



REPUBLIC OF TURKEY
MINISTRY OF ECONOMY

2016

**FOREIGN
DIRECT
INVESTMENTS
IN TURKEY**

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MINISTRY OF ECONOMY

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2016

SEPTEMBER 2017
GENERAL DIRECTORATE OF INCENTIVE
IMPLEMENTATION AND FOREIGN INVESTMENT

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A. FOREIGN DIRECT INVESTMENT INDICATORS

1. 2016 GENERAL OVERVIEW

1.1. Global Foreign Direct Investment Flows Outlook

In 2016, global Foreign Direct Investment (FDI) inflows declined by 2% compared to previous year to 1.76 trillion USD due to weak economic growth and policy risks that affected investment decisions of multinational companies. In terms of regions and country groups, FDI performances were varied across regions while large mergers and acquisition (M&A) transactions, intra-company loans and certain corporate reconfiguration activities were major factors behind these diversified geographic FDI performance.

The latest version of World Investment Report that includes the final data for 2016, 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 2017.

According to the UNCTAD's¹ assessments, the value of global FDI inflows which increased by 34% in 2015, decreased slightly to the level of USD 1.76 trillion in 2016. FDI inflows into developed countries increased by 5% and reached USD 1.03 trillion which represents a peak in post global recession period, while FDI inflows into developing countries - which consists of developing and transition economies – decreased by 9.6% and receded to USD 714 billion.

In light of these developments, there were diversified FDI trends in sub-groups of developed countries. The rate of 12.3% FDI inflows increase in the United States seemed to be compensated the 5.8% FDI inflows decrease in European countries. Besides, 2.5 fold increase in Australia and exceptional amount of USD 11.4 billion FDI inflow in Japan contributed to FDI performance in developed countries. There were certain factors that affected FDI performance in European countries. Extraordinary increase of FDI inflows in the United Kingdom arisen from several mega deals was the leading factor among them. FDI inflows in the United Kingdom elevated by more than 7.5 fold and reached USD 253.8 billion. However, loan reimbursements to affiliates in Ireland, France and Germany, which related to corporate reconfiguration transactions, caused reduction in European

¹ World Investment Report, June 2017, UNCTAD

FDI inflows. In 2016, corporate reconfiguration related USD 26 billion of negative FDI inflows in Switzerland, which occurred as USD 70.4 billion FDI inflows in 2015, was also an important factor. In fact, in Europe, FDI inflows decreased in 19 out of 32 countries while outstanding FDI inflows increase in the United Kingdom compensated other countries' performances.

In recent years, the effect of tax avoiding activities in the United States was obvious. The US solely consisted $\frac{1}{4}$ of global FDI inflows in 2016 with USD 391.1 billion which was a new record high after previous year. The tax amendment which aimed to prevent tax avoidance came into force in 2016 April, will probably affect FDI inflows in US incoming years.

Among developing countries, FDI inflows decreased by 9.6% in Developing Asia. With regards to sub-regional developments in Asia, 18.2% slump in Hong Kong was the major reason of decrease in Eastern Asia FDI inflows and FDI inflows in South-Eastern Asia fell by 20.2% due to weak inflows in Singapore which is a regional hub. South Asia is the only sub-region that FDI inflows increased by 5.7% owing to strong performance of India while FDI inflows decreased in West Asia by 2%.

In terms of capital account dynamics in balance of payments of developing countries, as a stable financing instrument, FDI inflows have been still leading financing instrument and have had larger share than other components such as portfolio inflows, current transfers and development aids.

In Latin America, FDI inflows dropped by 14% due to weak commodity prices and sluggish economic activity while FDI inflows elevated by almost two fold in transition economies which had suffered economic slowdown and embargo previous year. This shiny performance was mostly originated from large privatization transactions in Russia and mining investments in Kazakhstan.

It is difficult to make a clear forecast for 2017 FDI flows due to various contradictory elements. The expectation of moderate economic growth in the world, rising trend of stock prices and recovering global trade volume were the major arguments of optimistic estimation of FDI flows. Additionally, investment appetite of multinational executives in the forthcoming period also supports this picture as surveys implied. In 2017, preliminary greenfield and M&A data also indicate that FDI inflows might increase

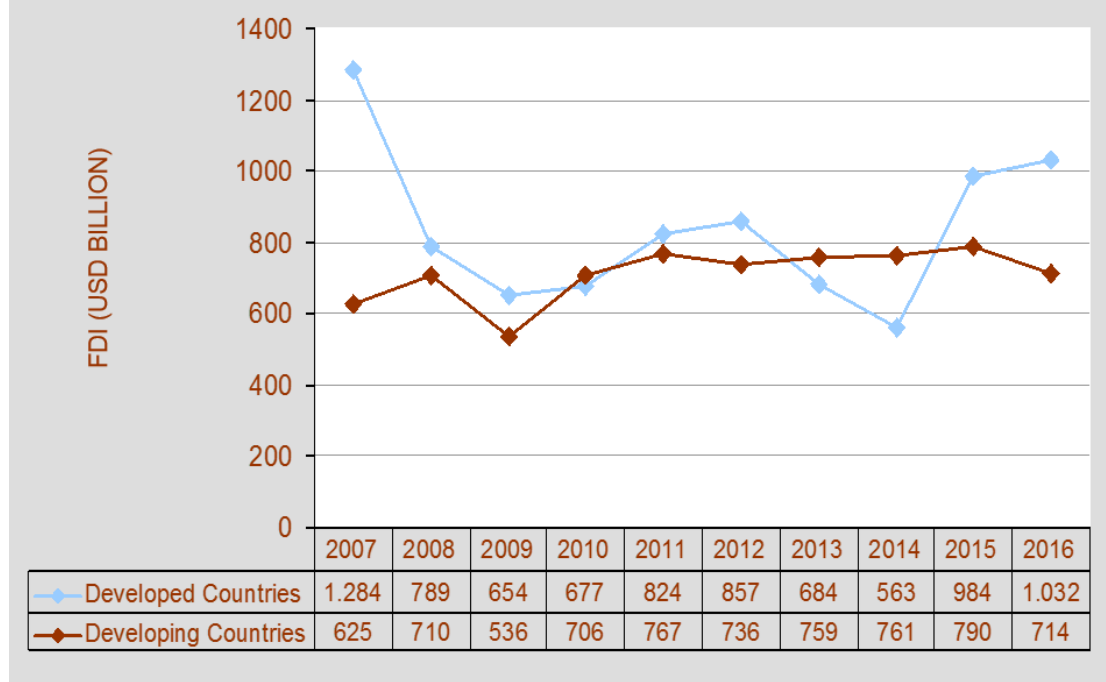
compared to 2016. On the other hand, Brexit, the United States' withdrawal from Trans Pacific Partnership (TPP) and efforts to renegotiate North America Free Trade Agreement (NAFTA) in more protective manner, election climate and protective approach in European Union pose downside pressure on FDI flows in 2017. In addition, potential tax reform in US which aimed to curb companies' relocation efforts to tax heavens will probably effect outward FDI motivation of US affiliates via influencing retained earning decisions. In light of these developments, FDI inflows are estimated to increase in 2017 and 2018 by around 5% and reach USD 1.8 trillion and UD 1.85 trillion respectively.

Since the global recession, the share of FDI inflows into developing countries has increased and took the lead in 2013 and 2014 due to global integration and growing economic activities. However share of developed countries surpassed developing countries again in 2015 and 2016 owing to large M&A deals. The global FDI inflows share of developed countries reached 56% (USD 984.1 billion) and 60% (USD 1.03 trillion) in 2015 and 2016 while the share of developing countries was 44% (USD 789.9 billion) and 40% (USD 714.1 billion) respectively (Graph 1). In terms of ranking, 6 out of leading 10 FDI host countries was developing countries.

In 2016, the US became top FDI host country with USD 391.1 billion, and the UK followed with USD 253 billion thanks to the outstanding M&A performance and China took the third place with USD 133.7 billion.

In 2016, Europe was the leader region among the top host regions in terms of global FDI flows with a share of 31% (USD 533 billion) and Asia was the second with 25% (USD 443 billion) while North America was the third with 24% (USD 425 billion), followed by Latin America with 8% (USD 142 billion).

Chart 1: FDI Inflows, by Groups of Economies



Source: World Investment Report 2017, 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 2016, FDI inflows to Turkey amounted to USD 12 billion (USD 12.3 billion according to CBRT data). In terms of global FDI inflows, Turkey ranked 20th in the world, and 8th among developing countries (Table 1).

Table 1: Global FDI Inflows, Top 10 Host Economies and Turkey 2014-2016 (USD Billion)

2014			2015			2016		
Rank	Country	FDI	Rank	Country	FDI	Rank	Country	FDI
1	United States	171,6	1	United States	348,4	1	United States	391,1
2	China	128,5	2	Ireland	188,3	2	United Kingdom	253,8
3	Hong Kong	113,0	3	Hong Kong	174,4	3	China	133,7
4	Singapore	74,0	4	China	135,6	4	Hong Kong	108,1
5	Brazil	73,1	5	Singapore	70,6	5	Netherlands	92,0
6	Canada	59,1	6	Switzerland	70,4	6	Singapore	61,6
7	Netherlands	53,3	7	Netherlands	68,8	7	Brazil	58,7
8	United Kingdom	44,8	8	Brazil	64,3	8	Australia	48,2
9	Australia	40,3	9	France	47,0	9	India	44,5
10	Ireland	37,4	10	India	44,1	10	Russia	37,7
25	Turkey	12,5	22	Turkey	17,3	20	Turkey	12,0
World Total		1.323,9	World Total		1.774,0	World Total		1.746,4

Source: World Investment Report (WIR) 2017, UNCTAD

In terms of FDI inflows in 2016, Turkey's share among global FDI flows became 0.7% while the share in developing countries became 1.7%. 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.

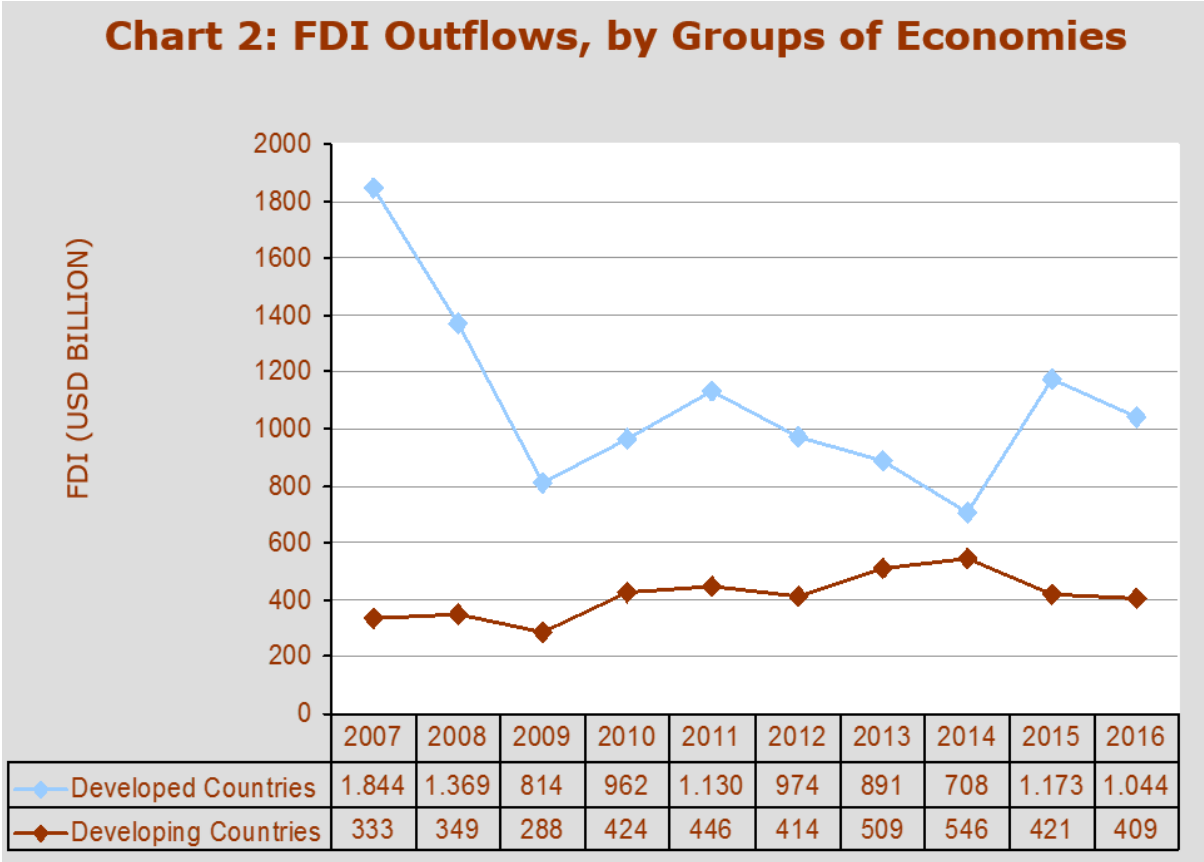
Since 2008, FDI inflows have decreased continuously for 8 years in a row in West Asia region which includes Turkey. Regional conflicts in post global recession period and weak oil prices has been considered to be major factors in this performance while Turkey performed well above other countries in the region due to sectoral diversification in FDI inflows. Turkey have been the leader FDI recipient country in West Asia Region since 2012 and increased its share up to 43% in 2016.

According to the UNCTAD's Report, global FDI outflows declined by 8.9% in 2016 compared to 2015, and receded to USD 1.45 trillion. The FDI outflows of developed countries decreased by 11% to USD 1.04 trillion and accounted for 72% of global FDI outflows. On the other hand, outflows of developing economies, representing 28% of total FDI outflows, decreased by 3% to USD 409 billion. 73% and 63% decrease in FDI outflows in Ireland and Germany respectively (total of USD 180 billion) was the leading factor in deterioration of FDI outflows performance in Europe which declined by 23%. As a reflection of corporate reconfiguration activities which took place in previous year debt / credit transactions between affiliates contributed to negative performance of Ireland and Germany FDI outflows. Weak M&A performance in Germany and 70% decline (absolute decline amount is USD 73 billion) in FDI outflows of Switzerland originating from reconfiguration transactions were another factor. However, increase in FDI outflows of the United Kingdom and Netherlands compensated the drop partially. In North America FDI outflows reached a plateau in 2016.

FDI outflows subdued in all of the sub-regions in developing countries whereas China FDI outflows increased remarkably by 44% and reached USD 183.1 billion and constituted large part of (with a share of 45%) developing countries' FDI outflows. China became 2nd largest investor globally with the contribution of M&A transactions which took place in manufacture and service sectors and real estate acquisitions of Chinese residents in Australia, the United States and the United Kingdom.

In 2016, among the top investor countries, the US ranked first in the world with an investment amount of USD 299 billion followed by China (USD 183.1 billion) and Netherlands (USD 173.7 billion). Other leading investor countries are Japan, Canada, Hong Kong, France, Ireland, Spain, Germany, Luxembourg, Switzerland, South Korea and Russia respectively.

In terms of FDI outflows, Turkey ranked 39th with USD 2.9 billion in 2016, while the ranking was 38th with USD 4.8 billion in 2015. Turkey’s FDI outflow performance have improved in recent years and Investment Promotion Agency survey results shown that Turkey was one of the prominent investor country among developing countries.



Source: World Investment Report, 2017

According to the UNCTAD’s Report, the worldwide inward FDI stock increased by 6.1% and reached USD 26.7 trillion as of 2016. The US, Hong Kong and China hosted the top three rankings in terms of global FDI stock, thereby China took place in first three countries in terms of FDI stock for the first time in history. Turkey’s FDI stock value amounted USD 132.9 billion and FDI stock to GDP ratio which was 17% in 2015, moderated to 16% in 2016.

According to the latest worldwide sectoral FDI stock estimation conducted in 2015, services sector constituted 63% of the total FDI stock, the share of manufacturing sector was 27% while the share of agriculture, mining and other sectors was 10%. In terms of FDI stock, finance, business activities, wholesale and retail trade and telecommunication sectors were the major sub-sectors in service sector while chemicals, food and beverages, electronic equipment, motor vehicles and oil products were leading manufacturing sub-sectors. There was another interesting statement in the Report about sectoral distribution. It should be taken into consideration about services sector that FDI transactions carried out by holding companies being recorded into business activities, although affiliate transaction might be specifically in manufacturing sector. So, it causes a distortion effect in calculation of sectoral distribution. Although the share of developing and developed countries in FDI inflows seemed to be balanced in recent years, this trend has not been 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 (2016)

Rank	Country	Inward FDI Stock (USD Billion)
1	United States	6,391
2	Hong Kong	1,591
3	China	1,354
4	United Kingdom	1,197
5	Singapore	1,096
6	Canada	956
7	Ireland	840
8	The Netherlands	801
9	Switzerland	793
10	Germany	771
35	Turkey²	145.5

Source: World Investment Report, 2017

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.

Greenfield Investments

Cross border M&A and greenfield investment transactions are the cornerstones of global FDI flows. In 2016, total value of global greenfield investment projects surged by 7% compared to 2015 and reached USD 828 billion. Greenfield investments for developed countries decreased by 9% to USD 247 billion while increased by 16% for developing countries. In 2016, the majority of the greenfield investment projects (70%) put into practice in developing countries in line with the previous years.

When the sectoral composition of total greenfield investments is considered, investments in services sector increased while investments in manufacturing sector decreased compared to the previous year. Greenfield investment projects in services sector were amounted to USD 481 billion with 15% increase, manufacturing sector projects fell down to the level of USD 292 billion with 9% decrease. Agriculture and mining sector projects increased by 56% and reached USD 54 billion.

According to the UNCTAD report, despite the decline in foreign direct investments to Turkey in 2016, the value of the greenfield investments in Turkey surged by 54 % and amounted to USD 8.8 billion. Annual average of USD 12.8 billion greenfield investment projects for the last decade points out Turkey's medium term FDI potential together with M&A transactions.

Mergers and Acquisitions (M&A)

According to the UNCTAD's Report, total value of worldwide cross border M&A transactions which declined in 2012 and 2013, started to increase in 2014 and 2015, and reached level of USD 869 billion in 2016 with 18% increase compared to the previous year. The major factor of this increase was 24% rise of cross-border M&A transactions in developed countries amounting USD 794 billion. In 2016, the share of cross border M&A transactions of developed countries increased to 91%, on the other hand, the share of developing countries decreased to 9% (In 2015, the share of developed countries was 87%, whereas the share of developing countries was 13%).

When the sectoral distribution is analyzed, in terms of the amount of cross-border M&A transactions in 2016, there was an increase in the shares of all main sectors; manufacturing, services, and agricultural and mining sectors. Under this circumstances, 46% of the transactions was conducted in manufacturing sector and 44% was conducted

in services sector. In 2016, the value of cross border M&A transactions in manufacturing sector was realized as USD 403 billion with 2% increase and M&A transactions in services sector reached USD 383 billion with 25% increase. Thus, in the sectoral context of the global M&A, services sector seems to have increased its share and manufacturing sector has kept its pace in 2016. Also, M&As in agricultural and mining sector was realized as USD 32 billion, 2.4 times higher compared to 2015.

According to UNCTAD's Report, the total value of the cross border M&A transactions in Turkey amounted to USD 1.9 billion in 2016 with 38% decrease compared to 2015. The Report also emphasizes that the decline in the value of cross-border M&A transactions was parallel with the decrease in FDI inflows to Turkey in 2016.

