2011

REPUBLIC OF TURKEY
MINISTRY OF ECONOMY

FOREIGN DIRECT INVESTMENTS IN TURKEY

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FOREIGN DIRECT INVESTMENTS IN TURKEY 2011

April 2012

GENERAL DIRECTORATE OF INCENTIVE IMPLEMENTATION AND FOREIGN INVESTMENT

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A. FOREIGN DIRECT INVESTMENT INDICATORS

1. 2011 GENERAL OVERVIEW

1.1. World Foreign Direct Investment Flows

The global financial crisis affected foreign direct investments (FDI) negatively especially in 2009; however, a recovery tendency was obtained in 2010 and this tendency continued in 2011. The evaluations for 2011 mainly focus on mostly completed operations. The latest version of the World Investment Report that includes the final data for 2011, which is prepared by the United Nations Conference on Trade and Development (UNCTAD) and accepted as one of the most prominent sources regarding global distribution of FDI by country and sector, will be published in the second half of 2012. The reports of other international institutions on world FDI flows are also expected to be announced around the middle of 2012.

According to the UNCTAD's preliminary assessments[1], the value of global FDI inflows in 2011 is expected to have risen to USD 1,509 billion, with a 17% increase compared to 2010. For the developing countries, this increase is estimated to be around 13.7% while it is approximately 18.5% for developed countries compared to 2010. For 2012, the UNCTAD expects that an atmosphere of cautious optimism will be prevalent. While the possibility of adverse effects on FDI by fragilities and uncertainties in world economies is still ongoing, global direct investment inflows for 2012 are expected to be USD around 1.6 trillion.

According to the OECD sources; while global FDI inflows amounted to USD 1,292 billion in 2010, the amount reached to USD 1,409 billion with a 9.1% increase in 2011[2]. This increase has been 76% for Turkey, while it has been 18% for OECD member countries and

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[1] Global Investment Trends Monitor, January 2012, UNCTAD
[2] International Direct Investment database, April 2012, OECD

30% for the European Union countries. Turkey increased its share within global FDI inflows from 0.7% to 1.1% and its share within the OECD from 1.3% to 1.9% in 2011. Consequently, while Turkey was ranking 21st among 34 OECD member countries in 2009, it progressed to 16th in 2010 and 14th in 2011 with an inflow of USD 15.9 billion. In rankings, Turkey left behind important OECD member countries such as Denmark (USD 14.8 billion), Poland (USD 14.3 billion), Austria (USD 14.1 billion), Ireland (USD 13.1 billion), Sweden (USD 12.2 billion), Israel (USD 11.4 billion), Czech Republic (USD 5.4 billion) and Hungary (USD 4.7 billion) in terms of FDI inflows.

According to the estimations of the Institute of International Finance (IIF)[3]; in 2012, the FDI flows to the developing countries are expected to decrease by 2% compared to 2011. On the other hand; in 2013, an increase of 5% compared to the previous year is expected.

According to the latest available World Investment Report[4], which is published in 2011 by UNCTAD, total FDI rose by 5% worldwide in 2010 reaching to USD 1,244 billion.

There have been changes in the profiles of leading recipient countries of FDI in 2010. For the first time, FDI flows to developing countries and transition economies surpassed 50% and progressed ahead of the developed countries. FDI flows to the developing countries and transition economies in 2010 increased by 10% compared to the previous year reaching USD 642 billion (USD 574 billion and USD 68 billion, respectively); while the amount of investments to developed countries remained at the same level, around USD 602 billion compared to the previous year (Chart 1).

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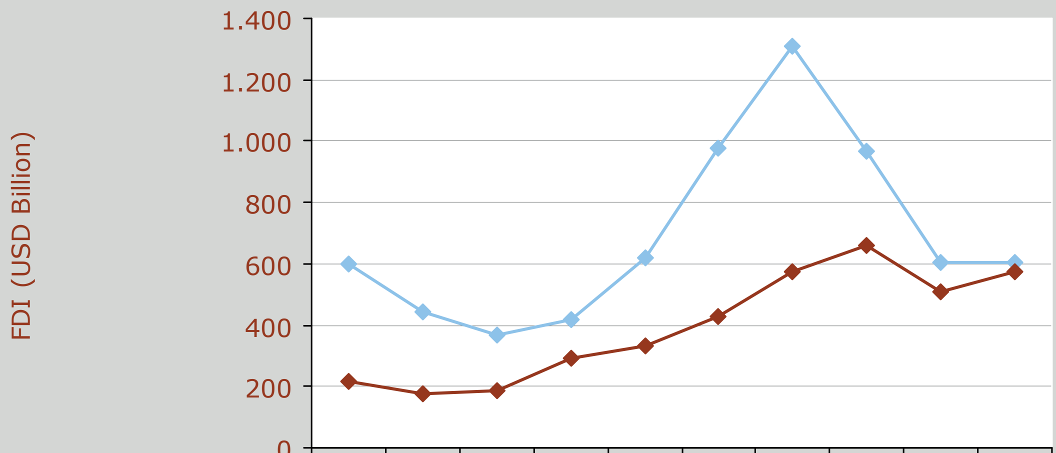
[3] IIF, Capital Flows to Emerging Market Economies, January 2012
[4] World Investment Report (WIR) 2011, UNCTAD

Chart 1: FDI Inflows, by Groups of Economies



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Developed Countries	601	441	369	419	619	978	1307	965	603	602
Developing Countries	216	175	184	293	332	430	573	658	511	574

Source: WIR, 2011

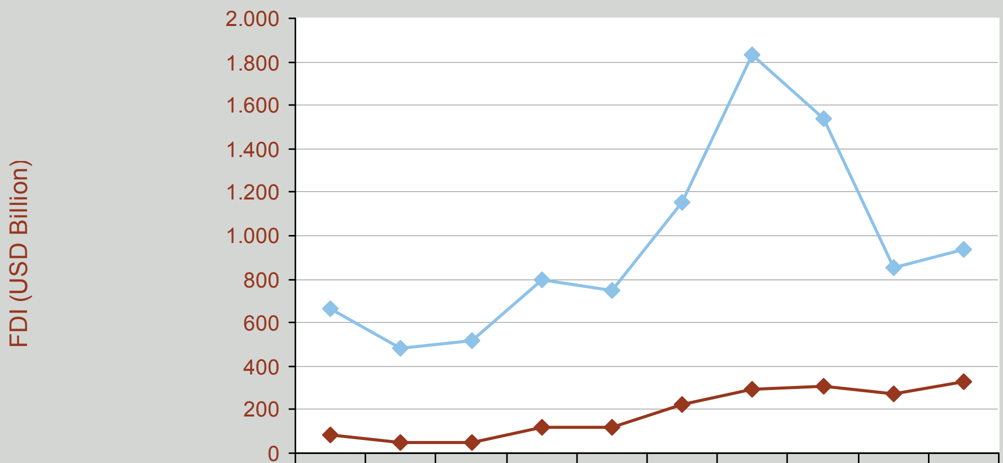
The United States of America (USA) managed to preserve its first position among the top recipient countries in the world by attracting an FDI amount of USD 228.3 billion. USA is followed by China (USD 105.7 billion), Hong Kong (USD 68.9 billion), Belgium (USD 61.7 billion) and Brazil (USD 48.4 billion).

According to the Report, Turkey performed an increase of 8% in 2010 with respect to the previous year and reached a level of USD 9.1 billion in terms of FDI. Thus; Turkey ranked 27th in the world by moving up three places in 2010 compared to 2009. In the same year, Turkey's ranking was the 14th among developing countries (Table 2).

In 2010, FDI outflows from developed countries rose by 10% compared to previous year and reached to USD 935 billion. The FDI outflows of the developing countries increased by 21% to USD 328 billion (Chart 2).

The USA maintained its position as the largest investor country in 2010 and ranked first in the world with an investment amount of USD 329 billion. Among the developing countries; Hong Kong, China and Russian Federation have managed to enter into the top 10 and have been among the prominent investor countries. Turkey ranked 44th in the world with an FDI outflow of USD 1.8 billion.

Chart 2: FDI Outflows, by Groups of Economies



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Developed Countries	667	483	517	795	746	1155	1829	1541	851	935
Developing Countries	83	50	46	121	122	227	294	309	271	328

Source: WIR, 2011

As of 2010, the total inward FDI stock worldwide reached to USD 19.1 trillion. The USA (USD 3.5 trillion), Hong Kong (USD 1.1 trillion) and UK (USD 1.1 trillion) were the top three economies in terms of FDI stock. In 2010, with an FDI stock value of USD 181.9 billion, Turkey ranked 23rd in the world by moving 20 places up in the list of top countries in terms of FDI stock compared to 2009 (Table 1).

Table 1: FDI Inward Stock, Top 10 Host Economies and Turkey (2010)

Rank	Country	FDI Stock (USD Billion)
1	USA	3,451.4
2	Hong Kong	1,097.6
3	United Kingdom	1,086.1
4	France	1,008.4
5	Germany	674.2
6	Belgium	670.0
7	Spain	614.5
8	The Netherlands	589.8
9	China	578.8
10	Canada	561.1
23	**Turkey[5]**	**181.9**

Source: WIR, 2011

Sectoral Overview

The data on sectoral breakdown of FDI flows in 2011 will be published in the second half of 2012, thus the latest available data is of 2010. The general FDI overview of 2010 displays a downward trend in services sector despite the recovery in manufacturing industry after the crisis. There was a significant drop especially in FDI inflows to financial intermediation sector. Sub-sectors of manufacturing such as food, beverages and tobacco, textiles and automotive industries improved while the investments in the metal and electronic sectors decreased.

In 2010, 48% of the total of cross border mergers and acquisitions (M&A) transactions and greenfield investments, which are the cornerstones of global FDI flows, were in manufacturing industry, while 30% were in services sector and 22% were in primary sectors. These ratios were 37%, 33% and 30% in 2009, respectively.

[5] 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.

Mergers and Acquisitions (M&A)

The cross border mergers and acquisitions in the world had a significant drop in 2009 due to the effect of global financial crisis in 2008, however 2010 and 2011 displayed a recovery trend and the general outlook approached to the pre-crisis period.

According to the information gathered by UNCTAD from several sources[6]; the value of cross border M&A transactions increased by 36% in 2010, compared to 2009 and reached to USD 339 billion. According to estimations[7], the value of cross border M&As will accelerate in 2011 and increase by 50% compared to previous year and is expected to amount to USD 507 billion. A report prepared by the Mergermarket which reviews the global M&A activities[8] indicated that, the volume of M&A in 2011 rose 9.8% compared to 2010 and amounted to USD 874.4 billion. The data of Thomson Reuters[9] reflects that the value of cross border M&A in the world amounted to USD 908.4 billion and stayed at the same level with 2010. When reviews of various sources are examined, an upward trend is clearly seen in the transaction volumes in 2011 with respect to the post-crisis period.

The data in UNCTAD's Report show that the cross border M&A transactions in Turkey was USD 13.2 billion in 2008, USD 2.8 billion in 2009, and USD 2.1 billion in 2010. The estimations for 2011 suggest that the cross border M&A transactions will amount to USD 7.2 billion.

The data revealed by the World Investment Report indicate that the cross border M&A carried out by the private equity funds increased by 14% in 2010 with respect to the previous year, and amounted to USD 122 billion.

[6] World Investment Report (WIR) 2011, UNCTAD
[7] Global Investment Trends Monitor, January 2012, UNCTAD
[8] M&A Round-up for Year End 2011-Press Release, January 2012, Mergermarket
[9] Mergers and Acquisitions Review, January 2012, Thomson Reuters

Table 2: Global FDI Inflows, Top 10 Host Economies and Turkey 2008-2010 (USD Billion)

2008			2009			2010		
Rank	Country	FDI	Rank	Country	FDI	Rank	Country	FDI
1	USA	306.4	1	USA	152.9	1	USA	228.2
2	Belgium	142.0	2	China	95.0	2	China	105.7
3	China	108.3	3	UK	71.1	3	Hong Kong	68.9
4	UK	91.5	4	Hong Kong	52.4	4	Belgium	61.7
5	Spain	77.0	5	Germany	37.6	5	Brazil	48.4
6	Russia	75.0	6	Russia	36.5	6	Germany	46.1
7	France	64.2	7	India	35.6	7	UK	45.9
8	Hong Kong	59.6	8	The Netherlands	34.5	8	Russia	41.2
9	Canada	57.2	9	France	34.0	9	Singapore	38.6
10	Australia	46.8	10	S. Arabia	32.1	10	France	33.9
17	**Turkey**	**19.5**	**30**	**Turkey**	**8.4**	**27**	**Turkey**	**9.1**
	World Total	1,744.1		World Total	1,185		World Total	1,243.7

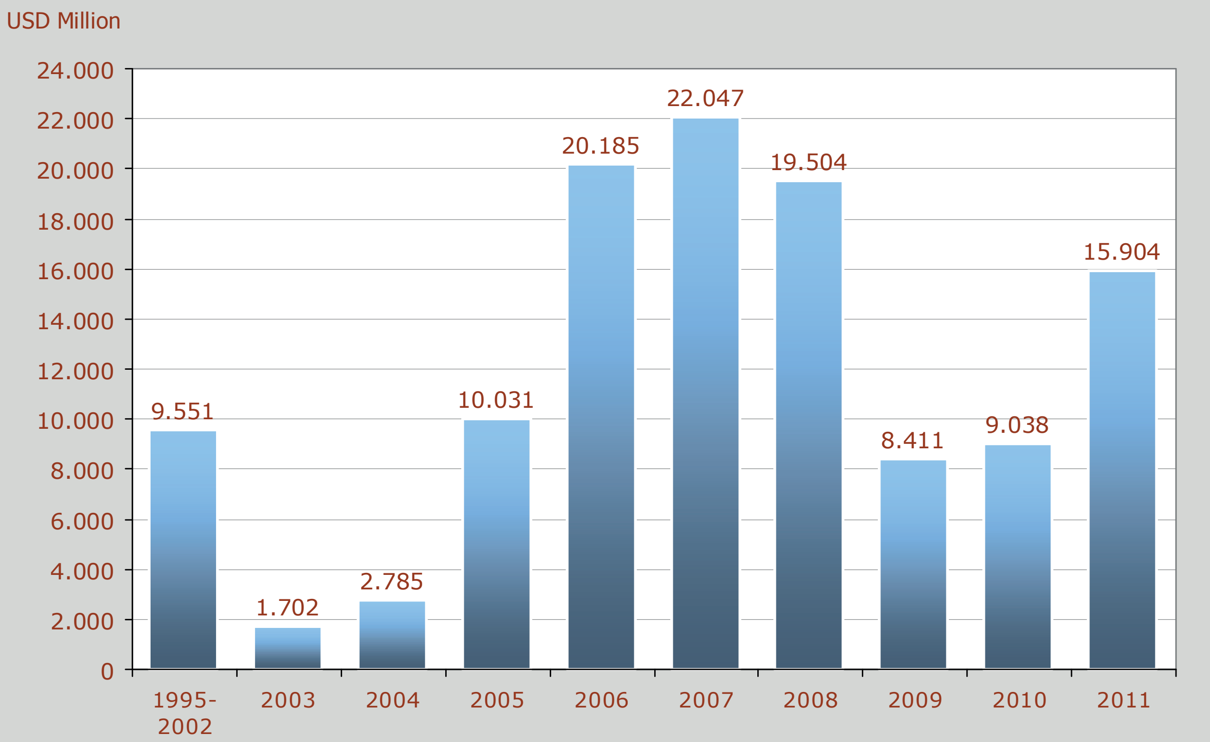
Source: World Investment Report (WIR) 2011, UNCTAD

1.2. Foreign Direct Investment Inflows to Turkey

1.2.1. Components of Foreign Direct Investment Inflows[10]

The FDI inflow to Turkey reached to USD 15.9 billion in 2011 from USD 9 billion in 2010.

Chart 3: FDI Inflows in Turkey Between 1995 and 2011



Source: CBRT

[10] 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.

Table 3: FDI Inflows by Component (1995–2011) (USD Million)[11]

	1995-2003 (Cumulative)	2004	2005	2006	2007	2008	2009	2010	2011
Cumulative FDI (net)	**11,253**	**2,785**	**10,031**	**20,185**	**22,047**	**19,504**	**8,411**	**9,038**	**15,904**
FDI	**10,255**	***1,442***	***8,190***	***17,263***	***19,121***	***16,567***	***6,629***	***6,544***	***13,891***
Capital (Net)	**9,591**	*888*	*8,053*	*16,876*	*18,100*	*14,313*	*5,382*	*5,792*	*13,297*
Inflow	**10,682**	*986*	*8,454*	*17,533*	*18,843*	*14,348*	*5,464*	*5,827*	*15,288*
Outflow	**-1,091**	*-98*	*-401*	*-657*	*-743*	*-35*	*-82*	*-35*	*-1,991*
Reinvested Earnings	**132**	*204*	*81*	*106*	*294*	*399*	*788*	*411*	*599*[a]
Other Capital[b]	**532**	*350*	*56*	*281*	*727*	*1,855*	*459*	*341*	*-5*
Real Estate Purchases (Net)	**998**	***1,343***	***1,841***	***2,922***	***2,926***	***2,937***	***1,782***	***2,494***	***2,013***

Source: CBRT
a) Estimate
b) Investment credits received by foreign-owned companies from the foreign partner

Out of the USD 15.9 billion of the FDI inflows received in 2011, USD 13.9 billion came as the equity component and USD 2 billion was from real estate purchases (Table 3).

The largest FDI inflow in 2011 was USD 2.1 billion transferred by the Spanish-based Banco Bilbao Vizcaya Argentaria S.A (BBVA) for the acquisition of 6.3% stake in Garanti Bank which was announced in the last quarter of 2010. The sales of shares of Socar&Turcas and Mey İçki were other large FDI transactions in the same year (Table 4).

In 2011, the share of the total value of privatization and the M&A transactions was about 35% of total FDI in the balance of payments statistics with USD 5.5 billion. In Turkey, approximately half of the cross-border M&A transactions recorded as FDI in 2011, are in financial intermediation sector. The payments for the transactions which were not realized in 2011 are expected to take place in 2012 and in the next years.

[11] 2011 data, released in 2012 Balance of Payments Report published by Central Bank of the Republic of Turkey in April 2012, were used in this report. Balance of Payments statistics concerning previous years which are published by the Central Bank of the Republic of Turkey are revised retrospectively upon requirement.

Table 4: Top Five Cross-Border M&A Transactions in 2011[12]

Acquired Company	Acquiring Company	Home Country of the Acquiring Company	Ratio of Shares Taken Over (%)	FDI (USD Million)
Garanti Bank	Banco Bilbao Vizcaya Argentaria, S.A (BBVA)	Spain	6.3	2,067
Socar&Turcas A.Ş.	SOCAR	Azerbaijan	24.0	1,255
Mey İçki	Diageo	USA	-	309
Deniz Emeklilik	American Life Insurance (MetLife)	USA	99.9	229
Airfel	Daikin	Japan	100	221

Source: Ministry of Economy, CBRT

1.2.2. Foreign Direct Investments by Sector[11]

In 2011, financial intermediation, electricity, gas and water supply (energy) and manufacturing were the top three sectors in Turkey in terms of FDI inflows. 64.8% of the FDI inflows was realized in financial intermediation and electricity, gas and water supply sectors (Table 5).

Table 5: FDI Inflows by Sector[13]**, 2011 (USD Million)**

Rank	Sector	Capital	(%)
1	Financial Intermediation	6,031	38.0
2	Electricity, Gas and Water Supply	4,259	26.8
3	Manufacturing	3,364	21.2
4	Real Estate, Renting and Business Activities	578	3.6
5	Wholesale and Retail Trade	523	3.3
6	Construction	319	2.0
7	Transport, Storage and Communication	239	1.5
8	Health and Social Work	232	1.5
9	Mining and Quarrying	148	0.9
10	Education	68	0.4
	Other	126	0.8
	Total	**15,887**	**100.0**

Source: CBRT

[12] In terms of the equity component of FDI inflows in 2011.

[13] 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.

Financial intermediation sector was in the first place with more than USD 6 billion of FDI inflows in 2011 like the pre-crisis years. Besides the fact that almost half of the M&A transactions took place in this sector, significant capital increases were also observed. The major transaction which was reflected in the balance of payments in 2011 was the acquisition of shares of Garanti Bankası by Spanish bank BBVA which was announced in the end of 2010 amounting to USD 2.1 billion of FDI inflows. The acquisition of the shares of Deniz Emeklilik by the USA-based MetLife and the sale of shares of Aksigorta to the Netherlands-based Ageas Insurance International N.V. were the other important transactions in the sector.

