sectoral Distribution of the Investment Projects of Companies with Foreign Capital in 2015

Sectors	Projects Started for Greenfield Investments		Projects Started for Expansion Investments		Other Type of Investments[a]		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	**4**	**26**	**1**	**1**	**0**	**0**	**5**	**26**	**2.22**	**0.22**
MINING	**4**	**148**	**2**	**492**	**0**	**0**	**6**	**640**	**2.67**	**5.31**
Mining and Quarrying	2	135	1	490	0	0	3	626	1.33	5.19
Metal Ore Mining	2	13	1	2	0	0	3	15	1.33	0.12
MANUFACTURING INDUSTRY	**54**	**267**	**68**	**1,118**	**35**	**198**	**157**	**1,582**	**69.78**	**13.11**
Food and Beverages	8	31	12	52	13	27	33	110	14.67	0.91
Textile	3	2	2	10	0	0	5	13	2.22	0.10
Chemistry	8	69	3	7	1	2	12	78	5.33	0.65
Machinery and Equipment Manufacturing	5	7	3	31	2	20	10	58	4.44	0.48
Electrical Machinery and Devices Manufacturing	1	0	4	7	0	0	5	7	2.22	0.06
Motor Land Vehicle. Trailer and Semi-trailer Manufacturing	4	33	15	420	8	88	27	541	12.00	4.49
Main Metal Industry	2	4	0	0	1	3	3	7	1.33	0.06
Metal Goods Industry	1	2	10	49	0	0	11	51	4.89	0.43
Paper and Paper Products Manufacturing	1	0	2	11	5	17	8	27	3.56	0.23
Plastics and Rubber Products Manufacturing	8	21	5	312	0	0	13	333	5.78	2.76
Manufacturing of Other Non-Metal Substances	2	71	2	104	2	5	6	181	2.67	1.50
Recycling the Scissel and Salvage	3	20	0	0	1	13	4	33	1.78	0.27
Other Manufacturing	8	6	10	113	2	23	20	142	8.89	1.18
ELECTRICTY. GAS AND WATER	**18**	**8,792**	**1**	**15**	**1**	**10**	**20**	**8,817**	**8.89**	**73.05**
HOTELS AND RESTAURANTS	**10**	**93**	**0**	**0**	**3**	**4**	**13**	**97**	**5.78**	**0.80**
TRANSPORTATION. COMMUNICATION AND STORAGE OPERATIONS	**5**	**30**	**2**	**88**	**1**	**45**	**8**	**163**	**3.56**	**1.35**
Supportive and Assisting Transportation Activities	3	13	1	48	0	0	4	61	1.78	0.51
Air transport	0	0	1	40	0	0	1	40	0.44	0.33
Telecommunication	2	17	0	0	1	45	3	62	1.33	0.51
EDUCATION SERVICES	**1**	**1**	**0**	**0**	**0**	**0**	**1**	**1**	**0.44**	**0.01**
REAL-ESTATE. RENTAL AND BUSINESS ACTIVITIES	**2**	**219**	**1**	**14**	**0**	**0**	**3**	**233**	**1.33**	**1.93**
HEALTH	**8**	**501**	**0**	**0**	**2**	**1**	**10**	**502**	**4.44**	**4.16**
OTHER SERVICE ACTIVITIES	**2**	**7**	**0**	**0**	**0**	**0**	**2**	**7**	**0.89**	**0.06**
TOTAL	**108**	**10,085**	**75**	**1,728**	**42**	**257**	**225**	**12,069**	**100.00**	**100.00**

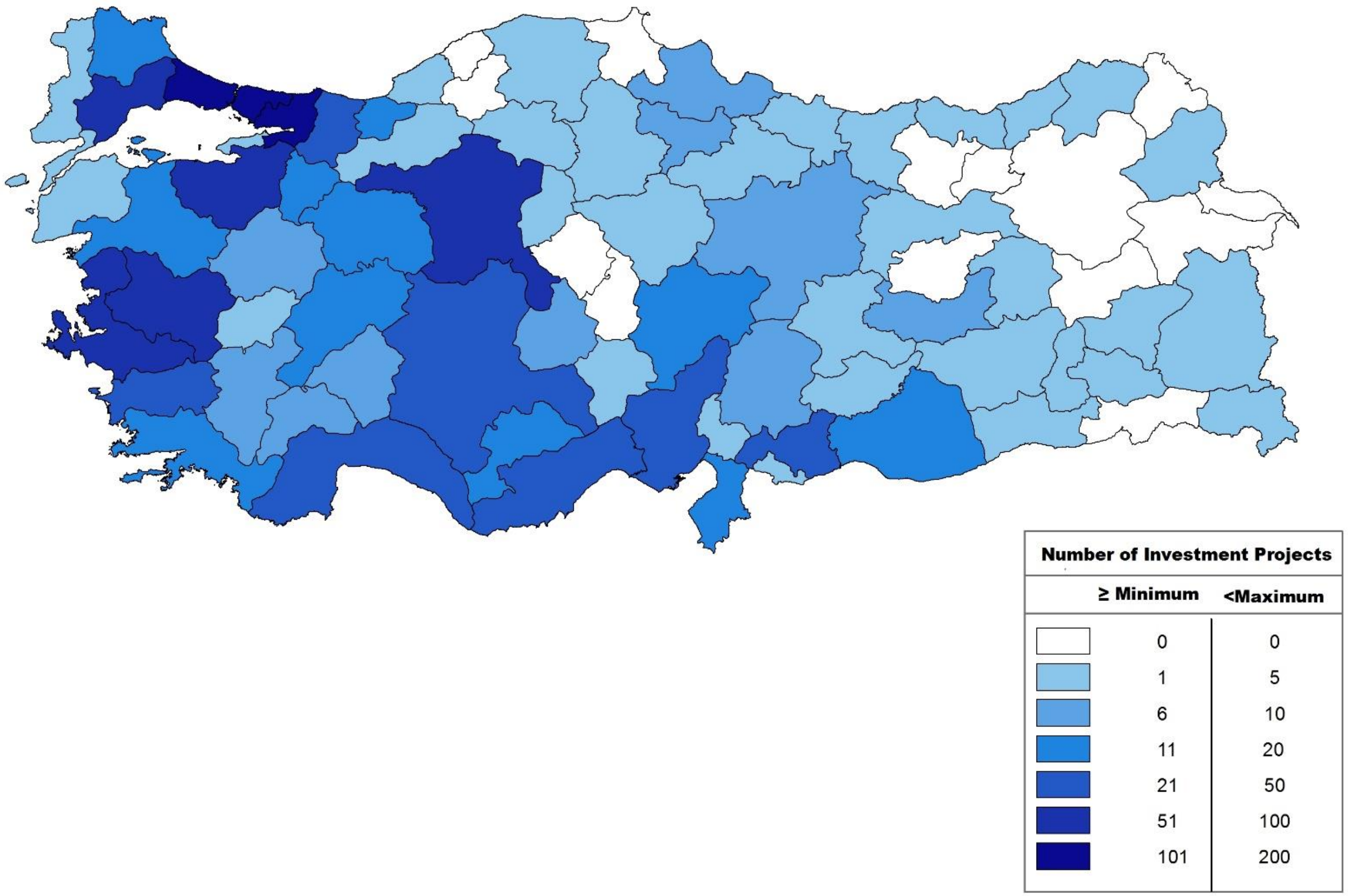
Source: : Ministry of Economy

Table 18: Sectoral Distribution of the Investment Projects of Foreign-owned Companies with Investment Certificates Between 2011 and 2015

Sectors	2011		2012		2013		2014		2015	
	Projects (Number)	Investment Amount (USD Million)	Projects (Number)	Investment Amount (USD Million)	Projects (Number)	Investment Amount (USD Million)	Projects (Number)	Investment Amount (USD Million)	Projects (Number)	Investment Amount (USD Million)
Agriculture. Hunting	3	10	6	15	7	30	5	12	5	26
Mining	5	11	9	187	14	32	9	85	6	640
Manufacturing Industry	153	1,546	162	2,691	180	4,697	192	2,256	157	1,582
Electricity. Gas and Water	16	2,314	9	949	11	1,660	11	899	20	8,817
Hotels and Restaurants	6	54	9	124	11	90	17	228	13	97
Transportation. Communication and Storage Activities	12	1,022	22	608	7	123	9	838	8	163
Education Services	0	0	1	1	1	1	0	0	1	1
Real Estate. Rental and Working Activities	1	1	4	6	2	2	1	1	3	233
Health	1	1	4	23	4	782	8	993	10	502
Other Service Activities	0	0	1	17	1	330	1	10	2	7
Total	197	4,960	227	4,620	238	7,746	253	5,322	225	12,069

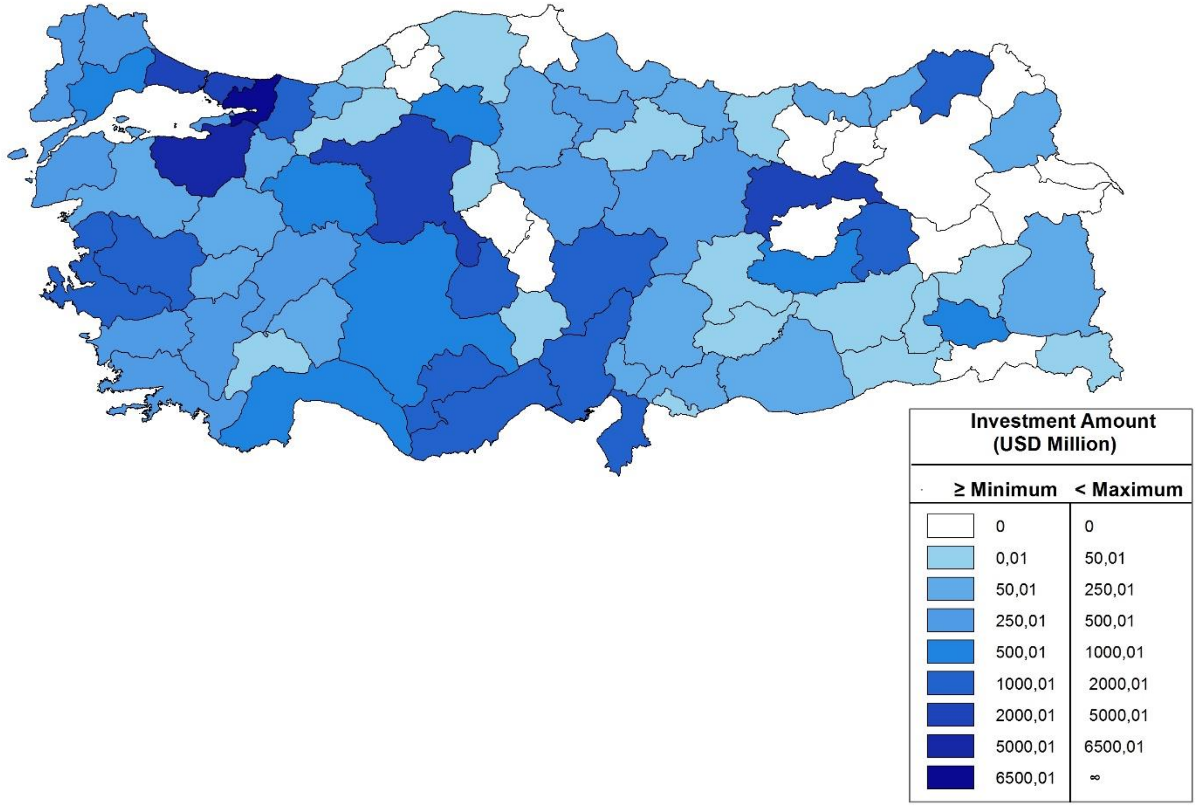
Source: Ministry of Economy

Map 10: The Distribution of Investment Projects by Province (2011-2015)



Source: Ministry of Economy

Map 11: The Distribution of Investment Amount of Investment Projects by Province (2011-2015)



Source: Ministry of Economy

The provincial distribution of the investment amount of the projects launched in 2015 revealed that Kocaeli, where motor vehicles and plastic-rubber products industries were significant and Bursa, where projects on automotive industry have an important place, took the top two locations of the investment projects.

