

Reasons for Investment

Unique geographical location

Turkey enjoys a very special location at the crossroads between East and West, overlapping Europe and Asia geographically. The proximity to the new emerging markets in the Middle East and Central Asia creates unique business opportunities.

A strong international investment record

The experience of more than 15,000 (as of end-2006) foreign capital establishments, including 104 of the Fortune Top 5000 companies, confirms Turkey as a predominant investment location.

A fast developing economy

The average growth rate for the last 5 years, which is well above many OECD countries, implies a dynamic and growing economy. WTO outputs also state that Turkey is among the most dynamic 20 countries in the world trade. In the last 5 years, Turkey`s GDP grew by almost 40%, on a cumulative basis (in real terms). Turkey`s real GDP and GNP increased by 6.1% and 6.0% respectively in 2006. This makes Turkey one of the fastest growing economies in the world. Turkey is expected to grow by more than 5% per cent a year in the next 5-to-10 years.

A huge domestic market

With a population of 73 million and an increasing consumer purchasing power, Turkey offers a huge and dynamic domestic market to investors. In 2006, GNP per capita recorded \$5.477 being all times high.

High-skilled, competitive labour

The Turkish labour force is well-known for its skills and learning capacity, and competitive labour rates offer cutting edge for industries.

High quality standards

The new quality oriented generation in both manufacturing and services sectors ensures high quality levels; and this is also proven by Turkish companies winning the European Quality Award : Brisa (1996), Beksa (1996), Netas (1997), Beko (1998), Arcelik (2000), Eczacibasi Vitra (2000)

The gateway of energy resources

Turkey is located at the gateway of the Middle East, Caspian petroleum and Central Asian natural gas to the west, which are regarded as the future energy reserves of the world.

A state of art telecommunications network

Turkey has a relatively "young" telecommunications network with the latest technology, which can easily compete with the developed countries.

Strong ties with Caucasus and Central Asia

Turkey is the leading investor in Caucasian and Central Asian Turkic Republics. Due to her strong cultural and historic ties, Turkey provides privileged access and a perfect base to develop business with these countries.

Business in Turkey



Establishing a Business in Turkey

Company Registration, Starting Up a Business, Starting Up Operations

*** Company Registration**

Steps Required to Set up a Company

PREPARATION OF THE ARTICLES OF ASSOCIATION and NOTARY APPROVAL

Procedures

Preparation and approval of the company`s main contract

For Limited Companies:

For Joint Stock Companies:

Time Period

1 /2 day(s)

1 /2 day (s)

Cost

Articles of Association: 900 YTL

Signature Verification: 22 YTL
(per person, 2 documents)

Copy of Identity Card: 11 YTL (Per person)

Articles of Association: 200 YTL

Signature Verification : 22 YTL
(per person, 2 documents)

Copy of Identity Card:
11 YTL (Per Person)

Other Organizations involved

Notary Public

Required Documents

- Originals of the Identity Documents
- Draft of the Articles of Association

CLARIFICATIONS

The first step required to set up a company is the preparation of the articles of association stating the obligations of partners against each other. This articles of association must not contradict in any way the provisions of the Turkish Commercial Code. The articles of association must be authenticated by the Notary Public.

The company`s articles of association contract must contain the items mentioned in Article 279 of the Turkish Commercial Code. It must be in written form, and it must be authenticated by the Notary Public after it has been signed by the founding partners.

Real Persons: Before approaching a notary, an application must be made to the Registrar of Companies. At least two copies of each individual`s Identity Card and the Commercial Title Certificate must be obtained from the Notary Public.

Legal Persons: At least three copies of the articles of association, copies of the identity cards of the partners, and the verified signature of authorized persons must be obtained from the Notary Public .

Authorization from the Ministry of Industry and Commerce is required in the event of the drawing up of or the making of any changes to the articles of association of banks, private finance institutions, insurance companies, leasing companies, factoring companies, holdings, exchange offices, companies involved in operating general stores, companies that are subject to the Capital Markets Code and that are open to the public, and companies that establish and operate free zones.

The authorization of the Ministry (General Directorate of Domestic Trade) must be sought in setting up of the above-mentioned companies before formal registration. However, where changes are to be made to the articles of association, the authorization must be sought before the general meeting in which the decision concerning the changes will be made.

REGISTRATION PROCESS BY THE REGISTRAR OF COMPANIES

Other Organizations Involved

The Registrar of Companies (The company is established after an application is made to the Registrar of Companies where the new company is located.)

Procedures

Registration of the company

Time Period

½ day

Cost

663 YTL (if one person is authorized) (127 YTL additional fee for each additional person)

Documents required for Joint Stock Companies

- An official application addressed to the Registrar of Companies

- Bank receipt showing that the Turkish Competition Authority share has been paid (4/10,000 of the capital to be deposited to Ziraat Bank)
- The articles of association authenticated by the Notary Public.
- A copy of the Identity Card, with photograph, approved by the Village Headman (elected head of a village or district).
- Proof of Residence Documents of the founding partners obtained from the Village Headman.
- A letter of commitment prepared in accordance with Article 29 of the Register of Companies Regulations
- Verified Signatures, authenticated by the Notary Public (For Companies, Under the Company Title)
- The Company Establishment Form
- Copy of board decision for merger or acquisition authenticated by the Notary Public (If applicable)
- If there are Legal Persons among the partners, then copy of the Company Registry Certificate issued in the current year.
- If a foreign partner is a real person, a copy of his/her passport is required. If the partner is a legal person, the registration document (with its notary-authenticated translation) must be obtained from the relevant authority.

Documents required for Limited Liability Companies

- An official application addressed to the Registrar of Companies
- 3 copies of the articles of association, authenticated by the Notary Public
- Copies of the Identity Cards, with photographs, of the founding partners, issued by a Village Headman(or copies authenticated by a Notary Public)
- The Proof of Residence Documents of the founding partners, issued by a Village Headman (or copies authenticated by a Notary Public)
- A letter of commitment prepared in accordance with Article 29 of the Register of Companies Regulations
- Sample signatures of the Company authenticated by a Notary Public (For Companies, Under the Company Letterhead)
- The Company Establishment Notification Form
- Bank receipt showing that the Turkish Competition Authority share has been paid (4/10,000 of the capital to be deposited to Ziraat Bank).
- If there are Legal Persons among the partners, then the Company Registration Certificate issued in the current year.
- If a foreign partner is a Real Person, a copy of his/her passport is required. If the partner is a Legal Person, the Registration Certificate (with its notary-authenticated translation) must be obtained from the relevant authority.

Documents required for Real Persons

(personal enterprises)

- An official application addressed to the Registrar of Companies
- A notary-authenticated sample signature (if the Company name is to be used in addition to the individual's name, then authenticated sample signature should be under the company name)
- The individual's Proof of Residence Document issued by a Village Headman.
- A copy of the individual's Identity Card, with photograph, issued by a Village Headman.
- A copy of the rental contract, if the business property is rented, or a copy of the deed, if the property is owned by the business, is required.
- A copy of the notary-authenticated page of the company book.
- A letter of commitment prepared in accordance with the Article 29 of the Register of Companies Regulations
- The Registration Certificate

- A Copy of Tax Status Statement

Documents Required for Share Transfer

- An official application addressed to the Registrar of Companies
- The Share Transfer Agreement (2 copies authenticated by a Notary Public),
- The Share Transfer Documents (authenticated by a Notary Public)
- An extract from the Company Registration Gazette regarding the final shareholding situation. For first time transfer, an extract regarding the establishment of the company will also be needed.
- A copy of the relevant page of the Share Registry Book (authenticated by the Notary Public) relating to the individual to whom the shares are being transferred.
- A copy of the Identity Cards of the individual purchasing the share, issued by a Village Headman.
- The Proof of Residence Document of the individual purchasing the share, issued by a Village Headman.