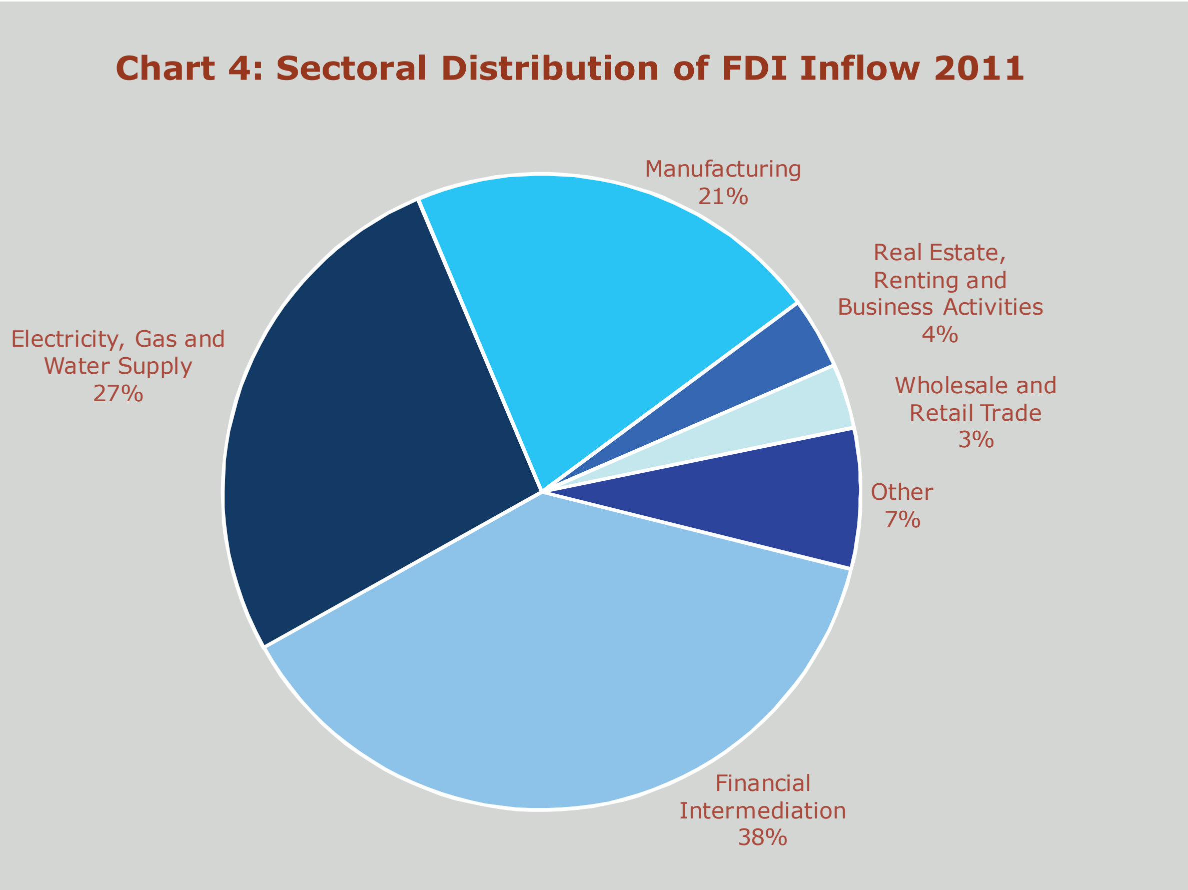
323 companies with foreign capital operate in financial intermediation sector by the end of 2011.

The energy sector which became focus of FDI in Turkey in order to meet increasing demand for energy in recent years, was a sector with significant capital inflows in 2011, and took second place after financial intermediation sector. Despite the absence of large scale M&A in the sector in 2011, the international investors who invested in Turkey previously via privatizations or M&A continued making new investments in the year through capital increases. The Austria based OMV which purchased a part of Petrol Ofisi A.Ş.'s shares in 2010 and Cogentrix, partner of Eti Elektrik Üretim A.Ş., were the leading companies in terms of investment expansions. Akkuyu NGS Energy Company with a Russian partner also became another major investor with over USD 700 million of FDI inflows as the capital increase.

In accordance with the rising trend in the energy sector in Turkey, the number of established companies with foreign capital increased in 2011 compared to previous years. 129 companies have been established in 2011 and the number of companies with foreign capital operating in the sector was 681 by the end of 2011.

With an FDI inflow of USD 3.4 billion, the manufacturing industry in 2011 takes the third place among all sectors and was in the top three in previous years. Besides the large-scale M&A transactions in the manufacturing industry, numerous companies carried out small-scale FDI inflows. The most important M&A transactions of the sector took place in the refined petroleum products and fuels sector. The state petroleum and gas company of Azerbaijan, Socar, increased its share from 51% to 75% in the Socar&Turcas A.Ş. and USD 1.3 billion of capital transfer was made for this transaction. The acquisition of shares of Mey İçki operating in the food products and beverages sector by British Diageo was also one of the major M&As, however only a small share of the capital was transferred to Turkey as most of the sold shares belonged to American Texas Pacific Group. The sale of air conditioner Airfel's shares to Japan Daikin Industries amounting to USD 250 million was another important M&A transaction in the year.

As of the end of 2011, 4,729 companies with foreign capital were in operation in manufacturing industry of Turkey. This figure refers to 16% of total number of companies with foreign capital. Chemical products with 523 companies, food products, beverages and tobacco with 504 companies and textiles with 468 companies were the top three sub-sectors of manufacturing industry.



Source: CBRT

Table 6: Sectoral Distribution of FDI Inflows, 2002-2011 (USD Million)

Sectors	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Financial Intermediation	246	51	69	4,018	6,957	11,662	6,069	666	1,584	6,031
Transportation, Storage and Communication	1	1	639	3,285	6,696	1,117	170	391	212	239
Electricity, Gas and Water Supply	68	86	66	4	112	568	1,053	2,076	1,817	4,259
Wholesale and Retail Trade	75	58	72	68	1,166	165	2,085	389	425	523
Manufacture of food products, beverages and tobacco	14	249	78	68	608	766	1,252	196	123	649
Manufacture of chemicals and chemical products	8	9	38	174	601	1,109	200	336	117	316
Manufacture of basic metals and fabricated metal products	18	1	6	139	158	515	1,243	31	194	211
Real Estate, Renting and Business Activities	0	3	3	29	99	560	641	560	412	578
Other	141	238	219	750	1,242	2,675	2,034	1,607	1,354	3,081
Total	**571**	**696**	**1,190**	**8,535**	**17,639**	**19,137**	**14,747**	**6,252**	**6,238**	**15,887**

Source: CBRT

1.2.3. FDI Inflows[14] by Home Country

Table 7: FDI Inflows by Home Country 2010-2011 (USD Million)

2010			
Rank	Country	Capital Inflow	(%)
1	Austria	1,584	25.4
2	France	623	10.0
3	Germany	597	9.6
4	The Netherlands	486	7.8
5	Greece	436	7.0
6	Japan	347	5.6
7	USA	323	5.2
8	Luxembourg	292	4.7
9	UK	245	3.9
10	Spain	205	3.3
	Other	1,100	17.6
	Total	**6,238**	**100.0**

Source: CBRT

2011			
Rank	Country	Capital Inflow	(%)
1	Austria	2,235	14.1
2	Spain	2,230	14.0
3	The Netherlands	1,623	10.2
4	Belgium	1,474	9.3
5	USA	1,403	8.8
6	Azerbaijan	1,265	8.0
7	France	985	6.2
8	UK	917	5.8
9	Russia	761	4.8
10	Germany	605	3.8
	Other	2,389	15.0
	Total	**15,887**	**100.0**

Source: CBRT

FDI inflows from the EU countries amounted to USD 11.3 billion, which were 71% of the total inflows received in 2011. The first three home countries in 2011 were Austria with 14.1%, Spain with 14% and The Netherlands with 10.2% (Table 7). Austria, which made up the quarter of FDI inflows with USD 1.6 billion in 2010, maintained its position by increasing capital flows to Turkey by 41.1% in 2011.

1.2.4. FDI in Privatization

The only FDI inflows resulting from privatization which was reflected in the balance of payments in 2011 was the privatization of Istanbul Sea Buses (IDO). British partner Souter Investments LLP of the consortium, which is mostly comprised of domestic investors, transferred USD 40 million of foreign capital for the privatization of IDO. Total

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[14] 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.

privatization amount and FDI inflows through privatization between 2002 and 2011 are shown in Table 8.

Table 8: Privatization and FDI (USD Million)

Year	Privatization Amount	FDI Inflows Through Privatization
2002	536	-
2003	187	-
2004	1,283	49
2005	8,222	1,500
2006	8,096	1,768
2007	4,259	-
2008	6,297	611
2009	2,275	232
2010	3,085	-
2011	1,358	40
Total	**35,598**	**4,200**

Source: Privatization Administration, CBRT

1.2.5. Cross-border M&A Activities and FDI[15]

Dissimilarities in modes of operation, data gathering, analysis methods and inclusion of the estimates for undisclosed deals by various organizations that prepare international reports about M&A may cause a difference between deal volumes and number of deals documented in these reports.

Even though 2011 was a severe period for the European economies, Turkey maintained its stability in this year. Although close economic ties between Turkey and Europe created some risks in terms of cross border M&A transactions, Turkey's steady image in the region continued to provide confidence for foreign investors. Hence, Turkey, grouped in the region of the Middle and South Eastern Europe, moved up to the first rank getting ahead of Poland with 272 M&A transactions in 2011 according to data of Ernst&Young. Including estimates of undisclosed transactions, M&A transactions reached to

[15] Source: Deloitte Annual Turkish M&A Review 2011, January 2012
2011 Report on Merger and Acquisition Transactions, Ernst & Young, January 2012
Central and South Eastern Europe – M&A Barometer 2011, Ernst & Young, January 2012

USD 14 billion and 56% of the volume of these transactions was carried out by foreign investors. According to the sources of Deloitte, USD 11.1 billion of the total USD 15 billion of M&A transactions were undertaken by foreign investors.

1.3. Companies with Foreign Capital in Turkey[16]

By the end of 2011 there are 29,399 companies with foreign capital operating in Turkey. 24,077 of them are companies and branch offices with foreign capital, and 5,322 of them are formed by participation of foreign partners to existing domestic companies. (Table 9)

Table 9: Number of Companies with Foreign Capital by Year According to Their Mode of Establishment

Year	Company Establishment	Participation	Branch Office	Total
1954-2006 (Cumulative)	10,164	2,435	376	12,975
2007	2,557	611	63	3,231
2008	2,396	612	61	3,069
2009	2,222	553	66	2,841
2010	2,688	535	81	3,304
2011	3,314	576	89	3,979
Total	**23,341**	**5,322**	**736**	**29,399**

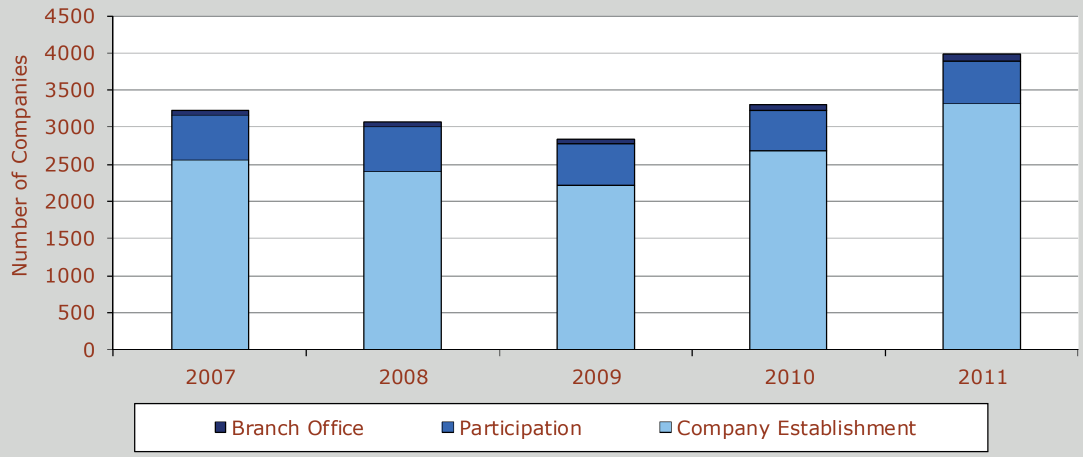
Provisional Data, Source: Ministry of Economy

The number of companies with foreign capital decreased by 5% and 7.4% respectively in 2008 and 2009. As a positive progress sign, this figure has showed an upward trend by 16.3% in 2010 and 20.4% in 2011.

By the end of 2011, 78.1% of the 29,399 companies with foreign capital are limited companies, 19.6% of them are joint stock companies, and the rest 2.3% are branch offices.

[16] Number of companies with foreign capital is subject to change continuously due to updates on liquidations or exit of foreign partner. Revisions are made periodically.

Chart 5: Breakdown of Companies with Foreign Capital by Mode of Establishment 2007-2011

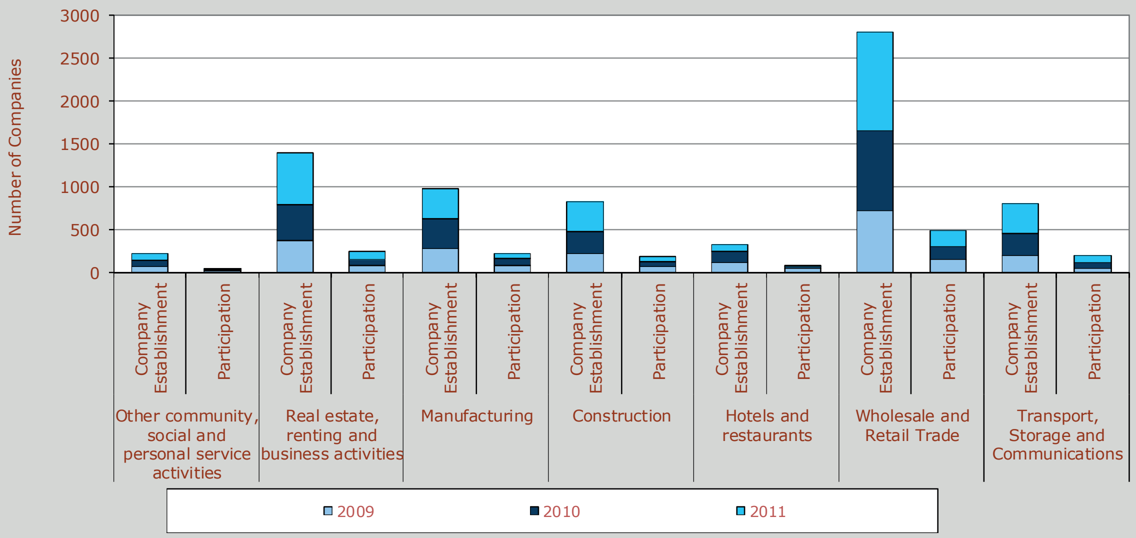


Provisional Data, Source: Ministry of Economy

The total number of the established companies in 2011, 3,979 is the highest annual level reached in the last five years.

The number of new companies and branch offices which had downward tendencies in 2008 and 2009, displayed an increase of 21% and 23% respectively in 2010-2011. The average share of the new companies and branch offices between the period of 2007-2011 is around 82% of the total companies with foreign capital.

Chart 6: Breakdown of Companies with Foreign Capital by Sector According to Mode of Entry 2009-2011



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 manufacturing sectors.

2,769 companies and branch offices with foreign capital were established in 2010, and 535 participations to existing domestic companies were realized. In 2011, 3,403 companies and branch offices with foreign capital were established in Turkey, and 576 participations to existing domestic companies were realized (Table 9). The number of companies and branch offices with foreign capital increased 22.9% and the number of participations to the existing domestic companies rose 7.7% in 2011 over the previous year.

1.3.1. Sectoral Breakdown of Companies with Foreign Capital

Of the total 29,399 companies with foreign capital in Turkey by the end of 2011, 9,107 are operating in the wholesale and retail trade, 4,729 are in manufacturing industry, and 4,719 are in real estate rental and business activities sector. Chemicals and chemical products are in the first place in terms of number of companies with foreign capital in manufacturing industry, and the following sub-sectors are manufacture of food products, beverages and tobacco and manufacture of textiles respectively (Table 10).

Table 10: Sectoral Breakdown of Companies with Foreign Capital

Sectors	1954-2006 (Cumulative)	2007	2008	2009	2010	2011	1954-2011 Total
Agriculture, hunting, fishing and forestry	193	46	50	53	61	63	466
Mining and quarrying	219	75	85	71	82	94	626
Manufacturing	2,617	454	442	375	427	414	4,729
Manufacture of food products, beverages and tobacco	281	34	33	51	65	40	504
Manufacture of textiles	333	46	20	16	22	31	468
Manufacture of chemicals and chemical products	285	52	44	37	51	54	523
Manufacture of machinery and equipment n.e.c.	212	43	47	30	29	36	397
Manufacture of motor vehicles, trailers and semi-trailers	169	19	21	17	8	11	245
Other Manufacturing	1,337	260	277	224	252	242	2,592
Electricity, gas and water supply	134	68	104	124	122	129	681
Construction	991	431	331	292	318	415	2,778
Wholesale and retail trade	4,236	748	740	889	1,107	1,387	9,107
Hotels and restaurants	1,016	192	198	164	143	88	1,801
Transport, storage and communications	1,101	265	274	249	336	454	2,679
Financial intermediation	180	41	41	16	15	30	323
Real estate, renting and business activities	1,684	750	603	452	518	712	4,719
Other community, social and personal service activities	604	161	201	156	175	193	1,490
Total	12,975	3,231	3,069	2,841	3,304	3,979	29,399

Provisional Data, Source: Ministry of Economy

When the sectoral distribution of the companies with foreign capital between the years of 2007-2011 is observed; the sectors of wholesale and retail trade, real estate rental and business activities and the manufacturing industry are in the first three places. While the manufacturing industry had been the second after the wholesale and retail trade sector until 2006, since then it began to fall behind the real estate rental and business activities sector. In 2011 the sectors showing increase in the number of the companies with foreign capital, and their rate of increase are as follows: 37.4% in real estate and business activities, 35.1% in transportation, communication and storage services, 30.5% in construction sector, 25.3% in wholesale and retail trade, 17.6% in financial intermediation, 14.6% in mining and quarrying sector, 5.7% in electricity, gas and water supply sector and 3.3% in agriculture, hunting, fishing and forestry sector. On the other hand, there was a decrease in manufacturing industry by 7% and in hotels and restaurants sector by 3.8% in the same year.

The decreasing trend, which started in 2009 regarding the number of companies with foreign capital in the manufacture of motor vehicles due to the negative impact of global economic crisis reversed in 2011 and exhibited 37.5% increase. There is 40.9% increase in manufacture of textile products and 24.1% in manufacture of machinery and equipment; and 38.5% decrease in manufacture of food products, beverages and tobacco in terms of number of companies with foreign capital within manufacturing industry.

1.3.2. Companies with Foreign Capital by Home Country

In distribution of 29,399 companies with foreign capital by country groups, EU countries rank first place with a total of 15,308 companies. Among the EU countries; Germany with 4,790 companies, the United Kingdom with 2,338 companies, and the Netherlands with 1,979 companies rank first three (Table 11).

Of the 3,979 companies established in 2011, 1,598 have partners from the EU, 1,301 from Near and Middle Eastern and 430 from other European countries (Table 11).

Looking at number of companies with foreign capital in Turkey by home country group, just like in composition of FDI inflows by home country, it is observed that the EU countries have the largest shares.

On the other hand, there has been an increase by 48% in the number of companies with the USA capital, which is one of the leading investor countries in Turkey. While 103 companies had been established in 2010, this number reached to 152 in 2011.

Table 11: Breakdown of Companies with Foreign Capital by Home Country

Countries	1954-2006 (Cumulative)	2007	2008	2009	2010	2011	1954-2011 Total
EU Countries	**7,282**	**1,901**	**1,686**	**1,419**	**1,422**	**1,598**	**15,308**
Germany	2,258	499	539	478	467	549	4,790
The Netherlands	1,016	228	255	142	175	163	1,979
United Kingdom	1,192	404	223	189	160	170	2,338
Italy	457	76	97	90	94	97	911
Other EU Countries	2,359	694	572	520	526	619	5,290
Other European Countries (Except EU)	**1,373**	**368**	**430**	**331**	**408**	**430**	**3,340**
Africa Countries	**225**	**44**	**44**	**67**	**99**	**115**	**594**
North America	**693**	**148**	**125**	**142**	**134**	**178**	**1,420**
U.S.A.	622	118	107	111	103	152	1,213
Canada	71	30	18	31	31	26	207
Central and South America, Caribbean	**74**	**18**	**14**	**16**	**13**	**21**	**156**
Near and Middle East Countries	**2,325**	**469**	**516**	**616**	**932**	**1,301**	**6,159**
Azerbaijan	297	114	123	155	169	200	1,058
Iraq	354	100	81	104	107	151	897
Other	1,674	255	312	357	656	950	4,204
Other Asia	**843**	**250**	**215**	**225**	**261**	**302**	**2,096**
China	232	36	42	40	41	41	432
South Korea	94	22	13	20	18	14	181
Other	517	192	160	165	202	247	1,483
Other Countries	**160**	**33**	**39**	**25**	**35**	**34**	**326**
Total	**12,975**	**3,231**	**3,069**	**2,841**	**3,304**	**3,979**	**29,399**

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 gradually decreased between 2007 and 2011.

Nevertheless, the share of the companies with an equity capital within the range of USD 50,000-200,000 increased from 27.4% in 2007 to 39.1% in 2011.