Kocaeli ranked first in terms of investment amount in 2011-2015 with USD 4 billion, followed by the provinces of Bursa (USD 3.3 billion) and İstanbul (USD 1.6 billion)

Table 19: Distribution of Investment Projects of Companies with Foreign Capital by Province 2011-2015 (USD Million)

Province	2011	2012	2013	2014	2015	2011-2015
KOCAELİ	837	839	1,105	769	419	3,968
BURSA	283	982	1,722	217	69	3,274
İSTANBUL	165	223	461	329	398	1,577
ANKARA	31	54	91	1,135	16	1,328
HATAY	10	115	2	473	490	1,090
SAKARYA	1	1,011	0	37	15	1,063
DENİZLİ	85	218	128	129	264	823
KARAMAN	8	301	14	6	397	726
ARTVİN	37	73	39	562	50	761
MANİSA	10	15	749	2	10	785
İZMİR	2	0	73	242	303	620
MERSİN	58	57	485	6	88	694
ADANA	120	34	283	170	16	623
KAYSERİ	703	0	0	1	10	714
TEKİRDAĞ	1	0	550	0	0	551
ELAZIĞ	253	152	56	69	34	564
BİNGÖL	41	60	171	57	135	464
ÇANKIRI	1	86	194	189	9	479
AKSARAY	5	0	492	1	0	498
ESKİŞEHİR	533	7	10	1	0	551

Source: Ministry of Economy

The provincial distribution of the total number of the investment projects launched between 2011-2015 exhibited that Kocaeli (136) and Istanbul (129) are ranked as the top two provinces, followed by Bursa with 87 projects (Table 20).

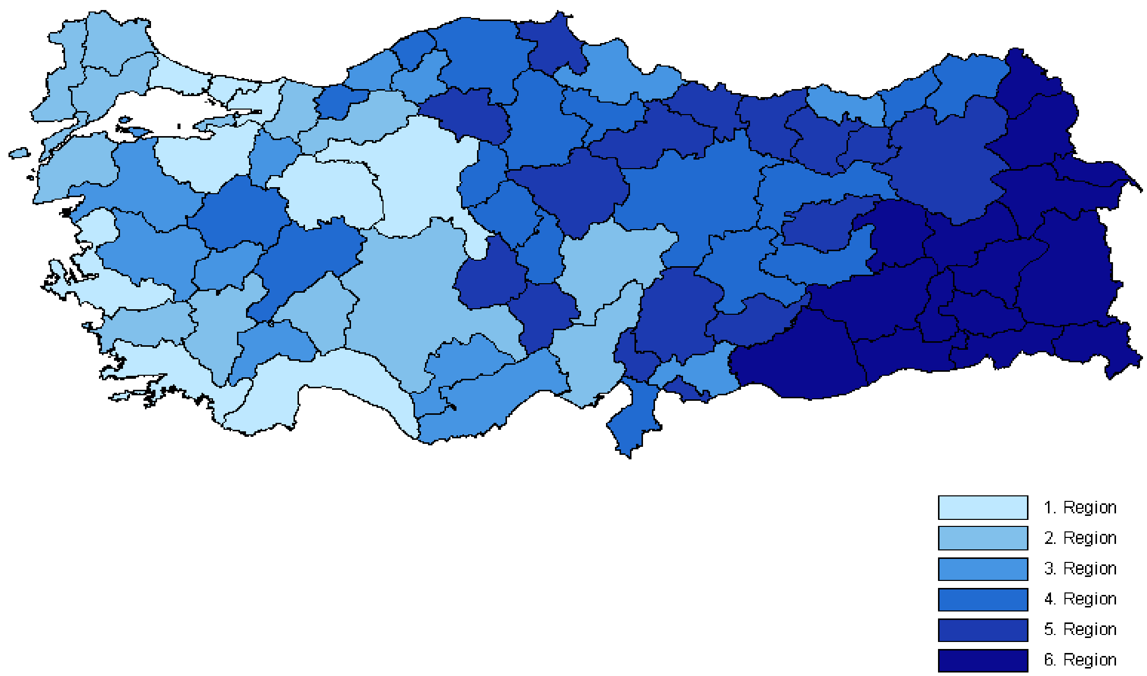
Table 20: Distribution of Investment Projects of Companies with Foreign Capital by Province 2011-2015 (Number of Projects)

Provinces	2011	2012	2013	2014	2015	2011-2015
KOCAELİ	29	30	26	28	23	136
İSTANBUL	25	34	19	29	22	129
BURSA	12	12	21	23	19	87
İZMİR	15	17	16	21	15	84
TEKİRDAĞ	9	14	12	11	12	58
MANİSA	8	12	11	12	11	54
ANKARA	8	10	11	15	8	52
ANTALYA	4	4	4	11	14	37
MERSİN	9	6	7	8	5	35
SAKARYA	7	6	5	8	6	32
GAZİANTEP	6	3	4	12	4	29
ADANA	3	5	6	3	7	24
BALIKESİR	2	5	3	5	7	22
DÜZCE	5	2	2	5	7	21
ESKİŞEHİR	2	4	6	3	5	20
BİLECİK	6	2	8	1	2	19
MUĞLA	5	2	2	2	6	17
AYDIN	3	4	7	3	0	17
KONYA	1	4	6	4	2	17
KAYSERİ	0	5	1	6	4	16

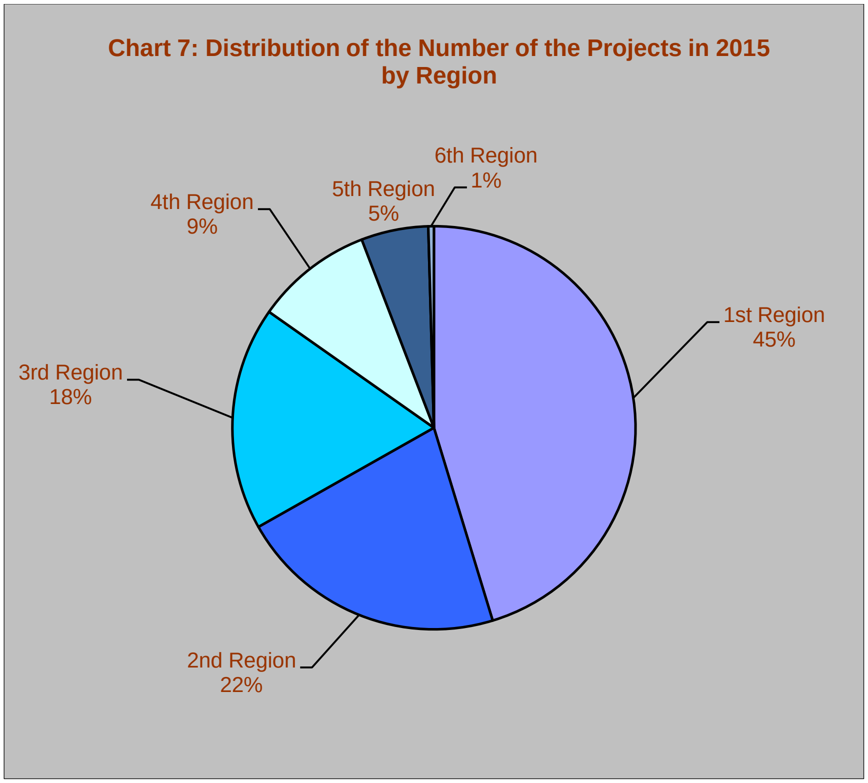
Source: Ministry of Economy

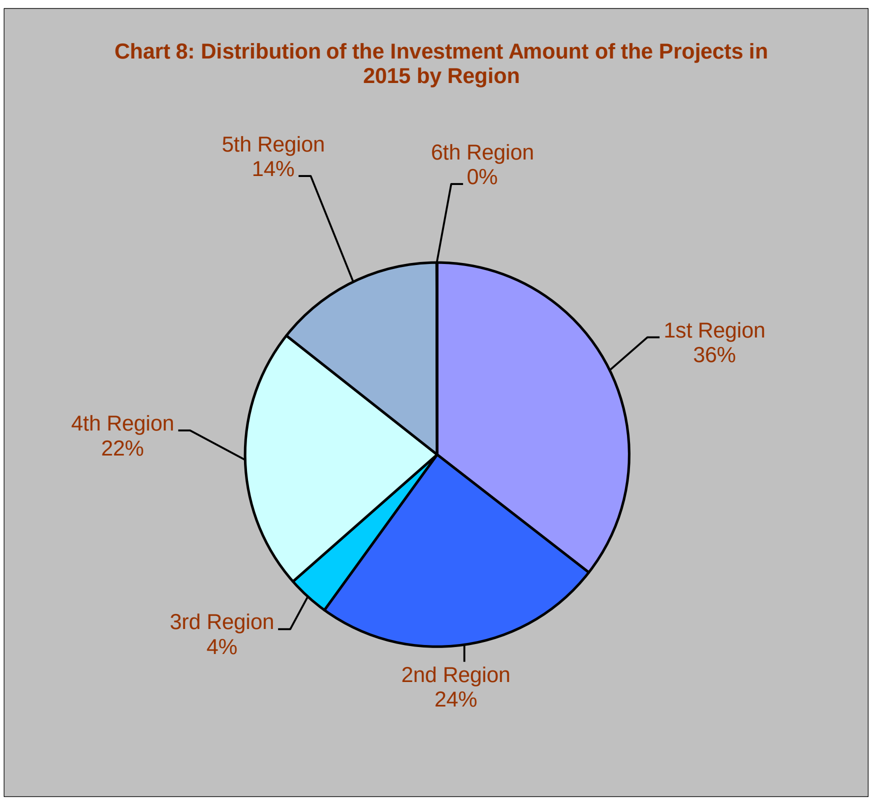
In 2015, analysis of the number of projects and the investment amounts in the framework of regional and sectoral investment incentive schemes indicates that the projects were mostly concentrated in the first region where the companies with foreign capital have been heavily operating (Chart 7-8).

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



Source: Ministry of Economy





Source: Ministry of Economy

USD 1 billion out of USD 12 billion total investment was generated by the investors benefited from the incentive measures of the general scheme, while total investment amount of USD 9.2 billion was supported within the scheme of large scale projects and USD 1.2 billion benefited from the regional scheme (Table 21).