Documents Required for Branch Registration

- An official application to the Registrar of Companies
- The appropriate extract from the latest Company Registration Gazette and the articles of association of the Company
- The appropriate extract from the Gazette regarding the establishment of the company
- If the authorised personnel of the branch are Turkish citizens a notary-authenticated copy of their identity cards, with photographs; if they are foreigners, a translated and notary-authenticated copy of their passports
- The Proof of Residence Document of the authorised personnel of the branch, issued by a Village Headman.
- Original of the notary-authenticated sample signatures under the branch name.
- The Registration Certificate
- A letter of commitment.
- Notary-approved Decision (should bear the No.)
- For branches of a Foreign Company, an authorization document from the Ministry

For more information click the following links:

[Related Legislation in Turkish](#)

[Related Legislation in English](#)

DECLARATION OF THE COMPANY IN THE COMPANY REGISTRATION GAZETTE

Procedures

Declaration of the Company in the Company Registration Gazette

Other Organizations Involved

The Directorate of the Turkish Company Registration Gazette

Time Period

2 days

Cost

On average: 137.5 YTL (can vary from 66 to 340 YTL based on 0.11 YTL per word. For entry in the Gazette the rate is 0.25 YTL per word). Newly established companies are charged a 220 YTL service fee. Figures may vary from city to city.

CLARIFICATION

The Registrar of Companies sends the articles of association to the Turkish Company Registration Gazette and the it is published in the Gazette.

REGISTRATION WITH CHAMBERS OF COMMERCE OR INDUSTRY**Procedures**

Registration into the relevant chambers

Time Period

1 day

Cost

Registration Fee: The minimum wage forms the basis for this calculation.

Annual Membership Fee: This fee is determined according to capital stock of the company and can vary from 90 to 220 YTL.

Collateral Membership Fee: This fee is 8/1000 of the total taxable commercial earnings.

(Fees are determined every January by the Ministry of Industry and Commerce and Union of Chambers and Commodity Exchanges of Turkey (TOBB). These fees may vary from city to city and chamber to chamber)

Documents Required by the Chambers of Commerce**For Real Persons:**

- The Registration Certificate (original)
- Published extract from the Company Registration Gazette (original)
- Signature Circular (original)
- Copy of Identity Cards (originals-with photographs)
- Proof of Residence Document (originals - with photographs)
- 2 photographs

For Legal Persons:

- The Company Registration Certificate (original)
- Published extract from the Company Registration Gazette (original)
- The Signature Circular (original)
- The Articles of Association (original)
- For branches, the extract from the Company Registration Gazette relating to the setting up of the Parent Company.
- Copies of Identity Cards of the partners of the Company,
- Proof Residence Documents of the partners of the Company

Documents Required by the Chambers of Industry

- Application for registration
- Originals or authenticated copies of the Turkish Company Registration Gazette containing the announcement of the setting up of the company and any other relevant announcements (one of each)
- In companies involving real persons, the authenticated sample signature of the owner of the Company; in companies involving Legal Persons, the latest Signature Circular authenticated by a Notary Public.
- A list of Company machinery and equipment
- Invoices of the machinery and equipment or notary-approved copies of their registry in the company books.
- List of Personnel
- The latest statement of the monthly Insurance Premium and Service Document and a copy of the receipt for the last month of payment of the current year or copies of the Social Security employment entry declarations.
- The Company Balance Sheet for the last year and a detailed income statement
- A copy of the rental contract, if the business property is rented, or a copy of the deed, if the property is owned by the business, is required. .
- If the Company is registered with another Chamber, a copy of the current Registration Documents
- Copies of the Identity Cards (with photograph) of the following people: the Company Directors, Partners and Managers of unlimited partnerships, limited partnerships or limited companies; the members of the Executive Committee and Managers in Joint Stock Companies. In each instance above, one additional photograph of the relevant party is required.
- The Receipt for the Registration Fee

CLARIFICATIONS

Real and Legal Persons who have been registered with, and announced by, the Registrar of Companies must enroll in the relevant chambers within one month of the company's registration. Industrial companies must enroll with the chambers of industry. Other companies must enroll with the chambers of commerce. Likewise, self-employed tradesmen and craftsmen must enroll with the relevant chamber within one month of having registered in the Tradesmen and Craftsmen Registry.

- By registering with a chamber of industry, those companies, although being a subsidiary, have separate capitals and accounting systems, and those subsidiaries without separate capital and having its account keeping centrally done at the parent company, but can independently engage in commercial activities, are deemed to have satisfied the enrollment requirement with chambers of industry and trade. However, if they establish more than one new facility to sell their industrial products, they have to enroll in a chamber of commerce or a chamber of commerce and industry. Industrial companies, if they get involved in selling industrial products other than their own, must enroll in chambers of commerce.

Note: Fees may change during the course of a year.

Different fees may be requested in different cities, chambers, and municipalities.

*** Starting Up a Business**

Starting Up a Business: The Trade Registry Office informs the Relevant Authorities of the Establishment of the Company

REGISTRATION WITH THE TAX ADMINISTRATION

Authority Involved

Tax Administration Office

Term

1-10 days

Cost

Free

Documents Required

A- FOR REAL PERSONS:

- The form to start/discontinue a business
- A certified copy of the identification certificate (If the Taxpayer personally applies to the Tax Office, the photocopy of the identification certificate is checked against the original by the Deputy Manager, Operation Chief, or a designated officer and certified as `Same as Original`.)
- The certificate of residence with photograph (if applicable),
- A list of authorized signature samples authenticated by the Notary Public (except for those subject to simple taxation)
- A certified document from the municipality indicating the tax basis of the property (if owned by the taxpayer) -for taxpayers asking for simple taxation or
- A copy of the Lease (if the property is leased) -for taxpayers asking for simple taxation;
- For Transport Vehicles,
 - A photocopy of the invoice for new vehicles still without a license plate (same day application for this is mandatory),
 - The notarized document-of-sale for vehicles with a license plate).

B-FOR LEGAL PERSONS:

- The form to start/discontinue a business,
- A notarized copy of the Company`s Articles of Association, and a copy of the letter of application to the Trade Registry,
- A sample signature of the manager authorized to represent the Company (notarized),
- Certified copy of the identification certificate, and certificate of residence of the person(s) authorized to represent the Company,
- For cooperative societies, a letter stating membership of a higher association, if any.

Where an additional place of business is opened in an area under the authority of a different tax office, or a new registration is needed due to change of address of the business, a notarized copy of the relevant Resolution of the Board of Directors is also required.

NOTES

For Real Persons, an application to start the business is made to the relevant tax office within ten days either by the individual, or by an attorney licensed in

accordance with Law No. 1136, Regarding the Practice of Law, or by a professional authorized under Law No. 3568.

For Legal Persons, the application is made within the same period as above, to the Tax Office, by the Trade Registry Office.

Following the application made by the Trade Registry Office however, an inspection of the place of business of the relevant company must be arranged by the Tax Office. The Company can actually start its operations after this procedure. The other permits stated under the following section are given after the Company goes into business, provided that all the required information and documents are complete.

NOTIFICATION OF EMPLOYEES TO THE SOCIAL SECURITY INSTITUTE (SSK)

The Trade Registry Office supplies this information at start-up. However, if the number of people employed changes, the Social Security Institute is informed by the employer.

*** Starting Up Operations**

Notification requirements and obtaining the necessary permits to start operations

OBTAINING THE LICENCE TO ESTABLISH FOR A BUSINESS PREMISES

Authority Involved

The Ministry of Labor and Social Security, Regional Directorate

Term (days)

30*

Cost

Free

Documents Required

- Written application
- Declaration (two copies)
- The layout plan of the work place (two copies),
- Architectural project of the work place (two copies)

NOTES

Obtaining the licence to establish is obligatory for;

-Work places in industrial sector with 10 or more workers,

-Work places where dangerous chemical substances are produced, utilized or stored, regardless of the number of the workers,

-Construction and mining work places,

-Fixed installation of stone quarries

prior to the establishment of the business. Within the context of this licence, the Regional Directorate of the Ministry of Labor and Social Security investigates the compatibility of the business to the health and safety legislation.

*Applications for obtaining the licence to establish should be assessed and concluded within 30 days as from the date of the application. In cases where applications cannot be processed within this time limit, the employer shall be

regarded to have obtained this permit and shall be entitled to establish the business.

Authority Involved

Ministry of Labor and Social Security, Regional Directorate

Term (days)

30**

Cost

Free

Documents Required

Written Application

NOTES

The work places which are established in compliance with the licence to establish are obliged to obtain the certification to operate before starting the operation. The licence is granted upon the on-site examination by the labor inspectors of the fact that all the required conditions pertaining to health and safety in the work place have been fulfilled, and that the business premises has been set up in compliance with the prior licence to establish.