1.2. Foreign Direct Investment Flows in Turkey

1.2.1. Components of Foreign Direct Investments³

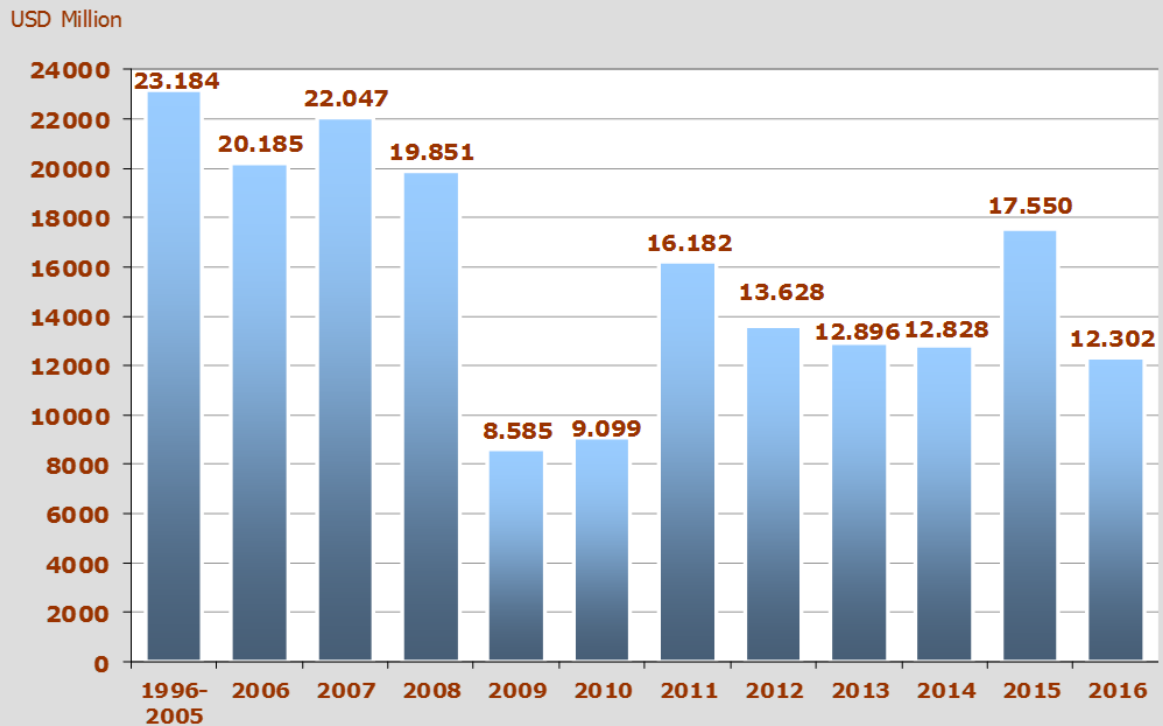
Turkey has managed to establish a confident economic environment as well as the stable and predictable policies that have been carried out since the early 2000s, and thus, FDI inflows to Turkey increased dramatically. FDI inflows to Turkey have had an upward trend and have realized over the level of 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 declining trend 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 billion, and in 2015 it reached the highest value after the crisis with USD 17.6 billion (Graph 3). While the accumulated FDI inflows to Turkey between 1975 and 2004 reached about USD 19.6 billion, it reached USD 175.2 billion between 2005 and 2016 with an approximately nine fold increase.

According to CBRT's Balance of Payments disseminated based on Sixth Manual of IMF, FDI inflows to Turkey, which was USD 17 billion 550 million in 2015, reached USD 12 billion 302 million in 2016 with a decrease of 30%. Although FDI inflows to Turkey in 2016 have been below the level of 2015 due to the nefarious coup attempt and the unpleasant developments in the nearby geographical area, FDI inflows have exceeded the threshold level of USD 12 billion thanks to various investment advantages of Turkey.

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.

Chart 3: FDI Inflows in Turkey Between 1996 and 2016



Source: CBRT

Out of the USD 12.3 billion of the FDI inflows received in 2016, the equity component constituted USD 8.4 billion while the real estate purchases constituted USD 3.9 billion (Table 3).

Table 3: FDI Inflows by Component (1996–2016) (USD Million)⁴

	1996-2006 (Cumulatively)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Foreign Direct Investment	43,369	22,047	19,851	8,585	9,099	16,182	13,628	12,896	12,828	17,550	12,302
<i>Capital (Net)</i>	35,046	18,394	14,713	6,184	6,221	14,145	10,128	9,322	8,370	11,710	6,279
<i>Inflows</i>	37,244	19,137	14,748	6,266	6,256	16,136	10,761	9,890	8,631	12,074	6,888
<i>Liquidation Outflows</i>	2,198	743	35	82	35	1,991	633	568	261	364	609
<i>Other Capital (Intra Company Loans)</i>	1,219	727	2,201	619	384	24	864	525	137	1,684	2,133
<i>Real Estate Purchases (Net)</i>	7,104	2,926	2,937	1,782	2,494	2,013	2,636	3,049	4,321	4,156	3,890

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 Sector⁵

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 38.4 billion. Financial intermediation sector was followed by manufacturing sector (29.7 USD billion), energy sector (USD 15.7 billion), wholesale and retail trade sector (USD 6.8 billion) and transportation and storage sector (USD 4.6 billion).

In 2016, manufacturing (USD 1.7 billion), financial intermediation (USD 1.7 billion) and energy (USD 740 million) were the top three sectors which amounted to 59% of the total (Table 4). Compared to previous year, FDI inflows decreased in all these three sectors and decrease rates were 60% for manufacturing, 52% for financial intermediation, and 45% for energy sector.

⁴ 2016 data used in this report is based on Balance of Payments Report published by the Central Bank of the Republic of Turkey released in March 2017. 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 2016

Table 4: FDI Inflows by Sector, 2016 (USD Million)⁶

Rank	Sector	FDI Inflows	(%)
1	Manufacturing	1,711	24.8
2	Finance and Insurance Activities	1,705	24.8
3	Electricity, Gas and Water Supply	740	10.7
4	Wholesale and Retail Trade	602	8.7
5	Transportation and Storage	544	7.9
6	Construction	308	4.5
7	Real Estate, Activities	277	4.0
8	Human Health and Social Services Act.	273	4.0
9	Accommodation and Food Service Activities	235	3.4
10	Mining and Quarrying	216	3.1
	Other	349	5.1
	Total	6.888	100,0

Source: CBRT

In 2016, manufacturing sector held the first place with USD 1.7 billion of FDI inflows. USD 347.3 million capital transfer from UK based Pladis Food Limited in return of acquisition of 21% shares of Ülker Bisküvi Sanayi A.Ş. and USD 113.5 million capital transfer from Japan based Kansai Paint regarding to acquisition of 50% share of Polisan Boya San. ve Tic. A.Ş. were the major transactions took place in the sector.

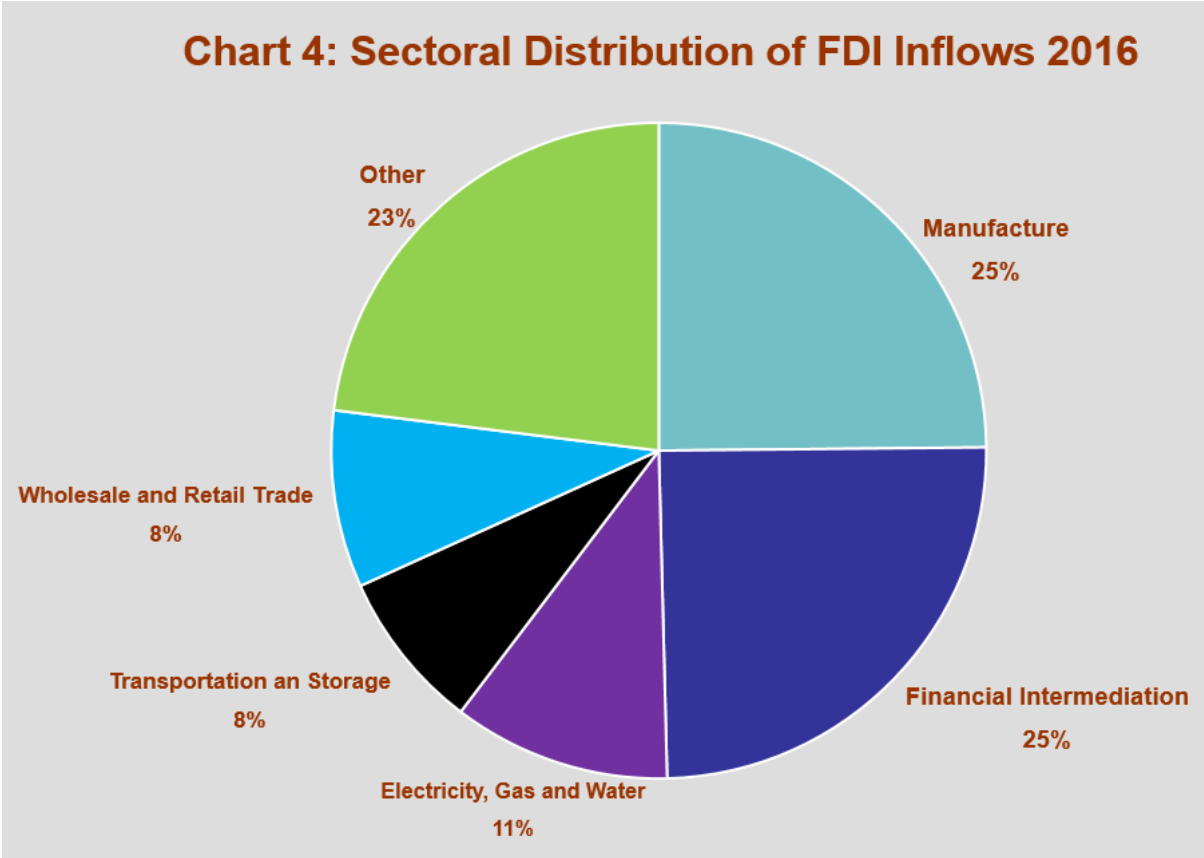
In 2016, manufacturing sector was followed by finance sector. Major transactions were USD 339.3 million transfer from Lebanon, US and UK based shareholders regarding to capital increase in Odea Bank A.Ş., USD 324.2 million transfer from Qatar in return of sale of the remaining shares of Alternatif Bank A.Ş. to Commercial Bank of Qatar and USD 300 million fund transfer from China regarding to establishment of Bank of China Turkey A.Ş.

In 2016, certain amount of transfer from Aruna Servicios Integrales S.L. regarding to establishment of Global Power Enerji San. ve Tic. A.Ş. was the leading transaction in energy sector which was 3rd sector in terms of sectoral FDI inflow in Turkey. Additionally, certain amount of transfer from Austria based OMV Gas & Power regarding to capital increase in OMV Samsun Elektrik Üretim San. ve Tic. and several transfers to Socar Turkey Yatırım A.Ş were other leading transactions in energy sector.

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.

Wholesale and retail trade was another prominent sector in 2016 FDI inflows. Several large capital increase transactions were significant such as capital transfer from Lukoil Europe Holdings to Lukoil Eurasia Petrol A.Ş. and capital transfer from Klöckner Pentaplast GmbH to Klöckner Pentaplast Turkey Ambalaj Maddeleri A.Ş.

In addition, several capital transfers to Tanap Doğalgaz İletim A.Ş. from Azerbaijan based Canub Qaz Dahlizi QSC, Southern Gas Corridor Closed Joint Stock Company and UK based BP International Limited were significant transactions in transportation and storage sector.



Source: CBRT

Table 5: Sectoral Distribution of FDI Inflows, 2007-2016 (USD Million)

Sectors	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Manufacturing	4,131	3,972	1,640	924	3,599	4,519	2,209	2,742	4,225	1,711	29,672
Finance and Insurance Activities	11,717	6,136	817	1,621	5,883	2,084	3,415	1,470	3,516	1,705	38,364
Electricity, Gas and Water Supply	567	1,055	2,153	1,824	4,293	773	1,795	1,131	1,338	740	15,669
Wholesale and Retail Trade	234	2,088	389	435	707	221	379	1,136	598	602	6,789
Transportation and Storage	679	96	230	183	221	130	364	594	1,524	544	4,565
Construction	287	337	209	310	301	1,427	178	232	106	308	3,695
Real Estate, Activities	448	453	210	241	300	174	128	252	171	277	2,654
Human Health and Social Services	176	147	105	112	232	546	106	204	58	273	1,959
Accommodation and Food Service	33	25	55	113	122	16	59	24	11	235	693
Mining and Quarrying	336	145	89	136	146	188	717	382	207	216	2,562
Total	19,137	14,748	6,266	6,256	16,136	10,761	9,890	8,631	12,074	6,888	121,253

Source: CBRT

1.2.3. Foreign Direct Investment Inflows⁷ by Home Country

Table 6: FDI Inflows by Home Country 2015-2016 (USD Million)

2015				2016			
Rank	Country	Capital Inflow	(%)	Rank	Country	Capital Inflow	(%)
1	Spain	2,305	19.1	1	The Netherlands	955	13.9
2	United States	1,619	13.4	2	United Kingdom	950	13.8
3	Luxembourg	1,252	10.4	3	Azerbaijan	652	9.5
4	The Netherlands	1,184	9.8	4	Germany	430	6.2
5	Azerbaijan	839	6.9	5	Spain	409	5.9
6	Belgium	767	6.4	6	United States	390	5.7
7	Russia	747	6.2	7	Qatar	375	5.4
8	United Kingdom	585	4.8	8	Austria	361	5.2
9	China	451	3.7	9	Switzerland	350	5.1
10	Germany	355	2.9	10	Japan	329	4.8
	Total	12,074	100.0		Total	6,888	100.0

Source: CBRT

Source: CBRT

In 2016, the Netherlands, the United Kingdom and Azerbaijan 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

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.

been rising, EU Countries sustained their long lasting dominant share in total. Additionally, closer FDI amount of investor countries in 2016 was outcome of diversified structure of Turkey's FDI pattern which prevents mid-term FDI trend fluctuations.

1.2.4. Foreign Direct Investments in Mergers and Acquisitions ⁸

In 2016, despite the negative conditions in Turkey's nearby region and the nefarious coup attempt, the investment performance was below the economic potential, FDI inflows have exceeded USD 12 billion in 2016, due to the variety of investment advantages. In line with the declining global M&A activities in 2016 due to the economic contraction in many countries and the slowdown in the growth rate in the world, domestic and international investors' interest to Turkey has also decreased compared to the previous year.

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 is parallel with each other in general.

According to the reports, in 2016 M&A volume decreased compared to the previous year on a global scale, on the other hand the number of M&A transactions was similar to the previous year. There are many negative situations in the world such as expectations about the FED's interest rate hike, the drop in growth rate in developing countries, the instability prospect originated from the Brexit process in European Union, the slowdown of economic recovery in developed countries, the political uncertainties in the Middle East, immigrant crisis and so on, affected M&A acquisitions negatively in the world as well as in Turkey.

According to the report published by Ernst & Young, in 2016, both the number and volume of M&A transactions declined significantly. Disclosed M&A transaction number realized as 243 in 2016, total value of M&A transactions decreased to USD 4.6 billion (this value was USD 10.7 billion in 2015). According to the report, the number of transactions which amounted over USD 100 million was 17 (this number was 21 in previous year) while appetite of investments of SMEs continued in 2016. In 2016, total value of transactions is estimated as USD 7 billion which includes both disclosed and

⁸ Resources: Annual Turkish M&A Review 2016, Deloitte Mergers and Acquisitions Report Turkey 2016, Ernst & Young

undisclosed transaction values (this value was USD 15 billion in 2015). On the other hand, according to Deloitte's M&A report, M&A transaction number realized as 248 in 2016, total value of M&A transactions amounted to USD 7.7 billion (this value was USD 16.4 billion in 2015) with the decrease of 53% compared to 2015. Although both reports point out that the value of M&As of foreign and domestic investors declined, it is also said that the amount of undisclosed transactions may cause discrepancies in these values.

According to Ernst & Young's report, in terms of total volume of M&A transactions in 2016, the share of foreign investors (54%) amounting to USD 2.5 billion surpassed the transaction volume of domestic investors amounting to USD 2.1 billion. In terms of the number of transactions in 2016, domestic investors (150 operations) outpaced foreign investors (93 operations). According to Deloitte's report, the transaction volume of M&A transactions of foreign investors was USD 3.8 billion with the share of 49% in 2016 (this value for domestic investors was USD 3.9 billion). In terms of the number of transactions, foreign investors realized 93 transactions with the share of 37% while 155 transactions realized by domestic investors).

In terms of the number of M&A transactions carried out by foreign investors in 2016, EU countries and the United States was dominant as the previous years. According to Ernst & Young's report, in terms of transaction volume; Japan, the United Arab Emirates, Qatar, Canada and Switzerland were the major investor countries respectively, in addition to the United States and European Union countries. In terms of the number of transactions, the States took place on the top with 20 transactions and followed by the United Kingdom (9 transactions) and Japan (8 transactions). On the other hand, in terms of transaction volume in 2016, the United States ranked first with USD 819 million, and South Korea took second place with USD 689 million. In addition, the United Kingdom and Germany were leading European Union investors, and Qatar, Japan and China were leading Asian investor countries. According to Deloitte's report, European and Far Eastern investors with 31% of total transaction volume and North American investors with 20% were at the top of the investors list. In terms of the number of transactions, European investors had 41 transactions, North American and Far Eastern investors had 17 transactions and Gulf countries had 12 transactions. In addition, according to the report, international investments concentrated on technology, internet-mobile service, energy and manufacturing sectors.

Table 7: Top Five Cross-Border M&A Transactions in 2016

Acquired Company	Acquiring Company	Acquired Share (%)	Home Country of the Acquiring Company	FDI (USD Million)
Mars Entertainment	CJ Group, IMM Private Equity	100	South Korean	689
Odeabank	IFC, EBRD, Special Investors	23.6	US, UK, UAE, Lebanon	265
Alternatifbank	Commercial Bank of Qatar	25	Qatar	225
Rönesans Holding	IFC	5.3	US	215
Tab Gıda	Goldman Sachs, EBRD, Credit Suisse	10	US, UK, Switzerland	150
Mado	Venture Capital Bank, Al Sraiya Holding	40	Qatar and Bahrain	150

Source: Ernst&Young, Deloitte

In 2016, the biggest M&A transaction was the sale of Mars Entertainment Group to South Korean based CJ CGV in return of USD 689 million. The major M&A transactions took place predominantly in finance, entertainment, food, manufacturing, construction and energy sectors in 2016.

1.3. Companies with Foreign Capital in Turkey⁹

By the end of 2016 there are 53,156 companies with foreign capital operating in Turkey. 46,478 of them are companies and branch offices with foreign capital, and 6,678 of them are formed by participation of foreign partners to existing domestic companies (Table 8).

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

Year	Company Establishment	Participation	Branch Office	Total
1954-2011 (Accumulated)	23,235	5,272	737	29,244
2012	3,595	569	87	4,251
2013	3,480	205	93	3,778
2014	4,420	205	78	4,703
2015	5,292	222	85	5,599
2016	5,277	205	99	5,581
Total	45,299	6,678	1,179	53,156

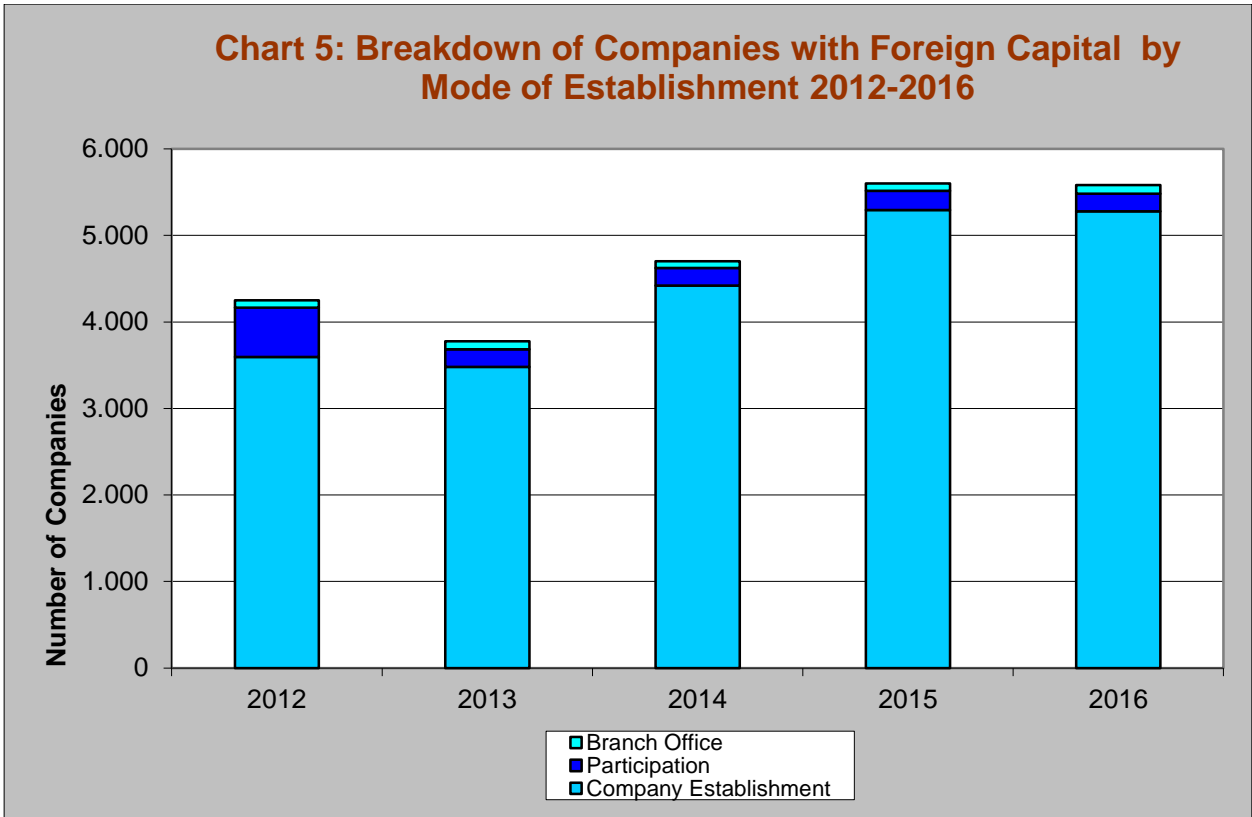
Provisional Data, Source: Ministry of Economy

After the decrease by 11% in 2013 number of companies increased by 24.5% and 19% in the successive two years and reached to highest value of the last five years in 2015. In 2016 this level was sustained by only a 0.3 percent decrease.