Table 21: Distribution of Investment Projects by Schemes of Incentive Category in 2015 (Million USD)

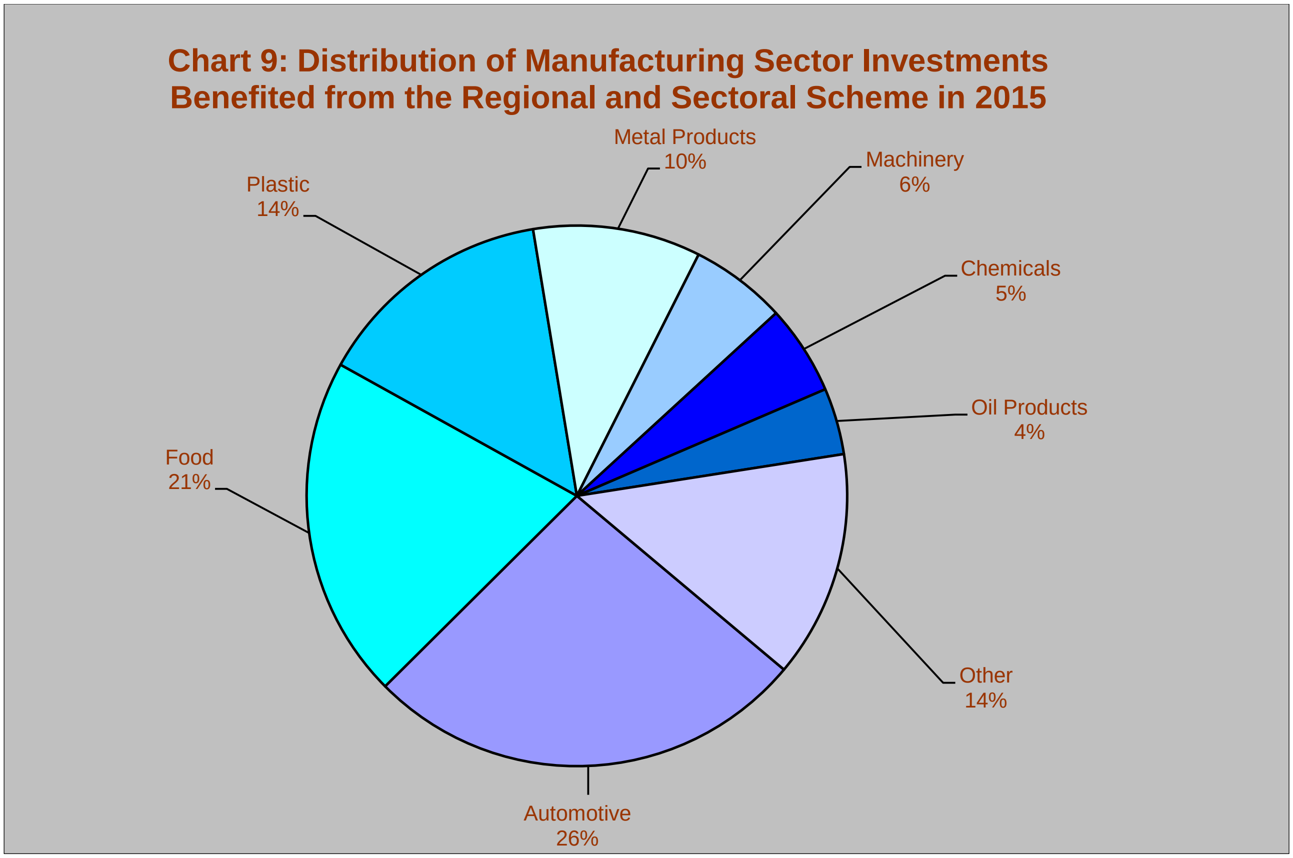
Support Class	Regional		Large Scale		Strategic		General		Total	
	Investment Amount	Number	Investment Amount	Number	Investment Amount	Number	Investment Amount	Number	Investment Amount	Number
Energy	10	1	8,511	1	0	0	297	18	8,817	20
Services	692	26	0	0	0	0	352	19	1,044	45
Manufacturing	443	81	680	7	53	1	392	65	1,567	154
Mining	15	3	0	0	626	3	0	0	640	6
Total	**1,159**	**111**	**9,191**	**8**	**679**	**4**	**1,040**	**102**	**12,069**	**225**

Source: Ministry of Economy

A significant part of the investments that benefited from general scheme was in the manufacturing sector in 2015. Manufacturing sector projects constituted USD 392 million of the USD 1 billion of investments which benefited from the General Incentive Scheme. Services sector is outstanding among the investments that benefited from the regional scheme, and energy sector is predominant among the investments that benefited from the incentives provided to large scale projects.

Seven projects in manufacturing sector that benefited from large scale project scheme with a total investment amount of USD 680 million were realized in automotive, plastic-rubber and machinery industries.

In terms of the sectoral distribution of 111 projects with a total amount of USD 1.2 billion benefited from the Regional and Sectoral Scheme, services sector ranked first with an investment amount of USD 692 million. In this sector, database investments with an amount of USD 233 million had an important share. In the manufacturing industry, the automotive industry ranked first with an investment amount of USD 117 million and a share of 26% (Chart 9) followed by plastics sector with a share of 14% and manufacture of food products, beverages and tobacco sector with a share of 21%.



Source: Ministry of Economy

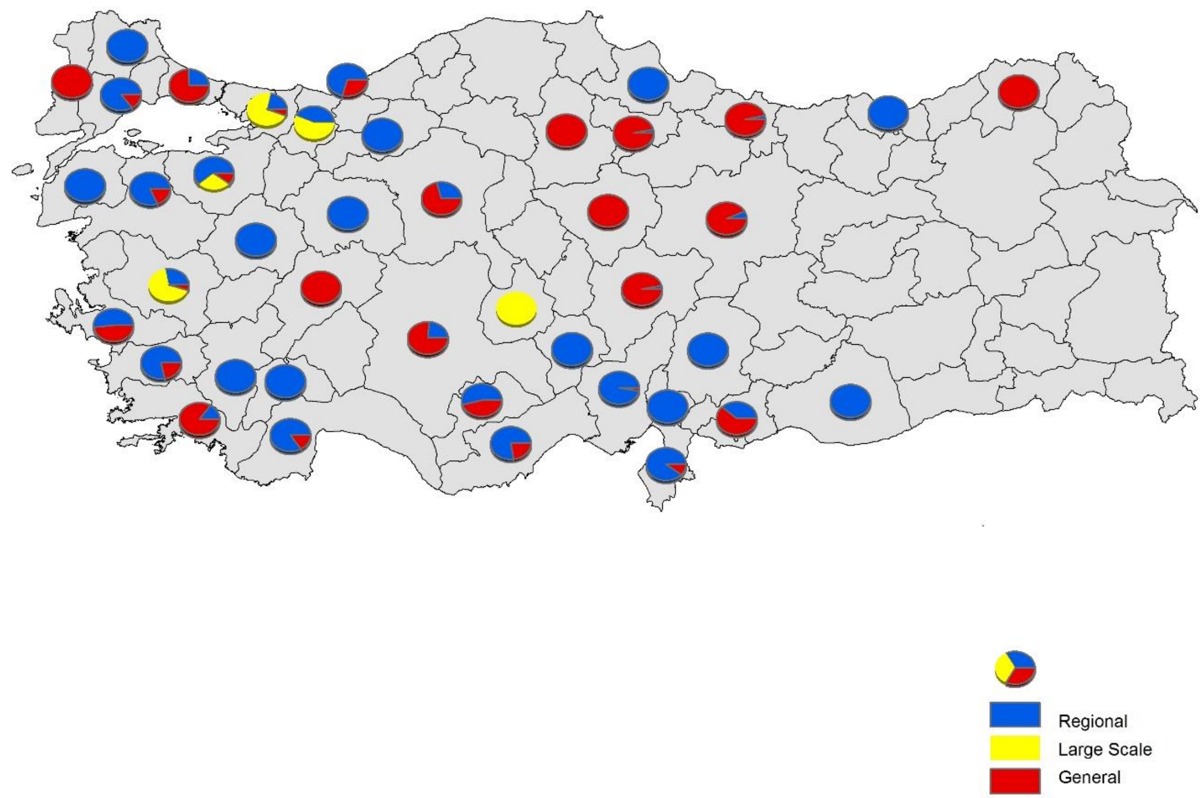
In 2015, 225 investment certificates were issued for a total investment amount of USD 12 billion. 23 of these certificates had individual investment values over USD 30 million each, and their total investment value amounted to USD 11.2 billion. With regard to the sectoral distribution of these 23 projects, energy sector had the leading position in terms of investment amount, and manufacturing sector had the leader position in terms of the number of projects (Table 22).

Table 22: Distribution of Investment Projects by Schemes of Incentive Category in 2015 (Million USD)

Support Class	Regional		Large Scale		Strategic		General		Total	
	Number	Investment Amount	Number	Investment Amount	Number	Investment Amount	Number	Investment Amount	Number	Investment Amount
Energy	0	0	1	8,511	0	0	3	234	4	8,745
Services	4	573	0	0	0	0	3	264	7	837
Manufacturing	3	134	3	584	1	53	3	275	10	1,046
Mining	0	0	0	0	2	601	0	0	2	601
Total	**7**	**707**	**4**	**9,095**	**3**	**654**	**9**	**773**	**23**	**11,228**