**Applications for obtaining the certification to operate should be assessed and concluded within 30 days as from the date of the application. In cases where applications cannot be processed within this time limit, the employer is entitled to start the operation.

Authority Involved

The Ministry of Labor and Social Security, the General Directorate of Labor

Term (days)

90***

Cost

Work Permit for a Definite Period

YTL 84.30 for up to 1 year (1 year included)

YTL 253.40 for 1 to 3 years (3 years included)

Work Permit for an Indefinite Period: YTL 422.50

Work Permit for Self-Employed: YTL 845.50

The above sums are determined by the Law of Charges, and are adjusted every year. The extension applications are subject to the same fees.

Documents Required****

Basic Documents Requested from Expatriates;

- An application for a work permit addressed to the Ministry of Labor and Social Security,

- An expatriate Personnel Application Form (4 copies, with a photograph taken within the last six months, and with the signatures of both the employer and the expatriate; or the contract signed between the parties or the employment acceptance certificate, or the certified copy thereof, verifying that the employee has accepted the employer`s job offer, in the case where neither the employer`s nor the expatriate`s original signature is available,
- A notarized copy of the passport translated into Turkish,
- A notarized copy of the Diploma translated into Turkish,
- For applications from inside Turkey, a Residence Permit (valid for at least six months, and the application should be made within this period).
- A Curriculum Vitae

DOCUMENTS REQUESTED FROM THE ORGANIZATION / ESTABLISHMENT TO EMPLOY EXPATRIATES:

- A written application for a work permit addressed to the Ministry of Labor and Social Security,
- A Balance Sheet and a Profit & Loss statement for the past year certified by the Tax Authorities.
- For foreign direct investments, the original, or a copy certified by the organization itself, of the Trade Registry Gazette of Turkey indicating the most recent capital and shareholding structure of the organization,
- For Private Education Institutions demanding to employ an expatriate teacher, copies of the Institution License, and an letter of approval from the Ministry of National Education,
- For tourism organizations demanding to employ administrative personnel, a copy of the Operation and Investment Certificate from the Ministry of Tourism, if one exists,
- For organizations (including consortiums) awarded with contracts for carrying out projects tendered by public institutions and organizations at an international level, the document verified by the relevant public entity that the organization was contracted for the project,
- For engineering, architectural, contracting and consultancy service providers demanding to employ expert expatriates, copy of the payroll confirming that a Turkish engineer / architecture / urban planner is already employed, and a copy of the contract concluded with the expatriate.

NOTES

The foreigners (including the foreign shareholders of the companies established in Turkey) are obliged to get permission before they start to work dependently or independently in Turkey unless otherwise provided in the bilateral or multilateral agreements to which Turkey is a party.

Cost of Doing Business in Turkey

In this section, you will find the information on cost of labor force, energy, communication and other similar factors.

*** Minimum wage per month (Gross and Net)**

The calculation of the minimum wage for employees older than 16 years is shown in the table below:

Minimum Monthly Wage (Gross and Net)*

	YTL	EURO**	USD**
Gross Minimum Wage	562,50	302,64	398,06
Social Security Premium Payment (14%)	78,75	42,37	55,72
Payment for Unemployment Insurance Fund (1%)	5,63	3,02	3,98
Income Tax (15%)	71,72	38,58	50,75
Stamp Tax (6%)	3,38	1,81	2,39
Total Deduction	159,48	85,80	112,85
Net Minimum Wage	403,02	216,84	285,20
Cost for Employer			
Gross Minimum Wage	562,50	302,64	398,06
Employer Share of Social Security Premium (19.5%)	109,69	59,01	77,62
Employer`s Payment for Unemployment Insurance Fund (2%)	11,25	6,05	7,96
Total Cost for Employer	683,44	367,71	483,64

Source: Ministry of Labor and Social Security

* Valid for the year 2007.

** Conversion rate is the Central Bank exchange rates on December 29, 2007
1 Euro= 1,8586 YTL 1 USD= 1,4131 YTL

*** Cost of Electric Use**

The cost of electricity is shown in the table below. The TEDAS Tariff in the table is applicable from January 1st, 2007

Cost of Electricity
(Ykr/kwh)

Capacity
Active Energy
Reactive Energy

Power Cost
Cost After Limits
Single Period
Daytime
Puant
Night

Ykr/Month/kW
Ykr/Month/kW
Ykr/kWh
Ykr/kWh
Ykr/kWh
Ykr/kWh
Ykr/kWh
Ykr/kVARh
Double Term Tariff
Industry Mid Voltage
607
1213
9,964
9,904
16,658
5,047
5,983

Single Term Tariff
Industry
Mid Voltage

11,518
11,458
18,212
6,601
5,983
Low Voltage

11,629
11,569
18,323
6,712
5,983
Business

14,505
 13,670
 20,423
 8,812
 5,983

*** Cost of Water Use**

The cost of water use for five different districts is shown in the table below:

Province	Type of Customer	YTL/m3(*)
Ankara	Water	
	Waste	
	Water	
	Total	
	VAT (%)	
İstanbul	Industry	
		3,66
		1,83
		5,49
		8
Bursa	Industry	
		3,41
		0
		3,41
		8
Kocaeli	Industry	
		4,01
		1,60
		5,61
		8
Adana	Org.Ind.Zone	
		2,22
		0
		2,22
		8
Kocaeli	Business	
		2,30
		1,15
		3,45
		8
Adana	Industry	
		3,32
		0,83
		4,15
		8
Adana	Business	
		3,85
		0,97
		4,82
		8

Industry
3,85
0,97
4,82
8

Source: ASK?, ?SK?, BUSK?, ?SU, ADANA-ASK?
Valid for the year 2006
* Excluding VAT

*** Price of Gasoline, Motorin and Fuel Oil**

Province	(YTL/Lt)				
	Unleaded 95 Oktan	Unleaded 100-97 Oktan	Super Gasoline	Motorin	Prodiesel Europlus
	Coal Oil	Fuel Oil			
Ankara	2,92				
	2,95				
	2,89				
	2,29				
	2,41				
Istanbul	2,17				
	0,98				
	2,93				
	2,96				
	2,89				
Izmir	2,25				
	2,38				
	2,15				
	0,98				
	2,92				
Bursa	2,95				
	2,88				
	2,24				
	2,37				
	2,14				
Kocaeli	0,96				
	2,92				
	2,95				
	2,88				
	2,24				
	2,36				

	2,14
	0,96
Adana	2,93
	2,96
	2,89
	2,26
	2,38
	2,23
	0,97
Antalya	2,95
	2,98
	2,91
	2,27
	2,19
	2,21
	0,97

Source: Petrol Ofisi (POAS)- <http://www.poas.com.tr>

Notes: Valid for 04/26/2007

* (YTL/kg)

*** Cost of Natural Gas**

Cost of natural gas for industrial purposes

		Price per kwh (YTL)*
	Disengaged Consumer Engaged Consumer	
Bursa-BURSAGAZ		0,043349 YTL/kwh
		0,046161 YTL/kwh
Istanbul-?GDA?		0,043349 YTL/kwh
		0,049340 YTL/kwh
?zmit-?zgaz		0,04333402 YTL/kwh
		0,05026936 YTL/kwh
Engaged Consumer: The group of consumers who must purchase gas from the local supplier company.		
Disengaged Consumer: The group of consumers who consumes more than 1 million m3 annually and qualified to purchase gas from other suppliers.		
		Price per sm3 (YTL)*
	Interruptible Flow Uninterrupted Flow	
Eski?ehir-Esgaz		0,461232 YTL/sm3
		0,460903 YTL/sm3
Bota? (S?nai M?teriler)		0,3922707 YTL/kwh
		0,4043741 YTL/kwh
		0,417376 YTL/sm3
		0,430254 YTL/sm3

Interruptible Flow Customers are those the gas delivery service of whom can be interrupted upon notification.