The share of the companies with a capital higher than USD 500,000 was approximately 12.6% annually during 2007-2011 (Table 12)

Table 12: Breakdown of Companies with Foreign Capital by Amount of Equity Capital (2007-2011)

	2007		2008		2009		2010		2011	
Capital Amount ($)	Number of Companies	Share in Total (%)	Number of Companies	Share in Total (%)	Number of Companies	Share in Total (%)	Number of Companies	Share in Total (%)	Number of Companies	Share in Total (%)
<50,000	1,561	48,3	1,350	44,0	1,327	46,7	1,498	45,3	1,725	43,4
50,000 - 200,000	886	27,4	895	29,2	930	32,7	1,159	35,1	1,554	39,1
200,000 - 500,000	269	8,3	345	11,2	243	8,6	296	9,0	337	8,5
>500,000	515	15,9	479	15,6	341	12,0	351	10,6	363	9,1
Total	3,231	100,0	3,069	100,0	2,841	100,0	3,304	100,0	3,979	100,0

Provisional Data, Source: Ministry of Economy

Table 13: Breakdown of Companies with Foreign Capital by Sector and Amount of Equity Capital (2010-2011)

Sectors	2010					2011				
	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, fishing and Forestry	**20**	**22**	**10**	**9**	**61**	**25**	**26**	**6**	**6**	**63**
Mining and quarrying	**41**	**23**	**6**	**12**	**82**	**33**	**35**	**14**	**12**	**94**
Manufacturing	**153**	**150**	**51**	**73**	**427**	**133**	**163**	**49**	**69**	**414**
Manufacture of food products, beverages and tobacco	26	27	2	10	65	10	16	6	8	40
Manufacture of textiles	6	11	2	3	22	9	13	5	4	31
Manufacture of chemicals and chemical products	16	16	5	14	51	23	15	4	12	54
Manufacture of machinery and equipment n.e.c.	11	9	3	6	29	9	17	7	3	36
Manufacture of motor vehicles, trailers- semi-trailers	3	2	2	1	8	3	1	1	6	11
Other Manufacturing	91	85	37	39	252	79	101	26	36	242
Electricity, gas and water supply	**45**	**34**	**9**	**34**	**122**	**62**	**41**	**7**	**19**	**129**
Construction	**124**	**121**	**35**	**38**	**318**	**154**	**173**	**51**	**37**	**415**
Wholesale and retail trade	**492**	**439**	**98**	**78**	**1,107**	**568**	**595**	**119**	**105**	**1,387**
Hotels and restaurants	**71**	**50**	**12**	**10**	**143**	**32**	**43**	**7**	**6**	**88**
Transport, storage and Communications	**149**	**128**	**27**	**32**	**336**	**176**	**194**	**42**	**42**	**454**
Financial intermediation	**6**	**2**	**1**	**6**	**15**	**14**	**3**	**2**	**11**	**30**
Real estate, renting and business activities	**301**	**144**	**31**	**42**	**518**	**406**	**232**	**33**	**41**	**712**
Other community, social and personal service activities	**96**	**46**	**16**	**17**	**175**	**122**	**49**	**7**	**15**	**193**
Total	**1,498**	**1,159**	**296**	**351**	**3,304**	**1,725**	**1,554**	**337**	**363**	**3,979**

Provisional Data, Source: Ministry of Economy

In 2011, 363 companies with an equity capital over USD 500,000, were established. Among these 105 were in the wholesale and retail trade sector, 69 in the manufacturing industry, 42 in transportation, communication and storage services, 41 in real-estate renting and business activities sector, 37 in construction sector and 19 in electricity, gas and water sector. In addition, the number of companies within this size, which initiated their operations in 2011, increased by 37.4% in the real-estate and business activities sector, by 35.1% in the transport, communication and storage services and 30.5% in the construction sector compared to the previous year (Table 13).

Table 14: Breakdown of Companies with Foreign Capital by Home Country and Amount of Equity Capital (2010-2011)

Countries	2010					2011				
	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
European Union	**717**	**411**	**105**	**189**	**1.422**	**829**	**483**	**121**	**165**	**1,598**
Germany	254	127	38	48	467	283	171	46	49	549
The Netherlands	69	50	11	45	175	81	53	8	21	163
United Kingdom	76	55	9	20	160	102	45	15	8	170
Other European Countries	318	179	47	76	620	363	214	52	87	716
Other European Countries (Excluding EU)	**197**	**139**	**40**	**32**	**407**	**188**	**173**	**28**	**41**	**430**
North Africa	**27**	**30**	**6**	**5**	**68**	**35**	**41**	**7**	**7**	**90**
Other African Countries	**19**	**10**	**2**		**31**	**17**	**7**	**0**	**1**	**25**
North America	**72**	**34**	**5**	**23**	**134**	**90**	**61**	**11**	**16**	**178**
U.S.A.	60	21	3	19	103	78	49	10	15	152
Canada	12	13	2	4	31	12	12	1	1	26
Central-South America And Caribbean	**9**	**2**	**2**	**0**	**13**	**12**	**5**	**0**	**4**	**21**
Near And Middle Eastern Countries	**331**	**426**	**102**	**73**	**932**	**420**	**660**	**136**	**85**	**1,301**
Azerbaijan	63	79	17	10	169	69	90	21	20	200
Iraq	27	59	13	8	107	40	73	24	14	151
Iran	142	209	40	28	419	190	365	48	19	622
Other	99	79	32	27	237	121	132	43	32	328
Other Asian Countries	**108**	**100**	**28**	**25**	**261**	**116**	**116**	**34**	**36**	**302**
Other Countries	**18**	**7**	**6**	**4**	**35**	**18**	**8**	**0**	**8**	**34**
Total	**1,498**	**1,159**	**296**	**351**	**3,304**	**1,725**	**1,554**	**337**	**363**	**3,979**

Provisional Data, Source: Ministry of Economy

In 2011, 165 of the 363 companies with an equity capital over USD 500,000, were companies with partners from EU countries (Table 14).

1.3.4. Geographical Distribution of Companies with Foreign Capital

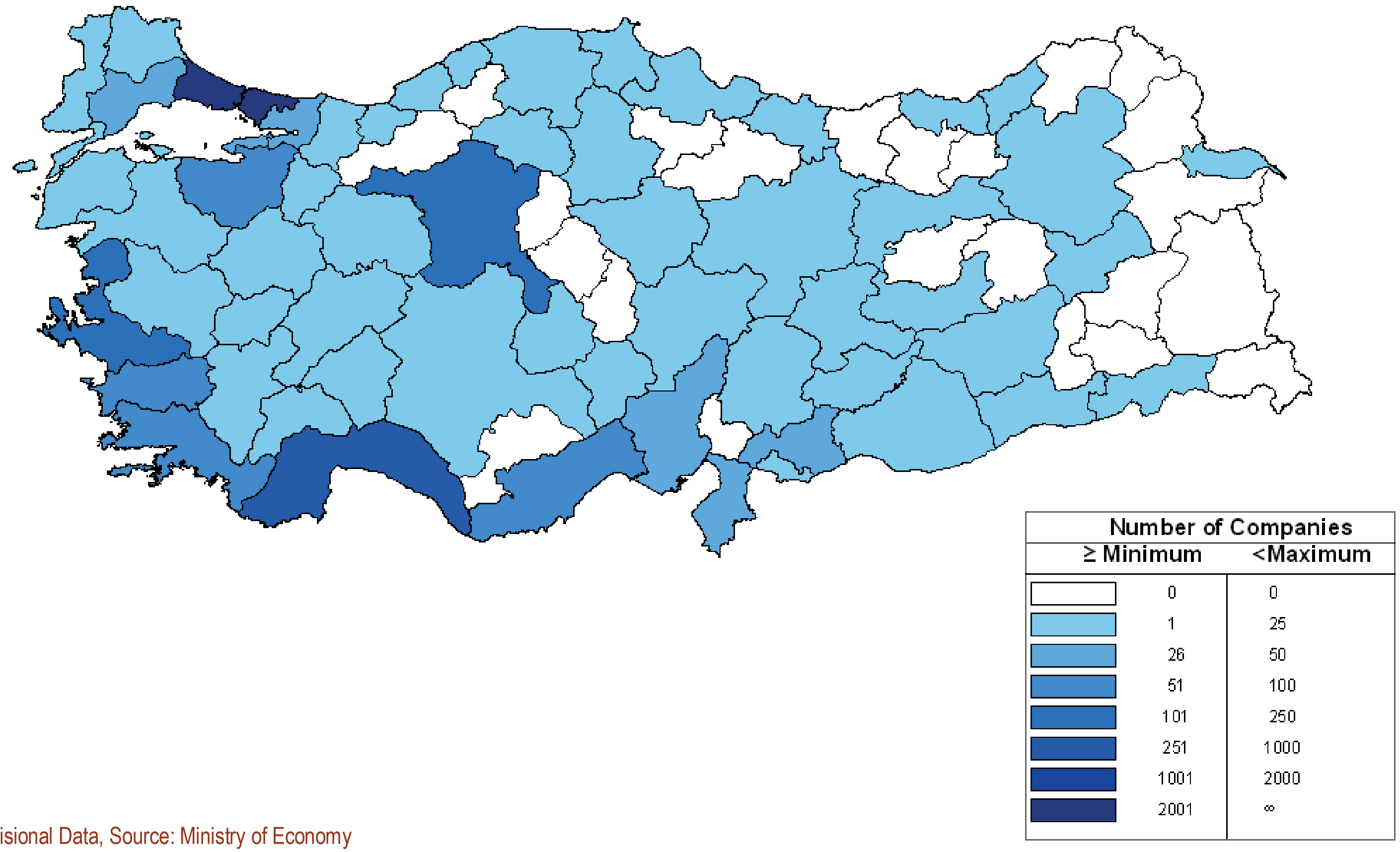
According to the distribution of 23,999 companies with foreign capital by their province of establishment, Istanbul ranked first with 16,641 companies. Following cities are Antalya with 3,498, Ankara with 1,919 and İzmir with 1,667 companies (Table 15).

Table 15: Breakdown of Companies with Foreign Capital by Province of Establishment (Top 10 Provinces)

City	1954-2011		2011	
	Number of Companies	(%)	Number of Companies	(%)
ISTANBUL	16,641	56.6	2,490	62.6
ANTALYA	3,498	11.9	420	10.6
ANKARA	1,919	6.5	228	5.7
İZMİR	1,667	5.7	158	4.0
MUĞLA	1,409	4.8	77	1.9
BURSA	576	2.0	72	1.8
AYDIN	514	1.7	52	1.3
MERSİN	496	1.7	96	2.4
KOCAELİ	338	1.1	38	1.0
ADANA	218	0.7	34	0.9
Other Provinces	2,123	7.2	314	7.9
Total	**29,399**	**100.0**	**3.979**	**100.0**

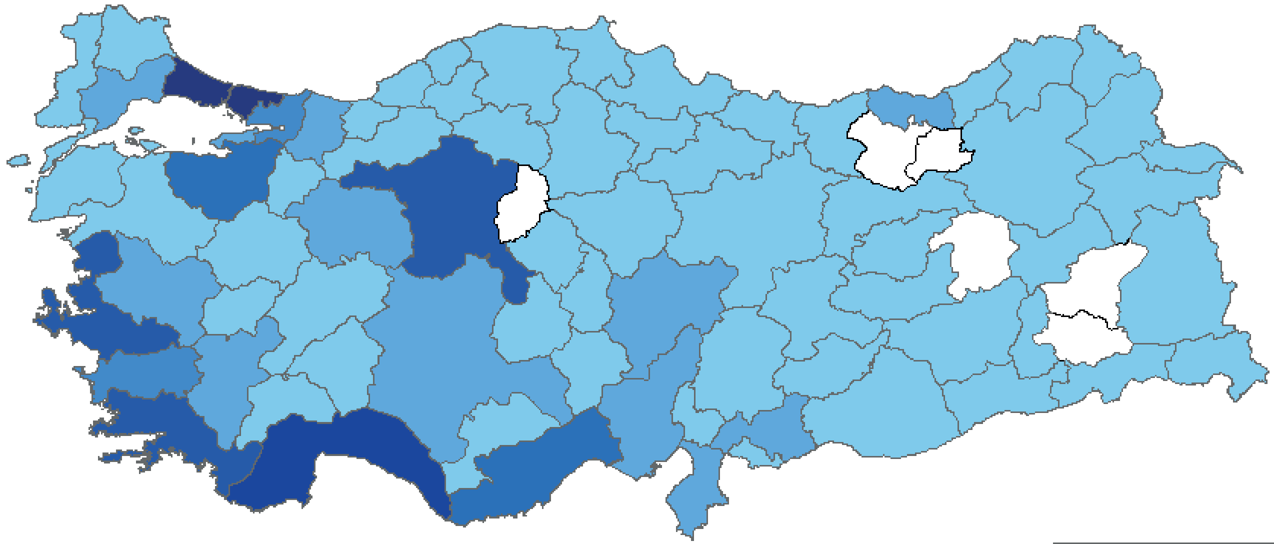
Provisional Data, Source: Ministry of Economy

Map 1: Breakdown of Companies with Foreign Capital by Province of Establishment (2011)



Provisional Data, Source: Ministry of Economy

Map 2: Breakdown of Companies with Foreign Capital by Province of Establishment (1954-2011)



Number of Companies		
	≥ Minimum	<Maximum
	0	0
	1	50
	51	250
	251	500
	501	1000
	1001	2500
	2501	5000
	5001	∞

Provisional Data, Source: Ministry of Economy

In the province of Istanbul where 56.6% of the 29,399 companies with foreign capital are operating, the fields that the companies with foreign capital mostly focus on are wholesale and retail trade, manufacturing industry, real estate rental and business activities sectors (Table 16).

Table 16: Breakdown of Companies with Foreign Capital by Sector and Province of Establishment (1954-2011)

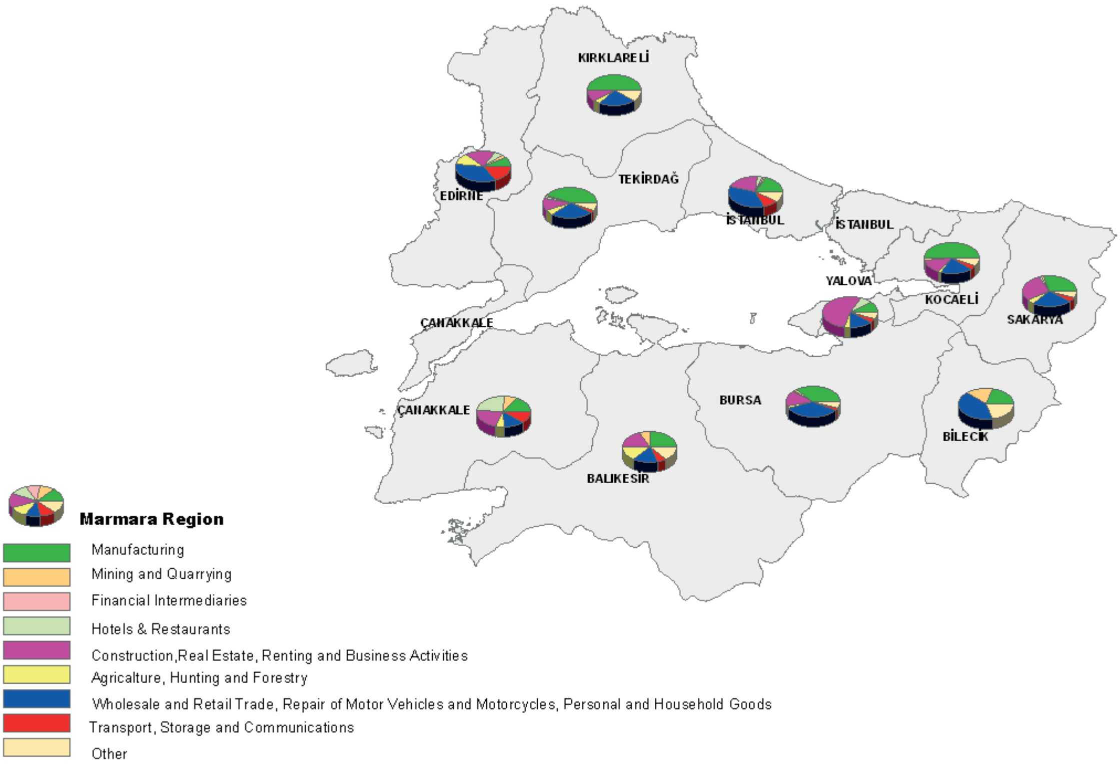
Sectors	Istanbul	Antalya	Ankara	İzmir	Muğla
Agriculture, hunting, fishing and forestry	**124**	**87**	**26**	**60**	**21**
Mining and quarrying	**246**	**30**	**120**	**57**	**10**
Manufacturing	**2,763**	**210**	**266**	**397**	**54**
Manufacture of food products, beverages and tobacco	246	30	24	60	5
Manufacture of textiles	315	5	8	25	4
Manufacture of chemicals and chemical products	353	19	18	38	1
Manufacture of machinery and equipment n.e.c.	236	8	35	37	2
Manufacture of motor vehicles, trailers and semi-trailers	98	0	10	16	0
Other Manufacturing	1,515	148	171	221	42
Electricity, gas and water supply	**379**	**33**	**138**	**39**	**2**
Construction	**1,096**	**639**	**225**	**124**	**206**
Wholesale and retail trade	**6,018**	**530**	**522**	**535**	**117**
Hotels and restaurants	**628**	**570**	**76**	**73**	**278**
Transport, storage and communications	**1,604**	**388**	**100**	**109**	**187**
Financial intermediation	**276**	**9**	**10**	**8**	**7**
Real estate, renting and business activities	**2,552**	**828**	**309**	**191**	**488**
Other community, social and personal service activities	**955**	**174**	**127**	**74**	**39**
Total	**16,641**	**3,498**	**1,919**	**1,667**	**1,409**

Provisional Data, Source: Ministry of Economy

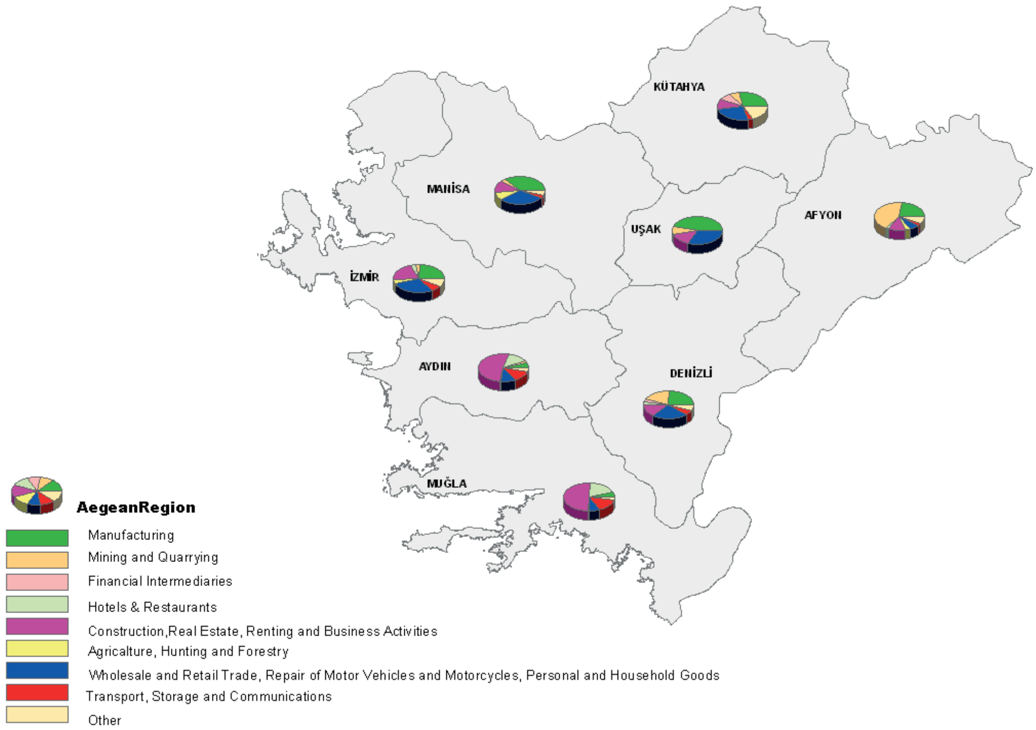
61.6% of the 29,399 companies with foreign capital in Turkey operate in Marmara region, 15.4% of them in Mediterranean, 13.1% in Aegean region, 7.8% of them in Central Anatolia and remaining 2.1% in other regions. The wholesale and retail trade, manufacturing industry, real estate rental and business activities and transportation, communication and storage service sectors which have the highest numbers of the companies with foreign capital are mostly operating in Marmara Region (Map 3,4,5,6,7,8,9).