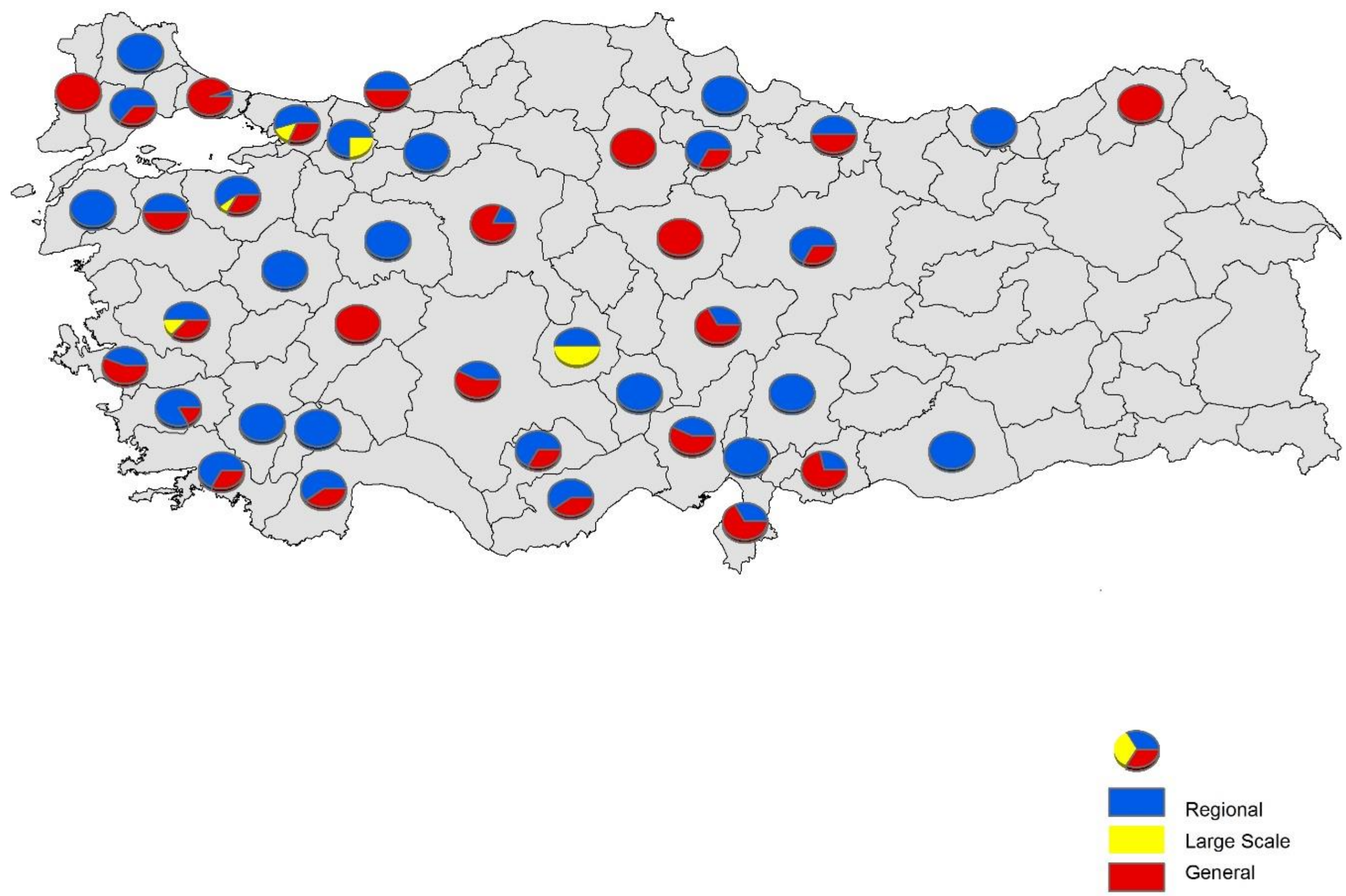
Source: Ministry of Economy

Map 13: Geographical Distribution of Investment Projects in 2015 by Category of State Aid for Investment Schemes (USD Million)



Source: Ministry of Economy

Map 14: Geographical Distribution of Investment Projects in 2015 by Category of State Aid for Investment Schemes (Number of Projects)



Source: Ministry of Economy

2. INVESTOR COUNTRIES IN TURKEY

In terms of global FDI flows to Turkey during the previous decade (2006-2015), the Netherlands ranked first with USD 20 billion, followed by the United States (USD 10.6 billion), Austria (USD 9.3 billion), Luxembourg (USD 8.6 billion) and the United Kingdom (USD 8.2 billion).

In 2015, top ten countries in terms of FDI inflows[10] ranked as Spain, the United States, Luxembourg, the Netherlands, Azerbaijan, Belgium, Russia, the United Kingdom, China and Germany. Spain and the United States took first two places with 18.4% and 13.2% shares in FDI inflows respectively.

Table 23: FDI in Turkey in 2015 (USD Million)

Rank	Country	Capital	(%)
1	Spain	2,178	18.4
2	The United States	1,568	13.2
3	Luxembourg	1,263	10.7
4	The Netherlands	1,188	10.0
5	Azerbaijan	786	6.6
6	Belgium	753	6.4
7	Russia	747	6.3
8	The United Kingdom	596	5.0
9	China	451	3.8
10	Germany	387	3.3
	Other	1,941	16.4
	Total	**11,858**	**100**

Source: CBRT

Table 24: FDI in Turkey, 2006-2015 (USD Million)

Rank	Country	Capital	(%)
1	The Netherlands	19,984	16.5
2	The United States	10,579	8.7
3	Austria	9,338	7.7
4	Luxembourg	8,611	7.1
5	The United Kingdom	8,158	6.7
6	Germany	7,753	6.4
7	Spain	7,026	5.8
8	Belgium	6,998	5.8
9	Greece	6,759	5.6
10	France	4,476	3.7
	Other	31,571	26.0
	Total	**121,253**	**100**

Source: CBRT

[10] 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.

Spain, the United States, Luxembourg, the Netherlands, Belgium, the United Kingdom and Germany have taken place among the top 10 investor countries in 2015, as well as in the total FDI inflows in the last decade. Likewise, nine out of top ten investor countries were the EU countries in 2006 – 2015 period.

In 2015, while Azerbaijan (especially investments carried out by Socar company since 2011) and China (investments in finance and energy sector) were outstanding countries, FDI flows originating from Gulf countries to Turkey demostrated the increasing interest of Asian countries in recent years. Along with the United States and EU countries, FDI flows from Asian countries in recent years have proven that Turkey has attracted investments from different regions all over the world.

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

Rank	Country	Number of Companies in Turkey*	FDI in Turkey** (2015) (USD Million)	Global FDI Outflows*** (2015) (USD Million)
1	Spain	613	2,178	34,586
2	The United States	1,627	1,568	299,969
3	Luxembourg	433	1,263	39,371
4	The Netherlands	2,591	1,188	113,430
5	Azerbaijan	1,796	786	3,260
6	Belgium	562	753	38,547
7	Russia	1,961	747	26,558
8	The United Kingdom	2,910	596	-61,441
9	China	755	451	127,560
10	Germany	6,491	387	94,313

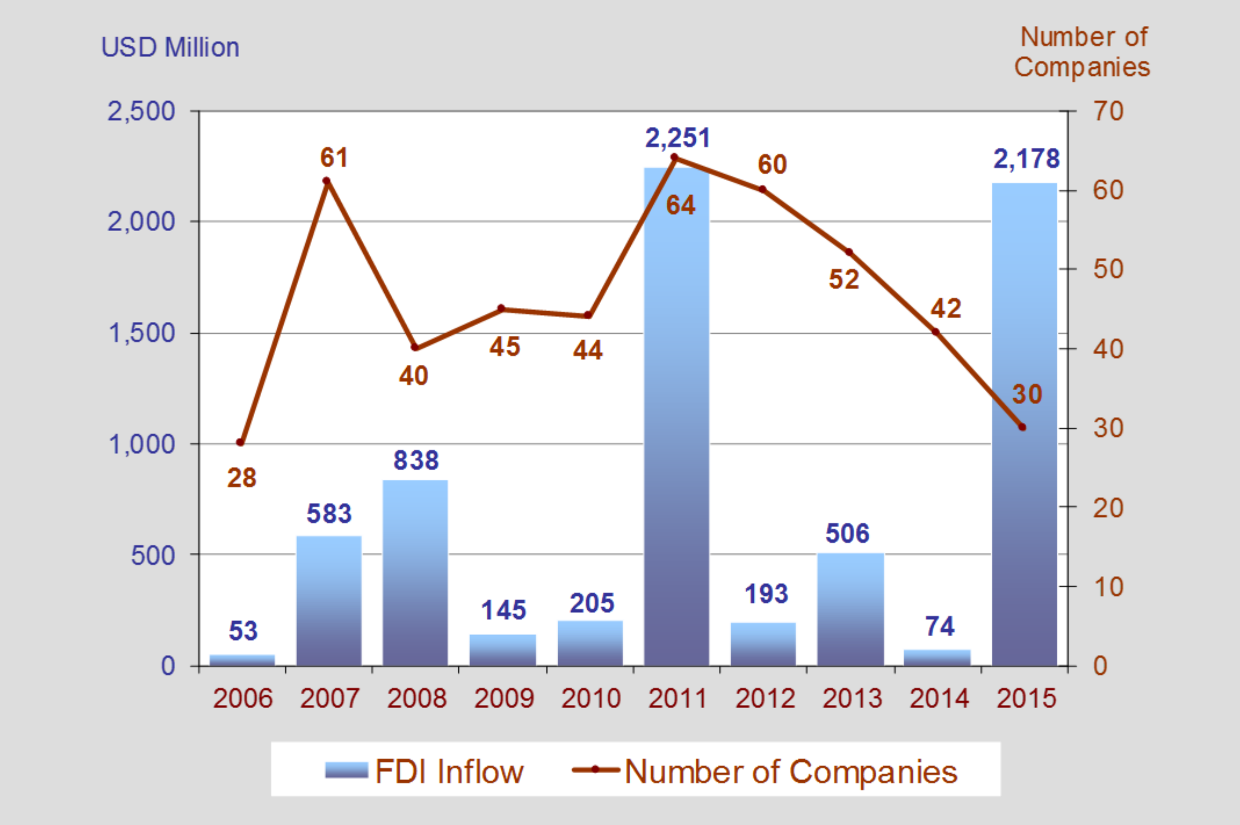
Sources:
* Provisional Data, Ministry of Economy
** CBRT
*** WIR, 2016

Spain

FDI flows from **Spain** to Turkey, which reached USD 2.3 billion as its highest level in 2011, amounted to USD 2.2 billion and ranked first among investor countries in 2015.

The vast majority of the significant rise of FDI flows from Spain in 2015 originated from the increase in the share of Banco Bilbao Vizcaya Argentineria (BBVA) company to 39.9% in Garanti Bankası A.Ş. with the capital transfer amounting to USD 2 billion 126 million.

Chart 10: Spain Based FDI Inflows and Number of Companies



Source: Ministry of Economy, CBRT

According to UNCTAD's data, FDI outflows from Spain was about USD 34.6 billion in 2015. FDI flows to Turkey from Spain constituted 6.3% of the Spain's total FDI outflows.

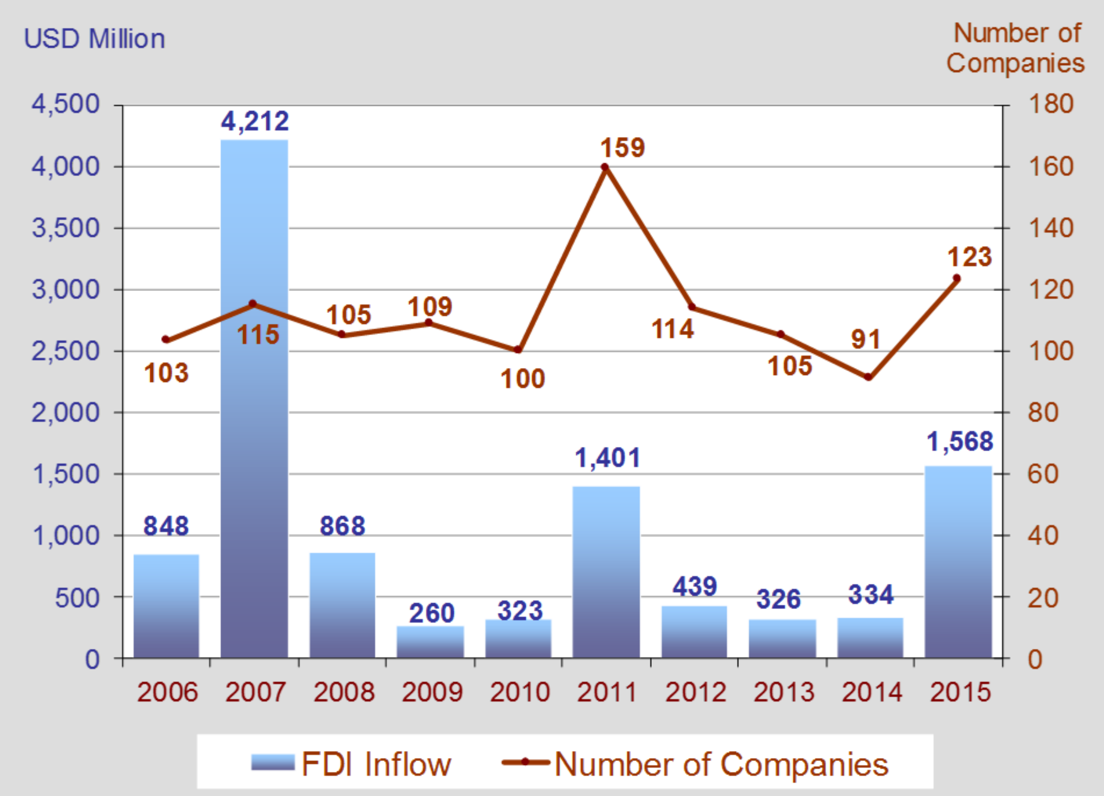
In Turkey, 30 companies with Spanish capital have begun to operate through new establishment or participation to local companies in 2015, and 613 companies with Spanish capital operate in Turkey in overall.