Source: Oil Transportation Through Pipes Inc.(BOTAS), BURSAGAZ, ?GDAS, ESGAZ, ?ZGAZ

Notes:

* Calorific value=8250 kcal/m3

*** Cost of Telephone Use**

	YTL
Fixed Cost (per Month)	35,49
CALL CHARGES- YTL/min	
Local Peak	0,067
Local Off-Peak(2)	0,034
Long Distance	0,079
International- YTL/min	
1. Zone PSTN	0,081
1. Zone GSM	0,41
2. Zone PSTN	0,227
2. Zone GSM	0,41
3. Zone PSTN- GSM	0,76
4. Zone PSTN- GSM	1,389
Fixed to Mobile (Turkcell, Telsim,avea)	0,255
Internet Normal	0,013
Internet Discount	0,007
Source: Turk Telecom	
Notes:	
Price includes 18% VAT, excludes 15% Special Communication Tax.	

*** Cost of Internet Use**

	YTL*
limited ADSL Internet Access Tariff	
Speed (Kbps) / Quota(GB)	Connection fee Monthly fee
1024/256 / 4	25,73 21,10
1024/256 / 6	25,73 26,99
1024/256 / 9	25,73 33,04
Unlimited ADSL Internet Access Tariff	
256/64	25,73 34,78
512/128	25,73

1024/256	56,07
	25,73
	68,51
2048/512	25,73
	93,73

Source: Turk Telecom

Notes:

*Valid for 2007

Connection fee can be paid in installments (12 equal installment)

Price includes 18% VAT, excludes 15% special communication tax.

Incentives and Taxes

In this section, you will find the detailed informations relating to investment incentives

which is applied in Turkey and general frame of tax applications.

*** Government Subsidies for Investments**

Here you can find the legal regulations concerning Government Subsidies for Investments, the details of its support, and the procedures to be followed to benefit from such supports.

Related Legislation

- Decree Concerning Government Subsidies for Investments No. 2006/10921 (Official Gazette [O.G] 06.10.2006 / 10921) dated August 28, 2006.
- Communiqué No. 2006/3 Regarding the Implementation of the Decree Concerning Government Subsidies for Investments (O.G 08.12.2006 / 26370)

Details Of The Incentives

- Exemption From Customs Duties
- Value Added Tax Exemption
- Interest Expenditure Support

Minimum Investment Amount

The investment total must be above a certain amount for the investor to be issued an Incentive Certificate. These amounts are:

- Minimum 200.000 YTL, maximum 2.000.000 YTL for SME's investments
- Minimum 1.000.000 YTL for the other investments,
- Minimum 200.000 YTL to be made through financial leasing companies.

Amount Of Collateral To Be Deposited

When applying to the Undersecretariat for an Incentive Certificate,

- 400 YTL should be deposited to the Central Bank account.

When applying to the Chambers authorized, for an Incentive Certificate,

- 300 YTL should be deposited to the above-mentioned account and 100 YTL should be deposited to the account of the Chamber receiving the application.

Authority To Apply To For Incentive Certificates

Fundamentally all the applications should be done to Undersecretariat, however, a company might prefer to apply to a Chamber

Applications to receive an Incentive Certificate are made to:

- The Undersecretariat of Treasury (UT) General Directorate of Foreign Investment for all investments to be made by foreign capital companies and their branches,
- One of the Chambers of Industry listed in the Communiqué - Appendix 2 for investments less than 8 billion TL in manufacturing industries and agricultural industries listed in the Communiqué - Appendix 3, (But this is optional and valid for local firms).

Application Documents Required

- Investment information form (IIF)
- A collateral receipt
- Lists of imported and/or locally manufactured machinery and equipment
- A list of authorized signatures certified by the Notary Public
- The Trade Registry Gazettes of Turkey which published the setting up of the Company, and its latest capital structure.

Exemption From Customs Tax

Imports of machinery and equipment under an Incentive Certificate are exempt from Customs Duty payable as per the current Import Regulation. Also, CKD (completely knocked down) components that are used in production of new model car and light commercial vehicles can be imported without paying the Customs Tax, as long as they are imported in the period subject to Incentive Certificate. However, customs tax is collected for the following investment goods:

- Spare parts
- Passenger vehicles
- Buses
- Tow trucks (excluding those with green engines compatible with European norms)
- Furniture
- Yachts and motorboats
- Trailers (excluding frigorific ones)
- Trucks (excluding off-road truck types and rock type dump trucks)
- Transmixers
- Concrete Station and Concrete Pumps
- Forklift trucks
- Construction Materials
- Porcelain and ceramic tableware and kitchen utensils

VAT Exemption

Imported machinery and equipment or locally purchased machinery and equipment under incentive certificates, are exempt from VAT. The same provision is also valid in take-overs of machinery equipment under Incentive Certificates. In order to benefit from this exemption, the asset should primarily qualify as machinery or equipment, and should also be used in the production of goods and services. The exemption, therefore, does not apply to assets used in non-production areas such as administration and marketing; nor to consumable supplies nor to spare parts nor to fixtures and furnishings (except for the services sector).

However, the exemption also applies to tow-trucks with green engines, off-road truck-type and rock-type dump trucks, dump trucks used in mining, refrigerated trucks; forklift trucks, heavy machines, cranes, and agricultural machines. Exemption may also apply to air, sea, and railway transport vehicles under the conditions anticipated in Article 13/a of the VAT Law.

Interest Expenditure Support

The investments to be made by SME`s, the investments to be made in priority regions, R&D investments and environmental investments are the investment types which will benefit from the interest support incentive

Of the interest rate or profit share of the credit (to be provided from the banks or participation banks) to be used in the finance of the investments aforementioned above, 5 points for the TL credits and 2 points for the foreign currency credits will be met by the budget sources for the first four year and the term of the credits has to be at least one year. The monetary value of the support is limited with 1.000.000.-TL for the investments in priority regions, 200.000.-TL for the

investments realized by SME's, 300.000.-TL for R&D and environmental investments. Moreover, interest support is also available for the provision of operational materials to be needed by the R&D investments with the condition that it is approved by the Undersecretariat,

Used Machinery And Equipment Import

An investor can import below stated types of machinery/equipment under an Incentive Certificate utilize from VAT exemption and Customs Tax exemption.

The types of used machinery/equipment that can utilize from incentives are:

- Used machinery equipment not requiring any Permission from Import Authority (the machinery/equipment which are not older than 10 years old. UT is the first place to apply).
- Used machinery/equipment requiring Permission from Import Authority (Generally these machinery equipments are older than 10 years old and, firstly one should apply to the Import Authority to get permission, UT is the second place to apply for utilizing from incentives).
- Used complete plant/facility (UT is the first place to apply).

Sectoral Limitations

Investment Certificates are not issued for the below mentioned investments :

-Agriculture Sector

- vegetable cultivation investments other than seed propagation, seedling growing, nursery gardening, mushroom and greenhouse cultivation.
- Ostrich production

-Mining Industry

Mine site investments with royalty

-Manufacturing Industry

- Cotton processing investments
- (New investment or expansion projects in) Synthetic fibre
- Investments in projects which are totally new or which involve an expansion integration, and product variation in the production of biscuits, pasta, flour, semolina, and animal feed (except for fish bait and animal food production within integrated animal husbandry projects)

-Services

- Bus, trailer, tow-truck investments for passenger and cargo transport (Except for those made by Municipalities)
- Recording studio investments
- Repair, maintenance and service stations investments for road vehicles
- Building contracting investments
- Hypermarkets, commercial centres, shopping malls and parking lots investments
- Petroleum products (including LPG) distribution investments
- Automation investments other than those for automation of industrial facilities
- Laundries and carpet cleaning investments
- Yacht imports investments

- Recreation facilities investments on highways

Moreover, there are various restrictions in some sectors depending on the product, or the type of investment. Among the most important of these are are:

- Incentive certificates are not issued for investments in land vehicles and tractors with completely new engines (excluding completely new automobile production investments exceeding \$250 million and the production of new commercial vehicles exceeding \$50 million).
- Investments in totally new and extension projects in hazelnut shelling-drying-roasting in provinces other than Ordu, Giresun, and Trabzon.

*** Small and Medium Industry Development Organization**

Enterprises and entrepreneurs operating in the manufacturing industry and employing from between 1 to 150 workers may benefit from KOSGEB (Small and Medium Industry Development Organization) subsidies.

Enterprises with a 25% share in the capita, owned by large corporations and employing more than 150 workers and enterprises with a 50% share in the capital owned by Special Provincial Administrations may not benefit from these subsidies.