By the end of 2016, 79% of the 53,156 companies with foreign capital are limited companies, 18.8% of them are joint stock companies, and the rest 2.2 % are 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.

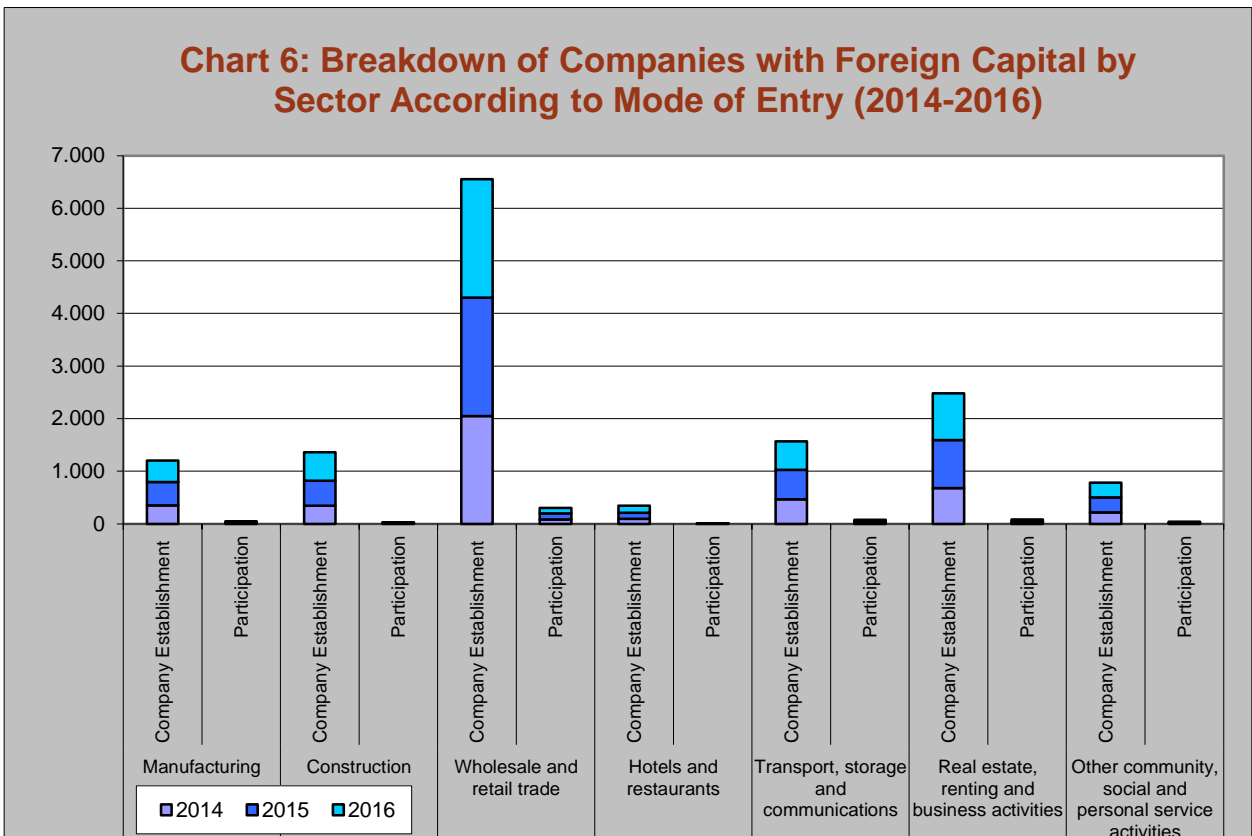
Chart 5: Breakdown of Companies with Foreign Capital by Mode of Establishment 2012-2016



Provisional Data, Source: Ministry of Economy

The average share of the new companies and branch offices between the period of 2012 and 2016 is around 87.4% of the total companies with foreign capital.

Chart 6: Breakdown of Companies with Foreign Capital by Sector According to Mode of Entry (2014-2016)



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 (Graph 6).

1.3.1. Sectoral Breakdown of Companies with Foreign Capital

Of the total 53,156 companies with foreign capital in Turkey by the end of 2016, 19.615 are operating in the wholesale and retail trade 8.625 are in real estate rental and business activities sector, and 6,627 are in manufacturing industry. 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 textiles and manufacture of food products, beverages and tobacco respectively (Table 9).

Table 9: Sectoral Breakdown of Companies with Foreign Capital

Sectors	1954-2011	2012	2013	2014	2015	2016	1954-2016
	(Cumulative)						Total
Agriculture, hunting, fishing and forestry	465	53	39	70	47	82	756
Mining and quarrying	626	19	24	17	26	21	733
Manufacturing	4,711	324	323	382	464	423	6,627
<i>Manufacture of food products, beverages and tobacco</i>	499	20	16	13	15	12	575
<i>Manufacture of textiles</i>	468	19	18	40	64	70	679
<i>Manufacture of chemicals and chemical products</i>	520	37	37	49	36	29	708
<i>Manufacture of machinery and equipment</i>	397	28	28	37	28	23	541
<i>Manufacture of motor vehicles, trailers and semi-trailers</i>	252	12	11	10	20	18	323
<i>Other Manufacturing</i>	2,575	208	213	233	301	271	3,801
Electricity, gas and water supply	666	149	141	141	179	136	1,412
Construction	2,729	335	305	359	492	557	4,777
Wholesale and retail trade	9,123	1,885	1,636	2,169	2,400	2,402	19,615
Hotels and restaurants	1,773	93	83	101	113	136	2,299
Transport, storage and communications	2,666	438	393	505	591	568	5,161
Financial intermediation	318	28	25	12	17	19	419
Real estate, renting and business activities	4,678	693	639	715	963	937	8,625
Other community, social and personal service activities	1,489	234	170	232	307	300	2,732
Total	29,244	4,251	3,778	4,703	5,599	5,581	53,156

Provisional Data, Source: Ministry of Economy

When the sectoral distribution of the companies with foreign capital between the years of 2012-2016 is observed; the sectors of wholesale and retail trade, real estate renting and transport, storage and communications are in the first three places. When the total

number of companies in 2012 and 2016 are compared, the total number of the companies with foreign capital in wholesale and retail trade sector increased by 78.2%. It is followed by 73% in energy and 66% in real estate, rental and business activities (Table 9).

1.3.2. Companies with Foreign Capital by Home Country

In distribution of 53,156 companies with foreign capital by country groups, EU countries ranked first place with a total of 21,751 companies. Among the EU countries; Germany (6,876 companies), the United Kingdom (2,993 companies) and the Netherlands (2,708 companies) ranked first three (Table 10).

Of the 5,581 companies established in 2016, 1,120 have partners from the EU, 3,204 from Near and Middle Eastern and 380 from other Asian countries (Table 10).

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

Countries	1954-2011	2012	2013	2014	2015	2016	1954-2016
	(Cumulative)						Total
EU Countries	15,151	1,536	1,351	1,308	1,285	1,120	21,751
<i>Germany</i>	4,768	483	415	376	434	400	6,876
<i>Netherlands</i>	1,959	173	157	143	151	125	2,708
<i>United Kingdom</i>	2,276	171	163	137	152	94	2,993
<i>Italy</i>	910	107	103	101	91	64	1,376
<i>Other EU Countries</i>	5,238	602	513	551	457	437	7,798
Other European Countries (Except EU)	3,270	418	341	321	351	274	4,975
Africa Countries	606	151	207	306	390	403	2,063
North America	1,407	150	135	112	152	147	2,103
<i>USA</i>	1,194	113	106	92	125	106	1,736
<i>Canada</i>	213	37	29	20	27	41	367
Central and South America, Caribbean	159	18	24	17	23	16	257
Near and Middle East Countries	6,213	1,636	1,372	2,268	2,991	3,204	17,684
Other Asia	2,109	303	317	326	377	380	3,812
<i>China</i>	441	55	71	96	95	84	842
<i>South Korea</i>	184	29	29	25	14	11	292
<i>Other</i>	1,484	219	217	205	268	285	2,678
Other Countries	329	39	31	45	30	37	511
Total	29,244	4,251	3,778	4,703	5,599	5,581	53,156

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 2012 and 2016.

The number of the companies with an equity capital within the range of USD 50,000-200,000 which followed a decreasing trend between 2012 and 2014, saw an increase in 2015 and 2016. 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 decreasing trend between 2012 and 2016.

The share of the companies with a capital higher than USD 500,000 was 3% in 2016 (Table 12).

Table 11: Breakdown of Companies with Foreign Capital by Amount of Equity Capital (2012-2016)

Capital Amount (\$)	2012		2013		2014		2015		2016	
	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	2.009	47.3	2.218	58.7	3.440	73.1	4.201	75.0	4,216	75.5
50.000 - 200.000	1.603	37.7	1.098	29.1	808	17.2	1.001	17.9	1.011	18.1
200.000 - 500.000	258	6.1	202	5.3	241	5.1	190	3.4	185	3.3
>500.000	381	9.0	260	6.9	212	4.5	208	3.7	169	3.0
Total	4.251	100.0	3.778	100.0	4.703	100.0	5.599	100.0	5,581	100.0

Provisional Data, Source: Ministry of Economy

In 2016, 169 companies with an equity capital over USD 500,000, were established. Among these 55 were in the wholesale and retail trade sector, 24 in real estate renting and business activities sector, 17 in the manufacturing industry, 16 in both of the construction and transportation, communication and storage services sectors and 13 in energy sector (Table 12).

Table 12: Breakdown of Companies with Foreign Capital by Sector and Amount of Equity Capital (2015-2016)

Sectors	2015					2016				
	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	33	11	3	0	47	57	17	4	4	82
Mining and Quarrying	14	8	3	1	26	14	2	3	2	21
Manufacturing Industry	312	99	23	30	464	293	92	21	17	423
<i>Food Products, Beverage and Tobacco Manufacturing</i>	11	2		2	15	10	2	0	0	12
<i>Textile Products Manufacturing</i>	41	20	1	2	64	51	16	2	1	70
<i>Chemical Substance and Products Manufacturing</i>	21	7	3	5	36	21	6	1	1	29
<i>Machinery and Equipment Manufacturing</i>	16	7	2	3	28	15	4	2	2	23
<i>Motor Land Vehicle Manufacturing</i>	16	3	1		20	11	6	0	1	18
<i>Other Manufacturing</i>	207	60	16	18	301	185	58	16	12	271
Electricity, Gas and Water	133	12	13	21	179	96	20	7	13	136
Construction	331	118	27	16	492	389	124	28	16	557
Wholesale and Retail Trade	1,765	488	66	81	2,400	1,796	480	71	55	2,402
Hotels and Restaurants	88	20	4	1	113	118	14	2	2	136
Transport, Communication, Storage	471	89	19	12	591	446	90	16	16	568
Activities of Financial Intermediation Organizations	8	2		7	17	7	5	1	6	19
Real-estate Renting and Business Activities	785	123	25	30	963	770	121	22	24	937
Other Communal, Social and Individual Service Activities	261	31	7	9	307	230	46	10	14	300
Total	4,201	1,001	190	208	5,599	4,216	1,011	185	169	5,581

Provisional Data, Source: Ministry of Economy

In 2016, 69 of 169 companies with an equity capital over USD 500,000, were companies with partners from EU countries. Among them the Netherlands was prominent with 18 companies (Table 13).

Table 13: Breakdown of Companies with Foreign Capital by Home Country and Amount of Equity Capital (2015 - 2016)

Country	2015					2016				
	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	987	148	54	96	1,285	882	123	46	69	1,120
<i>Germany</i>	353	52	14	15	434	321	48	14	17	400
<i>Netherlands</i>	99	22	7	23	151	86	18	3	18	125
<i>England</i>	108	22	7	15	152	71	9	7	7	94
<i>Italy</i>	67	9	6	9	91	44	9	6	5	64
<i>Other EU Countries</i>	360	43	20	34	457	360	39	16	22	437
Other European Countries (Except EU Countries)	274	47	13	17	351	218	35	14	7	274
North Africa Countries	266	60	13	3	342	251	62	15	5	333
Other Africa Countries	46	2	0	0	48	58	10	1	1	70
North America	127	14	4	7	152	114	20	6	7	147
<i>USA</i>	105	11	3	6	125	82	14	3	7	106
<i>Canada</i>	22	3	1	1	27	32	6	3	0	41
Central and South America, Caribbean	17	2	2	2	23	9	4	0	3	16
Near and Middle East Countries	2,193	657	88	53	2,991	2,344	718	86	56	3,204
Other Asia	274	67	16	20	377	312	35	17	16	380
Other Countries	17	4	0	9	30	28	4	0	5	37
Total	4,201	1,001	190	207	5,599	4,216	1,011	185	169	5,581

Provisional Data, Source: Ministry of Economy

1.3.4. Geographical Distribution of Companies with Foreign Capital

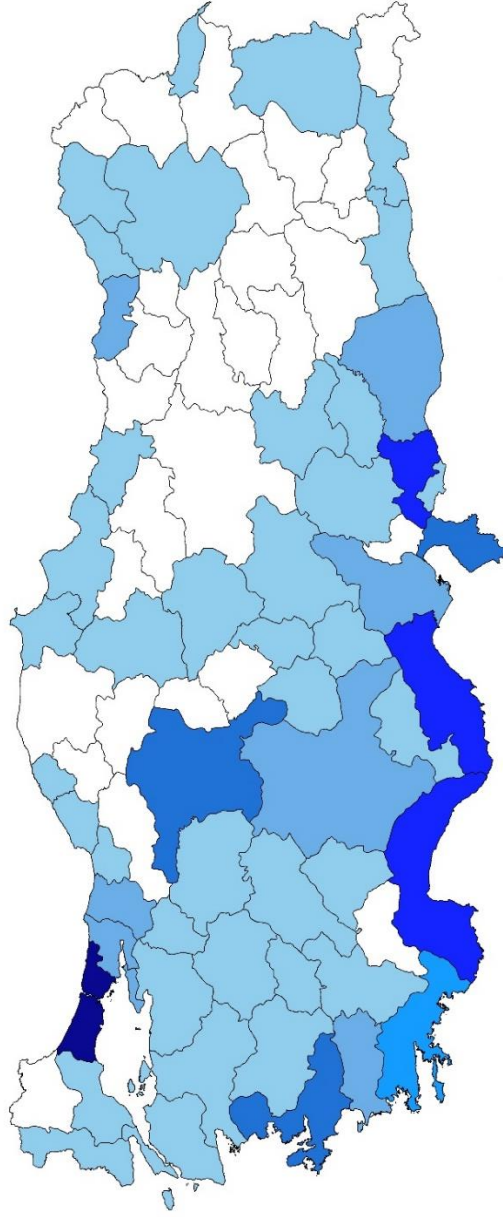
According to the distribution of 53,156 companies with foreign capital by their province of establishment, İstanbul ranked first with 32,311 companies. Following cities are Antalya with 4,936, Ankara with 2,683 and İzmir with 2,931 companies (Table 14).

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

City	Number of Companies (1954-2016)	(%)	Number of Companies (2016)	(%)
İstanbul	32,311	60,8	3,502	62,7
Antalya	4,936	9,3	274	4,9
Ankara	2,931	5,5	225	4,0
İzmir	2,418	4,5	175	3,1
Muğla	1,709	3,2	340	6,1
Mersin	1,613	3,0	53	0,9
Gaziantep	1,180	2,2	330	5,9
Bursa	726	1,4	211	3,8
Aydin	674	1,3	18	0,3
Hatay	653	1,2	42	0,8
Other Provinces	4,005	7,5	411	7,4
TOTAL	53,156	100	5,581	100

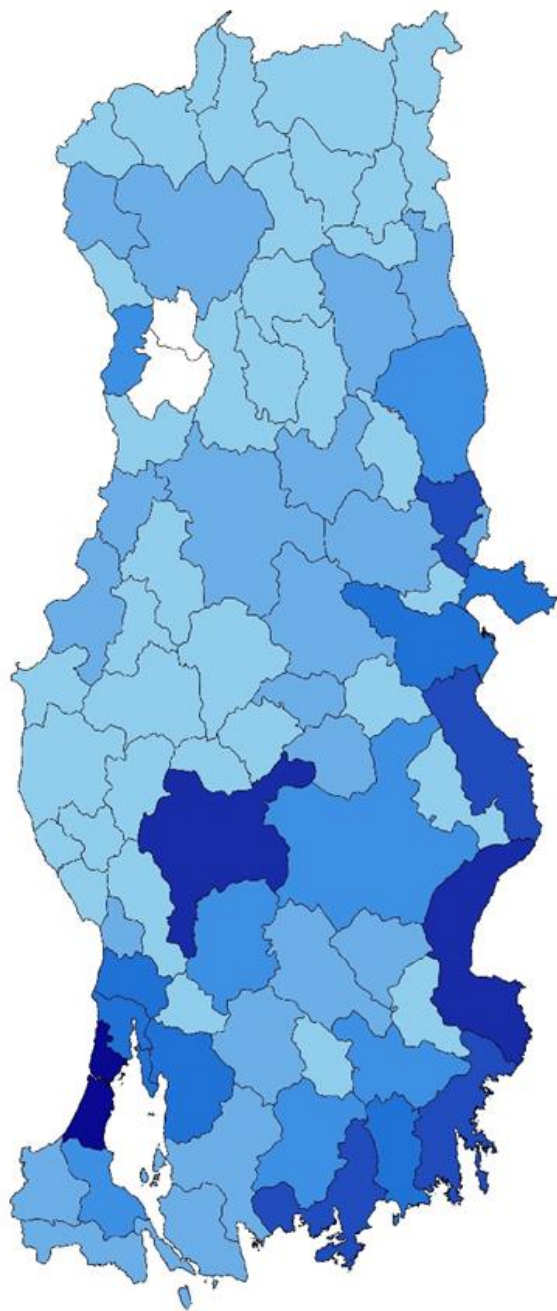
Provisional Data, Source: Ministry of Economy

Map 1: Breakdown of Companies with Foreign Capital by Province of Establishment (2016)



Number of Companies	
≥Minimum	<Maximum
0	0
1	25
26	50
51	100
101	250
251	1000
1001	2000
2001	∞

Map 2: Breakdown of Companies with Foreign Capital by Province of Establishment (1954-2016)



Number of Companies	
≥Minimum	<Maximum
0	0
1	25
26	100
101	250
251	1000
1001	2500
2501	5000
5001	∞

Provisional Data, Source: Ministry of Economy

In the province of İstanbul where 62.7% of 53,156 companies with foreign capital are operating, the fields that the companies with foreign capital mostly focus on are wholesale and retail trade, real estate rental and business activities and manufacturing industry sectors (Table 15).