Regional Distribution of Companies with Foreign Capital by Sector

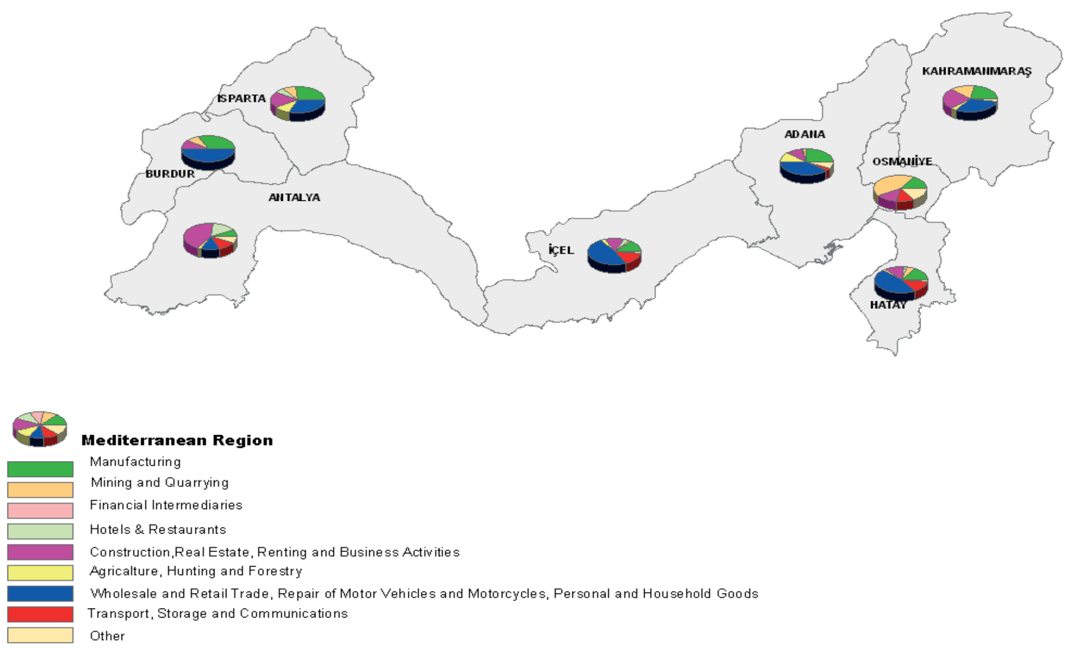
Map 3: Marmara Region



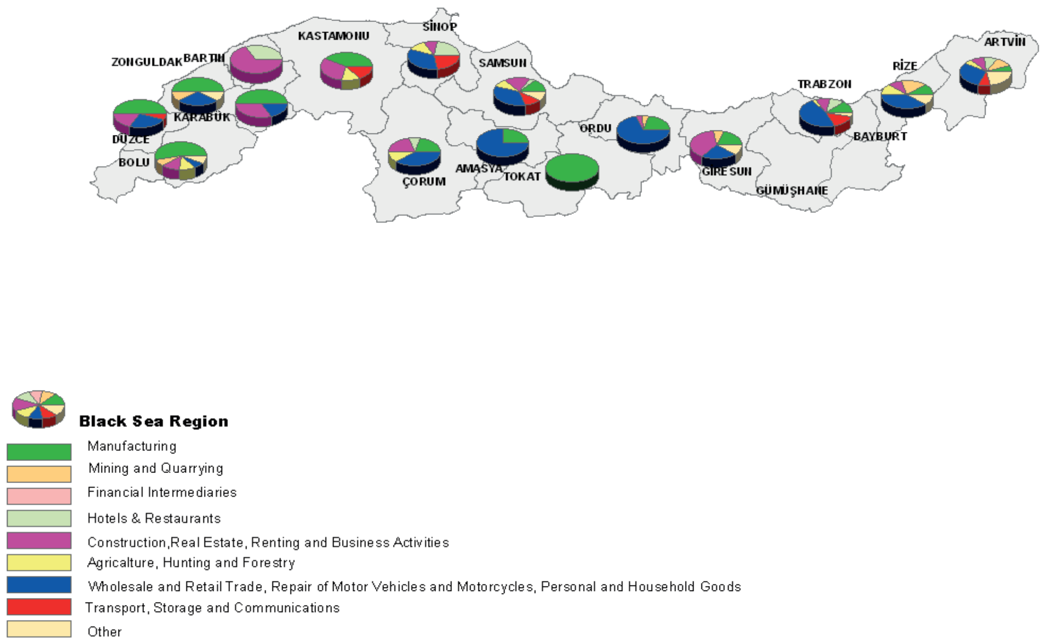
Map 4: Aegean Region



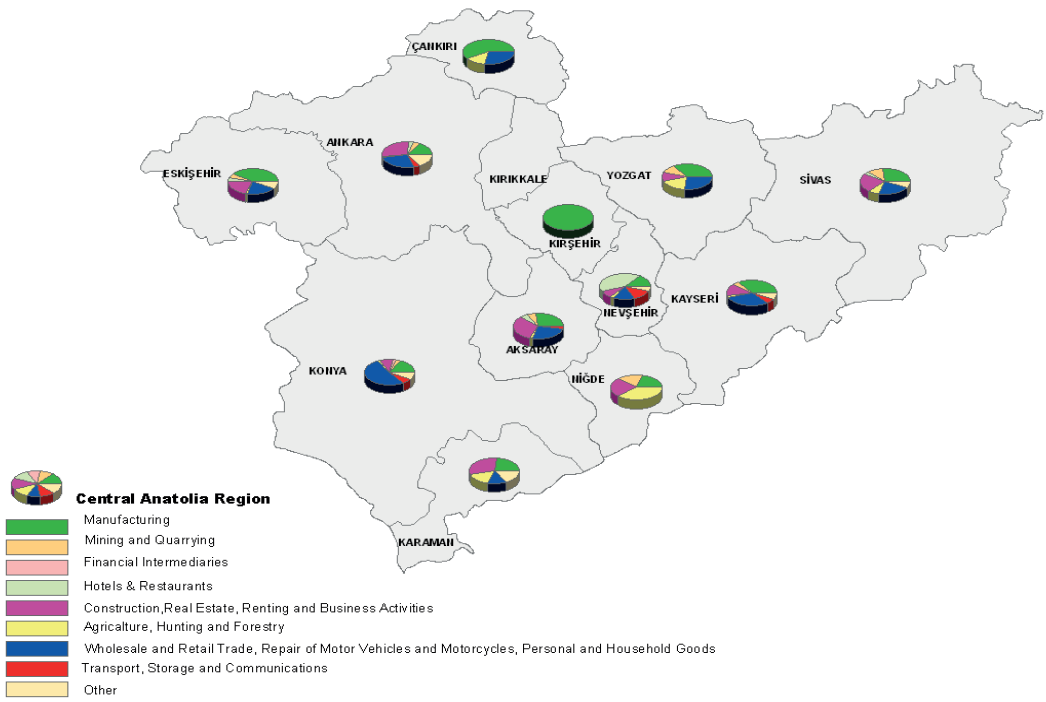
Map 5: Mediterranean Region



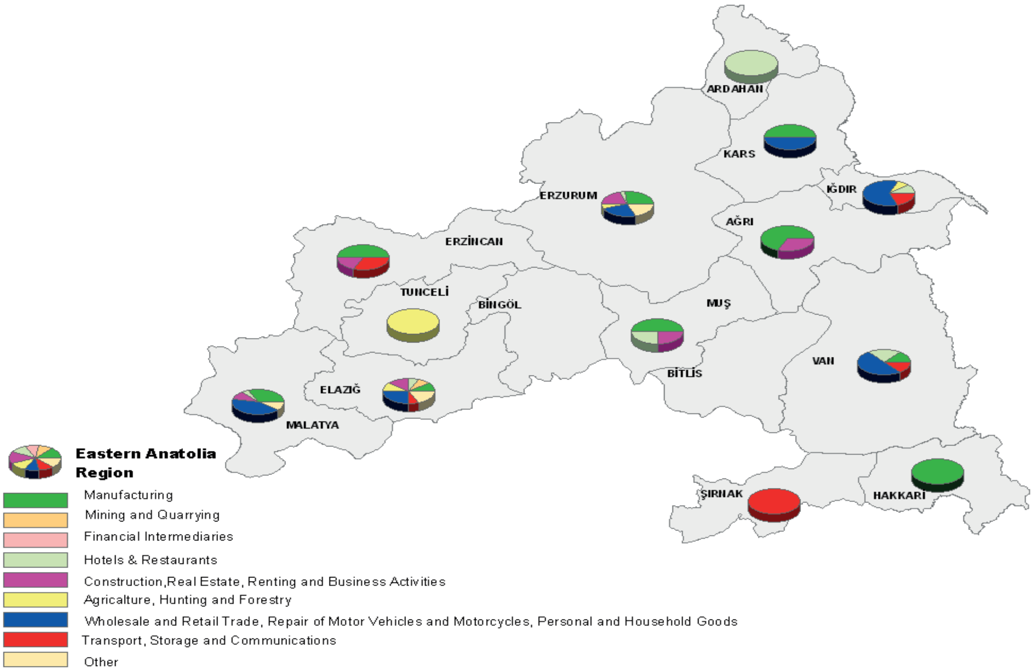
Map 6: Black Sea Region



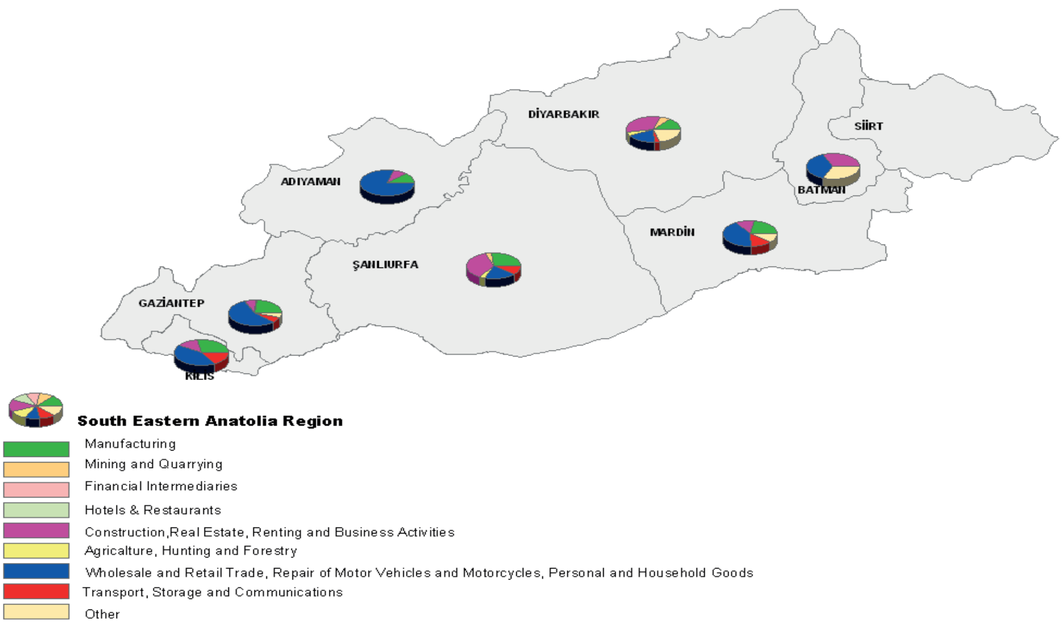
Map 7: Central Anatolia Region



Map 8: Eastern Anatolia Region



Map 9: South Eastern Anatolia Region



1.4. Investment Projects of Companies with Foreign Capital in Turkey

In the period of 2007-2011, a total amount of USD 29.6 billion was registered for investment with 1,012 projects started by companies with foreign capital. 229 investment certificates were issued for the projects to be carried out by these companies in 2011. The projected investment amount regarding these projects was USD 5.96 billion.

Table 17: Investment Projects of Companies with Foreign Capital

	Greenfield Projects for Production or Services		Expansion Projects		Other Types of Investments[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)
2007	90	1,512.3	59	1,468.4	30	597.4	179	3,578.2
2008	104	4,119.7	74	813.0	28	426.0	206	5,358.7
2009	96	5,208.8	50	1,823.9	34	2,422.6	180	9,455.3
2010	117	2,736.6	65	868.1	36	1,696.9	218	5,301.7
2011	126	4,084.0	68	1,590.4	35	286.6	229	5,961.0
Total	533	17,661.5	316	6,563.9	163	5,429.5	1,012	29,654.9

Source: Ministry of Economy

a) Modernization, Product Diversification, Integration

55% of the 229 projects initiated in 2011 were greenfield projects in production and services sectors, 29.7% were expansion, 15.3% were modernization, product diversification and integration projects. USD 4.1 billion investment amount registered for the 126 greenfield investment projects makes up 68.5%, USD 1.6 billion for the 68 expansion investments makes up 26.7% and USD 286.6 million for the 35 modernization, product diversification and integration investment projects makes up 4.8% of the total investment amount. The greenfield projects corresponded to approximately 52.7% of the projects initiated in the last 5 years in numbers, and they had a share of 59.6% in the total investment amount.

The number of projects launched by the companies with foreign capital increased by 5% in 2011 compared to 2010, and the amount of investment increased by 12.4%. In the sectoral distribution in terms of total investment amount, electricity, gas and water production and distribution sector had predominant place with USD 2.5 billion investment amount corresponding to a share of 42.4%. Even though the number of investment projects in the electricity, gas and water production and distribution sector was 18 – just 7.9% of the total – and investment volume was around USD 2.5 billion. The leading projects in 2011 in this investment amount were investment projects of Yeni Elektrik Üretim A.Ş. with USD 887.7 million, Kalehan Enerji Üretim ve Ticaret A.Ş.'s with USD 559.7 million and Doğuş Enerji Üretim ve Tic. A.Ş.'s with USD 452.4 million. Other significant investment projects in the electricity, gas and water production and distribution sector exceeding USD 100 million on registered investment certificates were investment projects of Bares Elektrik Üretimi Anonim Şirketi with a project value of USD 169 million and Kargı Kızılırmak Enerji A.Ş. with that of USD 125.7 million.

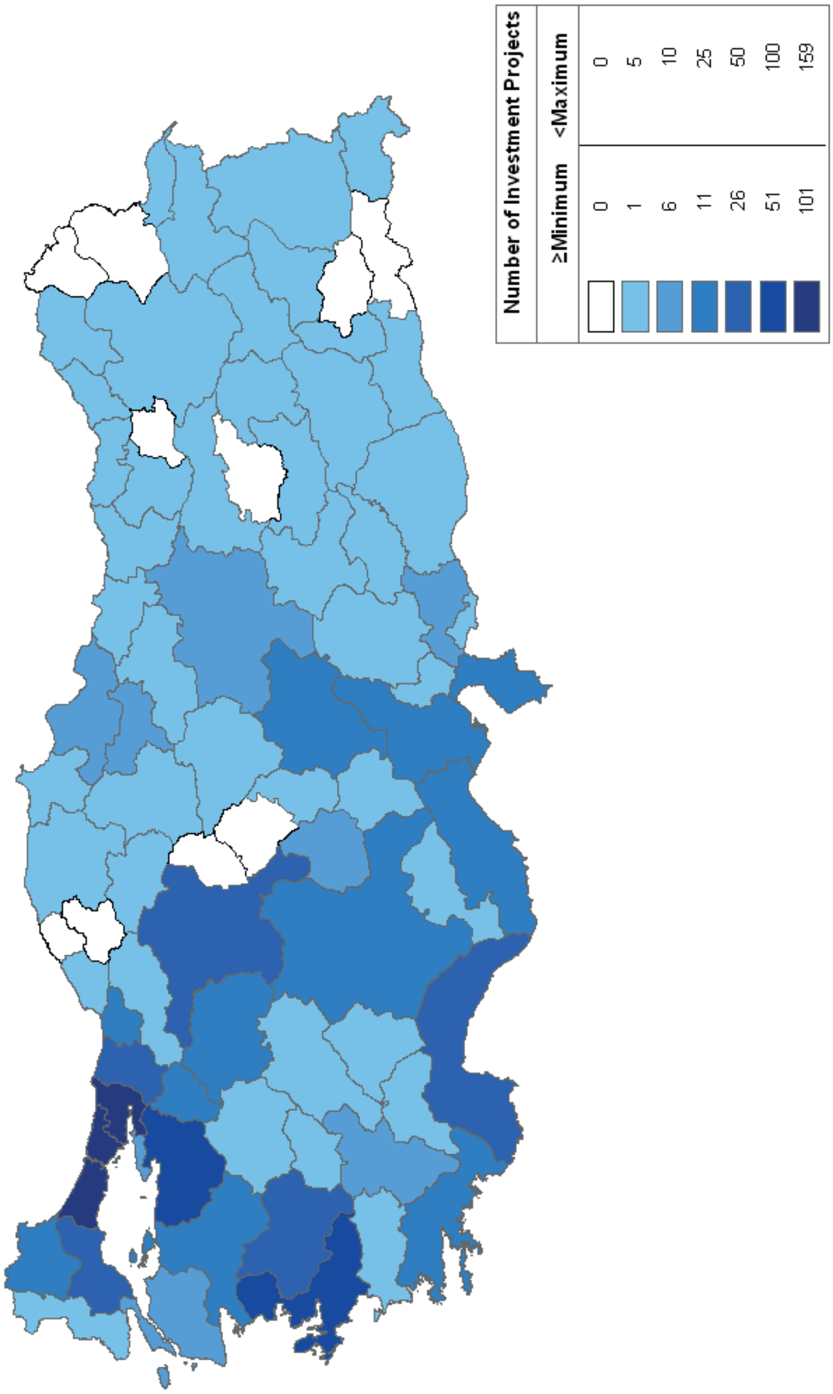
In terms of total investment amount, manufacturing industry followed the electricity, gas and water production and distribution with a share of 28.2% in 2011 (Table 18). In the industry, the Bosch San. ve Tic. A.Ş's project amounting to USD 366.2 million and Unilever Sanayi ve Ticaret Türk A.Ş.' project with a value of USD 93.6 million were the leading ones.

In the transportation, communication and storage sector which was in the third place with a share of 23.7%; Turkcell İletişim Hizmetleri A.Ş.'s USD 840.4 million project was the most significant project (Table 18). The investments of DP World Properties Liman İşletmeleri A.Ş. with USD 422.1 million investment volume and Tiryaki Agro Gıda Sanayi ve Ticaret A.Ş.'s with USD 39.6 million were the other significant projects in the sector in 2011.

The projects started in 2011 in manufacturing and electricity, gas and water production and distribution sectors accounted for an important part of the total investments like in the previous years and the annual average investment amount of these two sectors amounted to USD 2.4 billion in the last four years.

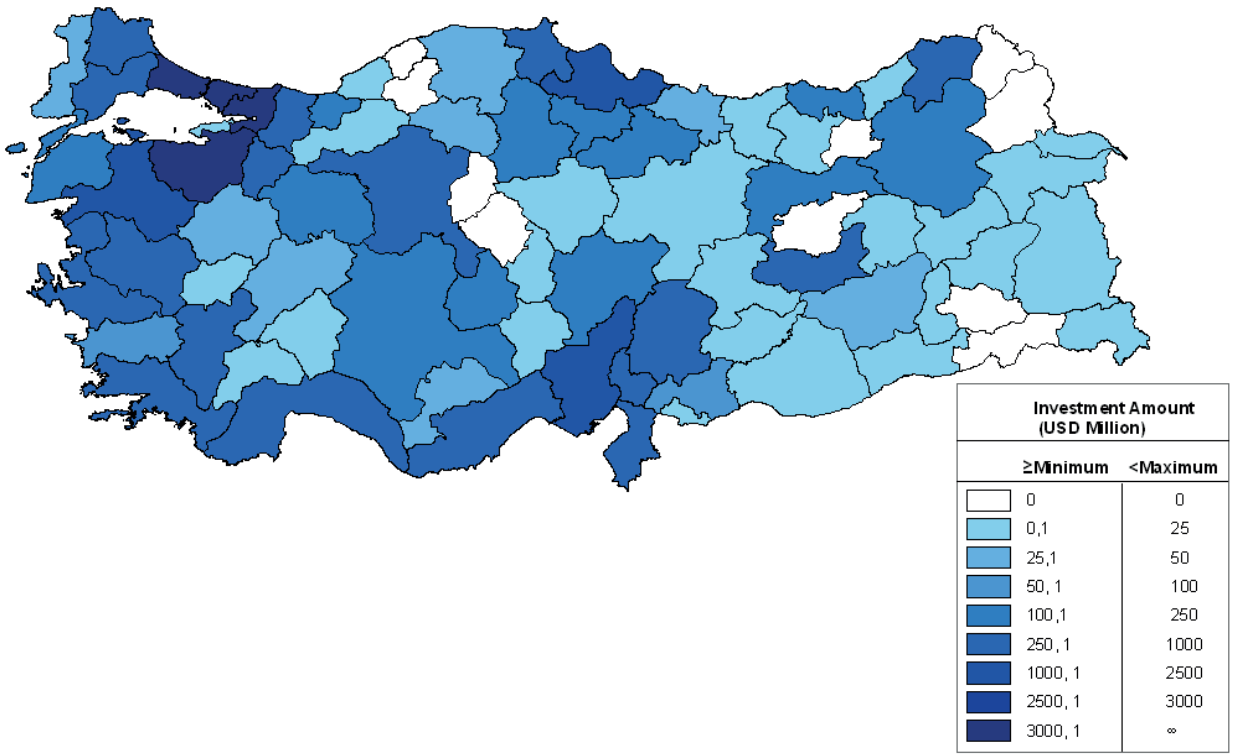
The total investment amount of USD 165.7 million registered by Sardes Nikel Madencilik A.Ş. was the most important project in the mining sector in 2011. The leading investment project in services sector was in the tourism sector, registered to be realized by Ek-Sa İnşaat Emlak Turizm ve Tic.Ltd.Şti. with an investment amount of USD 28.2 million.