Enterprises must belong to the SMEs Membership System in order to benefit from these subsidies.

Having applied for a subsidy neither places the KOSGEB under any obligation, nor does it entitle the applicant to any rights. The KOSGEB evaluates the applications according to its own criteria. No claims may be raised against KOSGEB for rejected applications.

These subsidies cease immediately in the event that Enterprises and Operating Organizations benefiting from the subsidies fail to fulfill their commitments or if it is found that the subsidies are used for purposes other than what they are intended for. In this case subsidies already provided are taken back by the KOSGEB in full, and in cash, together with the official interest as per Code No. 6183, regarding procedures for Collection of Public Claims.

The rules and procedures that apply to identifying sub-categories, upper and lower limits, regional support elements, applications and evaluations, approvals and assessments for these subsidies have all been specified in the KOSGEB Subsidies Regulation.

Subsidies provided by the KOSGEB are for:

- Consultancy, Tests and General Testing/Analysis for CE Marking,
- Technology Research and Development,
- Information Networks and e-business,
- Local Economic Research,
- Machinery and Equipment Intended for Use in Common ,
- Training,
- Identifying Overseas Markets,
- Overseas Business Trips for Export Purposes,
- Participation in Overseas Fairs at a National Level,
- Individual Participation in overseas Fairs,
- Participation in overseas Exhibitions,
- Participation in locally organized international specialized Industry Fairs,
- Participation in locally organized KOSGEB Fairs
- Project Support provided for export orientation,
- Branding and Promotion,
- Business Development Centers,

- New Entrepreneurs,
- the Recruitment of Qualified Personnel,
- Computer Software,
- Patents - Useful Models - Industrial Designs,
- Infrastructure and superstructure project support.

Consultancy support

This is a complimentary support provided by the KOSGEB for financing a certain part of the consultancy services purchased by enterprises and entrepreneurs from domestic or foreign freelance specialists. Included in this is the partial financing for all consultancy organizations established for commercial purposes; also for universities, public organizations and trusts giving services in this field and included in the KOSGEB`s consultant portfolio. The purpose of this support is to assist in the acquisition of the knowledge, experience and skills required by such enterprises and entrepreneurs.

Test and general testing/analysis support for CE marking

This is a complimentary support for the cost of tests, analyses, and the tests under the CE Marking system performed to assess compatibility, at the laboratories of domestic/overseas public or private sector institutions/organizations, other than KOSGEB laboratories. These tests are carried out when requested by enterprises for the purpose of improving the quality of their products, the development of new products, and also for the purpose of securing the product documents required in international markets, and approved by the KOSGEB.

Technology research and development support

This category of support is provided for enterprises wishing to be supported by providing or not providing (as required) a working site at Technology Development Centers or Technology Incubators Without Walls includes reimbursed support such as:

- expenses for material, equipment, and prototype production
- the procurement of raw material for trial purposes
- the improvement of quality
- the purchase of technological equipment
- complimentary support such as obtaining advice, the publication of R&D results, the preparation of application documents for R&D support projects, Technopark rental support, workshop allocation, the provisions of relevant publications
- participation in overseas congresses, conferences, panel discussions, symposiums, and technology fairs.

Information networks and e-business support

This is complimentary support provided for hardware, communication, service providing, required software, software development, consultancy, numerical medium products, etc.; expenses for Information Networks and e-business projects for enterprises, professional organizations, and e-marketplace service providers under the projects to be carried out in cooperation with the KOSGEB.

Local economic research support

This is a complimentary support given for activities to analyze regional resources, existing infrastructures and superstructures, the economic situation, industrial inventory, etc.; to identify the appropriate investment areas and to make suitable and profitable investments; to conduct research for the development of strategic plans which will constitute the basis for economic and social progress and regional development.

Support for machinery/equipment intended to be used in common .

This is a reimbursement for Machinery and Equipment Support provided to encourage the development of a partnership and cooperation culture among enterprises; to increase their efficiency and production; to enhance the quality of their products; and to orientate enterprises towards export, through the establishment of shared workshops, shared laboratories, and shared Training Centers.

Training support

This is to establish the training services and support to ensure the achievement of competitive power by enterprises and entrepreneurs in domestic and foreign markets; to improve their knowledge and skills in the areas of investment, modernization, technological Research and Development; to help them in the adoption of new technology, production, marketing, finance, information,

management, legislation, and entrepreneurship in order to increase employment and added value.

Support for the identifying of overseas markets

This is support provided for the activities of Enterprises, Sectoral Organizations, or Occupational Organizations under a Work Plan, for the purposes of making investigations into overseas markets required by enterprises, in order for them to have a share in international markets.

Support for participation in overseas business trips for export purposes (OBTEP)

This is a complimentary support for enterprises to participate in OBTEP Programs organized by the KOSGEB to the countries which will be identified annually by the KOSGEB on the basis of target markets and products/product groups. This support is aimed at providing the enterprises with the chance to investigate the possibility of exporting, of making technical/technological joint investments; of cooperating financially and in other ways, etc.; of having direct reciprocal discussions with the representatives of potential import companies; of viewing consumer preferences and product prices on the ground; of getting direct information about the economic structure and the situation of the industry; and of opening up in this way to International Cooperation .

Support for participation in overseas fairs at a national level

This is support for the participation of enterprises in overseas fairs organized in countries where Turkey will participate at a national level. The purpose of the support is to provide enterprises with the chance to access international markets and increase their overseas market shares. It is also aimed at helping enterprises to get acquainted with their competitors, to receive information about new products and technologies, and to create a brand image for their products.

Support for individual participation in overseas fairs

This is complimentary support provided for enterprises to participate in fairs planned under a collective participation program by Professional Organizations; for enterprises under the Contracted Support Program Package; and for enterprises supported by Technology Development Centers, Technology Incubators without Walls (TIWW), and Business Development Centers (BUDEC).

Support for participation in permanent overseas exhibitions

This is a complimentary support provided for enterprises to participate in exhibitions organized in overseas countries in order to exhibit their products. The purpose is to promote their companies and products in the identified target

countries and to maintain a presence in these markets, and also to create a brand image and to be well positioned in international markets.

Support for participation in locally organized international specialized industry fairs

This is a complimentary support provided for enterprises to participate in locally organized International Specialized Industry Fairs, to be included in the Annual Domestic Fairs Schedule announced in the Official Gazette, and to take part in the İzmir International Fair. The purpose is to increase their domestic and overseas market share; to get acquainted with their competitors; to get information about new products and technologies; and to create a brand image for their products.

Support for participation in locally organized KOSGEB regional fairs

This is a complimentary support provided for enterprises to participate in domestic regional fairs which are organized by the KOSGEB and which cover an area of at least 5,000 (five thousand) square meters. Participation in these fairs is intended for the sectors and products/product groups to be identified in the regions and which will be selected according to the data obtained as a result of regional and sector-based market research and analysis performed by the KOSGEB and with the cooperation of Professional Associations.

Support for export orientation

This is a complimentary support provided for activities carried out by enterprises which purchase services from market research and export development companies in order to compete in international markets, and obtain a share in global markets.

Brand creation and promotion support

This is a complimentary support provided for enterprises in Technology Development Centers, the TIWW, and the BUDEC and also for enterprises under the Contracted Package Support Program. The support is for their activities under a Plan of Work which shows original design, product variety, competitor activity analysis, etc., brand creation and product/enterprise promotion.

Support for business development centers

This is a support provided for entrepreneurs in Business Development Centers established under KOSGEB projects and financed by foreign resources such as the World Bank and the European Union, and continuing to be run by the Operating Organization after the expiry of the support given under such projects. The support is reimbursable if provided for workplace allocation and fixed investment expenditure. It is not reimbursable if given for operational expenditure.

New entrepreneur support

This is a support provided for entrepreneurs who set up their own business after successfully completing the Young Entrepreneur Development Program arranged by the KOSGEB at universities; for entrepreneurs at Business Development Centers (BUDEC) supported by the KOSGEB under various projects; for enterprises established by entrepreneurs who have received the Business Establishment Consultancy Support provided by the KOSGEB; and for enterprises in the marketing and services sector doing business in sectors directly affiliated with the manufacturing industry. The support is intended to cover the initial expenses in the first year of the establishment of such enterprises.