Table 15: Breakdown of Companies with Foreign Capital by Sector and Province of Establishment (1954-2016)

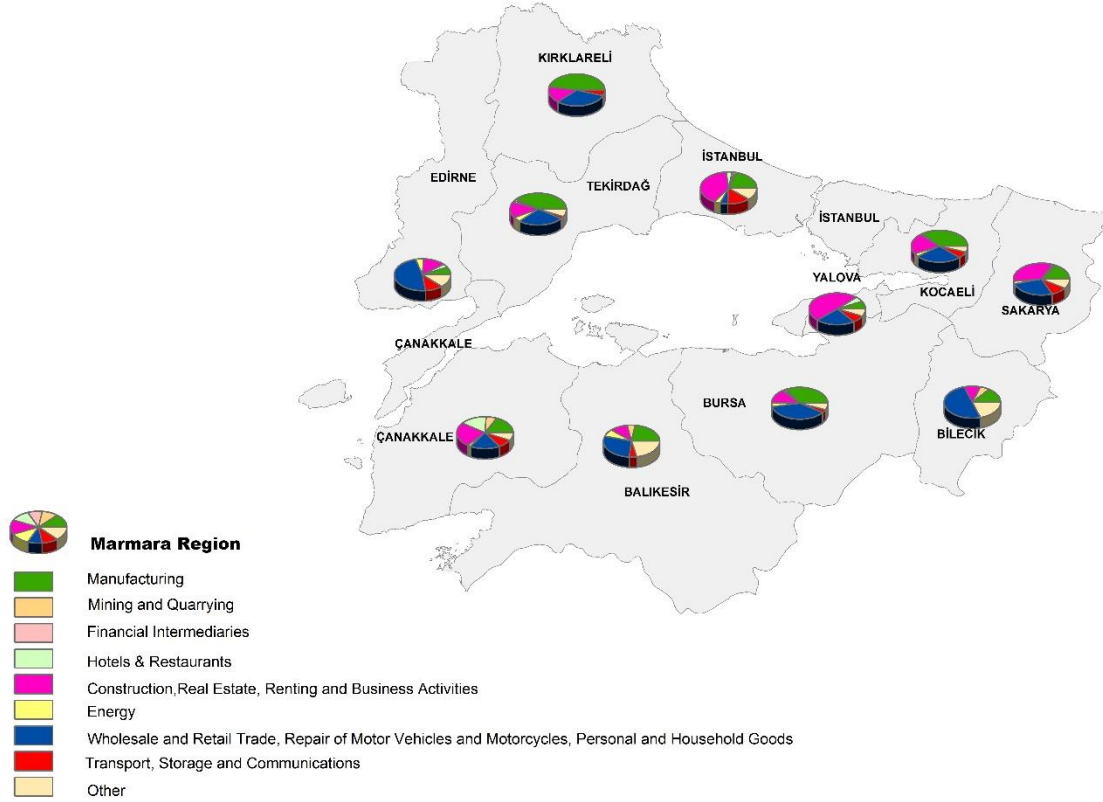
Sectors	Istanbul	Antalya	Ankara	Izmir	Muğla
Agriculture, hunting, fishing and forestry	227	135	32	87	46
Mining and quarrying	321	34	131	62	20
Manufacturing	4,019	288	341	448	163
<i>Manufacture of food products, beverages and tobacco</i>	281	60	28	39	25
<i>Manufacture of textiles</i>	472	29	11	8	13
<i>Manufacture of chemicals and chemical products</i>	478	38	25	29	19
<i>Manufacture of machinery and equipment n.e.c.</i>	326	45	39	13	13
<i>Manufacture of motor vehicles, trailers and semi-trailers</i>	136	21	11	2	10
<i>Other Manufacturing</i>	2,326	255	227	197	83
Electricity, gas and water supply	840	69	236	94	14
Construction	2,412	766	318	181	135
Wholesale and retail trade	12,479	1,022	896	874	953
Hotels and restaurants	957	647	90	82	34
Transport, storage and communications	3,314	646	153	182	178
Financial intermediation	361	10	16	11	0
Real estate, renting and business activities	5,504	1,077	482	285	136
Other community, social and personal service activities	1,877	242	236	112	30
Total	32,311	4,936	2,931	2,418	1,709

Provisional Data, Source: Ministry of Economy

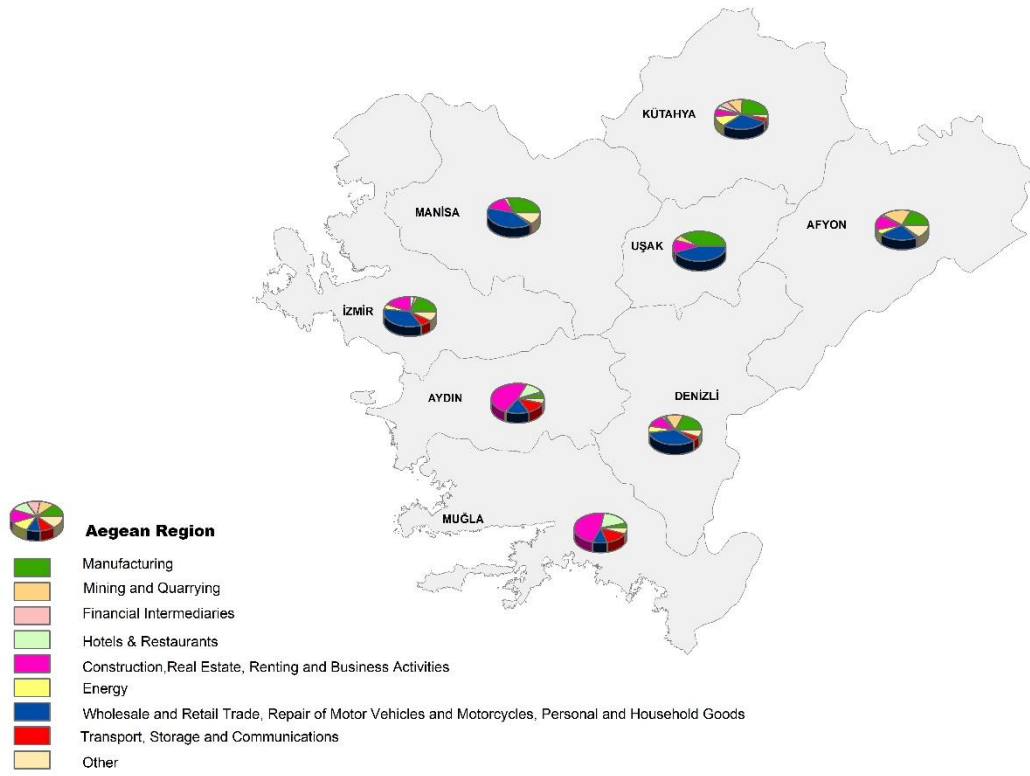
65% of the 53,156 companies with foreign capital in Turkey operate in Marmara region, 15.1% of them in Mediterranean, 10% in Aegean region, 6.7% of them in Central Anatolia and remaining 3.7% in other regions. The wholesale and retail trade, manufacturing industry, real estate renting and business activities 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

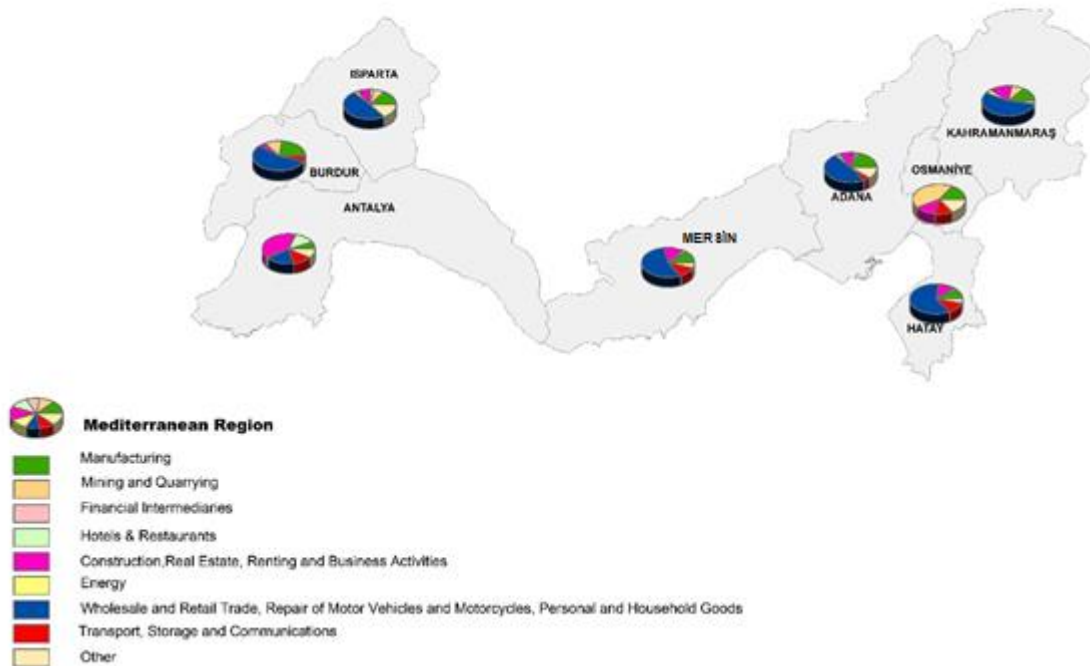
Map 3: Marmara Region



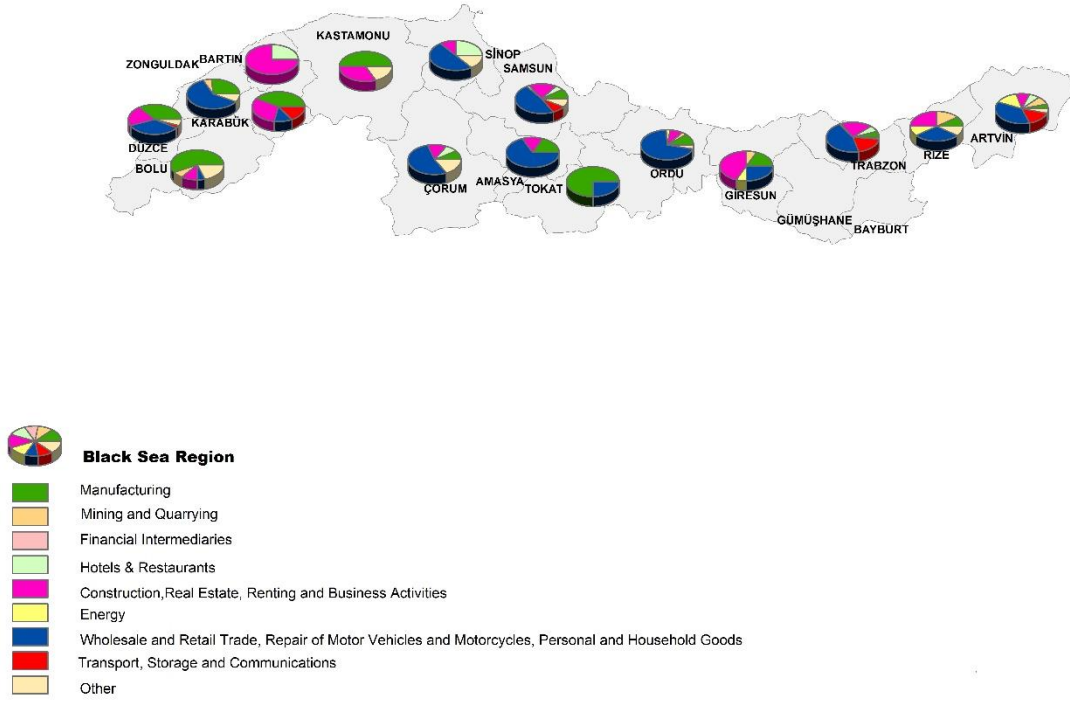
Map 4: Aegean Region



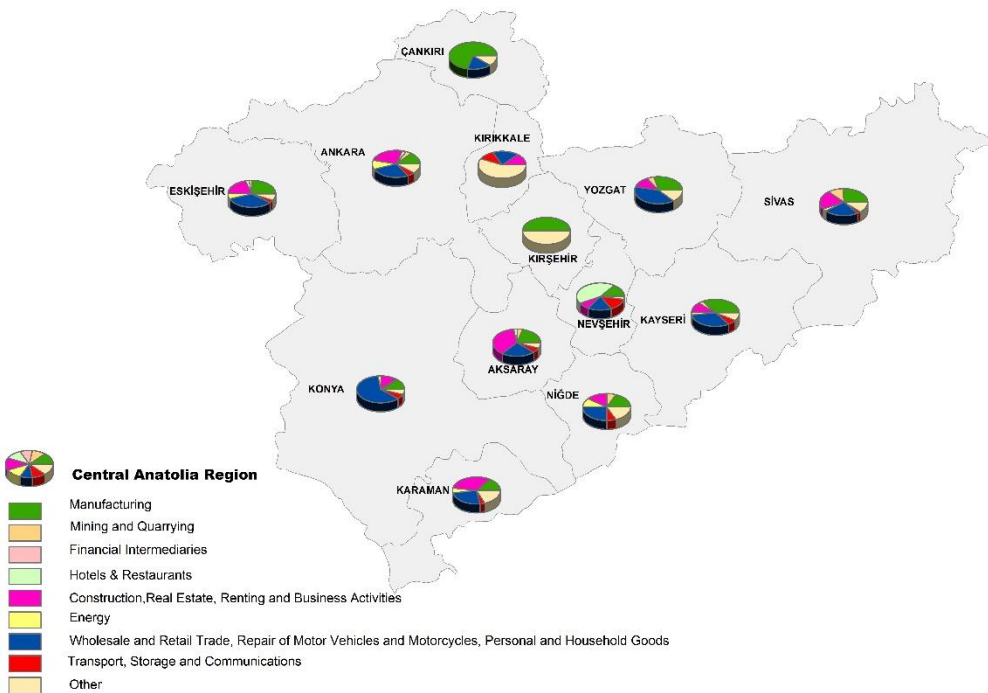
Map 5: Mediterranean Region



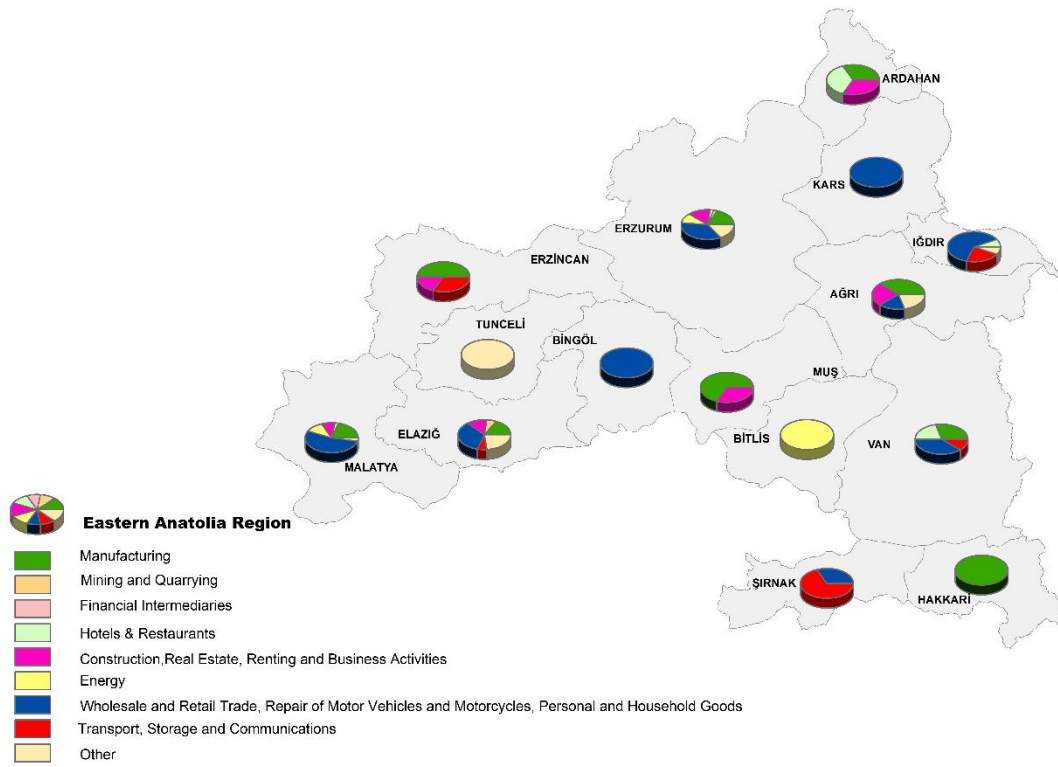
Map 6: Black Sea Region



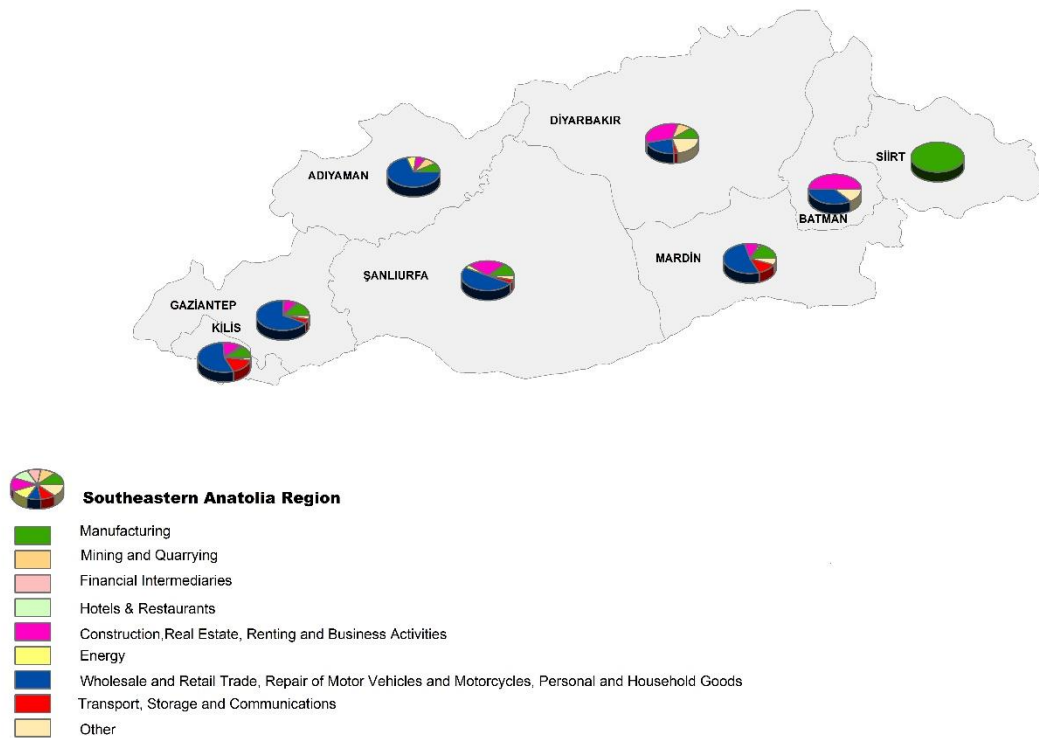
Map 7: Central Anatolia Region



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 2012-2016, a total amount of USD 40.4 billion was registered for investment with 1,159 projects started by companies with foreign capital. 229 investment certificates were issued for the projects to be carried out by these companies in 2016. The estimated investment amount regarding these projects was USD 10.2 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)
2012	109	1,726	81	2,513	33	262	223	4,501
2013	99	3,907	75	977	57	2,932	231	7,817
2014	116	3,345	89	1,937	47	227	252	5,509
2015	103	10,080	78	2,031	43	286	224	12,397
2016	125	2,440	65	7,326	39	416	229	10,183
Total	552	21,498	388	14,784	219	4,124	1,159	40,407

Source: Ministry of Economy

a) Modernization, Product Diversification, Integration

54.6% of the 229 projects initiated in 2016 were greenfield projects in production and services sectors, 28.4% were expansion, 17% were modernization, product diversification and integration projects. USD 2.4 billion investment amount registered for the 125 greenfield investment projects makes up 24%, USD 7.3 billion for the 65 expansion investments makes up 72% and USD 416 million for the 39 modernization, product diversification and integration investment projects makes up 4% of the total investment amount. The greenfield projects corresponded to approximately 48% of the projects initiated in the last 5 years in numbers, and they had a share of 53% in the total investment amount.

In the sectoral distribution of the projects launched by the companies with foreign capital in terms of total investment transport, storage and communications sector had predominant place with USD 6.6 billion investment amount corresponding to a share of 65% (Table 17). In the industry, Pegasus Hava Taşımacılığı A.Ş.'s project with value of USD 6.1 billion was the leading one.

Energy sector which was in the second place had USD 1.7 billion investment amount and a share of 16.6%. The leading projects in 2016 in this investment amount were

investment projects of Emba Elektrik Üretim A.Ş. with USD 1.2 billion in total and Verbena Enerji San. ve Tic. A.Ş.'s USD 451 million.

In 2016, automotive sector followed the energy with a share of 8.9%. Bosch San.ve Tic. A.Ş.'s USD 405 million project and Ford Otomotiv Sanayi A.Ş.'s USD 280 million project were the significant projects in the sector.