Map 10: The Distribution of Investment Projects by Province (2007-2011)



Source: Ministry of Economy

Map 11: The Distribution of Investment Amount of Investment Projects by Province (2007-2011)



Source: Ministry of Economy

Table 18: Sectoral Distribution of the Investment Projects of Companies with Foreign Capital in 2011

Sectors	Projects Started for Greenfield Investments		Projects Started for Expansion Investments		Other Type of Investments[a]		Total		Shares of the Sectors (%)	
	Projects (Number)	Investment Amount (USD Million)	Projects (Number)	Investment Amount (USD Million)	Projects (Number)	Projects (Number)	Investment Amount (USD Million)	Projects (Number)	Investment Amount (USD Million)	Projects (Number)
AGRICULTURE, HUNTING, FISHING AND FORESTRY	**5**	**40.7**	**0**	**0.0**	**0**	**0.0**	**5**	**40.7**	**2.2**	**0.7**
MINING AND QUARRYING	**7**	**185.8**	**2**	**3.1**	**0**	**0.0**	**9**	**188.8**	**3.9**	**3.2**
Mining of coal and ignite; extraction of peat	3	178.3	0	0.0	0	0.0	3	178.3	1.3	3
Mining of Metal Ors	4	7.5	2	3.1	0	0.0	6	10.6	2.6	0.2
MANUFACTURING	**80**	**783.0**	**58**	**647.0**	**28**	**249.8**	**166**	**1.679.7**	**72.5**	**28.2**
Manufacture of food products and beverages	12	254.9	14	53.2	3	4.8	29	312.8	12.7	5.2
Manufacture of textiles	5	31.4	2	1.8	2	13.8	9	47.0	3.9	0.8
Manufacture of chemicals and chemical products	8	44.0	2	8.4	3	20.4	13	72.8	5.7	1.2
Manufacture of machinery and equipment	7	17.9	4	15.0	0	0.0	11	32.9	4.8	0.6
Manufacture of electrical machinery and apparatus	1	4.1	0	0.0	0	0.0	1	4.1	0.4	0.1
Manufacture of motor vehicles, trailers and semi trailers	10	94.8	11	399.9	3	39.3	24	533.9	10.5	9
Manufacture of fabricated metal products	1	1.0	3	4.6	1	8.3	5	13.9	2.2	0.2
Manufacture of basic metals	10	76.6	4	7.7	3	8.1	17	92.3	7.4	1.5
Manufacture of paper and paper products	1	6.9	5	55.5	0	0.0	6	62.4	2.6	1
Manufacture of rubber and plastic products	10	92.0	8	82.8	1	1.0	19	175.9	8.3	3
Manufacture of other non-metallic mineral products	5	114.2	1	8.6	8	134.9	14	257.7	6.1	4.3
Recycling	3	6.3	0	0.0	2	5.2	5	11.6	2.2	0.2
Ship and Yatch	1	0.9	0	0.0	1	12.1	2	13.0	0.9	0.2
Other	6	38.0	4	9.5	1	1.8	11	49.4	4.8	0.8
ELECTRICITY, GAS AND WATER SUPPLY	**16**	**2,461.4**	**1**	**64.6**	**1**	**0.9**	**18**	**2,526.9**	**7.9**	**42.4**
HOTELS & RESTAURANTS	**5**	**71.6**	**0**	**0.0**	**3**	**27.9**	**8**	**99.6**	**3.5**	**1.7**
TRANSPORT, STORAGE AND COMMUNICATIONS	**11**	**537.1**	**7**	**875.8**	**1**	**1.5**	**19**	**1,414.3**	**8.3**	**23.7**
Supporting and auxiliary transport activities	7	502.0	5	34.7	1	1.5	13	538.2	5.7	9
Water transport	2	31.8	0	0.0	0	0.0	2	31.8	0.9	0.5
Telecommunications	2	3.3	2	841.0	0	0.0	4	844.4	1.7	14.2
REAL ESTATE, RENTING AND BUSINESS ACTIVITIES	2	4.5	0	0.0	0	0.0	2	4.5	0.9	0.1
HEALTH AND SOCIAL WORK	**0**	**0.0**	**0**	**0.0**	**2**	**6.5**	**2**	**6.5**	**0.9**	**0.1**
TOTAL	**126**	**4,084.0**	**68**	**1,590.4**	**35**	**286.6**	**229**	**5,961.0**	**100**	**100**

Source: : Ministry of Economy

Table 19: Sectoral Distribution of the Investment Projects of Foreign-owned Companies with Investment Certificates between 2007 and 2011

Sectors	2007		2008		2009		2010		2011	
	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, Fishing And Forestry	3	7.8	3	8.0	2	5.1	8	43.8	5	40.7
Mining and Quarrying	1	2.4	6	61.6	10	135.6	8	23.4	9	188.8
Manufacturing	151	2,182.2	170	2,548.2	123	3,751.8	157	3,164.3	166	1,679.7
Electricity, Gas And Water Supply	3	70.0	13	2,154.7	18	3,488.9	13	1,345.3	18	2,526.9
Hotels and Restaurants	3	32.0	2	42.9	11	144.6	16	223.1	8	99.6
Transport, Storage and Communications	11	1,045.7	6	492.5	11	1,822.1	6	374.3	19	1,414.3
Real Estate, Rental and Business Activities	3	199.5	2	4.6	1	0.5	2	41.7	2	4.5
Health and Social Work	0	0.0	1	9.4	1	36.6	4	80.0	2	6.5
Other Services	4	38.5	3	36.8	3	70.1	4	5.7	0	0.0
TOTAL	179	3,578.2	206	5,358.7	180	9,455.3	218	5,301.7	229	5,961.0

Source: Ministry of Economy

The provincial distribution of the investment amount of the projects launched in 2011 reveals that Kocaeli where the motor vehicles, trailers and semi trailers industry and tyre industry are intense and Elazığ with the electricity production project of Kalehan Enerji Üretim ve Ticaret A.Ş. take the first two locations of the investment projects.

Kocaeli was in the first place in terms of investment amount in 2007-2011. The provinces of Istanbul and Bursa followed Kocaeli.

Table 20: Distribution of Investment Projects of Companies with Foreign Capital by Province 2007-2011 (USD Million)

Provinces	2007	2008	2009	2010	2011	2007-2011
Kocaeli	315.5	526.7	475.6	1,300.5	1,486.7	4,105.0
İstanbul	1,224.4	1,247.1	286.4	274.0	164.1	3,196.0
Bursa	319.9	118.1	2,053.5	251.8	445.4	3,188.7
Adana	6.3	16.4	1,734.8	337.9	11.3	2,106.7
Samsun	0.0	0.0	1,356.2	0.0	14.3	1,370.5
Balıkesir	2.6	910.3	0.0	44.3	175.2	1,132.3
Sakarya	510.6	34.7	40.6	339.6	58.0	983.5
Sinop	0.0	883.9	0.0	0.0	0.0	883.9
Denizli	6.8	36.2	0.0	761.8	0.0	804.7
Manisa	38.3	56.7	109.6	116.7	429.0	750.4
İzmir	203.9	131.5	154.1	111.9	80.2	681.7
Elazığ	0.0	73.3	0.0	3.3	559.7	636.4
Antalya	5.0	140.0	37.5	322.9	54.2	559.6
Artvin	0.0	51.8	14.0	0.0	452.4	518.2
Hatay	69.7	16.7	403.3	7.1	7.3	504.1
Tekirdağ	55.4	133.6	114.3	146.0	36.7	486.0
Kahramanmaraş	0.0	113.2	340.6	0.0	20.6	474.4
Bilecik	194.9	8.0	24.9	148.1	30.1	405.9
Ankara	72.7	172.6	25.2	93.8	31.6	395.9
Osmaniye	165.7	0.0	0.0	210.2	5.7	381.7

Source:Ministry of Economy

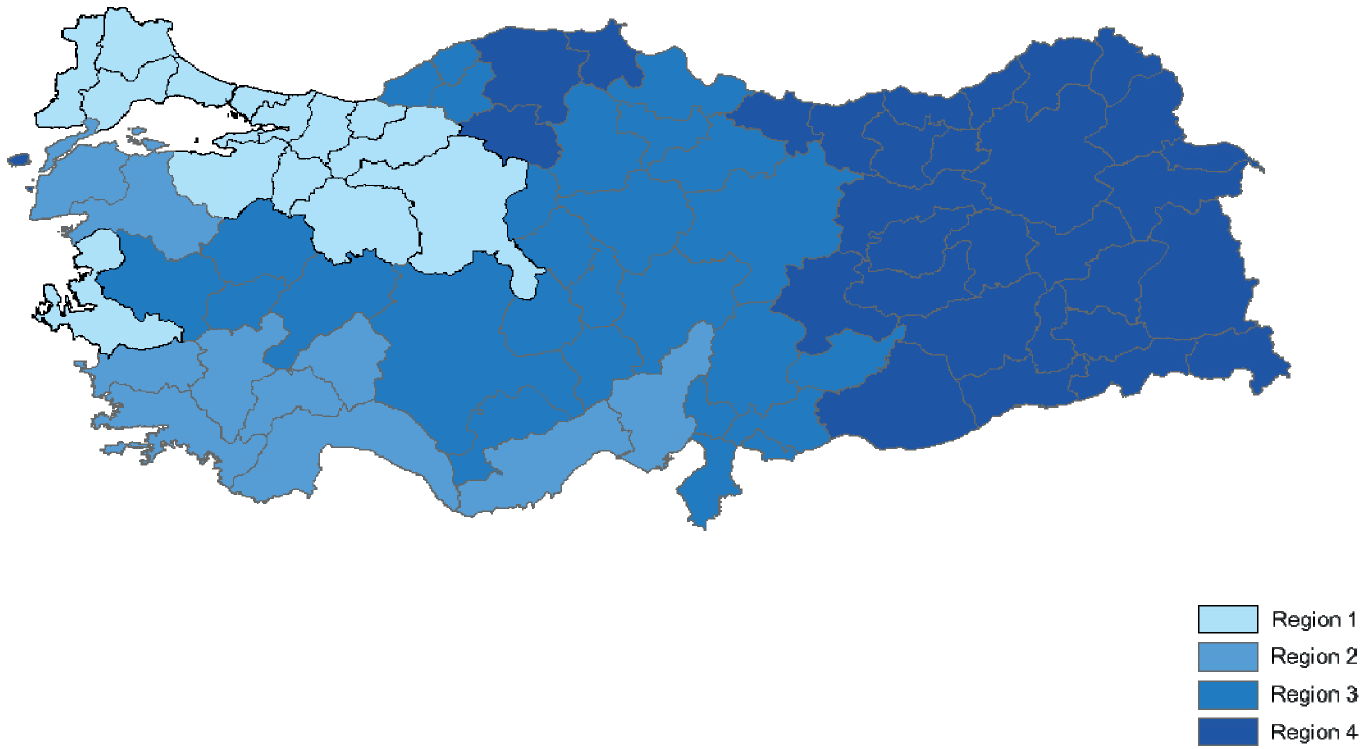
The provincial distribution of the total number of the investment projects launched in 2011 exhibits that Istanbul and Kocaeli took the first two places. Bursa and İzmir followed them with 15 projects each and Manisa took the fifth place with 11 projects.

Table 21: Distribution of Investment Projects of Companies with Foreign Capital by Province 2007-2011 (Number of Projects)

Provinces	2007	2008	2009	2010	2011	2007-2011
Istanbul	41	42	19	24	33	159
Kocaeli	25	28	32	27	29	141
Bursa	20	20	15	14	15	84
Izmir	16	9	14	16	15	70
Ankara	7	15	7	8	9	46
Manisa	10	7	6	11	11	45
Antalya	4	7	6	16	9	42
Tekirdağ	8	6	6	9	10	39
Sakarya	6	6	4	6	6	28
Mersin	3	4	3	7	7	24
Adana	2	3	7	5	4	21
Düzce	5	2	3	3	5	18
Bilecik	3	3	6	2	3	17
Hatay	4	1	7	3	2	17
Muğla	1	4	4	6	1	16
Konya	1	4	0	3	7	15
Eskişehir	0	3	4	4	2	13
Balıkesir	2	2	0	5	3	12
Kırklareli	1	3	3	2	3	12
Kayseri	1	1	1	2	6	11

Source: Ministry of Economy

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



Source: Ministry of Economy

Analysis of the number of projects and the investment amounts in 2011 for the framework of regional and sectoral investment encouragement schemes indicates that the projects were mostly concentrated in the first region where the FDI companies heavily operate (Chart 7-8).

Chart 7: Distribution of the Number of the Projects in 2011 by Region

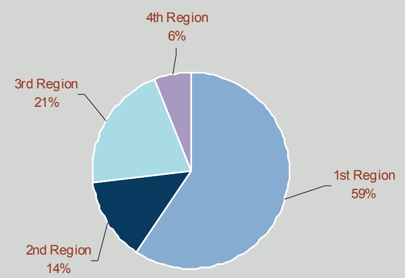
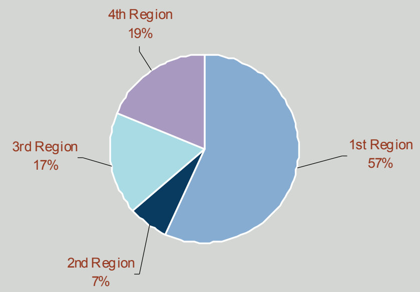


Chart 8: Distribution of the Investment Amount of the Projects in 2011 by Region



Source: Ministry of Economy

USD 4.1 billion of USD 5.96 billion total investment benefited from the encouragement measures of the general scheme, while total investment amount of USD 954 million was supported within the scheme of large scale projects and USD 904 million benefited from the regional scheme (Table 22).

Table 22: Distribution of Investment Projects by Schemes of State Aids Category in 2011 (Million USD)

Sector	Regional		Large Scale		General		Total	
	Number	Investment Amount	Number	Investment Amount	Number	Investment Amount	Number	Investment Amount
Energy	0	0.0	0	0.0	19	2,531.0	19	2,531.0
Services	15	134.1	1	422.2	17	974.5	33	1,530.8
Manufacturing	58	750.2	2	366.2	104	558.3	164	1,674.8
Mining	7	19.2	1	165.7	1	3.9	9	188.8
Agriculture	1	0.7	0	0.0	3	34.9	4	35.6
Total	81	904.2	4	954.1	144	4,102.7	229	5,961.0

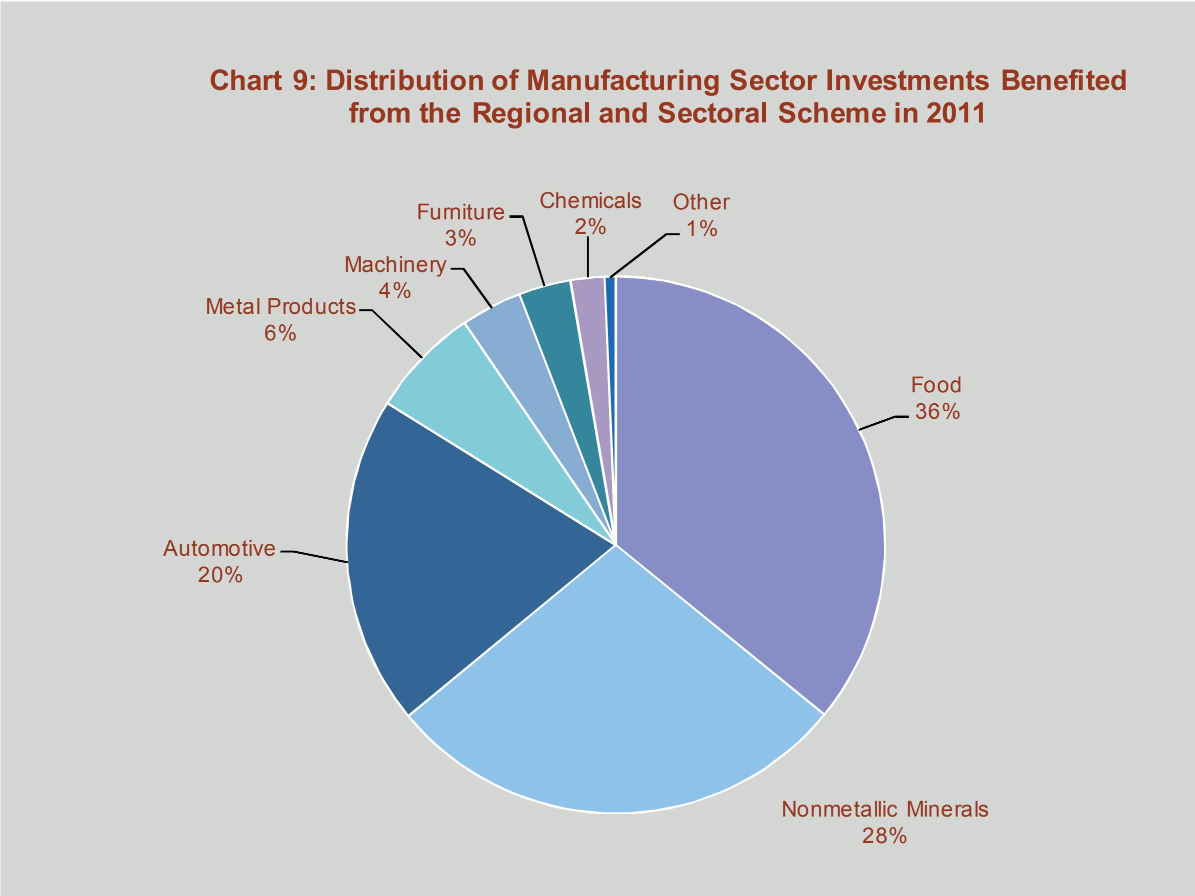
Source: Ministry of Economy

A significant part of the investments that benefit from general scheme was in the energy sector in 2011. Energy sector projects accounted for USD 2.5 billion of the USD 4.1 billion of investments which benefited from the General Encouragement Scheme.

The significant share of the energy sector in the FDI inflows, alongside the dominance of the sector in terms of investment projects, indicate that the upward trend in energy sector will continue in the coming years. Manufacturing industry took the first place among the investments benefited from the regional scheme.

Four projects that benefited from large scale project scheme with a total investment amount of USD 954 million were in manufacturing, services and mining sectors. USD 422.2 million of investment in the services sector is registered to be realized in the harbouring services. The investments benefiting from the large scale project scheme in the manufacturing industry were in automotive sector.

When the sectoral distribution of 81 projects with a total amount of USD 904 billion benefiting from the Regional and Sectoral Scheme is reviewed, it is seen that with an investment amount of USD 750 million, manufacturing industry took the first place. In the manufacturing industry, the non-metallic minerals sector which predominantly involves glass and cement ranked first with an investment amount of USD 210.9 million and a share of 28% (Chart 9).



Source: Ministry of Economy

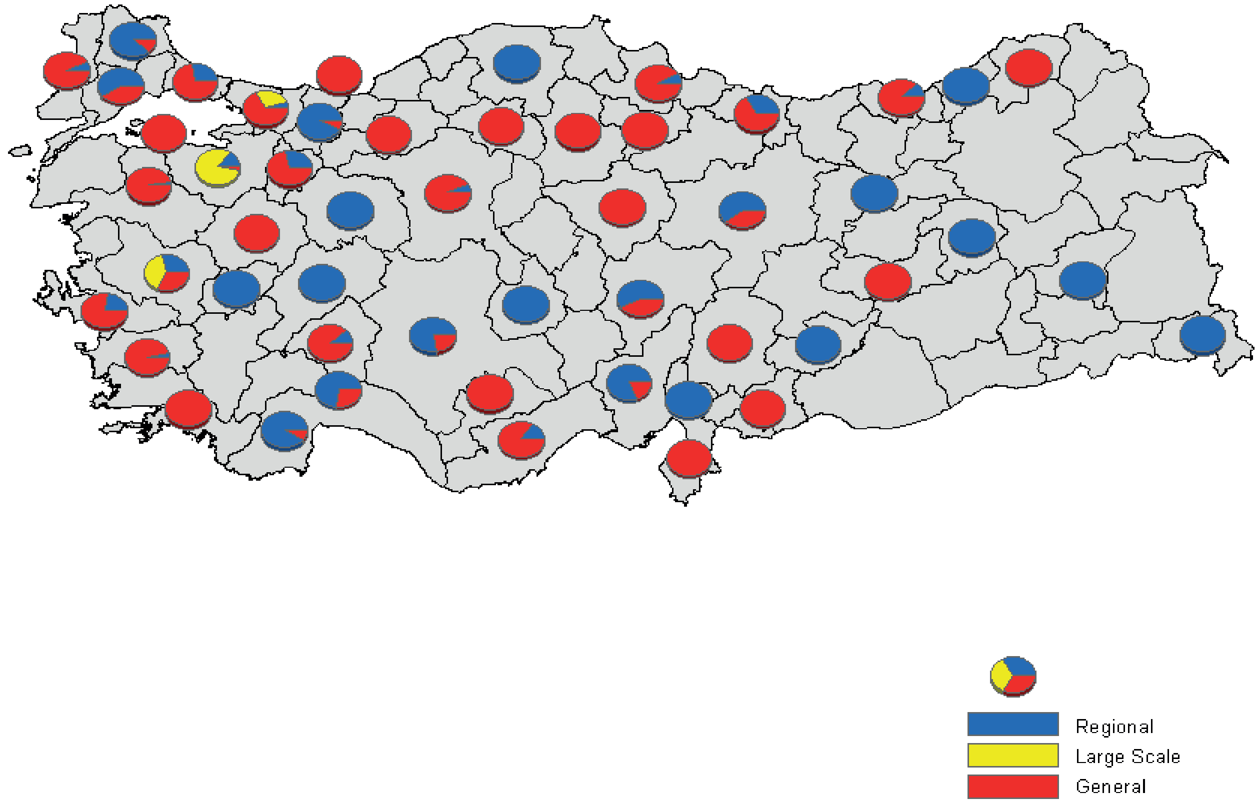
In 2011, 229 investment certificates were issued for a total investment amount of USD 5.96 billion. 27 of these certificates had individual investment values over USD 30 million and their total investment value amounts to USD 4.9 billion. According to sectoral distribution of these 27 projects, energy sector had the leading position (Table 23). These projects were registered to be carried out by 24 companies with foreign capital.