Support for the recruitment of qualified personnel

This is a complimentary support provided for enterprises and entrepreneurs under the Contracted Package Support Program; for enterprises and entrepreneurs benefiting from Workshops for Use in Common (WCU), Laboratories for Use in Common (LCU), Training Centers for Use in Common (CTC), Technology

Development Centers, BUDEC, and TIWW; also for the recruitment of qualified personnel for the projects to be jointly run by professional organizations.

Computer software support

This is a complimentary support provided for enterprises benefiting from the Contracted Package Support Program; for enterprises supported at the Technology Development Center, the TIWWs, and the BUDECs; for the Operator Organizations of the WCU, the LCU, and the CTC for the purchase of computer software.

Patents, useful model, industrial design support

In the case where the activities of an enterprise result in innovations or designs entailing a patent specification, a useful model certificate, or an industrial design registration, complimentary support is provided to obtain a Patent or a Useful Model Certificate, or an Industrial Design Registration Certificate.

Support for infrastructure and superstructure projects

This is a complimentary support provided for professional organizations, enterprises, and investors in Small Industrial Sites (SIS), Organized Industrial Zones, Industrial Areas and Technology Development Areas for application plans for the construction of their production facilities and R&D buildings; and for implementation plans for SIS infrastructure/superstructure construction. The objective of the support is to increase production and employment and to develop new technologies.

*** Government Subsidies for Exports**

Government subsidies for exports are given to the following activities: Research and Development; market research; training; employment; opening and operating overseas offices/stores and the promotion of brand names; creating Turkish brands in overseas markets and establishing a `Made in Turkey` image; participation in overseas fairs.

Research and Development (R&D) subsidies

(Money-Credit and Coordination Committee`s Communiqué No. 98/10)

- **Application Authority:** Scientific and Technical Research Council of Turkey (TÜBİTAK), Technology Development Foundation of Turkey (TDFT)
- **Beneficiary companies:** industrial firms, software development companies/organizations; and all organizations of any size or from any sector creating added-value.
- **Supporting R&D activities on a Project Basis:** This is to cover a certain part of the expenses incurred by organizations for their R&D activities realized within their own organization; or for R&D activities outside the organization but within Turkey.

Basic Support Ratio: 50%

Maximum Support Ratio: 60%

Support Duration: 3 years

Authorized Body: the Undersecretariat of Foreign Trade (UFT)

Implementing Body: TÜBİTAK

- **Providing Capital Support for Projects**

Implementing Body: TDFT

Support Rate: 50%

- **Providing Capital Support for Product Development Projects**

1. Maximum support duration: 2 years
2. Maximum support amount: 1 million USD

- **Providing Capital Support for Projects on Strategic Focus Issues**

“Projects on Strategic Focus Issues” are projects designed on the basis of the current industrial structure, technology and human resources of Turkey and on the dynamics of comparative international advantages. They are aimed at identifying the areas where implementing technological projects would be useful, or at defining the measures to be taken to enhance and expand Research and Development activities in Turkey.

- Support rate: The expense of the entire project
- Maximum support amount: 100,000 USD
- Maximum support duration: 1 (one) year

Subsidies to support Environmental Costs

(Money-Credit and Coordination Committee`s Communiqué No. 97/5)

- **Application Authority:** UFT (General Directorate of Exports)
- **Beneficiary Companies:** SMSEs (Small and Medium Sized Enterprises)
- **Support rate:** Up to 50% of the expenses
- **Scope of support:** The purpose of this subsidy is to enhance the competitive advantage of SMSEs in international markets, and to facilitate the efforts to comply with technical regulations concerning the environment, quality standards, and human health. For this purpose, up to 50% of the Certification expenses to obtain the following certificates is subsidized:
 1. ISO 9000 series,
 2. ISO 14000,
 3. The CE Mark
 4. Other quality and environmental certificates of international value.

Market Research Support

(Money-Credit and Coordination Committee`s Communiqué No. 97/6)

- **Application Authority:** IGEME (the Export Promotion Center - EPC) and IKV (the Economic Development Foundation - EDF)
- **Beneficiary Companies:** SMSEs, SFTCs (Sectoral Foreign Trade Company), and Manufacturer Associations
- **Activities to be supported:**
 1. Market Research Projects
 2. Cooperation Activities between SMSEs

Training Subsidies

(Money-Credit and Coordination Committee`s Communiqué No. 2000/2)

- **Application Authority:** IGEME (Export Promotion Center)
- **Beneficiary Companies:** SMSEs and SFTCs
- **Support Duration:** Maximum 3 months

- **Support Rate:** 50% for SMSEs, and 75% for SFTCs
- **Support Frequency:** 3 domestic training programs, and 3 overseas training programs - a maximum total of 6 training programs.

Employment Subsidies

(Money-Credit and Coordination Committee`s Communiqué No. 2000/1)

- **Application Authority:** the UFT (the General Directorate of Exports)
- **Beneficiary Companies:** SFTCs
- **Support rate:** 75%
- **Number of Employees supported:** 1 Manager, 2 members of Staff
- **Support Duration:** Maximum 1 year

Subsidies for Opening and Operating Overseas Offices/Stores and for the promotion of Brand Names

(Money-Credit and Coordination Committee`s Communiqué No. 97/9)

- **Overseas Approval Body:** Commercial Counselor`s/Attaché`s Offices or Consulates
- **Application Authority:** Exporter Unions
- **Application Period:** 6 months
- **Beneficiary Companies:** Industrial and/or commercial companies, SFTCs, and companies located in Turkey operating in the software industry.
- **Support available under this Communiqué to:**
 1. Companies opening overseas Offices, Warehouses and Stores to trade under their own Name and Logo
 2. Companies opening overseas Branches to assist overseas trading in goods
 3. Expenses covering Agency/Distributorship,
 4. Sectoral Foreign Trade Companies.

Communiqué concerning the Support for the Activities to create Turkish Brands in Overseas Markets and to establish a `Made in Turkey` image

(Money-Credit and Coordination Committee`s Communiqué No. 2003/3)

- **Overseas Approval Body:** Commercial Counselor`s/Attaché`s Offices or Consulates
- **Application Authority:** the UFT (the General Directorate of Exports)
- **Application Period:** 6 months
- **Beneficiaries:** Exporter Unions, Manufacturer Associations/Unions, Companies engaged in commercial and/or industrial activities in Turkey, Turkish fashion designers, and Turquality store owners and/or operators.
- **Support Rate:** 50% (80% for Exporter Unions); 60% when the phrase "Turquality From Turkey" is used, and 55% when the phrase "Made in Turkey" is used.
- **Support Duration:** Four years
- **Scope of Support:** Companies shall directly apply to the UFT with a plan of their brand-making activities. The Turquality Committee is authorized to deal with the applications for opening Turquality stores and licensing the use of the phrase "Turquality from Turkey". Communiqué No. 2003/3 envisages providing seven types of support.

Subsidies for Participation in Overseas Fairs

(Money-Credit and Coordination Committee`s Communiqué No. 2004/6)

- **Application Authority:** Exporters` Unions
- **Implementation:** For Turkish Export Products Fair, Sectoral Turkish Export Products Fair, and National Participation Organizations, 65% of the participation fee payable by the participants to the organizer appointed by the UFT for overseas fair organizations is paid to the participants under this support. In the case where the participant is a Sectoral Foreign Trade Company (SFTC), 75% of the participation fee payable to the organizer is paid to the SFTC under this support.

* The Scientific and Technological Research Council of Turkey

TUBITAK` s (The Scientific and Technological Research Council of Turkey) mission is to develop policies in the field of science and technology in line with national priorities; to contribute to the development of infrastructure and tools for the realization of such policies; support and implement R&D activities; and play a leading role in the development of a technology culture in cooperation between all sectors of society and the concerned institutions. Its over-all objective is to enhance the competitive power and welfare of Turkey.

TUBITAK

TUBITAK is a central organization commissioned to organize, coordinate, and encourage scientific research and technological development in various fields of natural sciences in line with the economic development objectives. TUBITAK, which is a fully financially and partially administratively autonomous organization established by a special law, reports directly the Prime Minister or the Deputy Prime Minister.

Its Vision

Its vision is to stand as an innovative, leading, participative, and sharing organization of science and technology which will serve to help society enhance its quality of life and the country to continue its sustainable development.