Besides, Gaziantep Hastane Sağ. Hiz. İřlt. Yat. A.Ş.'s USD 87 million project in health sector, Frito Lay Gıda San. ve Tic. A.Ş.'s USD 60 million project in the food manufacturing and KRK Trading International Group Dıř Ticaret İthalat İhracat Ltd. řti.'s project with USD 56 million in the manufacturing of solar energy modules were the other important projects.

Since 2012 the projects initiated in manufacturing and energy production industries have accounted for an important part of total investment value. In last five years, these sectors' average investment amount was about USD 2.7 billion (Table 18).

Table 17: Sectoral Distribution of the Investment Projects of Companies with Foreign Capital in 2016

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	3	8	0	0	0	0	3	8	1.31	0.08
MINING	2	3	1	1	0	0	3	4	1.31	0.04
Metal Ore Mining	2	3	1	1	0	0	3	4	1.31	0.04
MANUFACTURING INDUSTRY	76	579	58	674	32	364	166	1,616	72.49	15.87
Food and Beverages	18	120	8	42	8	13	34	176	14.85	1.72
Textile	3	6	2	14	1	2	6	21	2.62	0.21
Chemistry	7	76	0	0	2	2	9	78	3.93	0.77
Machinery and Equipment Manufacturing	12	113	7	14	2	20	21	147	9.17	1.44
Electrical Machinery and Devices Manufacturing	2	2	3	33	0	0	5	35	2.18	0.34
Motor Land Vehicle. Trailer and Semi-trailer Manufacturing	3	155	15	460	4	295	22	910	9.61	8.94
Main Metal Industry	0	0	2	2	1	2	3	4	1.31	0.04
Metal Goods Industry	3	7	5	23	3	1	11	32	4.80	0.31
Paper and Paper Products Manufacturing	3	11	4	19	3	9	10	39	4.37	0.39
Plastic and Rubber Products Manufacturing	7	16	7	14	6	14	20	44	8.73	0.43
Manufacturing of Non-Metal Other Substances	2	4	1	4	1	3	4	11	1.75	0.11
Recycling the Scissel and Salvage	3	2	0	0	0	0	3	2	1.31	0.02
Other Manufacturing	13	67	4	49	1	2	18	117	7.86	1.15
ELECTRICTY. GAS AND WATER	28	1,661	2	25	0	0	30	1,686	13.10	16.56
HOTELS AND RESTAURANTS	5	54	0	0	4	15	9	69	3.93	0.68
TRANSPORTATION. COMMUNICATION AND STORAGE OPERATIONS	5	15	4	6,626	0	0	9	6,641	3.93	65.22
Supportive and Assisting Transportation Activities	3	7	1	20	0	0	4	26	1.75	0.26
Air transport	0	0	1	6,117	0	0	1	6,117	0.44	60.07
Telecommunication	1	0	2	490	0	0	3	490	1.31	4.82
Water transport	1	8	0	0	0	0	1	8	0.44	0.08
REAL-ESTATE. RENTAL AND WORKING ACTIVITIES	3	31	0	0	0	0	3	31	1.31	0.31
HEALTH	1	87	0	0	3	37	4	124	1.75	1.22
OTHER SERVICE ACTIVITIES	2	2	0	0	0	0	2	2	0.87	0.02
TOTAL	125	2,440	65	7,326	39	416	229	10,183	100.00	100.00

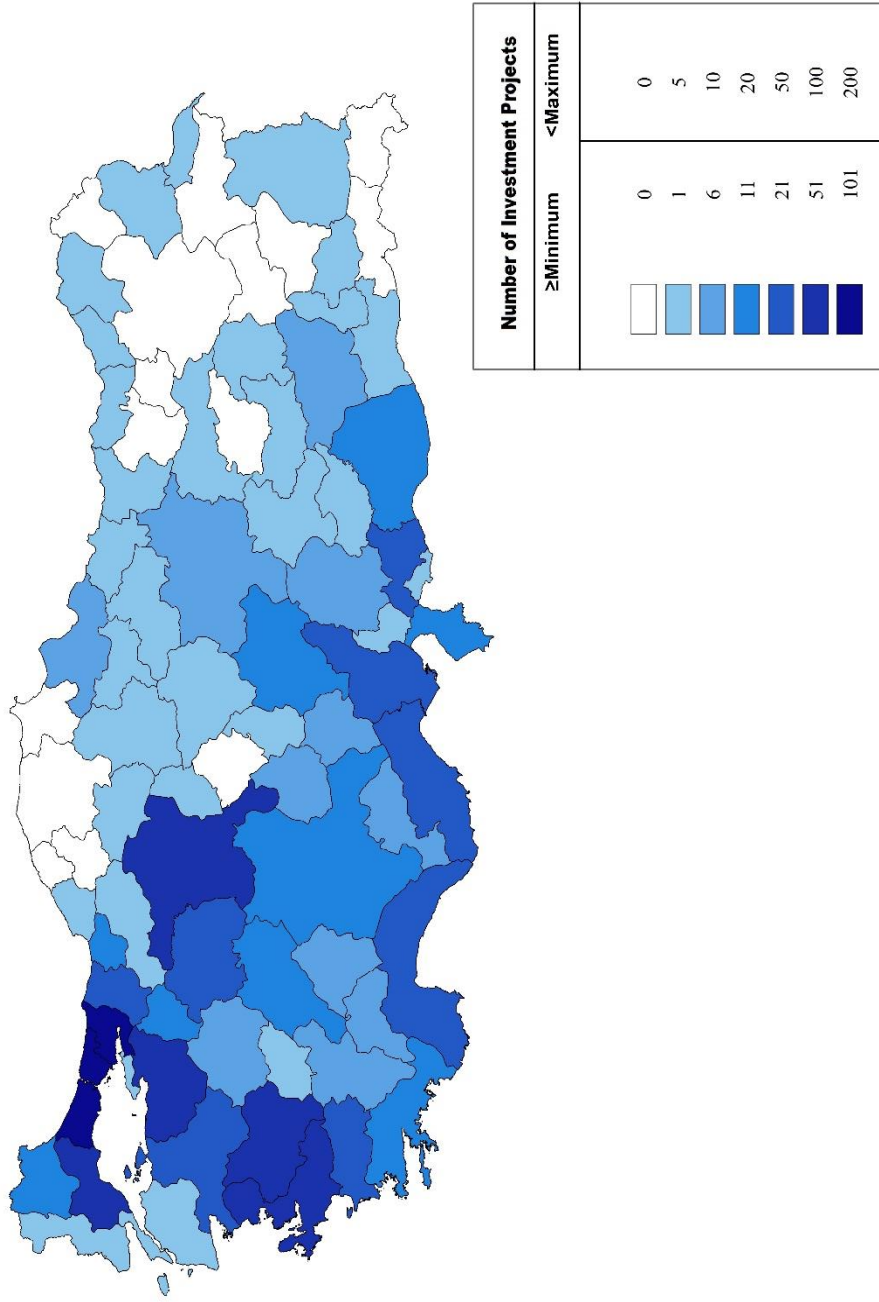
Source: : Ministry of Economy

Table 18: Sectoral Distribution of the Investment Projects of Foreign-owned Companies with Investment Certificates between 2012 and 2016

Sectors	2012		2013		2014		2015		2016	
	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	166	11	5	28	5	12	5	26	3	8
Mining	9	176	14	33	9	85	6	655	3	4
Manufacturing Industry	157	2,743	178	5,139	191	2,266	160	1,897	166	1,616
Electricity, Gas and Water	9	793	8	1,297	11	899	17	8,821	30	1,686
Hotels and Restaurants	9	124	11	84	17	228	12	92	9	69
Transportation, Communication and Storage Activities	23	608	7	121	9	960	8	163	9	6,641
Education Services	1	1	1	1	0	0	2	2	0	0
Real Estate, Rental and Working Activities	4	6	2	2	1	1	3	233	3	31
Health	4	23	4	782	8	1,049	9	501	4	124
Other Service Activities	0	17	1	330	1	10	2	7	2	2
Total	223	4,501	231	7,817	252	5,509	224	12,397	229	10,183

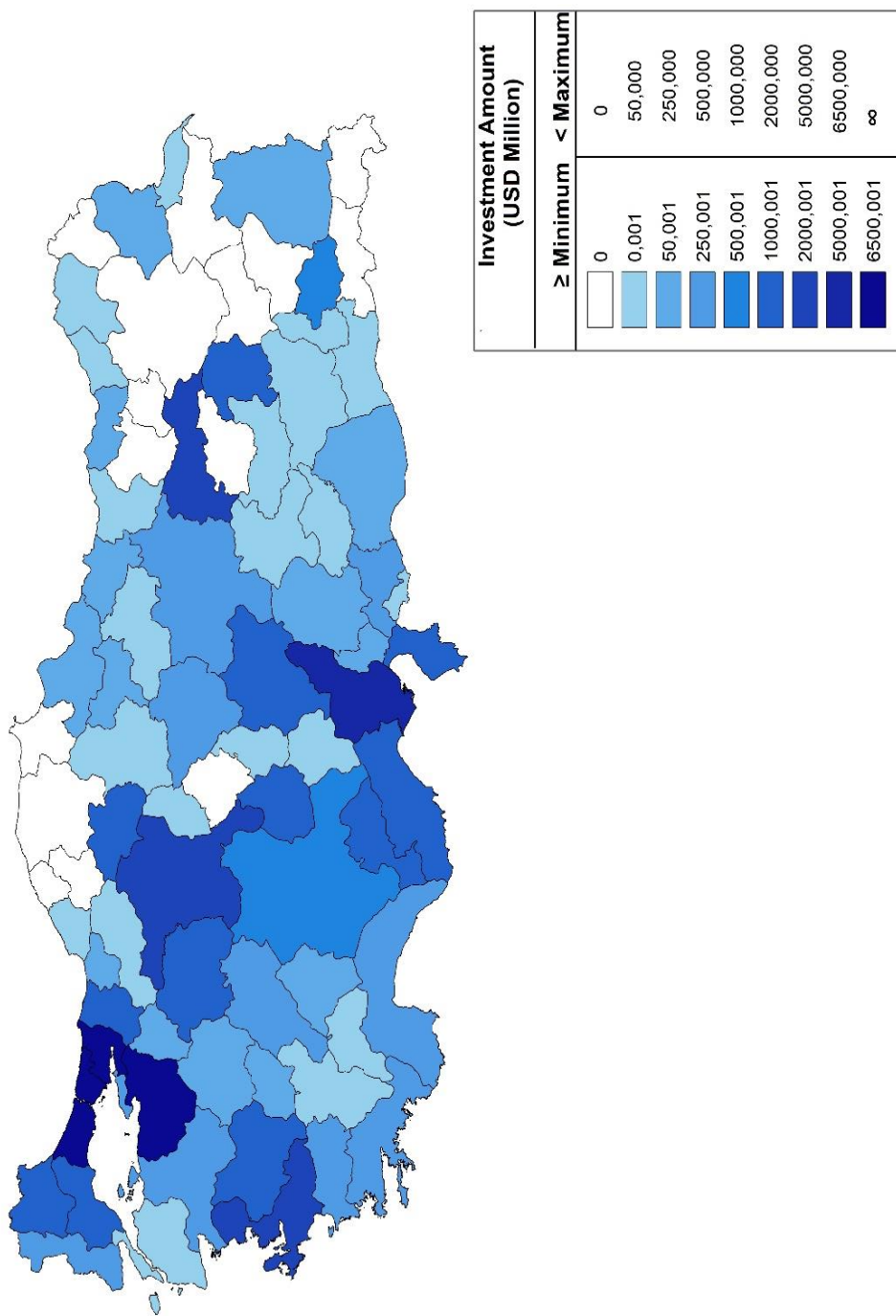
Source: Ministry of Economy

Map 10: The Distribution of Investment Projects by Province (2012-2016)



Source: Ministry of Economy

Map 11: The Distribution of Investment Amount of Investment Projects by Province (2012-2016)



Source: Ministry of Economy

The provincial distribution of the investment amount of the projects launched in 2016 reveals that İstanbul and Adana took the top two places with investments in air transport and energy sector respectively.

İstanbul with USD 7.7 billion was in the first place in terms of investment amount in 2012-2016. The provinces of Kocaeli (USD 3.7 billion) and Bursa (USD 3.4 billion) followed İstanbul.

Table 19: Distribution of Investment Projects of Companies with Foreign Capital by Province 2012-2016 (USD Million)

Province	2012	2013	2014	2015	2016	2012-2016
İSTANBUL	209	459	447	397	6,228	7,740
KOCAELİ	836	1,106	769	423	561	3,696
BURSA	964	1,739	221	71	444	3,439
ADANA	298	14	6	397	1,210	1,925
ANKARA	49	94	1,191	16	57	1,407
ERZİNCAN	115	2	473	490	32	1,112
İZMİR	218	124	130	393	67	932
SAKARYA	178	39	554	51	17	839
HATAY	894	0	45	15	1	954
MANİSA	156	67	81	193	172	669
TEKİRDAĞ	56	456	57	134	41	744
KARAMAN	15	749	2	10	3	778
AKSARAY	0	73	242	303	2	619
KIRKLARELİ	10	2	23	1	459	496
KAYSERİ	18	485	6	87	2	598
ESKİŞEHİR	76	201	189	9	62	536
ÇANKIRI	0	492	1	0	60	554
MERSİN	38	281	170	26	11	526
BİNGÖL	0	550	0	0	0	550
SİİRT	0	20	353	0	0	374

Source: Ministry of Economy

The provincial distribution of the total number of the investment projects launched between 2012-2016 exhibits that İstanbul (142) and Kocaeli (130) took the top two places. İzmir (85 projects) and Bursa (87 projects) followed them (Table 20).

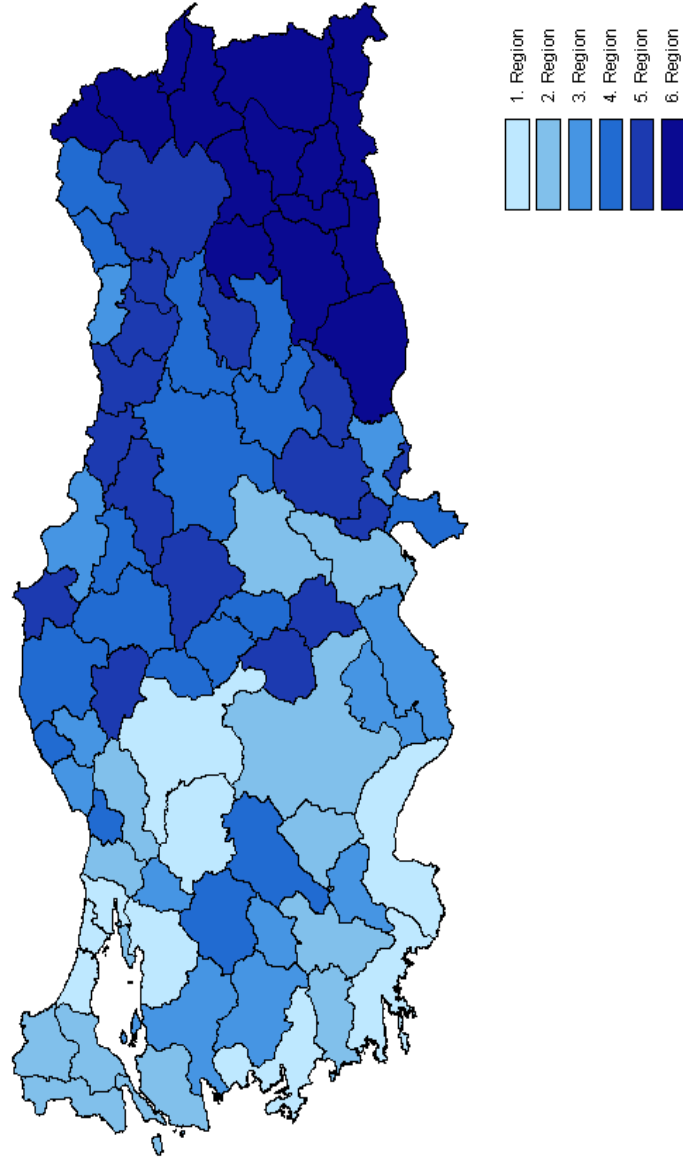
Table 20: Distribution of Investment Projects of Companies with Foreign Capital by Province 2012-2016 (Number of Projects)

Provinces	2012	2013	2014	2015	2016	2012-2016
İSTANBUL	30	24	28	22	38	142
KOCAELİ	34	19	29	22	26	130
İZMİR	12	21	23	19	10	85
BURSA	18	16	23	15	11	83
ANKARA	12	11	11	11	11	56
TEKİRDAĞ	12	12	11	12	9	56
MANİSA	9	11	15	8	11	54
GAZİANTEP	3	4	11	14	10	42
ADANA	5	6	3	7	13	34
MERSİN	6	4	8	7	9	34
ANTALYA	6	7	8	4	8	33
AYDIN	5	3	5	7	6	26
SAKARYA	3	4	9	4	5	25
BALIKESİR	4	5	3	5	6	23
ESKİŞEHİR	5	6	4	2	4	21
MUĞLA	5	1	6	4	4	20
KONYA	2	2	5	8	2	19
DÜZCE	2	8	3	2	2	17
HATAY	8	0	3	3	1	15
ŞANLIURFA	3	3	4	1	4	15

Source: Ministry of Economy

Analysis of the number of projects and the investment amounts in 2016 for the framework of regional and sectoral investment encouragement schemes indicates that the projects were mostly concentrated in the first region where the FDI companies heavily operate (Chart 7-8).

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



Source: Ministry of Economy

Chart 7: Distribution of the Number of the Projects in 2016 by Region

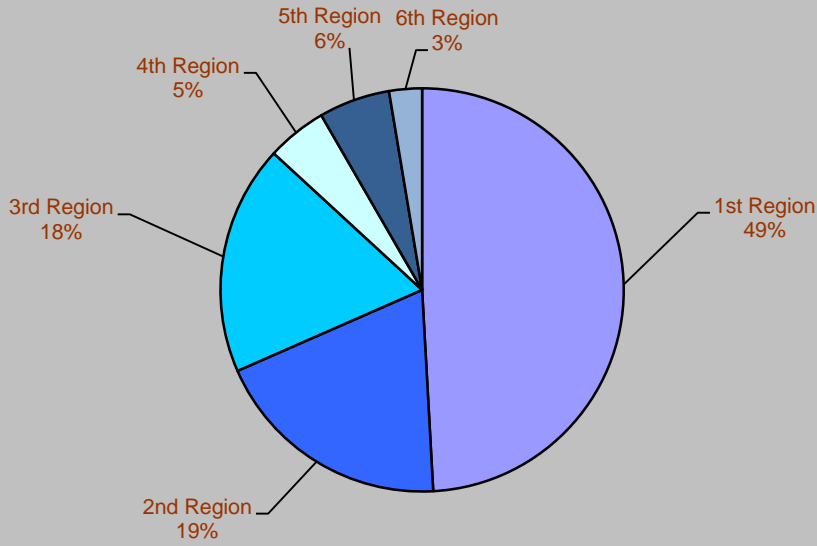
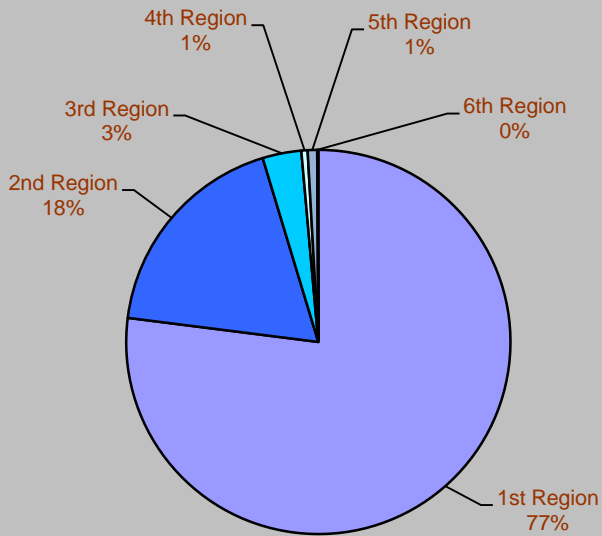


Chart 8: Distribution of the Investment Amount of the Projects in 2016 by Region



Source: Ministry of Economy

USD 2.4 billion of USD 10.2 billion total investment benefited from the encouragement measures of the general scheme, while total investment amount of USD 76 million was supported within the scheme of large scale projects and USD 7.7 billion benefited from the regional scheme (Table 21).