Table 23: Projects with Investment Amount Over USD 30 million in 2011 (Million USD)

Sector	Regional		Large Scale		General		Total	
	Number	Investment amount	Number	Investment amount	Number	Number	Investment amount	Number
Energy	0	0,0	0	0,0	10	2.473,8	10	2.473,8
Services	0	0,0	1	422,2	2	880,1	3	1.302,2
Manufacturing	9	440,2	2	366,2	2	133,2	13	939,6
Mining	0	0,0	1	165,7	0	0,0	1	165,7
In Total	9	440,2	4	954,1	14	3.487,0	27	4.881,4

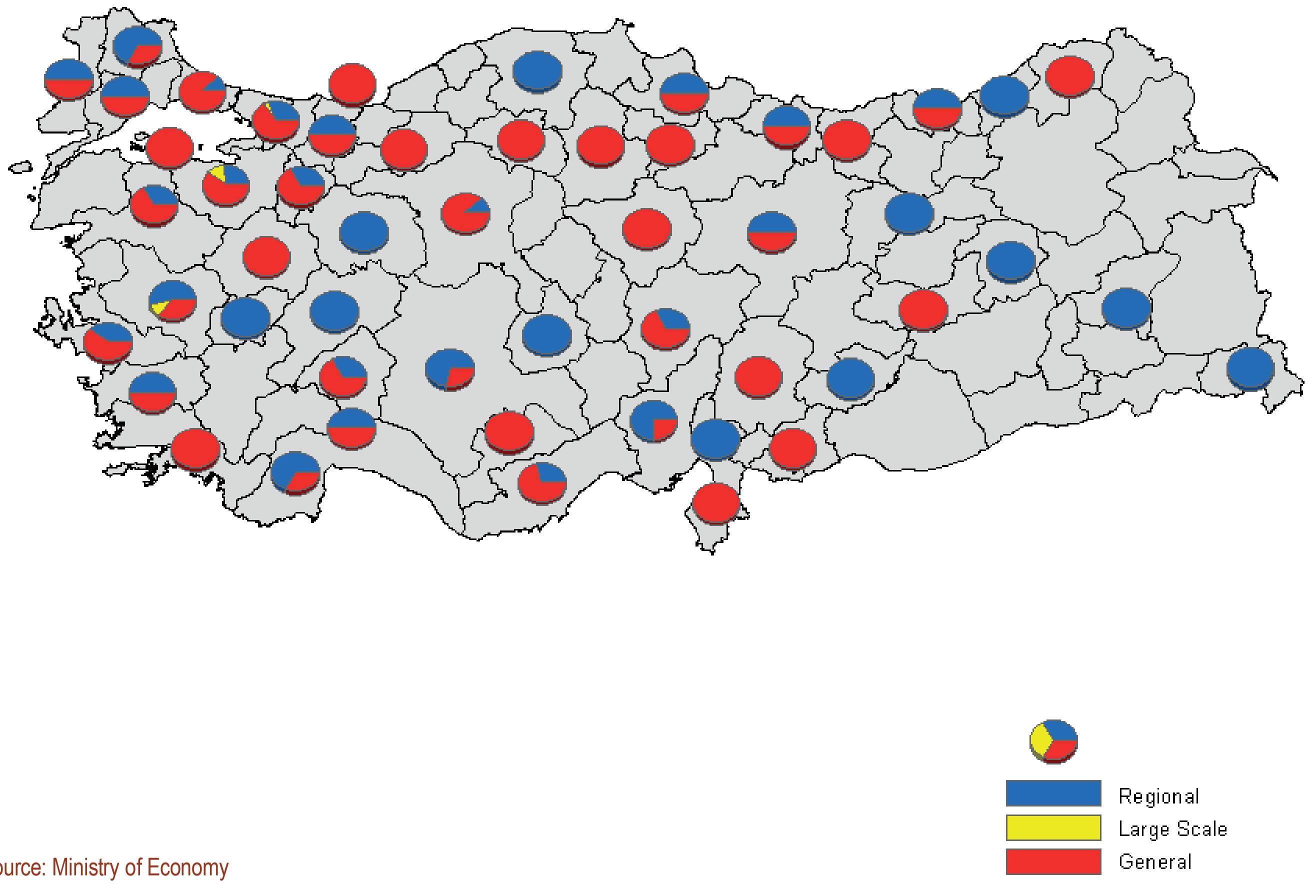
Source: Ministry of Economy

Map 13: Geographical Distribution of Investment Projects in 2011 by Category of State Aid for Investment Schemes (USD Million)



Source: Ministry of Economy

Map 14: Geographical Distribution of Investment Projects in 2011 by Category of State Aid for Investment Schemes (Number of Projects)



Source: Ministry of Economy

2. INVESTOR COUNTRIES IN TURKEY

First ten countries in sequence, in terms of FDI inflows[17] in 2011 were Austria, Spain, the Netherlands, Belgium, USA, Azerbaijan, France, United Kingdom, Russia and Germany.

Table 24: FDI in Turkey in 2011 (USD Million)

Rank	Country	Capital	(%)
1	Austria	2,235	14.1
2	Spain	2,230	14.0
3	Netherlands	1,623	10.2
4	Belgium	1,474	9.3
5	USA	1,403	8.8
6	Azerbaijan	1,265	8.0
7	France	985	6.2
8	UK	917	5.8
9	Russia	761	4.8
10	Germany	605	3.8
	Other	2,389	15.0
	Total	**15,887**	**100.0**

Source: CBRT

Table 25: FDI in Turkey, 2002-2011 (USD Million)

Rank	Country	Capital	(%)
1	Netherlands	15,755	17.3
2	USA	8,092	8.9
3	Belgium	7,262	8.0
4	Austria	6,912	7.6
5	Greece	6,617	7.3
6	France	5,994	6.6
7	Luxembourg	5,279	5.8
8	Germany	4,940	5.4
9	UK	4,619	5.1
10	Spain	4,128	4.5
	Other	21,294	23.4
	Total	**90,892**	**100.0**

Source: CBRT

Austria, Spain and the Netherlands, which were among the top investors in 2011, ranked in the top three in terms of FDI inflows to Turkey between 2002 and 2011.

[17] 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.

Table 26: FDI and Number of Companies for Countries in Top 10

Rank	Country	Number of Companies in Turkey*	FDI in Turkey** (2011) (USD Million)	Global FDI Outflows*** (2011) (USD Million)
1	Austria	591	2,235	30,479
2	Spain	432	2,230	35,442
3	The Netherlands	1,979	1,623	22,619
4	Belgium	444	1,474	70,751
5	USA	1,213	1,403	406,242
6	Azerbaijan	1,058	1,265	-
7	France	1,014	985	105,022
8	UK	2,338	917	102,640
9	Russia	1,338	761	67,283
10	Germany	4,790	605	54,418

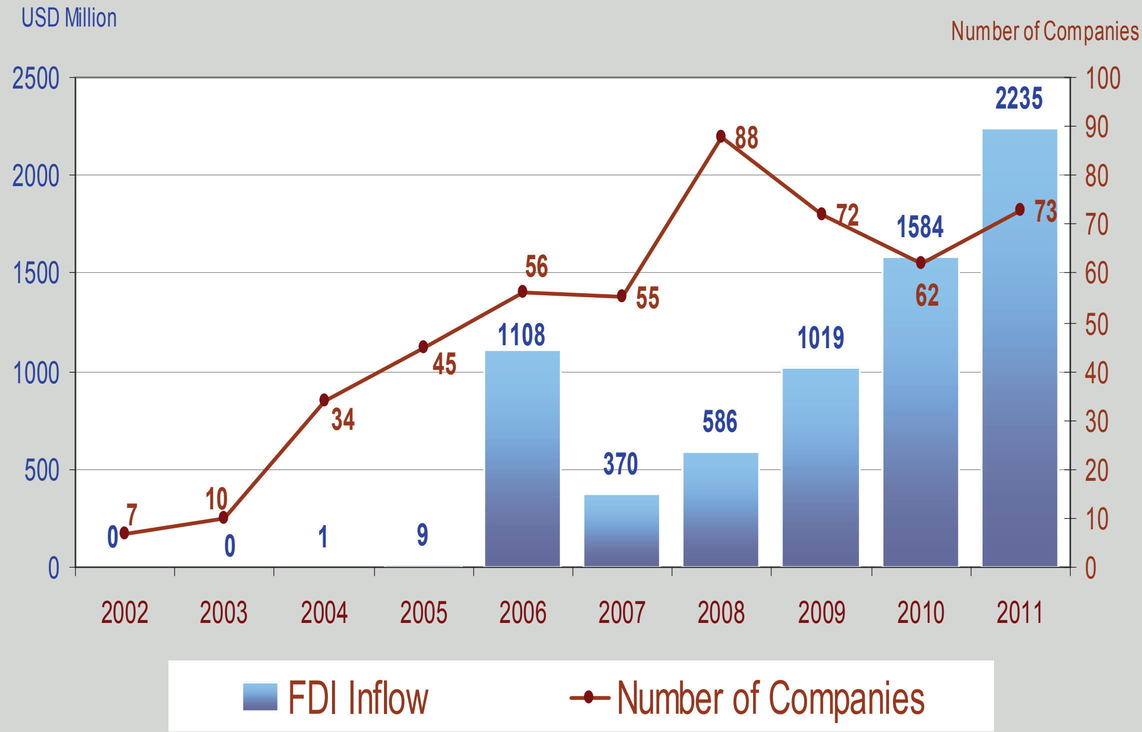
Sources:
* Provisional Data, Ministry of Economy
** CBRT
*** OECD

Austria

FDI flows from **Austria** to Turkey have shown an upward trend year by year since 2006, and the country took the first place in terms of FDI inflows in 2011 like in 2010. FDI from Austria amounted to USD 2,235 million in 2011 reflecting an increase of 41% on figures of 2010. According to the OECD data[18], FDI outflows of Austria were about USD 30.5 billion in 2011. This figure shows that Turkey has an important share in Austria sourced FDI by 7.3%.

[18] FDI Series from 1990 to 2011, OECD

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



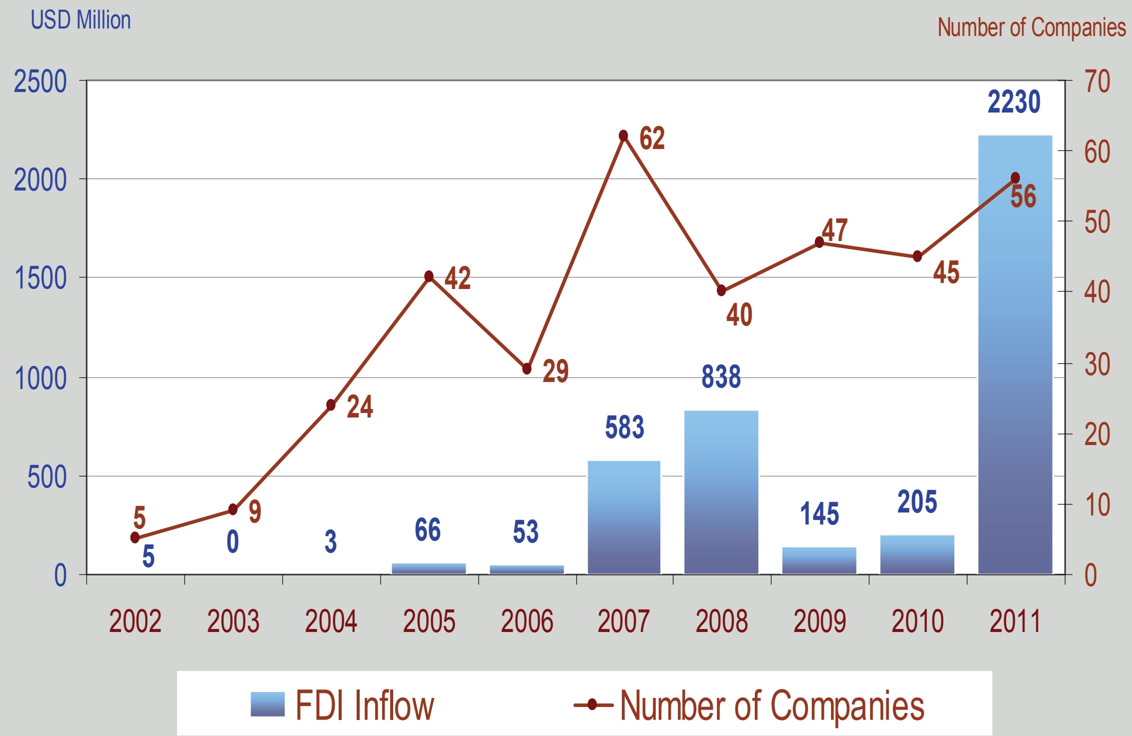
Source: Ministry of Economy, CBRT

In 2011, almost all FDI flows from Austria took place in energy sector. OMV, partner of OMV Petrol Ofisi A.Ş., and Verbund International GMBH, partner of Enerjisa Enerji Üretim A.Ş. were among the significant Austria based investors in 2011. 73 companies with Austrian capital began to operate in Turkey via company establishment and participation in local companies in 2011.

Spain

FDI inflows from **Spain** to Turkey, which were USD 205 million in 2010, amounted to USD 2,230 million in 2011. The majority of the rise in the FDI inflows of 2011 originated from the acquisition of shares of 6.3% of the Garanti Bank by the Spanish bank BBVA for USD 2,062 million. As a result, most of the investments from Spain (94%) took place in the financial intermediation sector. In addition to this, since the capital transfer of USD 130 million for the purchase of the shares in Frik İlaç by the Italy based Recordati was made through Spain, the inflow from the operation was recorded as a fund transfer from Spain in the balance of payments. According to OECD data, FDI outflows of Spain were about USD 35.4 billion in 2011. Turkey's share within this amount is 6.3%.

Chart 11: Number of Companies Established in Turkey by Spain Based Investors and FDI Inflows from Spain to Turkey

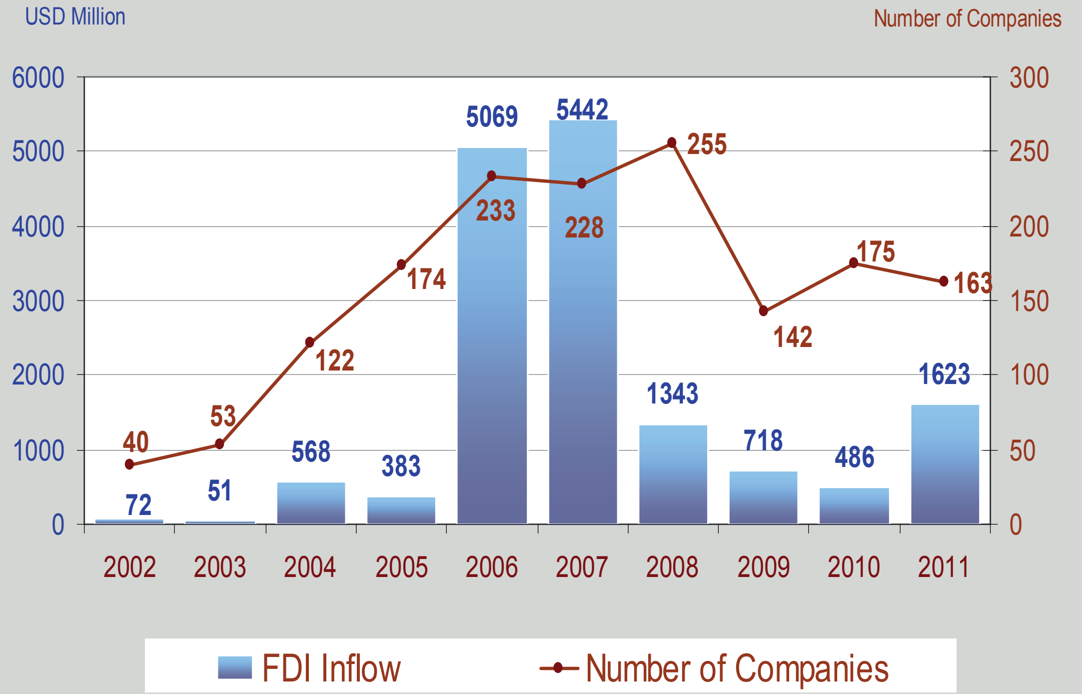


Source: Ministry of Economy, CBRT

The Netherlands

FDI inflows from the **Netherlands** to Turkey amounted to USD 1,623 million in 2011. According to OECD data, FDI outflows of the Netherlands were about USD 22.6 billion in 2011. These figures show that Turkey had a significant place in FDI outflows from the Netherlands with approximately 7.2% share.

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



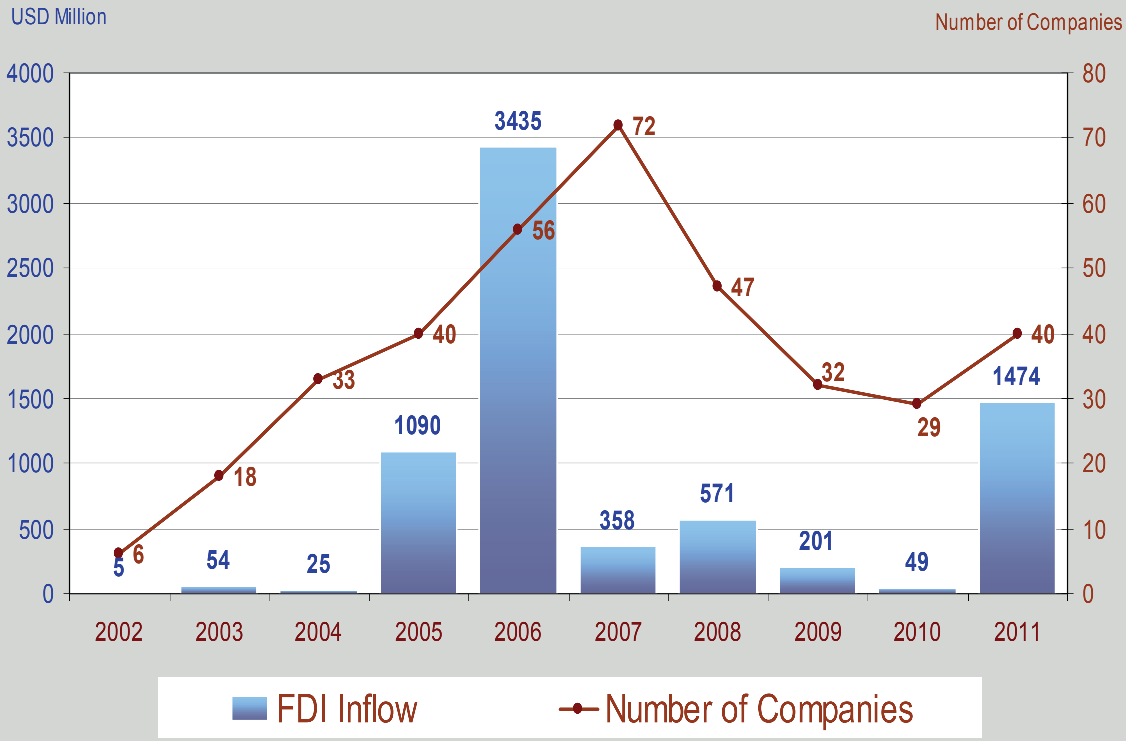
Source: Ministry of Economy, CBRT

Financial intermediation sector ranked first with a share of 53%; and was followed by the manufacturing industry sector in terms of FDI from the Netherlands on sectoral basis. Ing Bank B.V. and Credit Europe Bank N.V., partner of the Fibabank A.Ş., were the important Dutch investors in 2011. The acquisition of the 31% share in Aksigorta A.Ş. by the Ageas Insurance International N.V. for USD 220 million and the acquisition of the 20% share in Euroko Sigorta A.Ş. by Euroka B.V. for EUR 70 million took place among the important M&A transactions; and the capital inflow from these transactions was recorded into investments from the Netherlands in balance of payments in 2011. 163 companies were established or participated by Dutch capital in 2011. In total, the Netherlands ranks 4th with 1,979 companies among all countries invested in Turkey.

Belgium

FDI inflows from **Belgium** to Turkey, which were USD 49 million in 2010, amounted to USD 1,474 million in 2011 with a substantial increase. According to OECD data, FDI outflows of Belgium were about USD 70.8 billion in 2011. Turkey's share in this amount is 2.1%.