Its Mission

Its mission is to develop policies in the field of science and technology in line with national priorities; to contribute to the development of infrastructure and tools for the realization of such policies; support and implement R&D activities; and play a leading role in the development of a technology culture in cooperation between all sectors of society and the concerned institutions. Its over-all objective is to enhance the competitive power and welfare of Turkey.

Primary Functions

- To determine scientific and technological policies in Turkey,
- To support, encourage, and monitor academic R&D,
- To support, encourage and monitor industrial R&D and innovations,
- To develop relationships between academic circles and industry,
- To direct R&D institutes conducting R&D activities in line with national priorities,
- To manage units providing facilities, and technical services to R&D activities,
- To identify and encourage the scientists of the future,
- To grant annual awards which will encourage scientific excellence,
- To develop and manage international cooperation on science and technology,
- To publish scientific journals and popular science books.

The Objective of Support Programs

- To take measures to enhance Turkey`s competitive edge in science and technology in the international arena,
- To develop methods for the swift transformation of scientific research into technological innovation,
- To develop programs to enable the private sector to effectively take a high profile part in Research and Development,
- To develop programs to ensure that Turkish industry cooperates with academic circles, research institutions and organizations,
- To create the physical environment in which this cooperation can produce tangible results.

Support Programs

TUBITAK, operating as the implementing body of R&D supports under the Government Subsidies for Export, is responsible for:

- Carrying out certain Industrial Support (R&D support, University-Industry Joint Research Center - UIJRC),
- Carrying out the Support for Academic Projects (research projects, research infrastructure support projects, university students` domestic/overseas research projects),
- Carrying out support for arranging conferences and incentives for publications,
- Offering various scholarships for R&D activities.

REFIT

The Research Field of Turkey (REFIT) has been defined as where those performing R&D activities (universities, research institutions, industrial organizations, etc.), those demanding the results of these activities (private and public institutions, NGOs, etc) and all other organizations and institutions (public or private) funding these activities, can work in collaboration and where they can focus on certain strategies. Activities regarding this system are summarized below:

- To finalize the 2003-2023 draft Strategy Document by also considering the formal opinions of member organizations of the SCST (National Science and Technology Policies known as Vision 2023).
- To increase gradually between 2005 and 2010, the R&D share allocated from the National Income, so that it reaches 2%,
- To increase the number of full-time researchers to 40, 000, by 2010,
- To emphasize the areas of Defense Industry Research, Space Research, and the training of scientists,
- To establish Science Parks as priority areas for development, under the patronage of the Prime Minister,
- To develop a system for the strategic management of REFIT defined as a communication network made up of universities, the public, industry, research organizations and nongovernmental organizations offering and/or requesting R&D activities.

TUBITAK was commissioned to act as the secretariat to ensure that all of the aforementioned is achieved.

RDS/NARINIS

RIFOS and NARINIS systems have been developed:

- to define the current status of Turkey in the field of science and technology,

- to identify the long term developments in the field of science and technology in the world,
- to determine Turkey`s demands for science and technology,
- to identify the strategic technologies required for these objectives,
- to recommend policies for these technological developments.
-

RIFOS (Researcher Information System)

This is a system intended to serve research personnel employed at universities, public and private sector organizations in Turkey, and Turkish researchers working abroad. It is intended to gather, continuously update and offer the data which it collects for the use of various organizations. When researchers have completed the form on the website of Rifos, they may be included in various databases made up, for example, of potential participants and observers for support and career programs, of associate researchers for the 6th framework program of the EU, of participants in discussion forums and in e-mail newsletter groups.

NARINIS (National Research Infrastructure Information System)

Filling out the form on the website of Narinis:

- makes it possible to get information about machinery, systems and equipment data entered in Narinis,
- establishes collaboration and communication between laboratories and industry for product and technology development activities,
- helps to find the resources required to enhance laboratory capacities and capabilities,
- increases the number of joint projects in laboratories

*** Supports Provided Under Law Number 5084 and 5350**

This Law published in the Official Gazette dated February 6, 2004 is intended to increase investments and employment in some provinces by means of tax and insurance premium incentives, by providing energy support, and by providing land free of charge for investments. These provinces are those, as of 2001, with a gross domestic product per capita equal to or less than US\$ 1,500. Free land allocation support shall also apply to provinces within the Priority Regions for Development in addition to the provinces defined above. With Amendment No.5350, dated 12.05.2005, which came into effect with the law , provinces with a minus value in the Socioeconomic Development Index also come within the scope of the aforementioned law. Provinces covered by this Law are indicated below:



Provinces where free landlots are provided in OIZs

Çanakkale
1
Karabük
2
Kırkkale

3
Samsun

4
Zonguldak
Source: Ministry of Industry and Trade

Provinces where free landlots are provided in OIZs along with tax, insurance premium and energy supports

1 Adiyaman	18
Gumushane	35
Van	
2 Afyon	19
Hakkari	36
Yozgat	
3 Agri	20
Igdir	37
Artvin	
4 Aksaray	21
Kars	38
Corum	
5 Amasya	22
Kirsehir	39
Elazig	
6 Ardahan	23
Malatya	40
Karaman	
7 Bartın	24
Mardin	41
Kastamonu	
8 Batman	25
Mus	42
Rize	
9 Bayburt	26
Ordu	

Tunceli	43
10	
Bingol	27
Osmaniye	44
Kahramanmaras	
11	
Bitlis	28
Siirt	45
Kilis	
12	
Cankiri	29
Sinop	46
Kutahya	
13	
Diyarbakir	30
Sivas	47
Nevsehir	
14	
Duzce	31
Sanliurfa	48
Nigde	
15	
Erzincan	32
Sirnak	49
Trabzon	
16	
Erzurum	33
Tokat	
17	
Giresun	34
Usak	

Source: Ministry of Industry and Trade

Income tax exemption support

In the case where taxpayers who started a new operation as of April 1, 2005, recruit a minimum of 30 employees, and also where taxpayers who started operations before the said date decide to increase the number of employees by 20% to reach a minimum of 30, there shall be an income tax exemption of 100%.

This will apply to organized Industrial Zones and Industry Zones. There will be an income tax exemption of 80% for enterprises in other zones.

Support for the employers` share in social insurance premiums

In the case, as above, where taxpayers who started a new operation as of April 1, 2005, recruit a minimum of 30 employees, and also where taxpayers who started operations before the said date decide to increase the number of employees by 20% to reach a minimum of 30, 100% of the Employers` Share of the total Social Insurance Premiums is paid by the Treasury. This will apply to organized Industrial Zones and Industry Zones. The Treasury will pay 80% of the total Social Insurance Premiums for enterprises in other zones.

Assignment of free land for investment

The following may be assigned lands that belong to the Treasury, free of charge:

- Real and legal entities who are engaged in investments and who anticipate a minimum of 30 employees,
- Real and Legal Entities who are in the 49 provinces determined by law
- Real and Legal Entities who are in all the Priority Regions for Development ,
- Organizations with added budget,
- Municipalities
- Special Provincial Administrations

For investments in organized Industrial Zones or Industrial Areas, however, no assignable parcel of land is available inside these zones or areas. The criteria concerning the number of employees shall be complied with for a period of 5 years as from the date when the investor started operating.

Energy support

20% of the Electricity expenses of enterprises which started operations as of April 1, 2005, will be subsidized by the Treasury and this will apply until December 31, 2008 in the following fields:

- The Manufacturing Industry,
- Mining,
- Stock farming (including aqua farming and chicken farming),
- Greenhouse Cultivation,
- Certified Seed Propagation,
- Cold Storage,
- Tourist Accommodation Facilities,
- Education,
- Health
-

These enterprises must physically and permanently employ a minimum 30 workers. 0.5 points will be added to this rate for each employee above the 30-employee limit. This increased rate, however, may not be over 50% for enterprises established in organized Industrial Zones and in Industrial Areas, nor over 40% for enterprises established in other areas.

*** Supports Provided at the Technology Development Areas**

Enterprises and entrepreneurs operating in the manufacturing industry and employing from between 1 to 150 workers may benefit from KOSGEB (Small and Medium Industry Development Organization) subsidies.

Enterprises with a 25% share in the capita, owned by large corporations and employing more than 150 workers and enterprises with a 50% share in the capital owned by Special Provincial Administrations may not benefit from these subsidies.