The United States of America

FDI flows from **the United States** to Turkey, which reached a peak level of USD 4.2 billion in 2007, reached USD 1 billion 568 million in 2015 as a significant. With this figure, the cumulative ranking of the US moved to 2nd from 3rd.

In 2015, the acquisition of 13% share of Socar Türkiye Enerji A.Ş. by the US based company Goldman Sachs International amounted to USD 1.3 billion was the most significant US originated M&A transaction in 2015.

Chart 11: The USA Based FDI Inflows and Number of Companies



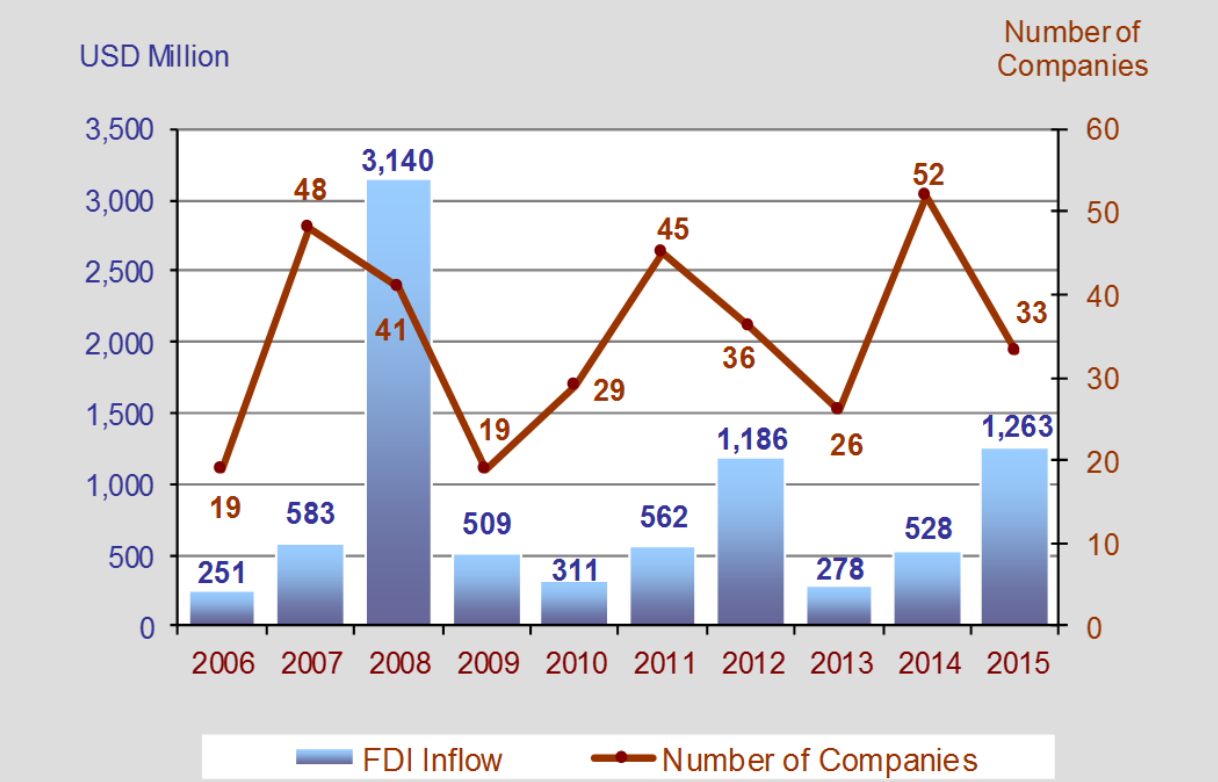
Source: Ministry of Economy, CBRT

In 2015, 123 companies with the US capital became operational through either new establishment or participation in a local companies. The United States ranked 9th in terms of the number of foreign owned companies in Turkey with 1,627 companies.

Luxembourg

FDI flows from **Luxembourg** to Turkey, which reached USD 3.1 billion as its highest level in 2008, increased 2.4 times compared to the previous year and reached USD 1 billion 263 million in 2015 as its second highest value ever.

Chart 12: Luxembourg Based FDI Inflows and Number of Companies



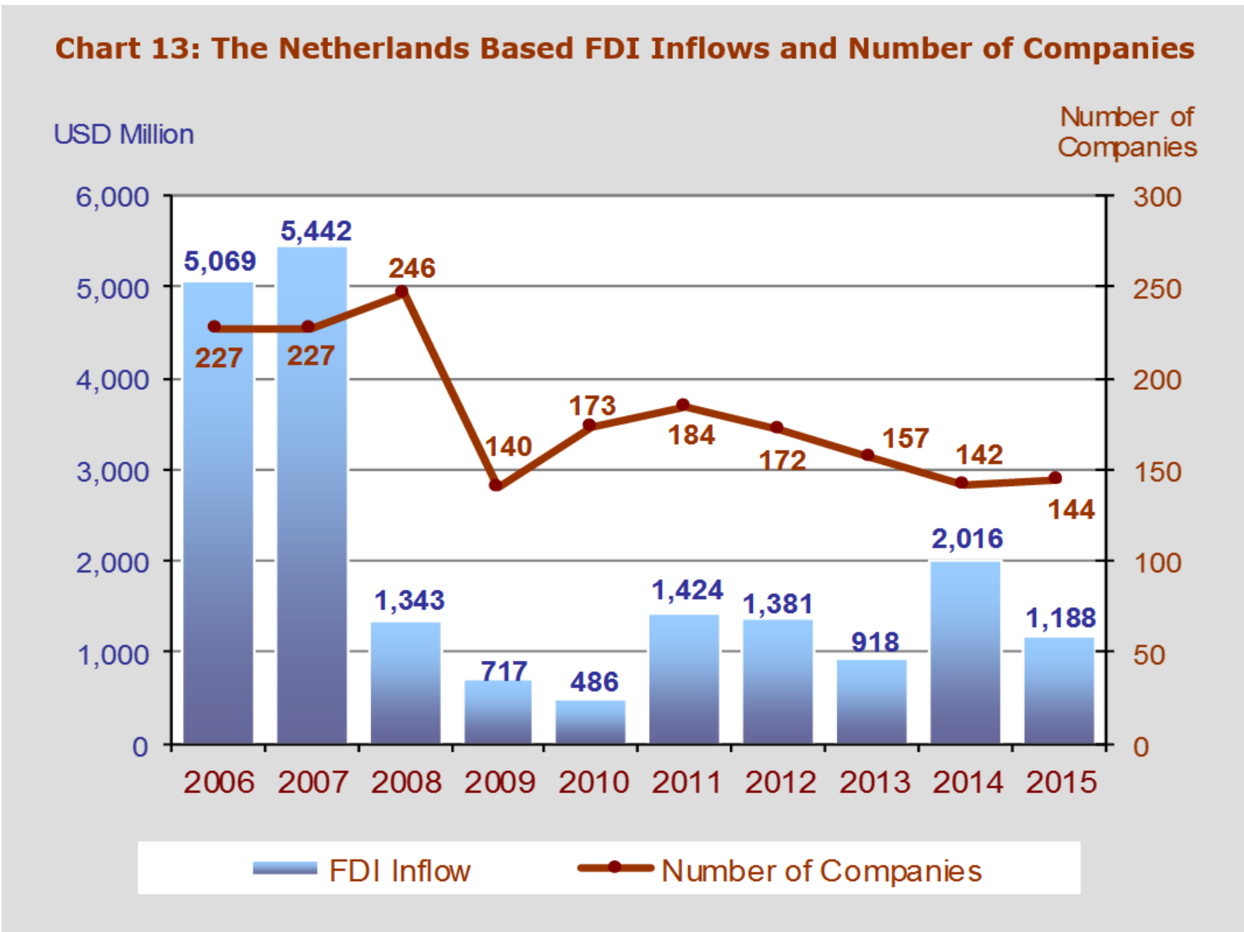
Source: Ministry of Economy, CBRT

The vast majority of FDI flows from Luxembourg in 2015 originated from the acquisition of 64.5% share of Fina Holding A.Ş. by China based China Merchants Holdings which amounted to USD 940 million. (This transfer took place as originating from Luxembourg in the balance of payments statistics). In addition, the capital transfer from Gama International B.V. to Gama Holding and the capital transfer from Ferrero International S.A.

to Ferrero Türkiye Çikolata ve Tarım Ürünleri Sanayi ve Ticaret A.Ş. were the other outstanding transactions originating from Luxembourg.

The Netherlands

Despite the decline compared to 2014, FDI flows from **the Netherlands** to Turkey, reached the level of USD 1 billion 188 million, exceeding the threshold of USD 1 billion in 2015.



Source: Ministry of Economy, CBRT

In 2015, the capital increase from ING Bank Amsterdam to ING Bank A.Ş. in financial sector and the capital increase from Lukoil Europe Holdings to Lukoil Euroasia Petrol A.Ş. in energy sector were major Dutch investments to Turkey. In addition, various M&A and capital increase transactions took an important place in FDI flows from the Netherlands.

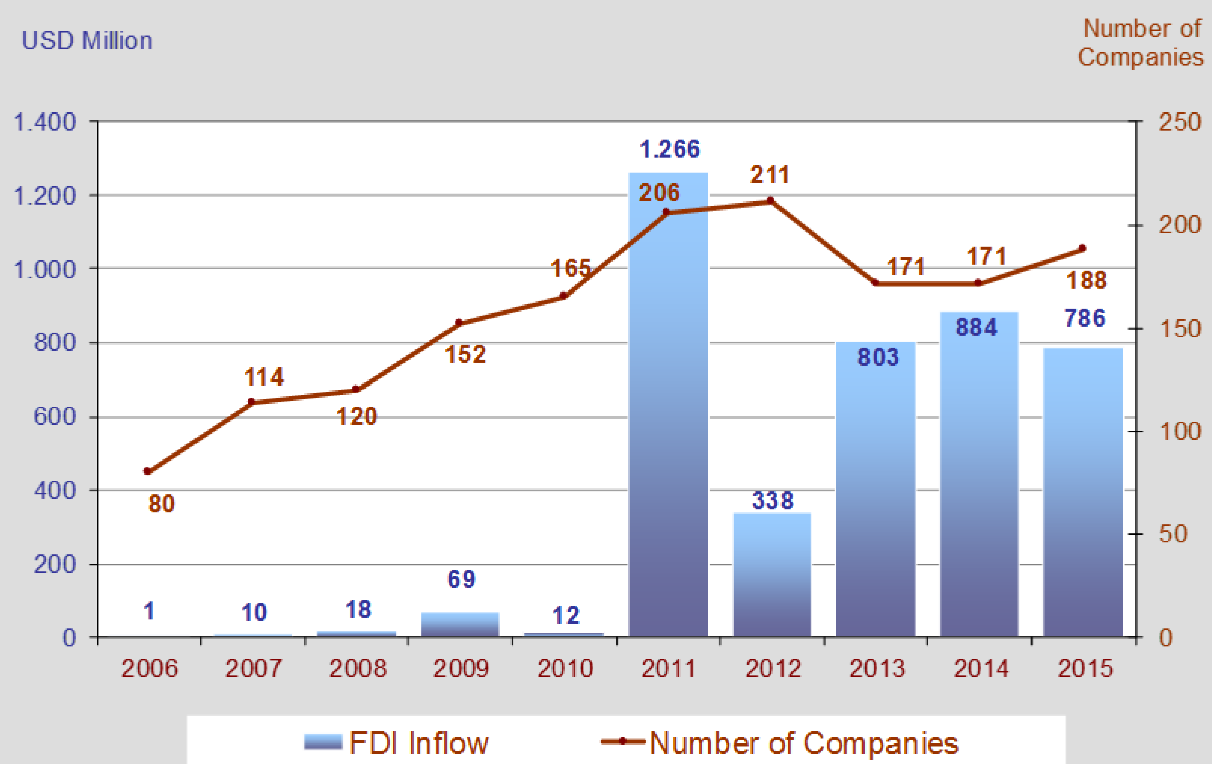
In Turkey, 144 companies with Dutch capital began to operate through new establishment or participation to a local companies in 2015. The Netherlands ranked 5th in terms of the number of foreign owned companies in Turkey with 2,591 companies.