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



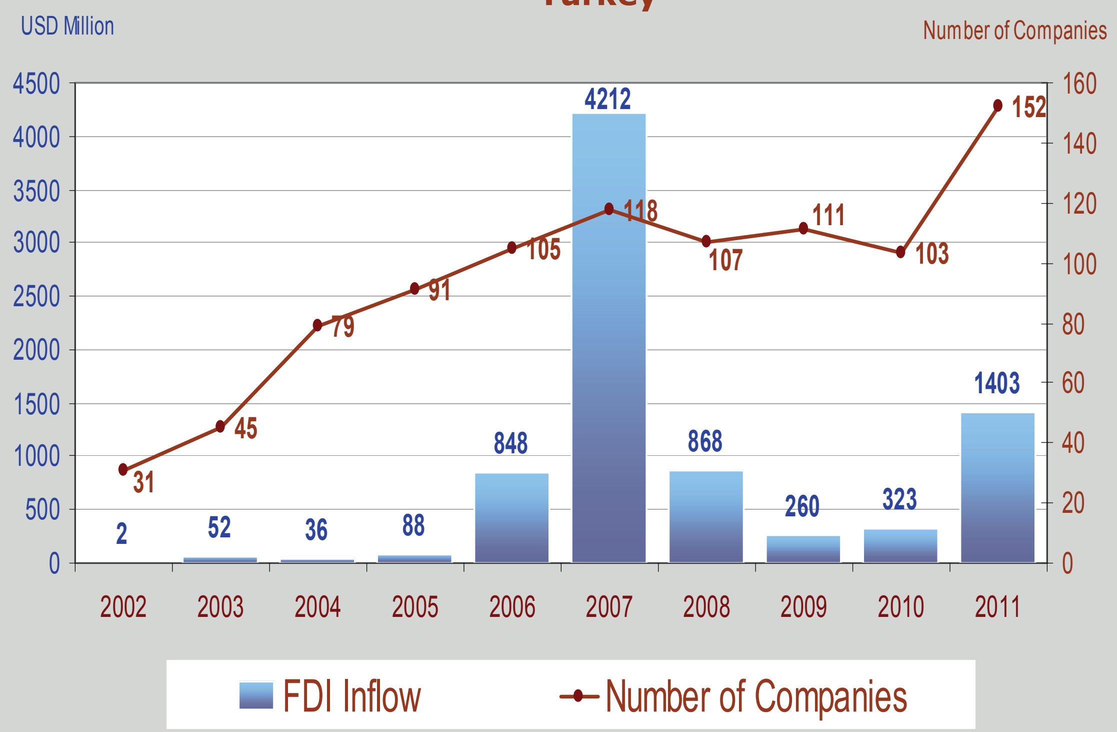
Source: Ministry of Economy, CBRT

97% of the capital transfers from Belgium were composed of the investments in financial intermediation sector. 40 companies with Belgium capital began to operate as a result of company establishment or participation in local companies in 2011. In total, there are 444 companies with Belgian capital in Turkey.

USA

After achieving a peak of about USD 4.2 billion in 2007, FDI flows from the **USA** to Turkey, reached to USD 323 million in 2010 and USD 1,403 million in 2011. According to OECD data, FDI outflows of the USA in the world economy were approximately USD 406.2 billion in 2011. Turkey's share within this amount rose by 275.7% compared to the previous year.

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



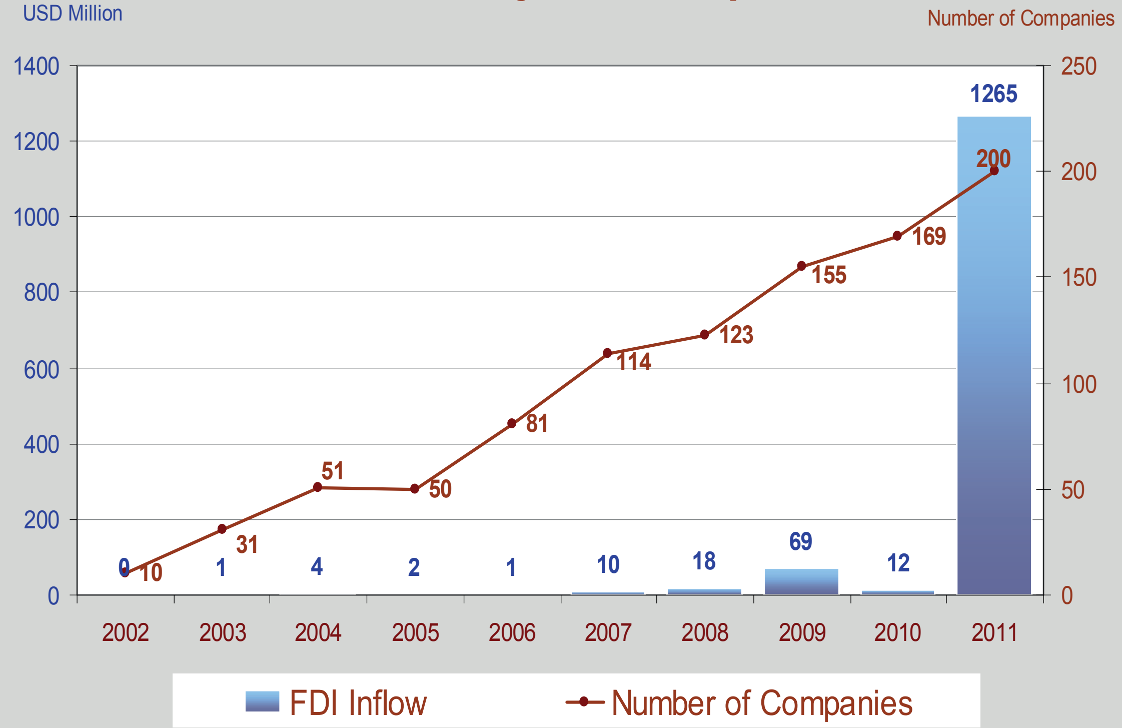
Source: Ministry of Economy, CBRT

Sectoral distribution of FDI from the USA shows that energy sector ranked first and was followed by financial intermediation sector in 2011. In energy sector, Cogentrix, which partners with Eti Elektrik Üretim A.Ş., was the major American investor. The acquisition of the majority of the shares in the gittigidiyor.com by the USA based Ebay for USD 217.5 million and the acquisition of 99.9% share of Deniz Emeklilik by MetLife for USD 231.7 million, were the important M&A transactions of 2011 and reflected to the balance of payments in 2011 as capital inflows from the USA.

Azerbaijan

The majority of FDI from **Azerbaijan** was realized by the state oil and gas company of Azerbaijan, Socar. The Socar Company transferred approximately USD 1,255 million by increasing its share within its subsidiary in Turkey Socar&Turcas A.Ş. from 51% to 75%. In Turkey, 200 companies with Azerbaijan capital began to operate in 2011 through company establishment or participation to local companies. There are 1,058 companies with Azerbaijan capital in Turkey.

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

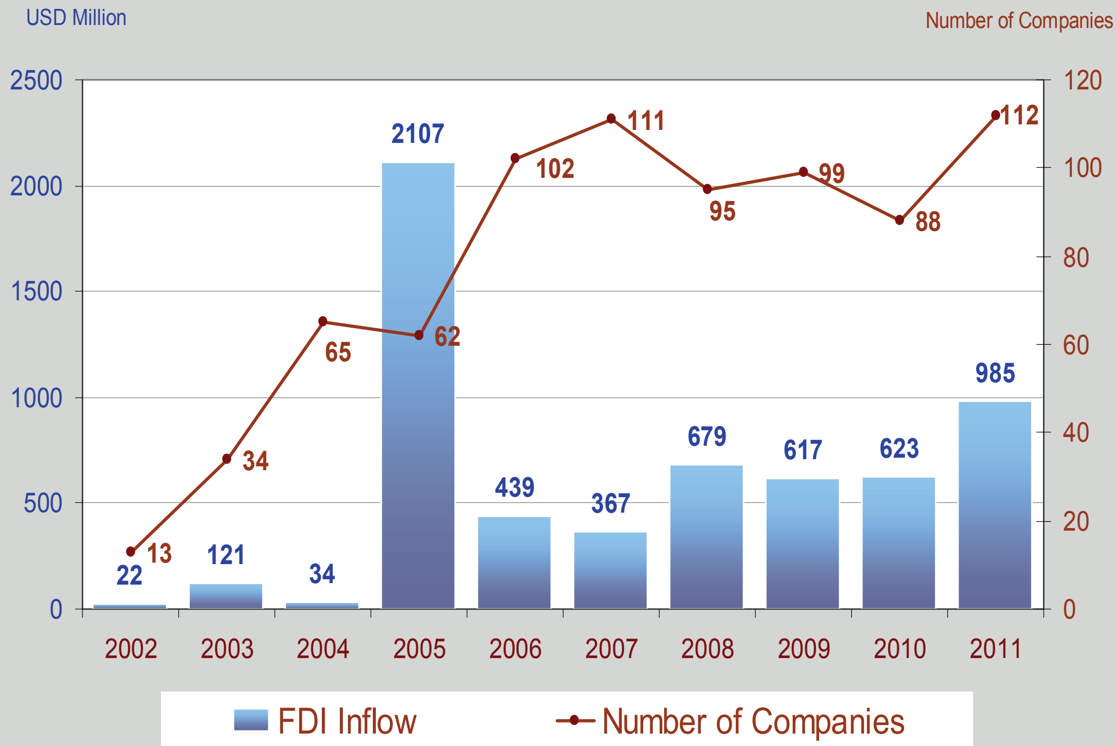


Source: Ministry of Economy, CBRT

France

FDI inflows to Turkey from **France**, which had been USD 623 million in 2010, reached to the level of USD 985 million in 2011, which is the highest annual amount of capital transfer from France after USD 2.1 billion in 2005. This may be counted as an indicator of stably increasing trend of French investment outflows to Turkey. According to OECD data, France's FDI outflow worldwide was approximately USD 105 billion in 2011. When these figures are taken into consideration, it is observed that Turkey's share in the FDI outflows of France in 2011 was not very high but showing an upward trend each year. Turkey's share in the FDI outflows of France increased by 26.6% in 2011 compared to previous year.

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



Source: Ministry of Economy, CBRT

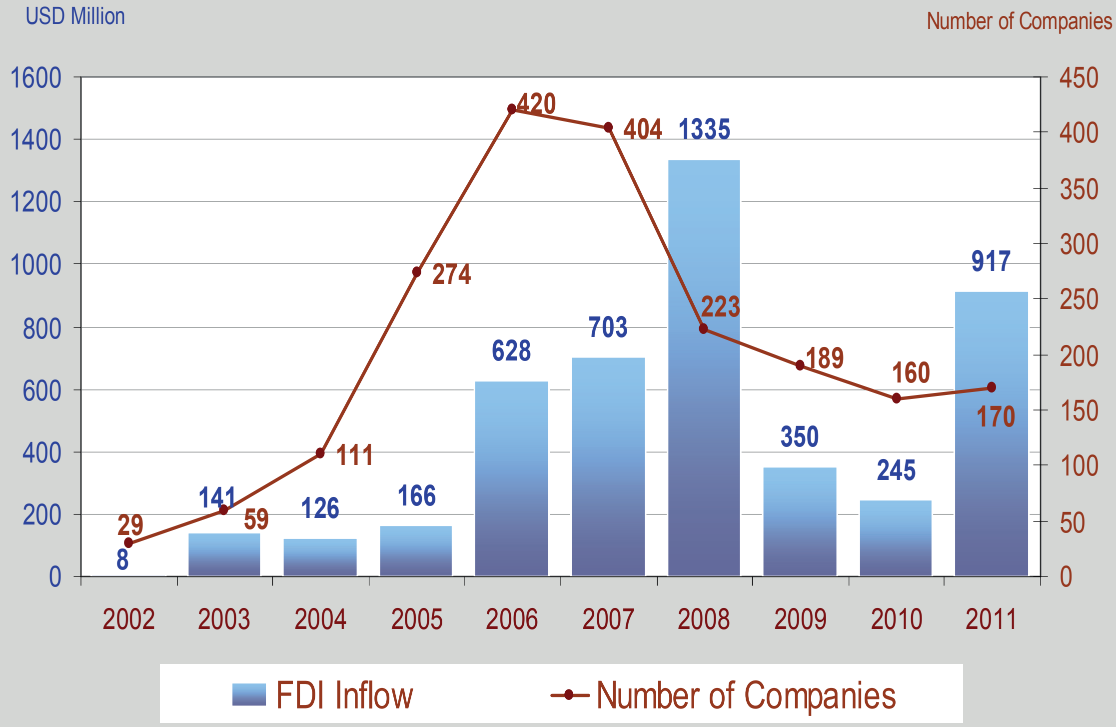
In terms of sectors, the financial intermediation sector ranked first in the FDI inflows from France with a share of 91%. In 2011, 112 companies became operational by

French capital through company establishment or participation in a local company in Turkey.

United Kingdom

FDI flows from the **United Kingdom** increased four times in 2011 compared previous year and amounted to USD 917 million. According to OECD data, the UK's FDI outflows worldwide, which had been USD 31 billion in 2010, increased to USD 102.6 billion in 2011.

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



Source: Ministry of Economy, CBRT

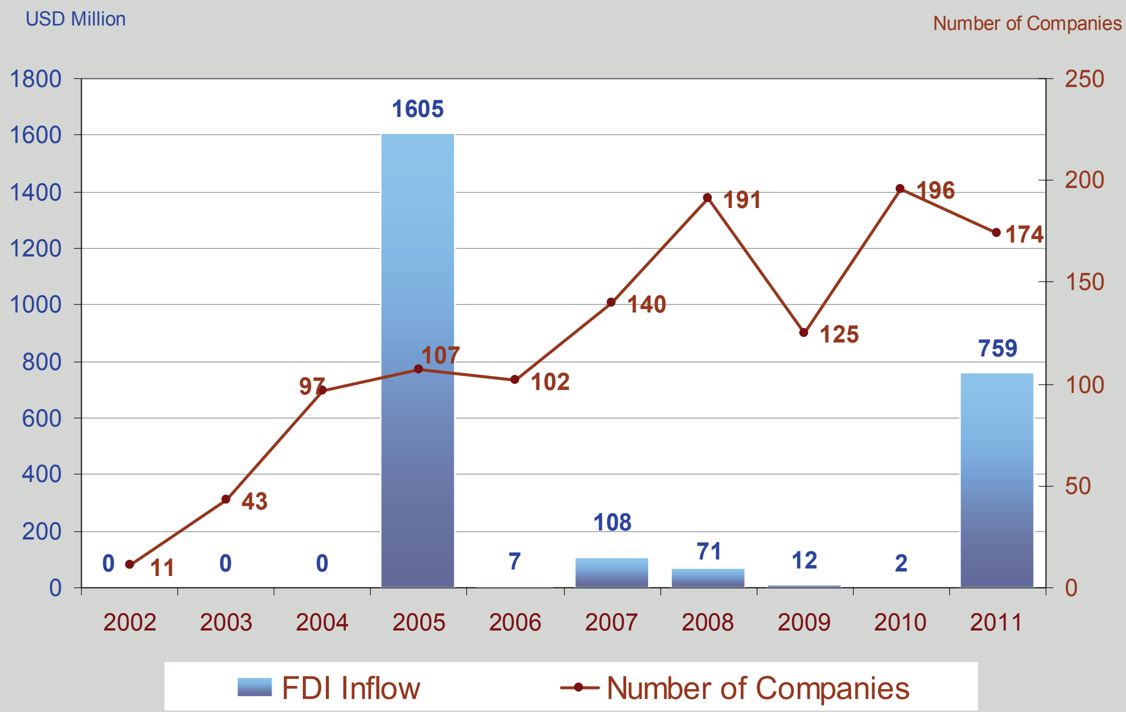
In FDI flows from the UK in 2011, the wholesale and retail trade sector ranked first with the prominent activities of Tesco PLC which is the partner of Tesco Kipa Kitle Pazarlama Tic. ve Gıda San. A.Ş. In the second leading area of British investors, which is manufacturing the UK-based Diageo brought USD 309.5 million capital via Ireland. As a result of purchase of the shares in Mey İçki for USD 2.1 billion, this was the largest cross-border M&A transaction in 2011. By purchasing another 50% of the shares of Sofra Yemek Ürünleri ve Hizmetleri A.Ş., the Compass Group overtook the company; and this acquisition became another leading M&A transaction in 2011.

In Turkey, 170 companies with British capital began to operate through company establishment or participation in a local company in 2011. With 2,338 companies, the UK is the 2^{nd} among the countries that have the highest number of companies in Turkey.

Russia

Direct investment inflows from **Russia** were USD 761 million in 2011. According to OECD data, total FDI outflows of Russia were approximately USD 67.3 billion. Turkey's share within these investments was 1.1%. Almost all of the capital transfers originating from Russia took place in the energy sector. All of these direct investments in the energy sector, in turn, were provided by the capital increase in the Akkuyu NGS Elektrik Üretim A.Ş.

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

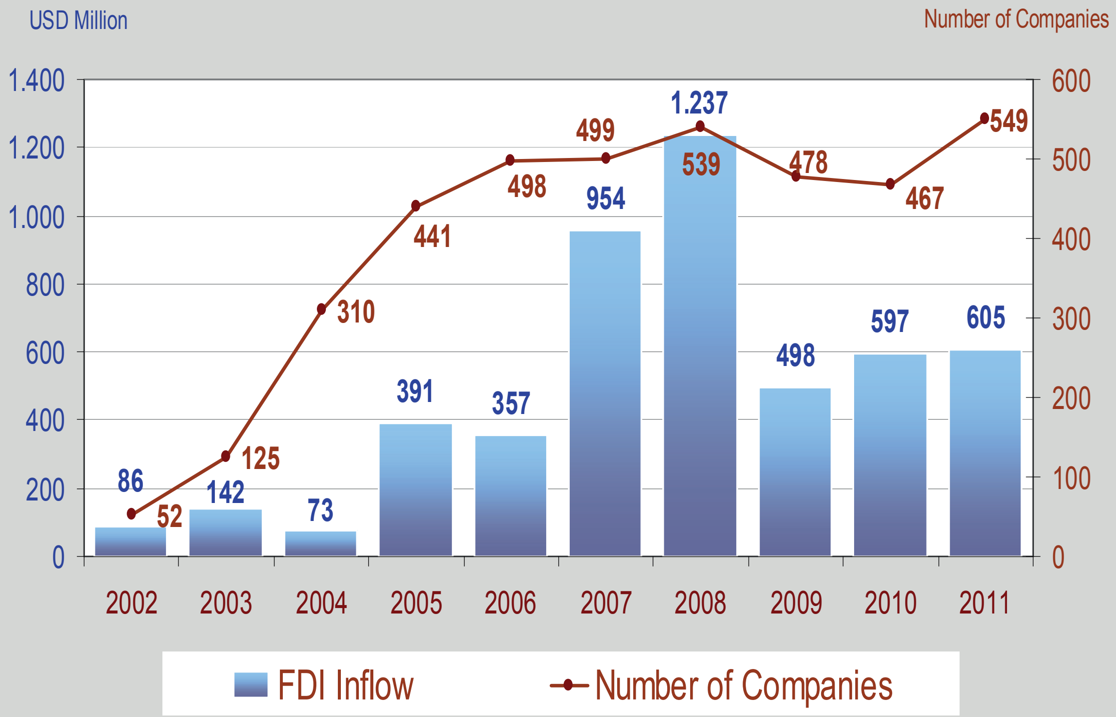


Source: Ministry of Economy, CBRT

Germany

The direct investment inflows in Turkey from **Germany**, which had been USD 597 million in 2010, reached to the amount of USD 605 million in 2011. According to OECD, while Germany's FDI outflow worldwide had been USD 110.5 billion in 2010, this amount declined to USD 54.4 billion in 2011. In spite of this decrease in Germany's FDI outflows, there has been no significant change in the amount of capital transferred from Germany to Turkey.

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



Source: Ministry of Economy, CBRT

Financial intermediation sector comes first; and the manufacturing industry sector comes second within the direct investment flows from Germany to Turkey. In financial intermediation sector, Ergo International AG and Allianz AG were the prominent investors. Acquisition of Euro Kimya San. ve Tic. A.Ş.'s shares by Zschimmer Schwarz Chemie GMBH and Ceros Menkul Değerler A.Ş.'s shares by Ceros Holding AG were among the M&A transactions realized in 2011 and reflected on the balance of payments. In 2011, 549 companies became operational by German investors through company establishment or participation in a local company in Turkey. Germany is the top country in terms of number of companies with foreign capital in Turkey with a total of 4,790 companies.