Table 21: Distribution of Investment Projects by Schemes of Incentive Category in 2016 (Million USD)

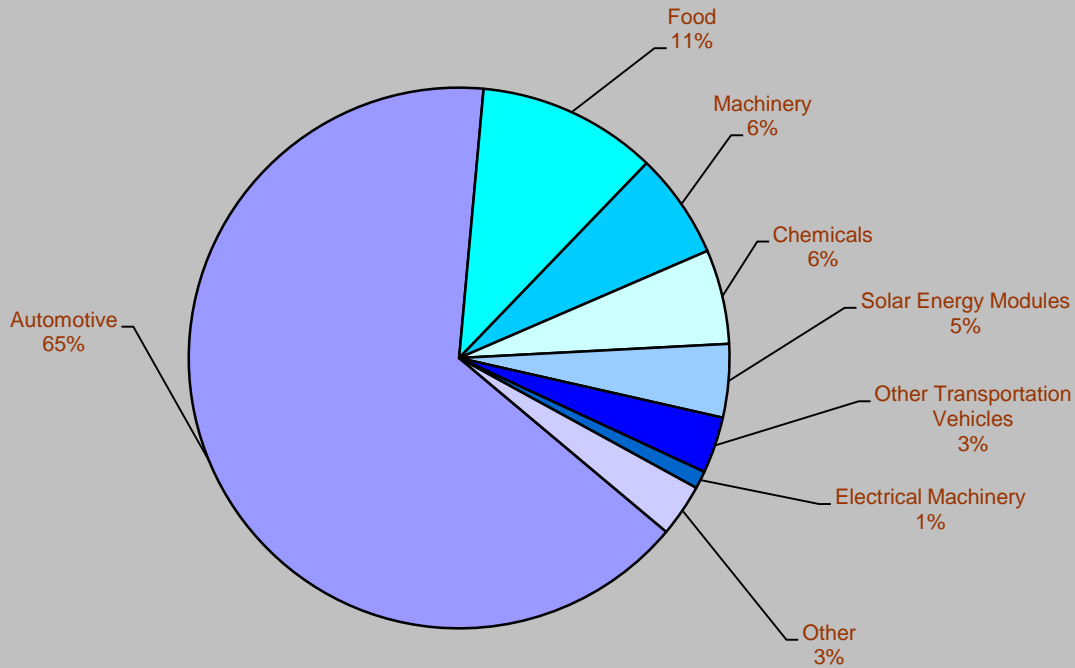
Support Class	Regional		Large Scale		General		Total	
	Number	Investment Amount	Number	Investment Amount	Number	Investment Amount	Number	Investment Amount
Energy	3	1	0	0	29	1,683	30	1,686
Services	6,331	20	0	0	11	540	31	6,871
Manufacturing	1,386	94	76	2	69	160	165	1,622
Mining	4	3	0	0	0	0	3	4
Total	7,725	118	76	2	109	2,382	229	10,183

Source: Ministry of Economy

A significant part of the investments that benefit from general scheme was in the energy sector in 2016. Services sector among the investments benefited from the regional scheme and manufacturing sector among the investments benefited from the scheme of large scale projects took the first place.

When the services sector benefiting from the Regional and Sectoral Scheme is reviewed, air transport sector had an important place with a total amount of USD 6.1 billion. In the manufacturing sector, the automotive industry ranked first with an investment amount of USD 541 million and a share of 65% (Chart 9). Plastic sector with a share of 11% and manufacture of food products, beverages and tobacco sector and machinery sector followed with an equal share of 6%.

Chart 9: Distribution of Manufacturing Sector Investments Benefited from the Regional and Sectoral Scheme in 2016



Source: Ministry of Economy

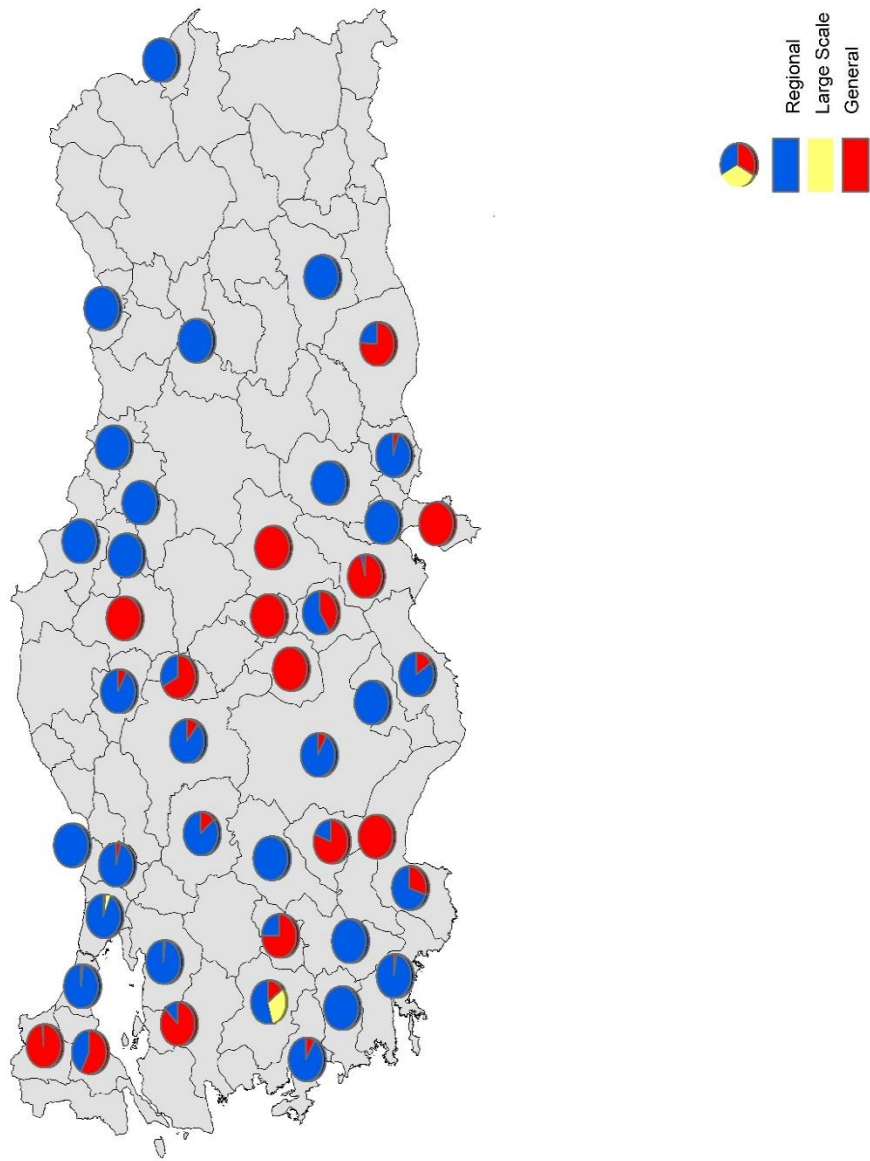
In 2016, 229 investment certificates were issued for a total investment amount of USD 10.2 billion. 14 of these certificates had individual investment values over USD 30 million and their total investment value amounts to USD 9.4 billion. According to sectoral distribution of these 14 projects, services sector had the leading position according to investment amount and manufacturing sector has the lead according to number of projects (Table 22).

Table 22: Distribution of Investment Projects Larger Than USD 30 Million in 2016

Support Class	Regional		Large Scale		General		Total	
	Number	Investment Amount	Number	Investment Amount	Number	Investment Amount	Number	Investment Amount
Energy	0	0	0	0	2	1,608	2	1,608
Services	3	6,240	0	0	1	490	4	6,730
Manufacturing	7	1,026	1	55	0	0	8	1,081
Total	10	7,266	1	55	3	2,097	14	9,419

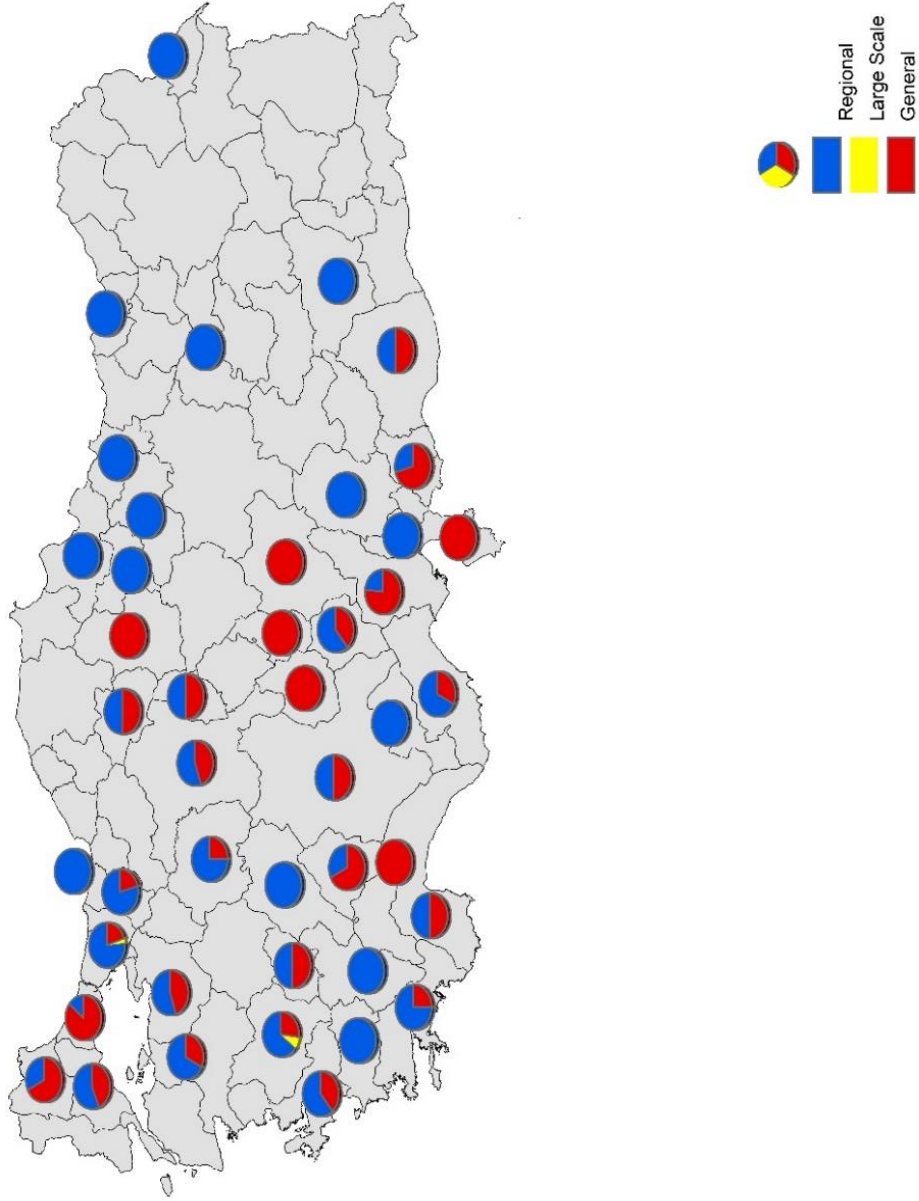
Source: Ministry of Economy

Map 13: Geographical Distribution of Investment Projects in 2016 by Category of State Aid for Investment Schemes (USD Million)



Source: Ministry of Economy

Map 14: Geographical Distribution of Investment Projects in 2016 by Category of State Aid for Investment Schemes (Number of Projects)



2. INVESTOR COUNTRIES IN TURKEY

In terms of global FDI flows to Turkey during the previous decade (2007-2016), the Netherlands ranked first with USD 15.9 billion, followed by the United States (USD 10.2 billion), Luxembourg (USD 8.7 billion), Austria (USD 8.6 billion) and the United Kingdom (USD 8.5 billion).

In 2016, top ten countries in terms of FDI inflows¹⁰ ranked as the Netherlands, the United Kingdom, Azerbaijan, Germany, Spain, the United States, Qatar, Austria, Switzerland and Japan. The Netherlands, the United Kingdom, Azerbaijan, Germany, Spain, the United States and Austria have taken place among the top 10 investor countries in 2016, as well as in the total FDI inflows in the last decade. Likewise, eight out of top ten investor countries were the EU countries in 2007 – 2016 period.

**Table 23: FDI in Turkey in 2016
(USD Million)**

Rank	Country	Capital	(%)
1	Netherlands	955	13.9
2	United Kingdom	950	13.8
3	Azerbaijan	652	9.5
4	Germany	430	6.2
5	Spain	409	5.9
6	United States	390	5.7
7	Qatar	375	5.4
8	Austria	361	5.2
9	Switzerland	350	5.1
10	Japan	329	4.8
	Other	1,687	24.5
	Total	6,888	100

Source: CBRT

**Table 24: FDI in Turkey in 2007-2016
(USD Million)**

Rank	Country	Capital	(%)
1	Netherlands	15,872	14.3
2	United States	10,172	9.2
3	Luxembourg	8,695	7.8
4	Austria	8,636	7.8
5	United Kingdom	8,469	7.6
6	Germany	7,801	7.0
7	Spain	7,509	6.8
8	Azerbaijan	4,891	4.4
9	France	4,127	3.7
10	Greece	4,003	3.6
	Other	30,612	27.6
	Total	110,787	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.

In addition, while Azerbaijan (especially investments carried out by Azerbaijan Republic State Petroleum Corporation Socar since 2011) and Japan (especially investments realized in finance, energy and manufacturing sectors since 2010) were outstanding countries in 2016. Gulf based FDI flows to Turkey, especially to wholesale-retail, finance and entertainment sectors from Qatar, demonstrated the increasing interest of Asian countries in recent years. Along with the United States and EU countries, FDI flows from Asian countries have proven that Turkey has attracted investments from different regions all over the world in recent years.

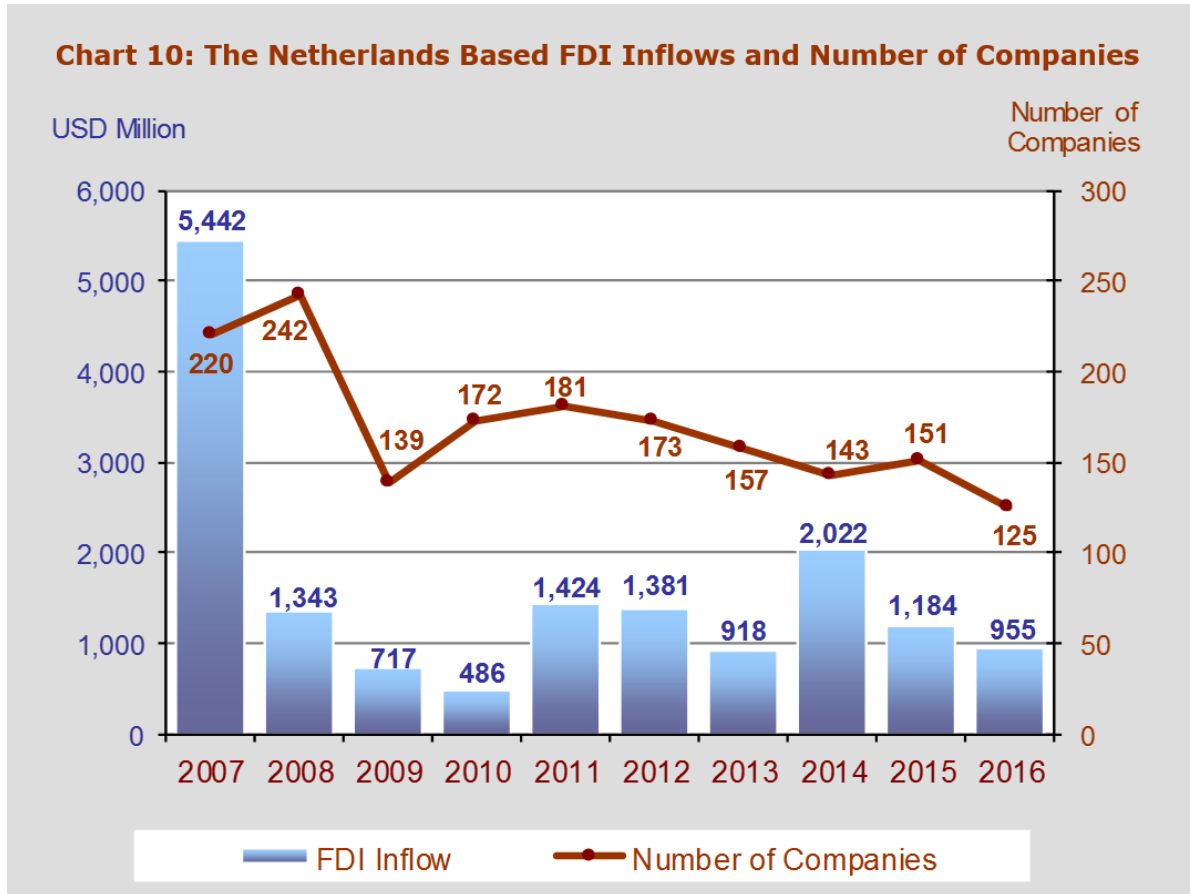
Table 25: FDI and Number of Companies for Countries in Top 10

Rank	Country	Number of Companies in Turkey*	FDI in Turkey** (2016) (USD Million)	Global FDI Outflows*** (2016) (USD Million)
1	Netherlands	2,708	955	173,658
2	United Kingdom	2,993	950	-12,614
3	Azerbaijan	1,974	652	2,574
4	Germany	6,876	430	34,558
5	Spain	653	409	41,789
6	United States	1,736	390	299,003
7	Qatar	112	375	7,902
8	Austria	873	361	-2,208
9	Switzerland	831	350	30,648
10	Japan	217	329	145,242

Sources: Ministry of Economy, CBRT and WIR (2017)

The Netherlands

FDI flows from **the Netherlands** to Turkey has been as high as in recent years and reached USD 955 million in 2016, which is close to the threshold of USD 1 billion. Thanks to this remarkable amount of FDI, **the Netherlands** took **the first place** in 2016 like in 2006, 2007 and 2014.



Source: Ministry of Economy, CBRT

In 2016, USD 307 million transfer regarding to capital increase by Lukoil Europe Holdings B.V. to Lukoil Euroasia Petrol A.Ş. and USD 211 million transfer regarding to capital increase by Fiba Capital Investments B.V. to Fiba Sağlık Yatırımları A.Ş. were the most important transactions. In addition, various M&A and capital increase transactions took an important place in FDI flows from the Netherlands.

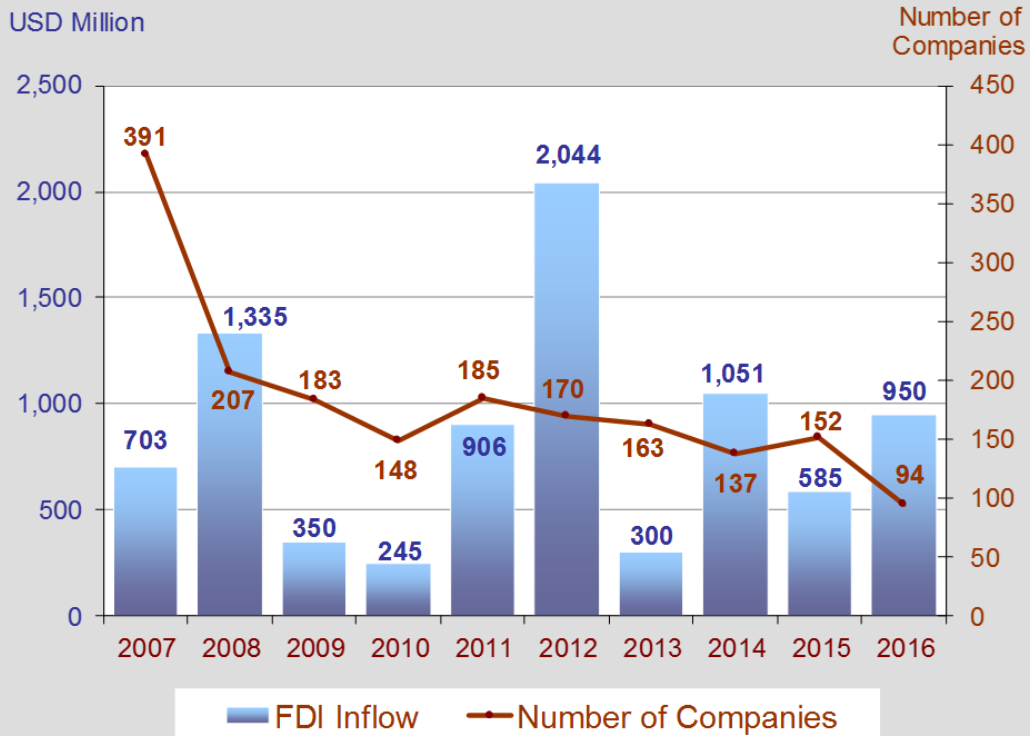
In Turkey, 125 companies with Dutch capital began to operate through new establishment or participation to a local companies in 2016. The Netherlands ranked 5th in terms of the number of foreign owned companies in Turkey with 2,708 companies.