Azerbaijan

Azerbaijan has become a consistent investor country in last 5 years and has expanded its presence since 2011 especially in energy sector.

In 2015, Azerbaijan based FDI inflows concentrated on energy and manufacturing sectors in line with country's FDI pattern. The capital increase transactions consisted a great part of FDI inflow from Azerbaijan such as State Oil Company of Azerbaijan Republic (SOCAR) and Canub Qaz Dahlizi QSC companies' transfers to Socar Turkey Enerji A.Ş. and Tanap Doğalgaz İletim A.Ş. respectively. In addition, capital increase in Pasha Yatırım Bank A.Ş. was another notable transaction took place in financial intermediation sector.

Chart 14: Azerbaijan Based FDI Inflows and Number of Companies

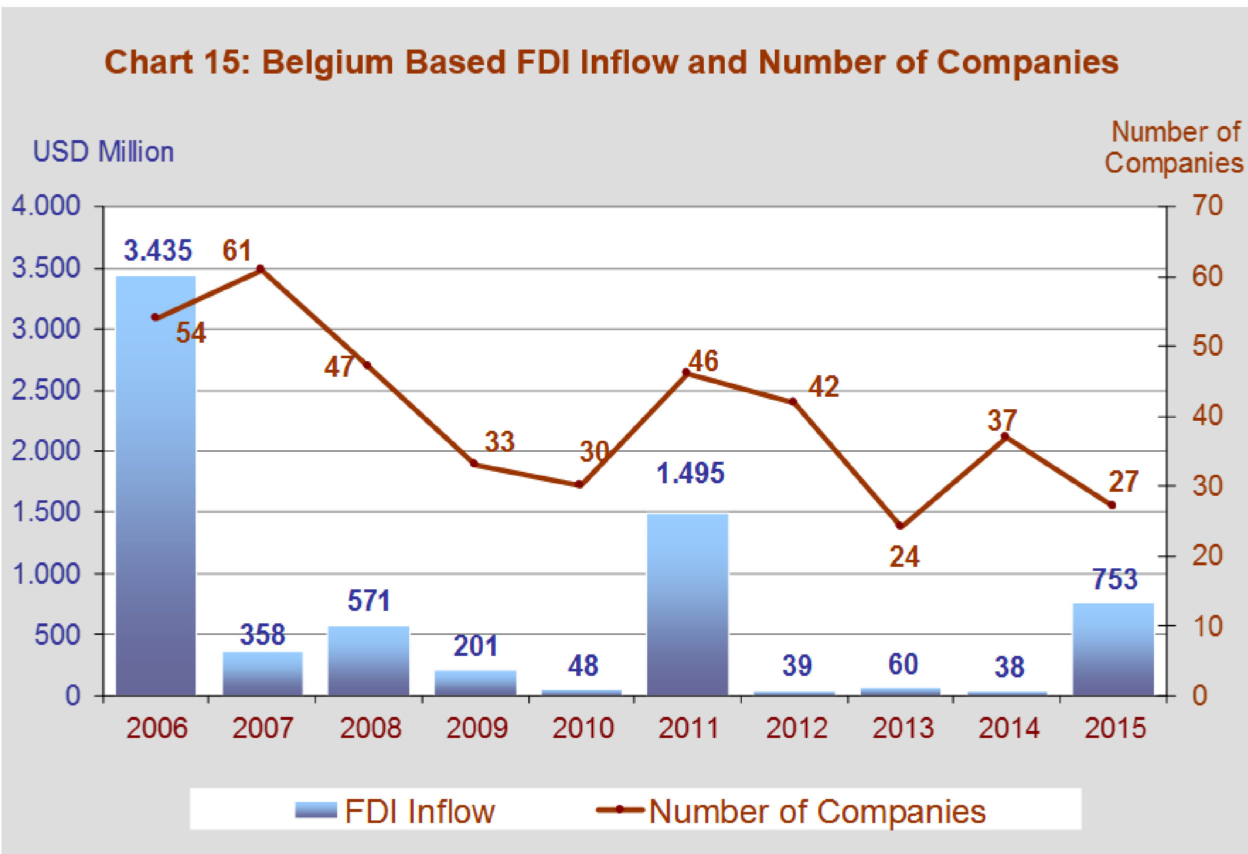


Source: Ministry of Economy, CBRT

In Turkey, 188 companies with Azerbaijan capital began to operate in 2015 through new establishment or participation to local companies. Azerbaijan ranked 7th in terms of the number of foreign owned companies with its 1,796 companies in Turkey.

Belgium

In the last decade, Belgium based direct investments were significant between 2006 and 2011 particularly in financial intermediation sector. In 2015, Belgium was the 6th investor country in Turkey with USD 753 million and the USD 603 million transfer by B.S.A. International regarding the purchase of 80% of Ak Gıda Sanayi ve Ticaret A.Ş. shares was the largest transaction. Fortisbank NV's capital increase transfer to BNP Paribas Fortis Yatırımlar Holding A.Ş. was another notable transaction in 2015.

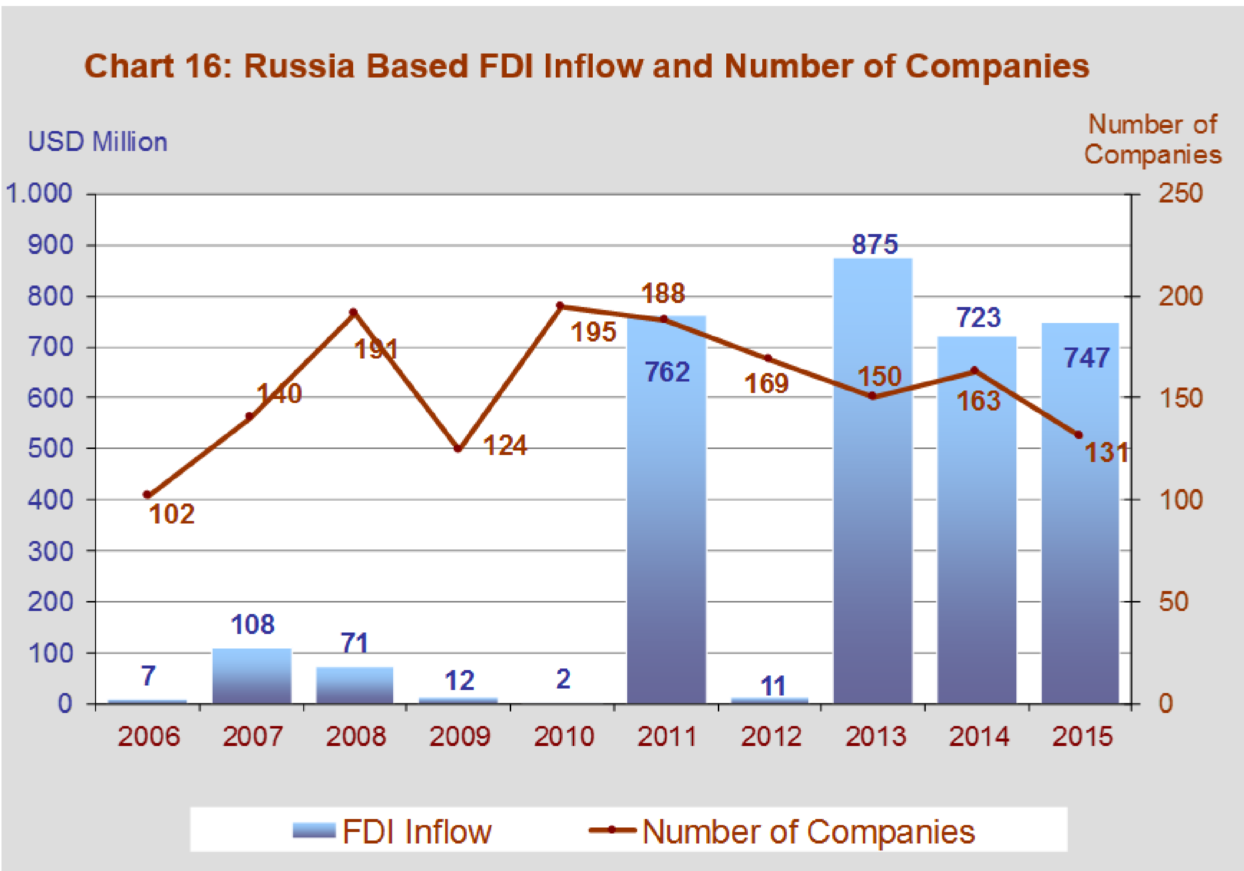


Source: Ministry of Economy, CBRT

In Turkey, 27 companies with Belgium capital began to operate in 2015 through new establishment or participation to local companies. Belgium ranked 20th in terms of the number of foreign owned companies with its 562 companies in Turkey.

The Russian Federation

In the last decade, Russia has been an outstanding developing economy in terms of both FDI inflows and outflows. Similar to Azerbaijan, Russian FDI has accelerated as of 2011 and concentrated on energy sector in Turkey. As can be seen in the graph, Russian FDI seemed stable above the level of USD 700 million in Turkey. In 2015, USD 747 million transfer originated as capital increase to Akkuyu Nükleer A.Ş. was the largest FDI transaction.