B. ACTIVITIES TO PROMOTE FOREIGN DIRECT INVESTMENTS

1. THE EFFORTS ON IMPROVING INVESTMENT ENVIRONMENT

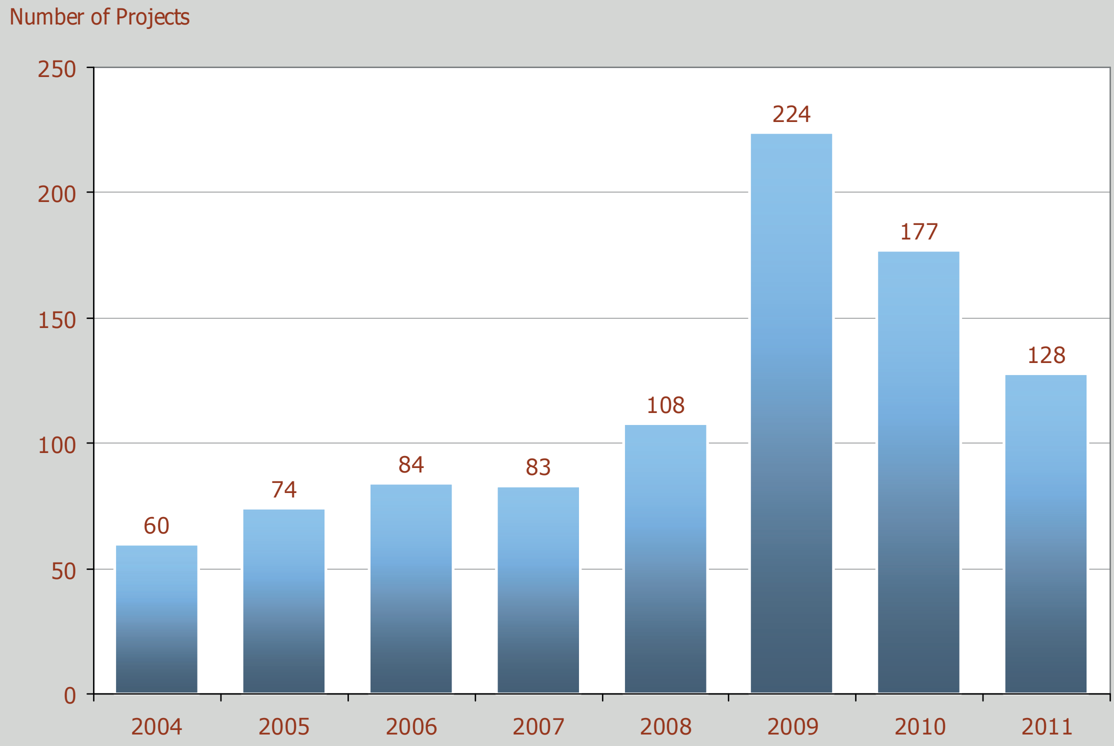
1.1. Improvement of Investment Environment in the International Area

The FDI inflows still plays an important role in shaping investment policies to increase the international competitiveness and the socio-economic development level of the countries.

Maintaining a healthy structure for the economy, increasing the FDI which has many positive effects such as economic growth, technology transfer, job creation, increase in export and tax revenues; is directly associated with the establishment of an investor-friendly administrative and legal system. Within this framework, the guiding characteristics of international organizations studies' is of significant importance in decreasing the differences in experience between the countries and establishing a more effective investment environment for the investors.

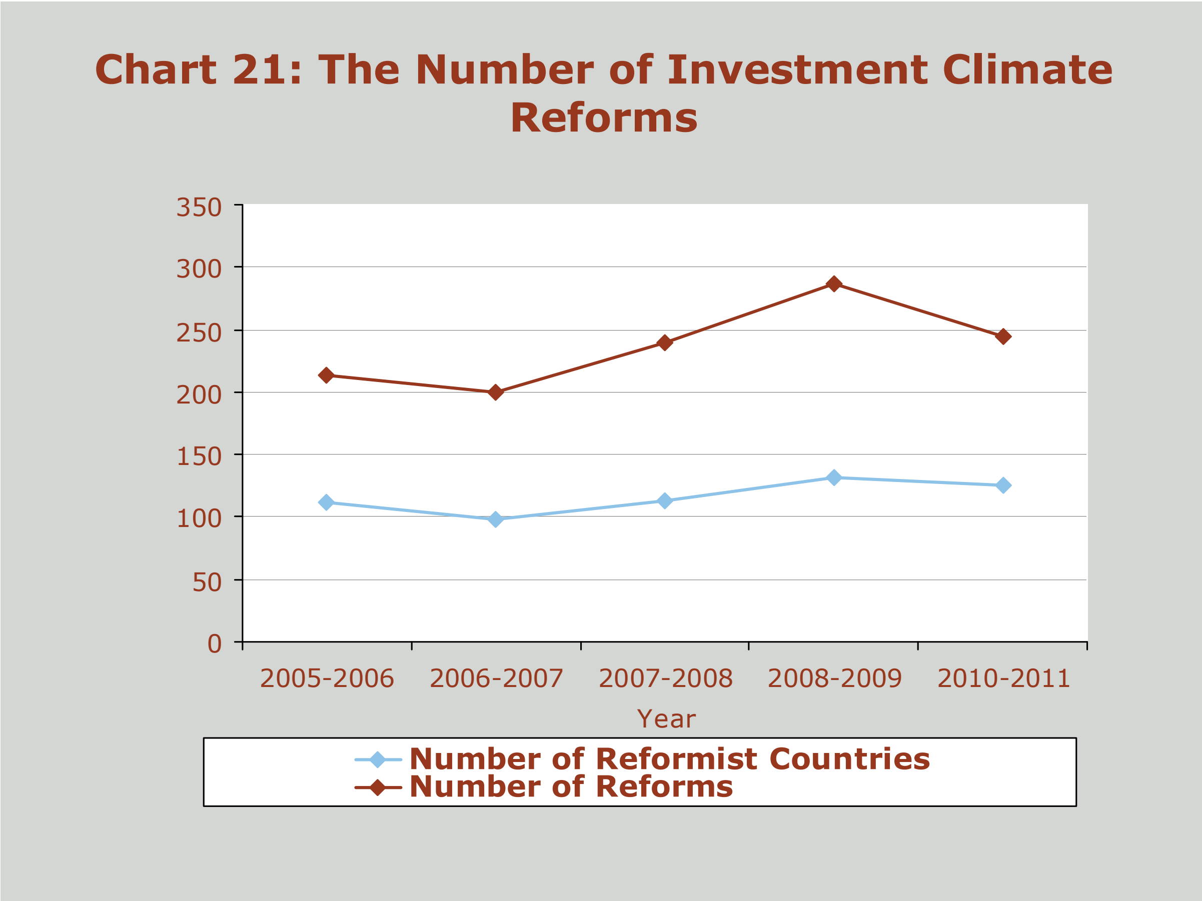
The Foreign Investment Advisory Service (FIAS), which is a subsidiary of the World Bank and International Finance Corporation, supported 641 investment environment reform program initiatives in 2008-2011 for 81 countries. FIAS, which provided support to 128 investment environment projects in 31 countries for the improvement of the investment environment in the 2011 fiscal year, was the facilitator for 42 reforms.[19].

Chart 20: The Number of Investment Climate Projects Supported by FIAS



Source: FIAS 2011 Annual Report

According to the 2012 Doing Business Report, which is a reference publication of the World Bank regarding the investment environment, and which evaluates the investment climate reforms in 183 countries during June 2010-June 2011 with a comparative approach, it is stated that there were 245 institutional and regulatory reforms realized in 125 countries, representing an increase by 13%. 53 of the 245 reforms were made in the area of starting a business. According to the report, 80% of the 183 countries has achieved significant progress regarding the improvements on the establishment of companies with the reforms that have been carried out since 2003.



Source: World Bank Business Environment Reports

1.2. Activities of the Coordination Council for the Improvement of Investment Environment in Turkey (YOIKK) in 2011

The studies on the improvement of the investment environment have great importance on increasing both the national and international investments. The efforts on the improvement of the investment environment, which have been implemented through the framework of the "Reform Program for the Improvement of Investment Environment" which was established by the Council of Ministers Leading Decision in 2001, continue to be implemented under the presidency of the Minister of Economy Mr. Zafer ÇAĞLAYAN following the restructuring of the public institutions in June 2011.

The structure and the procedures and principles of the Coordination Council for the Improvement of the Investment Environment (YOIKK), which is a successful platform for the cooperation between the public and private sector, was updated parallel to the economy's increasing performance and the changing priorities of the private sector, and was published as the Council of Minister Leading Decision of 16 January 2012 No. 2012/2. In scope of the mentioned decision, the working areas of the technical committees were redefined in line with the opinions of NGOs and 10 technical committees that will operate in the fields related directly to the investment environment were established. With the consent of the institutions and organizations represented in YOIKK, the platform was strengthened with the participation of the Ministry of Justice, Ministry of Energy and Natural Resources and the Ministry of Transport, Maritime and Communication, which were not included previously. Two new technical committees were established: the technical committee on Investment Environment Legislation and Judicial Processes under the presidency of the Ministry of Justice and the technical committee on Infrastructure under the co-presidency of the Ministry of Energy and Natural Resources and the Ministry of Transport, Maritime and Communication.

Another important improvement within the new structure of YOIKK was the establishment of "Working Group for Assessment and Evaluation". The mentioned group will assess the contributions of the completed works to the investors' problems and will inform the YOIKK members through interim reports.

Some of the developments provided as a result of the works carried out by the YOIKK Technical Committees in 2011 are as follows:

- The regulation, which was prepared with the aim of restructuring the obligations of the firms regarding recycling through the amendment of the "Regulation on the Control of Packaging Wastes", entered into force following its publication in the Official Gazette No. 28035 on August 14, 2011.
- With the aim of revising the incentive system in line with the needs that aroused throughout the implementation process, the "Decree no. 2011/1597 on the Amendment of the Decree on State Encouragement to Incentives" No. 2011/1597 entered into force on April 14, 2011.

- In order to increase the predictability of the tax practices, the Tax Audit Board was established and the units on tax auditing were united under one roof. In addition, the "Regulation on the Procedures and Principles in Tax Audits" and the "Regulation on the Tax Audit Board" were published in the Official Gazette of October 31, 2011 and entered into force as of same day.
- The regulation amendment on paperless procedures and decreasing the number of documents to be added into the declarations, entered into force on January 1, 2012, following its publication in the Official Gazette No. 28156 on December 28, 2011.
- With the aims of granting the General Directorates with determining role in value-judgment, referring the second phase of the judgment to the General Directorate of Risk Management and Control and increasing the total invoice amounts in value-judgments, the Circular No. 2011-49 on Export Value-Judgment was published on December 20, 2011.
- With the aim of increasing cooperation between the Development Agencies and the Investments Support and Promotion Agency of Turkey (ISPAT), amendment was made in the Law Regarding the Establishment of the ISPAT and the Cooperation Department specially designed for Development Agencies was established.
- With the Decision of Council of Ministers which was published in the Official Gazette on July 3, 2011 and which introduced some changes on the "Decision on the Procedures and Principles regarding Treasury Support for the Credit Guarantee Institutions"; the term of support was extended until July 14, 2013 in order to facilitate more SMEs to benefit from the system. In addition, with the aim of increasing the effectiveness of the system and the number of those benefiting from the system, the bailment rate was increased from 65% to 75% and the maturity of the SME credits to be supported were increased from 4 years to 8 years.
- The "Communiqué on the Establishment and Implementation of Corporate Governance Principles Serial: IV No: 56", which introduces comprehensive

changes on the Corporate Governance Principles entered into force following its publication in the Official Gazette No. 28158 on December 30, 2011.

1.3. Turkey's Experience Sharing Program

The implementation of Turkey's Experience Sharing Program which was established in 2008 to share the accumulated institutional knowledge of Turkey on improvement of the investment environment during the last decade, continued throughout 2011.

The first two phases of the "Turkey-TRNC Experience Sharing Program, Drafting Reform Programs" which was planned with the Turkish Republic of Northern Cyprus as a three-phase program, were implemented on January 27-28, 2011 in Girne and on 2-6 May 2011 in Lefkoşa with the participation of experts from various institutions dealing with investment issues. Following the training program organized in Ankara for the member countries of Economic Cooperation Organization on May 25-26, 2011, the Expert Training Program for Islamic Development Bank Member Countries: "Turkey's Experience Sharing Program-Investment Environment Program" was conducted between October 10-14, 2011.

1.4. Turkey's Position in the Investment Indices

The investment climate indices published by international organizations or institutions are of vital importance in terms of providing comparative information on countries in the area of improvement of the investment environment. The indices published periodically, focus on issues such as legal framework, infrastructure, institutional capacity which are effective on investors' decisions on mobilizing their investments, and thus contribute to the prioritization of the country's reform agenda.

According to the AT Kearney Direct FDI Confidence Index published on December 2011, which is one of the fundamental international investment destination indices, Turkey progressed 10 steps forward and ranked the 13th.

According to the World Bank 2012 Doing Business Report which comparatively evaluates 183 countries under 10 different topics such as starting a business, resolving insolvency and trading across borders, Turkey progressed 2 steps forward when compared to the revised rankings of 2011 and ranked 71^{st} among 183 countries.

2. BILATERAL INVESTMENT TREATIES

Through the Agreements on the Reciprocal Promotion and Protection of Investments (Bilateral Investment Treaties or BITs in short), which are signed with the countries with which it would be beneficial to develop mutual economic relations, and with which there is potential in this area or Turkey's investment relations are developed, the main aim is to increase the capital and technology flows between the Parties and to determine the limits of the legal treatments accorded by the hosting countries for mutual investments.

The Agreements on the Reciprocal Promotion and Protection of Investments which Turkey has signed with 83 countries until today are fundamental agreements having utmost importance for the international investors. BITs signed by Turkey include "sine qua non" provisions, such as the application of national treatment and most favored nation treatment to foreign investors by the hosting country, guarantee of free transfers of returns and profits, the conditions for probable nationalization, and resort to international arbitration in case of the arisal of a dispute between the investor and the hosting country.

In 2011, BIT negotiations were concluded with Bangladesh, Kenya and Colombia and Agreements were signed with Azerbaijan, Nigeria and Tanzania. Furthermore, Agreements signed with the United Arab Emirates, Libya and Yemen entered into force in 2011. On the other hand, the renegotiations of the BITs signed during 1980s and 90s continued in 2011. Especially, BITs with the countries in which Turkish investors are active, was renegotiated in line with the problems faced by our investors as well as to reflect the changing legislation of Turkey. Within this framework; renegotiations are being held with Albania, Belgium and Luxembourg, and Turkmenistan; and concluded with Bangladesh, People's Republic of China and Kosovo. These Agreements are expected to be signed in 2012. Turkey's initiatives and renegotiations will continue in 2012 with an increasing number of partner countries.

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

Table 27: Bilateral Investment Treaties of Turkey

	COUNTRY	ENTRY INTO FORCE		COUNTRY	ENTRY INTO FORCE
1	U.S.A.	18.05.1990	38	Qatar	12.02.2008
2	Afghanistan	19.07.2005	39	Kazakhstan	10.08.1995
3	Germany	05.12.1965	40	Kyrgyzstan	31.10.1996
4	Argentina	01.05.1995	41	Kuwait	25.04.1992
5	Albania	26.12.1996	42	Cuba	23.10.1999
6	Austria	01.01.1992	43	Latvia	03.03.1999
7	Australia	29.06.2009	44	Libya	22.04.2011
8	Azerbaijan	08.09.1997	45	Lithuania	07.07.1997
9	Bangladesh	21.06.1990	46	Lebanon	04.01.2006
10	Belarus	20.02.1997	47	Hungary	22.02.1995
11	Belgium-Luxemburg	04.05.1990	48	Macedonia	27.10.1997
12	United Arab Emirates	24.07.2011	49	Malaysia	09.09.2000
13	Bosnia-Herzegovina	29.01.2002	50	Malta	14.07.2004
14	Bulgaria	22.09.1997	51	Egypt	31.07.2002
15	Czech Republic	01.08.1997	52	Mongolia	22.05.2000
16	P.R. of China	20.08.1994	53	Moldova	16.05.1997
17	Denmark	01.08.1992	54	Sultanate of Oman	15.03.2010
18	Indonesia	28.09.1998	55	Uzbekistan	18.05.1995
19	Estonia	29.04.1999	56	Pakistan	03.09.1997
20	Ethiopia	10.03.2005	57	Poland	19.08.1994
21	Morocco	31.05.2004	58	Portugal	19.01.2004
22	The Philippines	17.02.2006	59	Romania	08.07.2010
23	Finland	23.04.1995	60	Russia Federation	17.05.2000
24	France	03.08.2009	61	Serbia	10.11.2003
25	R. Korea	04.06.1994	62	Singapore	27.03.2010
26	Georgia	28.07.1995	63	Slovakia	23.12.2003
27	India	18.10.2007	64	Slovenia	19.06.2006
28	Croatia	21.04.1998	65	Syria	03.01.2006
29	The Netherlands	14.11.1989	66	Saudi Arabia	05.02.2010
30	England	22.10.1996	67	Tajikistan	24.07.1998
31	Iran	13.04.2005	68	Thailand	21.07.2010
32	Spain	03.03.1998	69	Tunisia	28.04.1994
33	Israel	27.08.1998	70	Turkmenistan	13.03.1997
34	Sweden	08.10.1998	71	Ukraine	21.05.1998
35	Switzerland	21.02.1990	72	Jordan	23.01.2006
36	Italy	02.03.2004	73	Yemen	31.03.2011
37	Japan	12.03.1993	74	Greece	24.11.2001

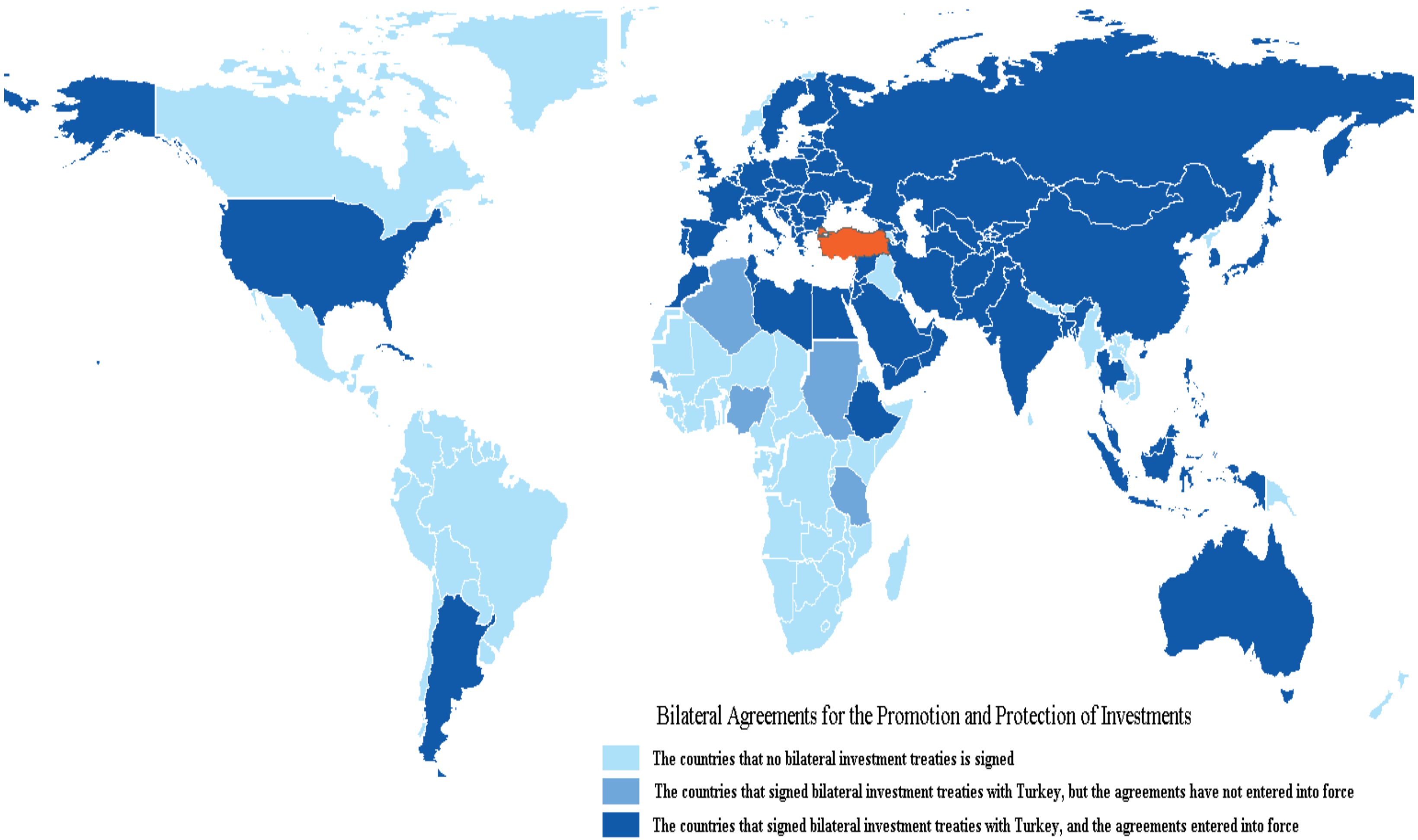
Source: Ministry of Economy

Table 28: Bilateral Investment Treaties Signed by Turkey (in the Process of Ratification)

	Countries	Date of Signature
1	Azerbaijan (New Agreement)	25.10.2011
2	Bahrain	15.02.2006
3	Czech Republic (New Agreement)	29.04.2009
4	Croatia (Additional Protocol)	18.02.2009
5	Montenegro	14.03.2012
6	Kuwait (New Agreement)	27.05.2010
7	Nigeria	02.02.2011
8	Senegal	15.06.2010
9	Slovakia (New Agreement)	13.10.2009
10	Tanzania	12.03.2011

Source: Ministry of Economy

Map 15: The Distribution of Turkey's Bilateral Investment Treaties by Country



Source: Ministry of Economy

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