The United Kingdom

The United Kingdom, as being 2nd country all over the world in terms of FDI inflows in 2016 and one of the leading investor countries in Turkey, ranked 2nd among investor countries in Turkey in 2016. The UK is 5th country on the cumulative basis in terms of FDI flows to Turkey and UK based FDI inflows amounted to USD 950 million in 2016. Thus, the UK, which invested USD 1 billion in 2014, also reached the same level in 2016.

In 2016, the UK based investments were realized in the manufacturing, energy and finance sectors. Among the UK based transactions in 2016; English Pladis Foods Limited's USD 347 million transfer in return of purchase of 21% stakes of Ülker Bisküvi Sanayi A.Ş., and the transfer regarding to capital increase by First Choice Holidays Limited to TT Hotels Turkey Otel Hizmetleri Tur. ve Tic. A.Ş., the transfer regarding capital increase by CPF Investment Limited to C.P Standart Gıda A.Ş, the transfer regarding to capital increase by European Bank for Reconstruction and Development (EBRD) to Odea Bank and the transfer regarding to capital increase from BP Int. Ltd. to Tanap Doğalgaz İletim A.Ş. Ltd. were leading transactions.

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



Source: Ministry of Economy, CBRT

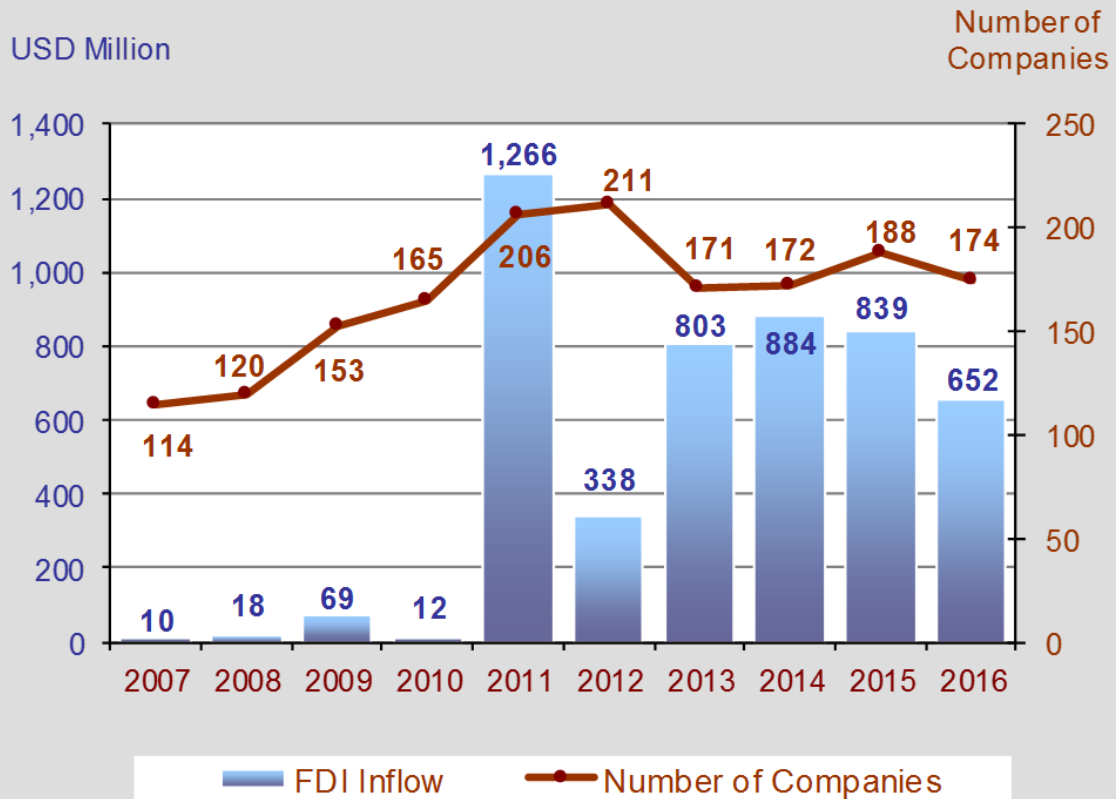
In Turkey, 94 companies with the United Kingdom capital began to operate in 2016 through new establishment or participation to local companies. The United Kingdom ranked 4th in terms of the number of foreign owned companies with its 2,993 companies in Turkey.

Azerbaijan

Azerbaijan, which has reached a significant level of FDI in Turkey since 2011, has been one of the countries that has made steady direct investments in recent years, especially in energy sector. In 2016, FDI flows from **Azerbaijan** to Turkey amounted to USD 652 million.

In 2016, in line with the direct investment trends of the country, significant portion of direct investments from Azerbaijan was realized in energy sector, besides construction sector. The capital transfers realized in Tanap Doğalgaz İletim A.Ş. and Socar Turkey Enerji A.Ş. constituted a significant part of FDI originating from Azerbaijan.

Chart 12: Azerbaijan Based FDI Inflows and Number of Companies



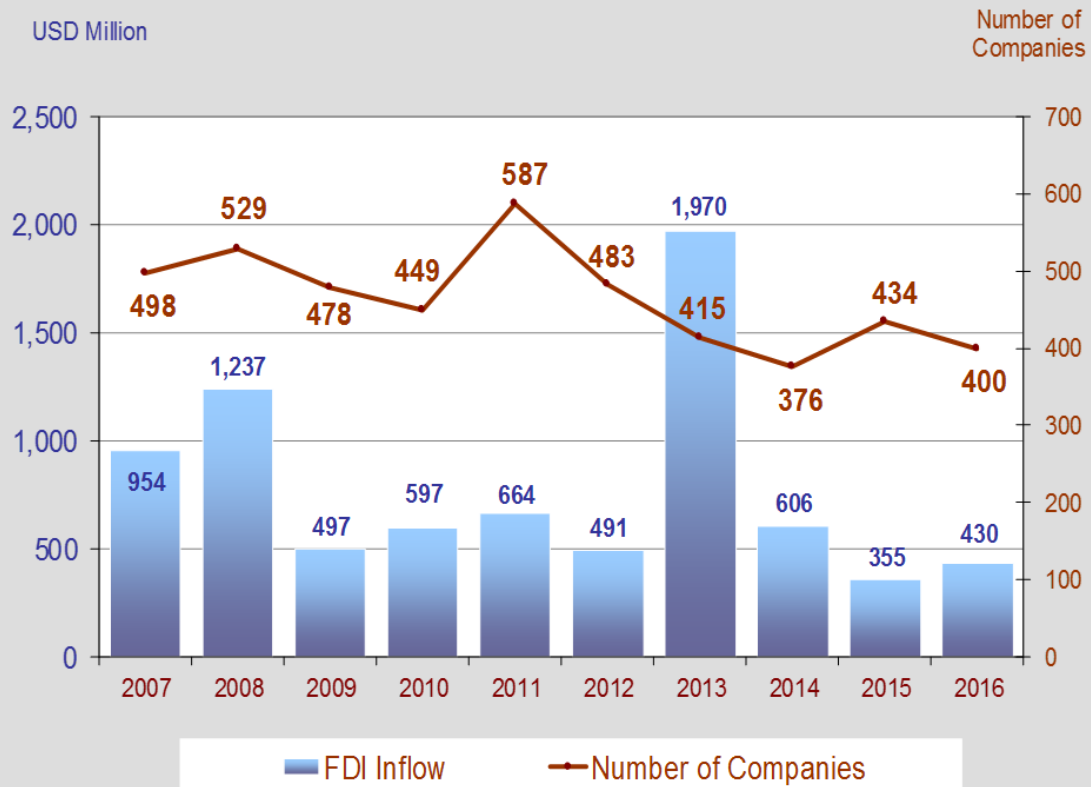
Source: Ministry of Economy, CBRT

In Turkey, 174 companies with Azerbaijan capital began to operate in 2016 through new establishment or participation to local companies. Azerbaijan ranked 8th in terms of the number of foreign owned companies with its 1,974 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 also 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. FDI flows from Germany in 2016 surpassed its 2015 performance (USD 355 million in 2015) with an amount of USD 430 million.

Chart 13: Germany Based FDI Inflows and Number of Companies



Source: Ministry of Economy, CBRT

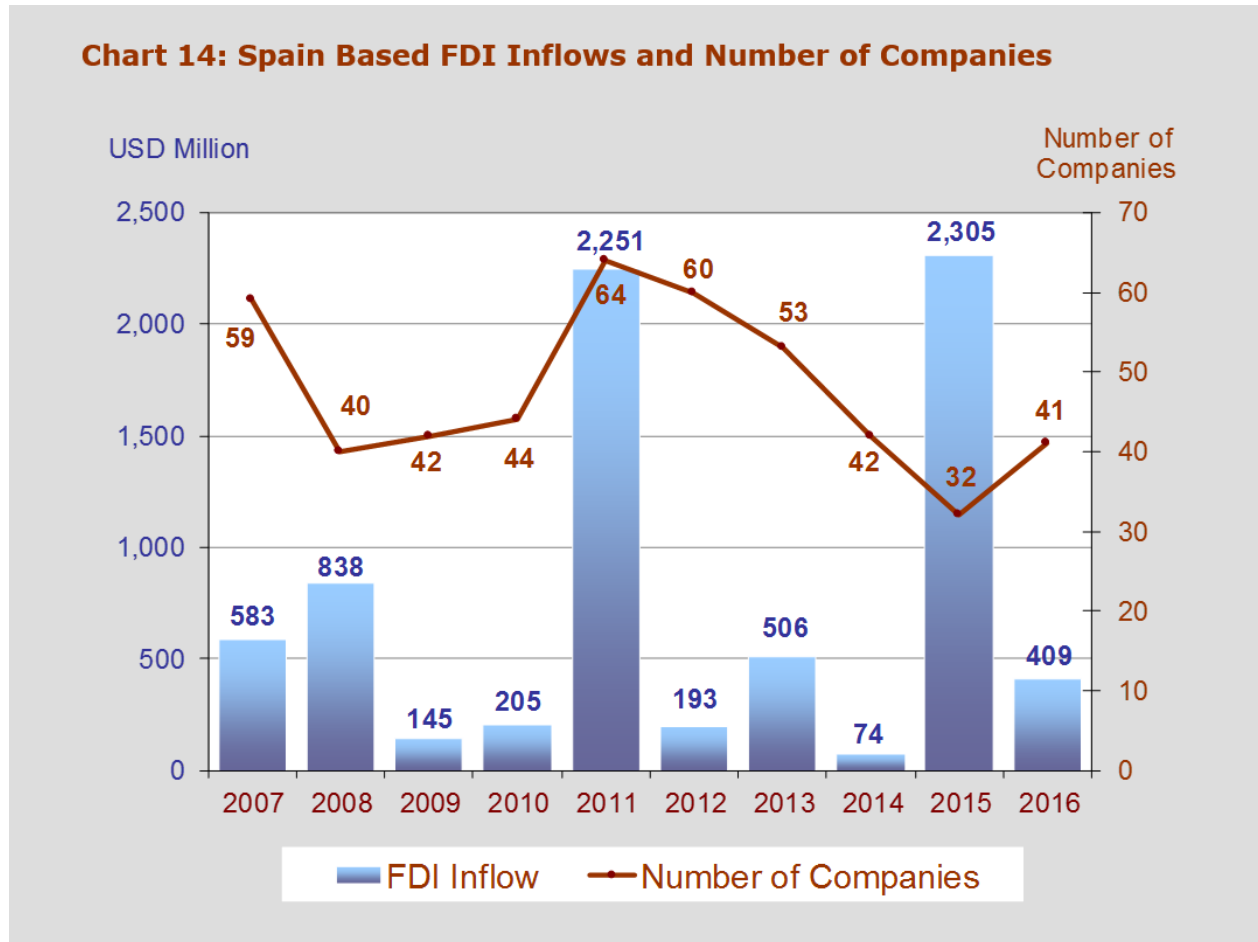
The capital transfers, which realized in Bosch San. ve Tic. A.Ş., Ergo Grubu Holding A.Ş. and in Klöckner Pentaplast Turkey Ambalaj Maddeleri A.Ş. were considerable amounts. Besides that, a large number of various capital increases played an important role within FDI flows from Germany.

In Turkey, 400 companies with German capital began to operate in 2016 through new establishment or participation to local companies. Germany ranked **1st** in terms of the number of foreign owned companies with its 6,876 companies in Turkey.

Spain

FDI flows from **Spain** to Turkey, which reached the highest value of USD 2.31 billion in 2015 surpassing amount of USD 2.25 billion in 2011, amounted to USD 409 million in 2016.

In 2016, the capital transfers from Aruna Servicios Integrales S.L. to Global Power Enerji San. ve Tic. A.Ş. and many other capital transfers also took important place among FDI flows from Spain.



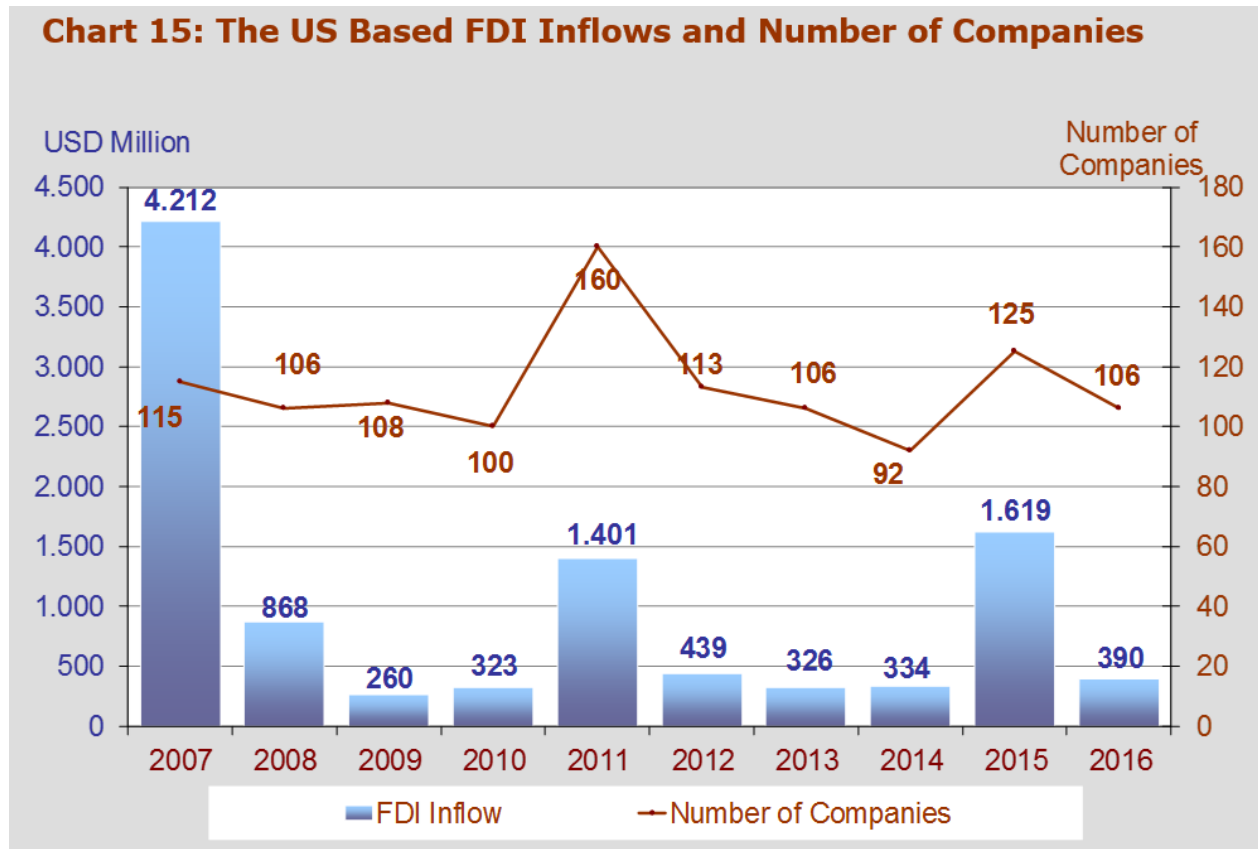
Source: Ministry of Economy, CBRT

In Turkey, 41 companies with Spanish capital have begun to operate through new establishment or participation to local companies in 2016, and 653 companies with Spanish capital operate in Turkey in overall.

The United States of America

The United States is 2nd investor country in Turkey cumulatively thanks to the large amounts of investments in energy, insurance, chemicals and food manufacturing. In 2016, USD 109 million transfer regarding to acquisition of certain amount of Odea Bank shares by International Finance Corporation (IFC) was the leading the United States transaction and

several US based companies have carried out various capital increase transactions throughout the year.



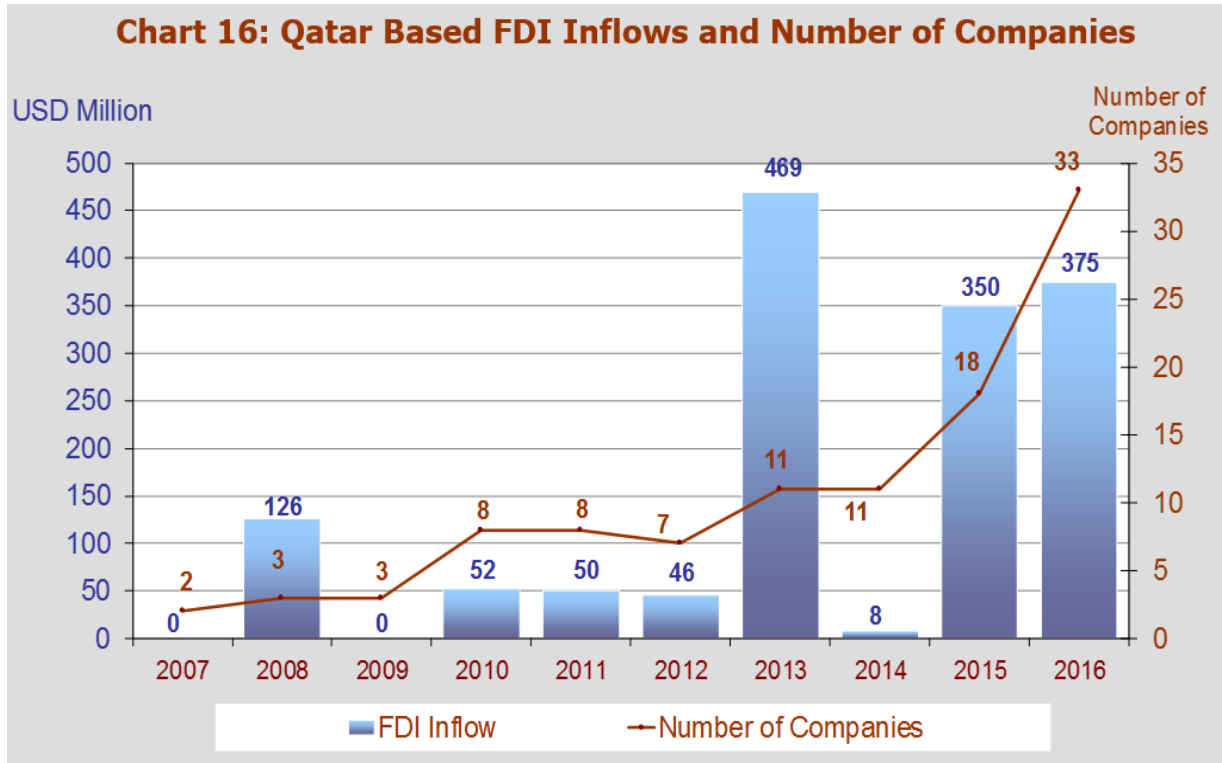
Source: Ministry of Economy, CBRT

In Turkey, 106 companies with the United States capital began to operate in 2016 through new establishment or participation to local companies. The United States ranked 9th in terms of the number of foreign owned companies with its 1,736 companies in Turkey.