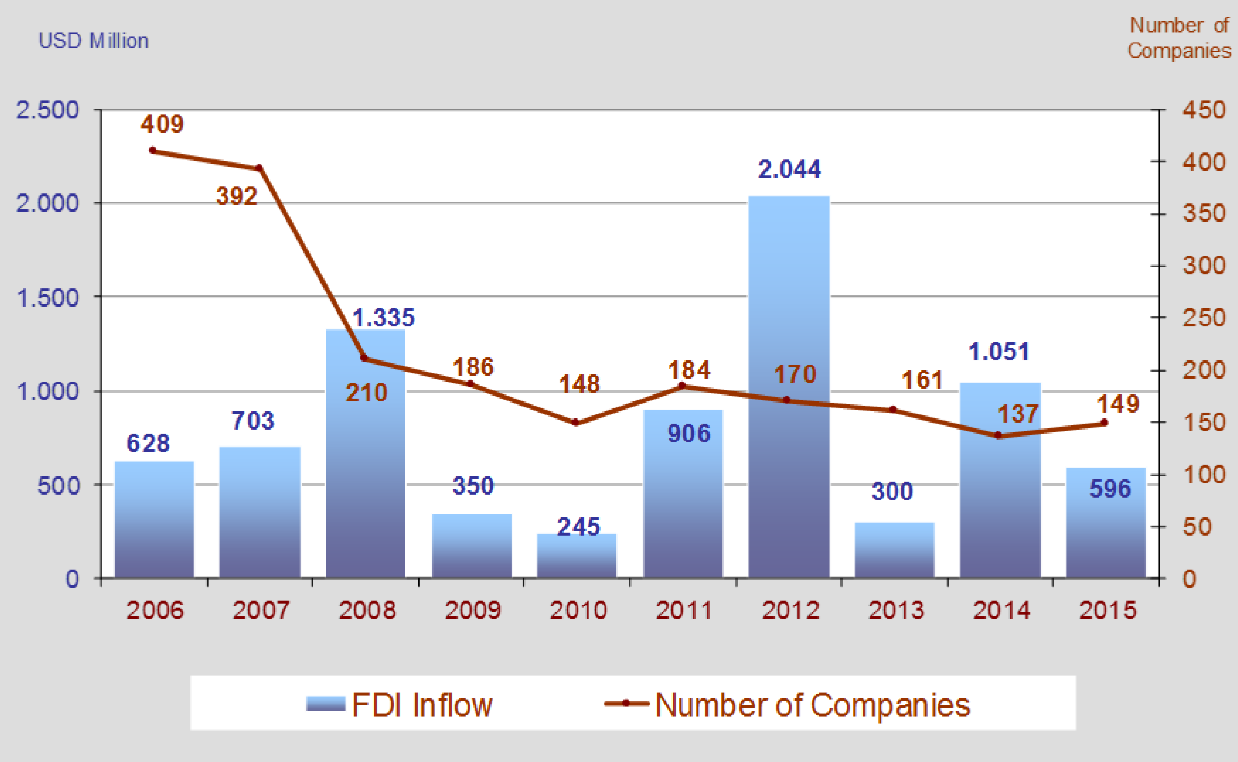
Source: Ministry of Economy, CBRT

In Turkey, 131 companies with Russian capital began to operate in 2015 through new establishment or participation to local companies. Russia ranked 6th in terms of the number of foreign owned companies with its 1,961 companies in Turkey.

The United Kingdom

As one of the leading investor countries in the world, the United Kingdom is also an important investor country in Turkey. The United Kingdom ranked 1st in 2012 with about USD 2 billion while ranked 2nd in 2014 with about USD 1 billion direct investment. As the 4th leading FDI home country in 2002-2015 period, the United Kingdom invested a total amount of USD 596 million in 2015. European Bank for Reconstruction and Development's (EBRD) USD 122 million transfer in return of purchase of 10% stakes of Borsa İstanbul A.Ş. and USD 57 million transfer regarding the acquisition of 11% stakes of Global Liman İşletmeleri A.Ş. were the main transactions in 2015. In addition, capital increase by Macfarlanes LLP to Dardanelles Gayrimenkul Yatırımları company was another notable FDI transaction.

Chart 17: United Kingdom Based FDI Inflow and Number of Companies

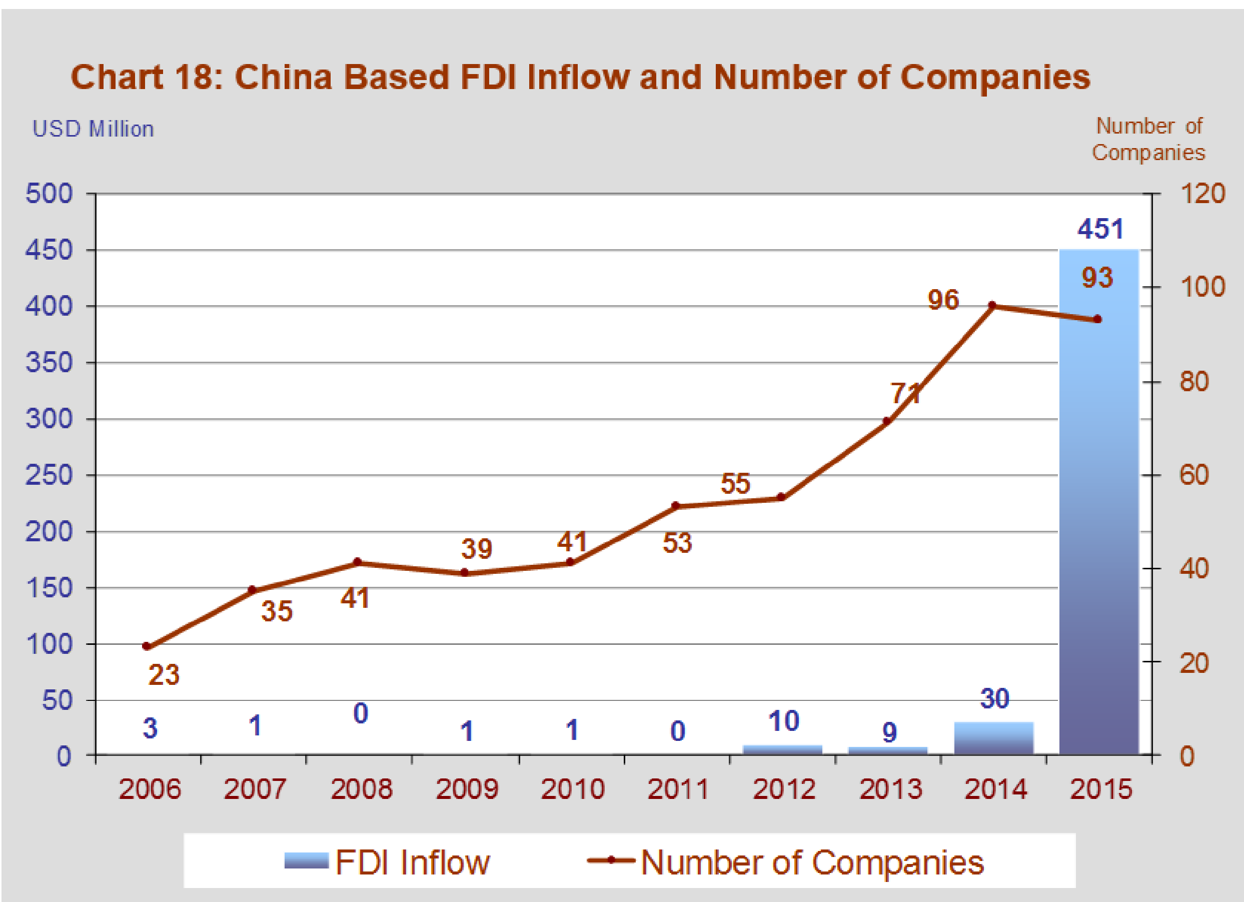


Source: Ministry of Economy, CBRT

In Turkey, 149 companies with United Kingdom capital began to operate in 2015 through new establishment or participation to local companies. The United Kingdom ranked 4th in terms of the number of foreign owned companies with its 2,933 companies in Turkey.

China

China originated FDI in Turkey have been increasing since 2012 while it had been quite limited in the past years. In 2015, two specific transfers have entailed the Chinese direct investments. USD 286 million transfer in return of complete acquisition of Tekstil Bank by Industrial and Commercial Bank of China, and certain capital increase transfer to Emba Elektrik Üretim A.Ş. by main subsidiary Shanghai Electric Power Company Ltd. have constituted almost all of Chinese origin FDI.

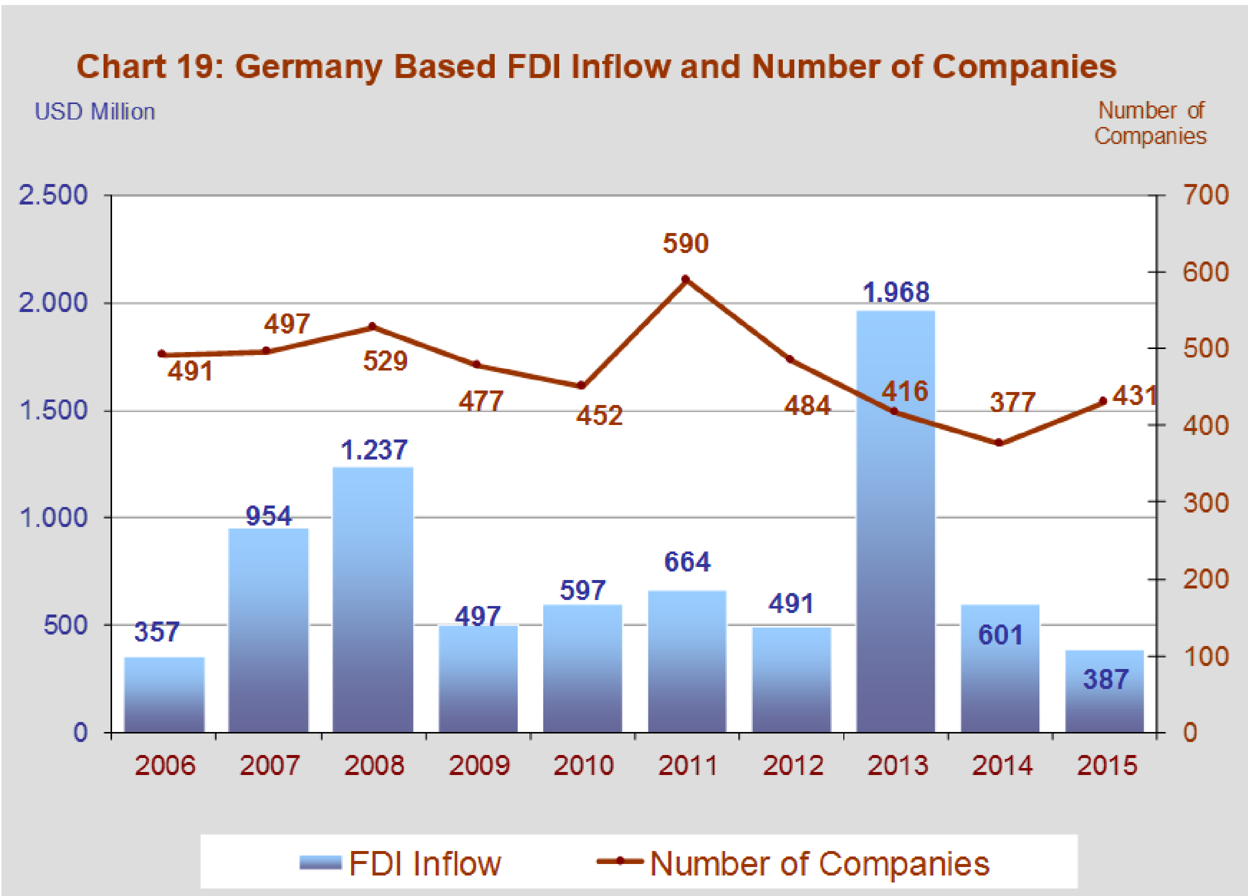


Source: Ministry of Economy, CBRT

In Turkey, 93 companies with Chinese capital began to operate in 2015 through new establishment or participation to local companies. China ranked 15th in terms of the number of foreign owned companies with its 755 companies in Turkey.