Qatar

Since 2011, **Qatar's** outward FDI volume is increasing globally and Turkey proved to be an attractive host economy for Qatar based investors. Qatar was 8th largest investor country in 2013 with USD 469 million while Qatar based FDI inflows reached USD 350 million and USD 375 million in 2015 and 2016 respectively.

In 2016, USD 324 million transfer regarding acquisition of 37% share of Alternatif Bank A.Ş. by Commercial Bank of Qatar has the lion's share in Qatar based FDI inflows. Thus, Commercial Bank of Qatar is now 100% owner of Alternatif Bank A.Ş.



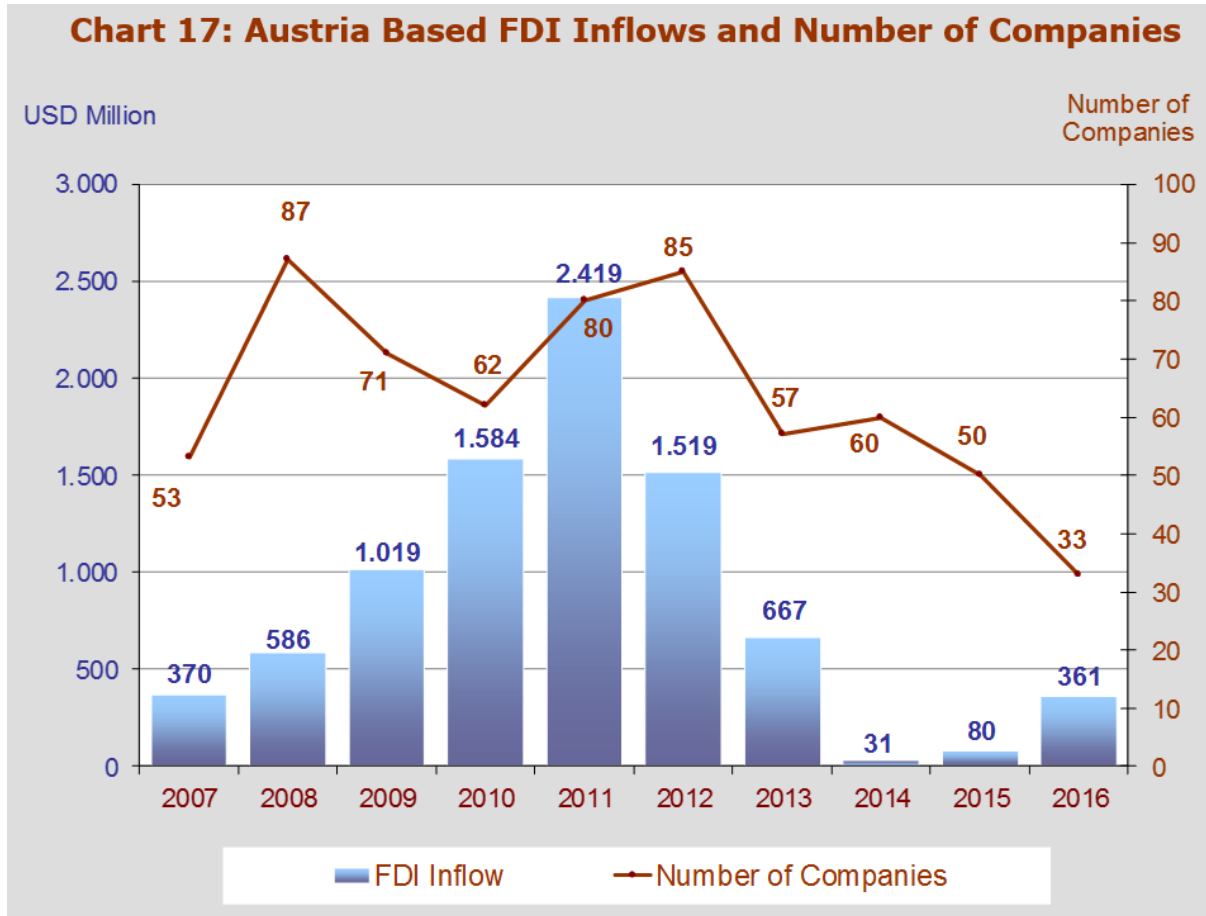
Source: Ministry of Economy, CBRT

In Turkey, 33 companies with Qatar capital began to operate in 2016 through new establishment or participation to local companies. Qatar ranked 56th in terms of the number of foreign owned companies with its 112 companies in Turkey.

Austria

Austria is 3rd largest investor country in Turkey in terms of cumulative FDI inflows and became leader investor in 2009, 2010 and 2011. While Austria was active in energy sector in the past, there is also significant Austrian FDI appetite in manufacturing and transportation sectors.

In 2016, capital transfer of OMV Gas & Power to OMV Samsun Elektrik Üretim San. ve Tic. A.Ş., capital transfer of Henkel Central Eastern Europe GMBH to Türk Henkel Kimya San. ve Tic. A.Ş. and capital transfer of Mosburger GMBH to Dentaş Ambalaj ve Kağıt San. A.Ş. were major transactions in Austrian FDI inflows.

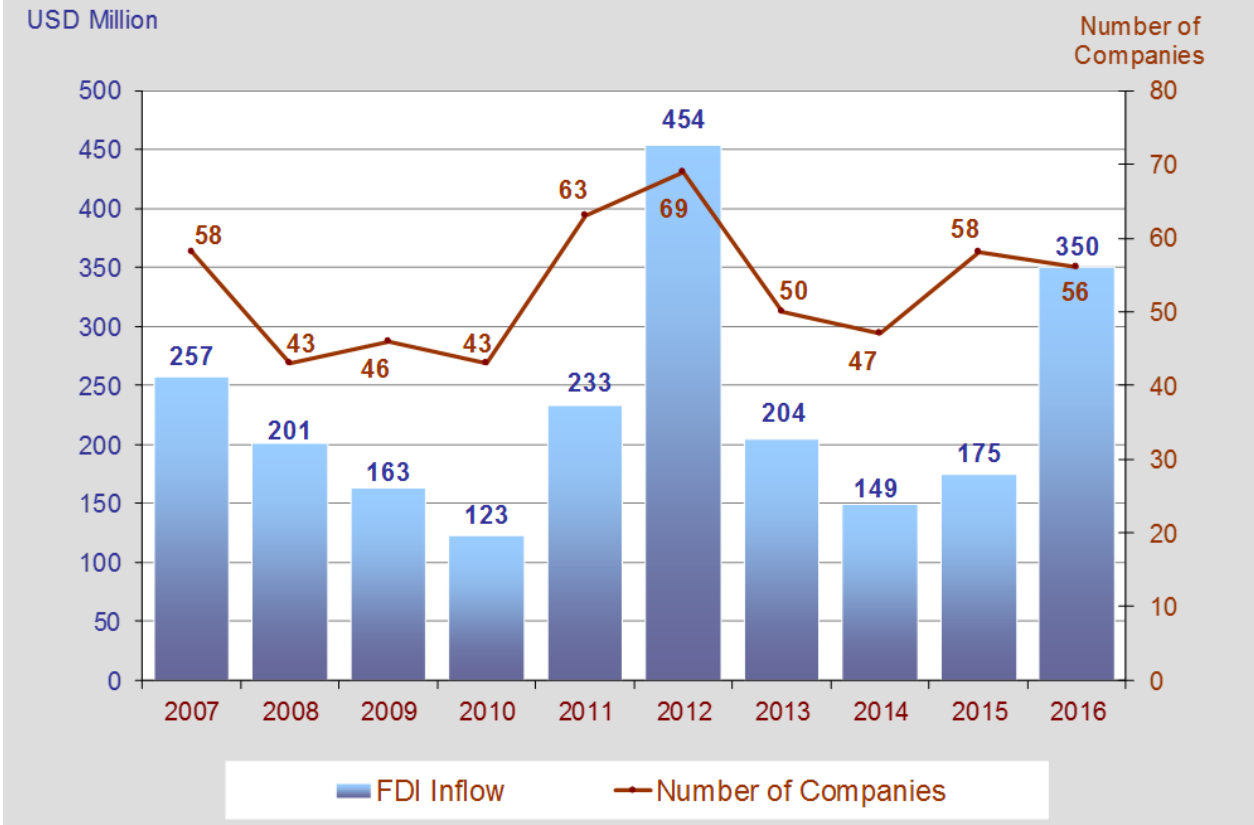


In Turkey, 33 companies with Austria capital began to operate in 2016 through new establishment or participation to local companies. Austria ranked 13th in terms of the number of foreign owned companies with its 873 companies in Turkey.

Switzerland

As can be seen in the graph below, Swiss FDI in Turkey was quite consistent between the years of 2007 – 2016. Switzerland was 7th largest investor in Turkey in 2012 with USD 454 million while ranked 9th in 2016 with USD 350 million. Capital transfer by Akita Business LTD to Bodrum Gayrimenkul Yatırım İnşaat Taah. Tur. A.Ş. and capital transfer by United Agencies Ltd. to MSC Gemi Acenteliği A.Ş. were the major transactions of Swiss investors in 2016.

Chart 18: Switzerland Based FDI Inflows and Number of Companies



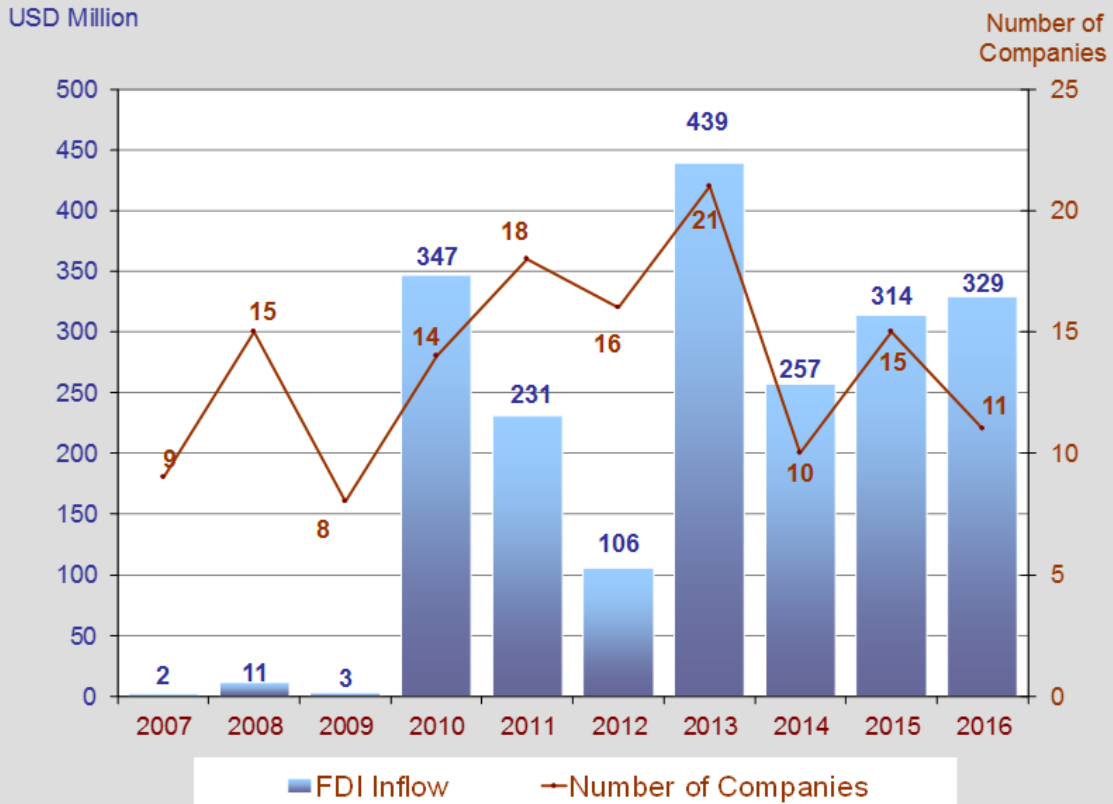
Source: Ministry of Economy, CBRT

In Turkey, 56 companies with Swiss capital began to operate in 2016 through new establishment or participation to local companies. Switzerland ranked 15th in terms of the number of foreign owned companies with its 831 companies in Turkey.

Japan

Japan is 2nd largest global investor country in the world historically and also began to invest in Turkey since 2010 in several sectors as manufacturing, finance, insurance, energy and infrastructure. Japan was 9th largest investor country in Turkey in 2013 with USD 329 million, and ranked 10th in 2016 with USD 329 million. USD 113.5 million transfer regarding acquisition of 50% of Polisan Boya San. ve Tic. A.Ş. by leading Japanese manufacturer Kansai Paint Co. Ltd and certain amount of capital transfer to IHI Infrastructure Systems Co. Ltd. Turkey Istanbul Branch by IHI Infrastructure Systems Co. Ltd were the major Japanese FDI transactions in 2016.

Chart 19: Japan Based FDI Inflows and Number of Companies



Source: Ministry of Economy, CBRT

In Turkey, 11 companies with Japanese capital began to operate in 2016 through new establishment or participation to local companies. Japan ranked 43st in terms of the number of foreign owned companies with its 217 companies in Turkey.

B. ACTIVITIES TO BOOST FOREIGN DIRECT INVESTMENT

1. THE EFFORTS TO IMPROVE INVESTMENT ENVIRONMENT

1.1. Activities of the Coordination Council for the Improvement of Investment Environment in Turkey (YOIKK) in 2016

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 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. Furthermore, the Council of Ministers Leading Decision 2016/1 strengthen the structure of YOIKK by enabling the inclusion of the Ministers having duties and responsibilities related to investments into YOIKK. The chair of the Council was upgraded to the level of the Deputy Prime Minister and the secretarial works are conducted by the Ministry of Economy. The Council conducts its agenda through 10 Technical Committees¹¹ working on specific issues with participation of both public and private institutions.

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

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”.

action plans which have been shaped according to the priorities of the private sector. YOIKK activities are conducted through 44 action items in the period of 2016-2017.

Some major developments achieved as a result of the efforts carried out by the YOIKK Technical Committees in 2016 are as follows:

- “The Law on Expertise No. 6754” was published in the Official Gazette No. 29898 on November 24, 2016.
- “The Law on Pledge of Movables in Commercial Transactions No. 6750” was published in the Official Gazette No. 29871 on October 28, 2016.
- “The Law on Supporting Investments on Project Basis and Amending Certain Laws and Decree Laws Law No. 6745” was published in the Official Gazette No. 29824 on September 7, 2016.
- “The Law on the Establishment of the Turkish Wealth Fund Management Joint Stock Company and on the Amendment of Certain Laws No. 6741” was published in the Official Gazette No. 29813 on August 26, 2016.
- “The Law on the International Labor Force No. 6735” was published in the Official Gazette No. 29800 on August 13, 2016.
- “The Law On Making Amendments on Some Laws For the Improvement of the Investment Environment No 6728” was published in the Official Gazette No. 29796 on August 9, 2016.
- “The Law on the Protection of Personal Data No. 6698” was published in the Official Gazette No. 29677 on April 4, 2016.
- “The Law on Supporting Research and Development Activities and Law Amending Several Decree Laws No. 6676 was published in the Official Gazette No. 29636 on February 26, 2016.

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;

- “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 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 Law on Regulation of Retail Trade” was published in the Official Gazette No. 29251 on January 29, 2015.
- 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.
- 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.
- 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 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. Investment Advisory Council

Since 2004, the Investment Advisory Council (IAC) meetings are organized with the participation of senior executives from prominent multinational companies in order to provide an international perspective to the ongoing investment climate reform agenda under the chair of Prime Minister. On October 27, 2016, the Investment Advisory Council for Turkey made its ninth meeting under the chair of Prime Minister H.E. Binali YILDIRIM. Mr. Cyril MULLER, Vice President of the World Bank Group and the top executives of the 19 multinational companies attended to the meeting.

In the last IAC meeting, 19 multinationals from 13 countries and 9 different sectors were represented in the meeting. Council members listed their recommendations to improve Turkey's investment climate as a Declaration Statement, which was declared in the press conference at the end of the meeting. Maintaining a stable macroeconomic environment, prioritizing the development of ICT as a strategic sector, improving the quality of education, innovation, e-commerce and infrastructure are among the topics that were raised by the Council members.

1.3. Turkey's Experience Sharing Programs

Turkey's Experience Sharing Program has been initiated in 2008 in order to share the institutional knowledge that has been accumulated on the improvement of the investment

environment in the last 15 years with the requesting countries. More than 350 experts from almost 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, Lefkoşa
- 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
- December 19-23, 2016, Expert Training Program for the IDB Member Countries, Ankara and Nevşehir.

1.4. 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 2017 Doing Business Report that examines 190 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 69th among 190 countries by moving down 6 places compared to the previous year.
- In the Global Competitiveness Report published by the World Economic Forum, Turkey ranked 55th among 138 countries by moving down 4 places in 2016.

In the Best Countries for Business List published by Forbes Magazine, Turkey ranked 62nd among 139 countries by moving down 8 places in 2016.

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 100 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, Moldova, Rwanda, 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	39	Kazakhstan	10.08.1995
2	Afghanistan	19.07.2005	40	Kosovo	15.10.2015
3	Germany	05.12.1965	41	Kyrgyzstan	31.10.1996
4	Argentina	01.05.1995	42	Kuwait	08.05.2013
5	Albania	26.12.1996	43	Cuba	23.10.1999
6	Austria	01.01.1992	44	Latvia	03.03.1999
7	Australia	29.06.2009	45	Libya	22.04.2011
8	Azerbaijan	13.05.2013	46	Lithuania	07.07.1997
9	Bangladesh	21.06.1990	47	Lebanon	04.01.2006
10	Belarus	20.02.1997	48	Hungary	22.02.1995
11	Bahrain	15.11.2014	49	Macedonia	27.10.1997
12	Belgium-Luxemburg	04.05.1990	50	Malaysia	09.09.2000
13	The UAE	24.07.2011	51	Malta	14.07.2004
14	Bosnia-Herzeg.	29.01.2002	52	Egypt	31.07.2002
15	Bulgaria	22.09.1997	53	Mongolia	22.05.2000
16	Czech Republic	01.08.1997	54	Moldova	16.05.1997
17	P.R. of China	20.08.1994	55	Oman	15.03.2010
18	Denmark	01.08.1992	56	Uzbekistan	18.05.1995
19	Estonia	29.04.1999	57	Poland	19.08.1994
20	Ethiopia	10.03.2005	58	Pakistan	16.03.1995
21	Morocco	31.05.2004	59	Portugal	19.01.2004
22	The Philippines	17.02.2006	60	Romania	08.07.2010
23	Finland	23.04.1995	61	Russian Fed.	17.05.2000
24	France	03.08.2009	62	Senegal	17.07.2012
25	R. Korea	04.06.1994	63	Serbia	10.11.2003
26	Georgia	28.07.1995	64	Singapore	27.03.2010
27	India	18.10.2007	65	Slovakia	11.12.2013
28	Croatia	21.04.1998	66	Slovenia	19.06.2006
	Croatia (Add. Protocol)	18.02.2009	67	Syria	03.01.2006
29	The Netherlands	14.11.1989	68	Saudi Arabia	05.02.2010
30	United Kingdom	22.10.1996	69	Tajikistan	24.07.1998
31	Iran	13.04.2005	70	Thailand	21.07.2010
32	Spain	03.03.1998	71	Tunisia	28.04.1994
33	Israel	27.08.1998	72	Turkmenistan	13.03.1997
34	Sweden	08.10.1998	73	Ukraine	21.05.1998
35	Switzerland	21.02.1990	74	Jordan	23.01.2006
36	Italy	02.03.2004	75	Yemen	31.03.2011
37	Japan	12.03.1993	76	Greece	24.11.2001
38	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	Moldova	16.12.2016
15	Kenya	08.04.2014
16	Colombia	28.07.2014
17	Ivory Coast	29.02.2016
18	Jordan (New Agreement)	27.03.2016
19	Mexico	17.12.2013
20	Mauritius	07.02.2013
21	Nigeria	02.02.2011
22	Pakistan (New Agreement)	22.05.2012
23	PR of China (New Agreement)	29.07.2015
24	Rwanda	03.11.2016
25	Somalia	03.06.2016
26	Sudan	30.04.2014
27	Tanzania	12.03.2011
28	Vietnam	15.01.2014

Source: Ministry of Economy