Germany

Germany has been the leading country in terms of the number of companies operating in Turkey with foreign capital, as well as its FDI potential. Germany was the leader investor country in 2013 with approximately USD 2 billion of FDI. Germany has been an important investor country particularly in manufacturing, energy and insurance sectors. In 2015, most of the total USD 387 million FDI inflow by German investors originated from various capital increase transactions.



Source: Ministry of Economy, CBRT

In Turkey, 431 companies with German capital began to operate in 2015 through new establishment or participation to local companies. Germany ranked 1st in terms of the number of foreign owned companies with its 6,491 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 2015

Efforts to improve investment environment play a significant role in enhancing both national and international investments. The Coordination Council for the Improvement of Investment Environment (YOIKK), a public-private dialogue platform, was established within the framework of "The Reform Program for the Improvement of Investment Environment" that was adopted by the Council of Ministers Leading Decision in 2001. Since 2001, YOIKK has been continuing its activities with the aim of rationalizing the investment regulations in order to prevent the administrative obstacles that both the national and international investors encounter during each stage of their investment, even in the operation period of the investments. The activities of YOİKK have been conducted under presidency of the Minister of Economy during 2015.

The structure of YOIKK, a successful example of the public-private cooperation culture, has been executed within the Council of Ministers Leading Decisions which have been updated in line with the economy's increasing performance and the changing priorities of the private sector. Under the scope of Decision No. 2012/2 which was in force in 2015, working areas of technical committees were re-defined in line with the views of NGOs; and 10 technical committees,[11] which would carry out the activities directly related to investment climate, were created.

Since 2007, YOIKK Platform has been carrying out its activities in a more concrete and result-oriented manner with the purpose of reducing barriers encountered by investors via action plans which have been shaped according to the priorities of the private sector. YOIKK activities are conducted through 63 action items in the period of 2015-2016 June.

[11] 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".

Some major developments achieved as a result of the efforts carried out by the YOIKK Technical Committees in 2015 are as follows:

- "The Law on the Amending in Occupational Health and Safety Law and in the Some Laws and Decree Laws" was published in the Official Gazette No. 29335 on April 23, 2015.
- "The Law on the Amending in Supreme Court Law and Civil Proceeding Law" was published in the Official Gazette No. 29323 on April 11, 2015.
- "The Law on the Amending in the Some Laws and Decree Laws" which includes important tax regulations was published in the Official Gazette No. 29319 on April 7, 2015.
- "The Law on the Amendment to the Mining Law and Other Certain Laws", which increases license security in the mining sector, was published in the Official Gazette No. 29271 on February 18, 2015.
- "The Regulation Regarding Amendment of Regulation on Determination of Qualifications of Loans and Other Receivables by Banks and Procedures and Principles about Provisions to be set aside", which enables receivables insurance policies as collateral for the credibility of enterprises and SMEs was published in the Official Gazette No. 29267 on February 14, 2015.
- "The Law on Regulation of Retail Trade" was published in the Official Gazette No. 29251 on January 29, 2015.

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

- In order to solve investment related disputes through arbitration or alternative solution mechanisms "The Law of Istanbul Arbitration Center Law", which enables the establishment of Istanbul Arbitration Center, was published in the Official Gazette No. 29190 on November 29, 2014.

- Under the scope of YOIKK Action Plan, in order to increase effectiveness of VAT return process “The Communiqué on Amending in General Application of Value Added Tax Communiqué”, was published in the Official Gazette No. 29147 on October 16, 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 was published in the Official Gazette No. 28918, on February 19, 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 No.28836, 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” entered into force after being published in the Official Gazette, No. 28784 on October 3, 2013.
- “The Law on Liberalization of Turkish Railway Transportation” (No.6461) was published in the Official Gazette No. 28634, on May 1, 2013 in order to improve the service quality of railways for passenger and freight transportation.
- In order to regulate and supervise capital markets to ensure the functioning and development of capital markets in a secure, transparent, efficient, stable, fair and competitive environment and to protect the rights and interests of investors, Capital Markets Law No.6362 was published in the Official Gazette No.28513, on December 30, 2012.
- Turkish Commercial Code No.6335 and Law Regarding Amendment of Entry into Force and Implementation of Turkish Commercial Code were published in the Official Gazette No. 28339, on June 30, 2012.
- In order to regulate procedures and principles that will be implemented in the resolution of legal disputes through arbitration, The Law on Mediation in Civil Disputes No. 6325 published in the Official Gazette No. 28331, on June 22, 2012.

- 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 TL 1 billion to credit guarantee institutions and Credit Guarantee Fund's (KGF) current capital increased by 4 times. As a result of these regulations, total amount of guarantee and the volume of credits increased significantly.
- The Law on Supporting Research and Development Activities, which includes notable supporting measures for making R&D activities and innovation more widespread, was published on the Official Gazette No.26814, on March 12, 2008.
- Law for the Incorporation of the Investment Support and Promotion Agency of Turkey, which was formed to determine and implement investment support and promotion strategies aimed to encourage and increase a number of investments in Turkey, particularly of multinational companies, that are required for economic development of the country, was published on the Official Gazette No. 26218, on July 4, 2006.

1.2. 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 14 years with the requesting countries. Around 350 experts from 40 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
- May 30, 2013, Experience Sharing Program on Investment Climate Reform for Cameroon, Ankara
- September 23, 2013, Expert Training Program for the IDB Member Countries, Ankara
- May 22-23, 2014, Experience Sharing Program on Investment Climate Reform for Tunisia, Ankara
- October 5-9, 2015, Expert Training Program for the IDB Member Countries, İstanbul and Konya
- October 19-20, 2015, Experience Sharing Program on Investment Climate Reform for Colombia, Ankara

1.3. Turkey's Position in the Investment Indices

The perception of Turkey as an investment destination is illustrated in the reports published by various international institutions. These studies, which scrutinize the level of investment environment of countries in different scopes 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 Turkey. Nevertheless, they are important in terms of providing opportunities for a comparison among countries and also giving hints about the perception of the international investors towards Turkey.

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 examines 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 ranked 55th among 189 countries by moving down 4 places compared to the previous year in 2016,
- In the Global Competitiveness Report published by the World Economic Forum, Turkey ranked 51st among 140 countries by moving down 6 places in 2015,
- In the Best Countries for Business List published by Forbes Magazine, Turkey ranked 54th among 144 countries by moving down 4 places in 2015.

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 which have close investment relations with Turkey or have the potential to develop these relations. The main objective of BITs is to stimulate the capital and technology flows between the Parties, provide favorable conditions for investors, and set the limits of the legal treatment accorded by the hosting countries for investors and their investments.

Turkey has signed BITs with 98 countries so far. Today, BITs are key 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 expropriation, and settlement of investment disputes between the investor and the hosting country through international arbitration.

Turkey signed BITs with Ivory Coast, Georgia, Ghana, Jordan and Somalia in 2016. Turkey’s BITs that entered into force are shown below (Table 26).

Table 26: Bilateral Investment Treaties of Turkey

	COUNTRY	ENTRY INTO FORCE		COUNTRY	ENTRY INTO FORCE
1	United States	18.05.1990	40	Kazakhstan	10.08.1995
2	Afghanistan	19.07.2005	41	Kosovo	15.10.2015
3	Germany	05.12.1965	42	Kyrgyzstan	31.10.1996
4	Argentina	01.05.1995	43	Kuwait	08.05.2013
5	Albania	26.12.1996	44	Cuba	23.10.1999
6	Austria	01.01.1992	45	Latvia	03.03.1999
7	Australia	29.06.2009	46	Libya	22.04.2011
8	Azerbaijan	13.05.2013	47	Lithuania	07.07.1997
9	Bangladesh	21.06.1990	48	Lebanon	04.01.2006
10	Belarus	20.02.1997	49	Hungary	22.02.1995
11	Bahrain	15.11.2014	50	Macedonia	27.10.1997
12	Belgium-Luxemburg	04.05.1990	51	Malaysia	09.09.2000
13	The UAE	24.07.2011	52	Malta	14.07.2004
14	Bosnia-Herzeg.	29.01.2002	53	Egypt	31.07.2002
15	Bulgaria	22.09.1997	54	Mongolia	22.05.2000
16	Czech Republic	01.08.1997	55	Moldova	16.05.1997
17	P.R. of China	20.08.1994	56	Oman	15.03.2010
18	Denmark	01.08.1992	57	Uzbekistan	18.05.1995
19	Indonesia	28.09.1998	58	Pakistan	03.09.1997
20	Estonia	29.04.1999	59	Poland	19.08.1994
21	Ethiopia	10.03.2005	60	Portugal	19.01.2004
22	Morocco	31.05.2004	61	Romania	08.07.2010
23	The Philippines	17.02.2006	62	Russian Fed.	17.05.2000
24	Finland	23.04.1995	63	Senegal	17.07.2012
25	France	03.08.2009	64	Serbia	10.11.2003
26	R. Korea	04.06.1994	65	Singapore	27.03.2010
27	Georgia	28.07.1995	66	Slovakia	11.12.2013
28	India	18.10.2007	67	Slovenia	19.06.2006
29	Croatia	21.04.1998	68	Syria	03.01.2006
	Croatia (Add. Protocol)	18.02.2009	69	Saudi Arabia	05.02.2010
30	The Netherlands	14.11.1989	70	Tajikistan	24.07.1998
31	United Kingdom	22.10.1996	71	Thailand	21.07.2010
32	Iran	13.04.2005	72	Tunisia	28.04.1994
33	Spain	03.03.1998	73	Turkmenistan	13.03.1997
34	Israel	27.08.1998	74	Ukraine	21.05.1998
35	Sweden	08.10.1998	75	Jordan	23.01.2006
36	Switzerland	21.02.1990	76	Yemen	31.03.2011
37	Italy	02.03.2004	77	Greece	24.11.2001
38	Japan	12.03.1993			
39	Qatar	12.02.2008			

Source: Ministry of Economy

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

	Countries	Date of Signature
1	Bangladesh (New Agreement)	12.04.2012
2	Benin	11.12.2013
3	Algeria	03.06.1998
4	Djibouti	25.09.2013
5	Gabon	18.07.2012
6	Gambia	12.03.2013
7	Ghana	01.03.2016
8	Republic of South Africa	23.06.2000
9	Georgia (New Agreement)	19.07.2016
10	Guatemala	21.12.2015
11	Guinea	18.06.2013
12	Cameroon	24.04.2012
13	Montenegro	14.03.2012
14	Kenya	08.04.2014
15	Colombia	28.07.2014
16	Ivory Coast	29.02.2016
17	Jordan (New Agreement)	27.03.2016
18	Mexico	17.12.2013
19	Mauritius	07.02.2013
20	Nigeria	02.02.2011
21	Pakistan (New Agreement)	22.05.2012
22	PR of China (New Agreement)	29.07.2015
23	Somalia	03.06.2016
24	Sudan	30.04.2014
25	Tanzania	12.03.2011
26	Vietnam	15.01.2014

Source: Ministry of Economy