Enterprises must belong to the SMEs Membership System in order to benefit from these subsidies.

Having applied for a subsidy neither places the KOSGEB under any obligation, nor does it entitle the applicant to any rights. The KOSGEB evaluates the applications according to its own criteria. No claims may be raised against KOSGEB for rejected applications.

These subsidies cease immediately in the event that Enterprises and Operating Organizations benefiting from the subsidies fail to fulfill their commitments or if it is found that the subsidies are used for purposes other than what they are intended for. In this case subsidies already provided are taken back by the KOSGEB in full, and in cash, together with the official interest as per Code No. 6183, regarding procedures for Collection of Public Claims.

The rules and procedures that apply to identifying sub-categories, upper and lower limits, regional support elements, applications and evaluations, approvals and assessments for these subsidies have all been specified in the KOSGEB Subsidies Regulation.

Subsidies provided by the KOSGEB are for:

- Consultancy, Tests and General Testing/Analysis for CE Marking,
- Technology Research and Development,
- Information Networks and e-business,
- Local Economic Research,
- Machinery and Equipment Intended for Use in Common ,
- Training,
- Identifying Overseas Markets,
- Overseas Business Trips for Export Purposes,
- Participation in Overseas Fairs at a National Level,
- Individual Participation in overseas Fairs,
- Participation in overseas Exhibitions,
- Participation in locally organized international specialized Industry Fairs,
- Participation in locally organized KOSGEB Fairs
- Project Support provided for export orientation,
- Branding and Promotion,
- Business Development Centers,
- New Entrepreneurs,
- the Recruitment of Qualified Personnel,
- Computer Software,
- Patents - Useful Models - Industrial Designs,
- Infrastructure and superstructure project support.

Consultancy support

This is a complimentary support provided by the KOSGEB for financing a certain part of the consultancy services purchased by enterprises and entrepreneurs from domestic or foreign freelance specialists. Included in this is the partial financing for all consultancy organizations established for commercial purposes; also for universities, public organizations and trusts giving services in this field and included in the KOSGEB` s consultant portfolio. The purpose of this support is to

assist in the acquisition of the knowledge, experience and skills required by such enterprises and entrepreneurs.

Test and general testing/analysis support for CE marking

This is a complimentary support for the cost of tests, analyses, and the tests under the CE Marking system performed to assess compatibility, at the laboratories of domestic/overseas public or private sector institutions/organizations, other than KOSGEB laboratories. These tests are carried out when requested by enterprises for the purpose of improving the quality of their products, the development of new products, and also for the purpose of securing the product documents required in international markets, and approved by the KOSGEB.

Technology research and development support

This category of support is provided for enterprises wishing to be supported by providing or not providing (as required) a working site at Technology Development Centers or Technology Incubators Without Walls includes reimbursed support such as:

- expenses for material, equipment, and prototype production
- the procurement of raw material for trial purposes
- the improvement of quality
- the purchase of technological equipment
- complimentary support such as obtaining advice, the publication of R&D results, the preparation of application documents for R&D support projects, Technopark rental support, workshop allocation, the provisions of relevant publications
- participation in overseas congresses, conferences, panel discussions, symposiums, and technology fairs.

Information networks and e-business support

This is complimentary support provided for hardware, communication, service providing, required software, software development, consultancy, numerical medium products, etc.; expenses for Information Networks and e-business projects for enterprises, professional organizations, and e-marketplace service providers under the projects to be carried out in cooperation with the KOSGEB.

Local economic research support

This is a complimentary support given for activities to analyze regional resources, existing infrastructures and superstructures, the economic situation, industrial inventory, etc.; to identify the appropriate investment areas and to make suitable and profitable investments; to conduct research for the development of strategic plans which will constitute the basis for economic and social progress and regional development.

Support for machinery/equipment intended to be used in common .

This is a reimbursement for Machinery and Equipment Support provided to encourage the development of a partnership and cooperation culture among enterprises; to increase their efficiency and production; to enhance the quality of their products; and to orientate enterprises towards export, through the establishment of shared workshops, shared laboratories, and shared Training Centers.

Training support

This is to establish the training services and support to ensure the achievement of competitive power by enterprises and entrepreneurs in domestic and foreign markets; to improve their knowledge and skills in the areas of investment, modernization, technological Research and Development; to help them in the

adoption of new technology, production, marketing, finance, information, management, legislation, and entrepreneurship in order to increase employment and added value.

Support for the identifying of overseas markets

This is support provided for the activities of Enterprises, Sectoral Organizations, or Occupational Organizations under a Work Plan, for the purposes of making investigations into overseas markets required by enterprises, in order for them to have a share in international markets.

Support for participation in overseas business trips for export purposes (OBTEP)

This is a complimentary support for enterprises to participate in OBTEP Programs organized by the KOSGEB to the countries which will be identified annually by the KOSGEB on the basis of target markets and products/product groups. This support is aimed at providing the enterprises with the chance to investigate the possibility of exporting, of making technical/technological joint investments; of cooperating financially and in other ways, etc.; of having direct reciprocal discussions with the representatives of potential import companies; of viewing consumer preferences and product prices on the ground; of getting direct information about the economic structure and the situation of the industry; and of opening up in this way to International Cooperation .

Support for participation in overseas fairs at a national level

This is support for the participation of enterprises in overseas fairs organized in countries where Turkey will participate at a national level. The purpose of the support is to provide enterprises with the chance to access international markets and increase their overseas market shares. It is also aimed at helping enterprises to get acquainted with their competitors, to receive information about new products and technologies, and to create a brand image for their products.

Support for individual participation in overseas fairs

This is complimentary support provided for enterprises to participate in fairs planned under a collective participation program by Professional Organizations; for enterprises under the Contracted Support Program Package; and for enterprises supported by Technology Development Centers, Technology Incubators without Walls (TIWW), and Business Development Centers (BUDEC).

Support for participation in permanent overseas exhibitions

This is a complimentary support provided for enterprises to participate in exhibitions organized in overseas countries in order to exhibit their products. The purpose is to promote their companies and products in the identified target countries and to maintain a presence in these markets, and also to create a brand image and to be well positioned in international markets.

Support for participation in locally organized international specialized industry fairs

This is a complimentary support provided for enterprises to participate in locally organized International Specialized Industry Fairs, to be included in the Annual Domestic Fairs Schedule announced in the Official Gazette, and to take part in the Izmir International Fair. The purpose is to increase their domestic and overseas market share; to get acquainted with their competitors; to get information about new products and technologies; and to create a brand image for their products.

Support for participation in locally organized KOSGEB regional fairs

This is a complimentary support provided for enterprises to participate in domestic regional fairs which are organized by the KOSGEB and which cover an area of at least 5,000 (five thousand) square meters. Participation in these fairs is intended for the sectors and products/product groups to be identified in the

regions and which will be selected according to the data obtained as a result of regional and sector-based market research and analysis performed by the KOSGEB and with the cooperation of Professional Associations.

Support for export orientation

This is a complimentary support provided for activities carried out by enterprises which purchase services from market research and export development companies in order to compete in international markets, and obtain a share in global markets.

Brand creation and promotion support

This is a complimentary support provided for enterprises in Technology Development Centers, the TIWW, and the BUDEC and also for enterprises under the Contracted Package Support Program. The support is for their activities under a Plan of Work which shows original design, product variety, competitor activity analysis, etc., brand creation and product/enterprise promotion.

Support for business development centers

This is a support provided for entrepreneurs in Business Development Centers established under KOSGEB projects and financed by foreign resources such as the World Bank and the European Union, and continuing to be run by the Operating Organization after the expiry of the support given under such projects. The support is reimbursable if provided for workplace allocation and fixed investment expenditure. It is not reimbursable if given for operational expenditure.

New entrepreneur support

This is a support provided for entrepreneurs who set up their own business after successfully completing the Young Entrepreneur Development Program arranged by the KOSGEB at universities; for entrepreneurs at Business Development Centers (BUDEC) supported by the KOSGEB under various projects; for enterprises established by entrepreneurs who have received the Business Establishment Consultancy Support provided by the KOSGEB; and for enterprises in the marketing and services sector doing business in sectors directly affiliated with the manufacturing industry. The support is intended to cover the initial expenses in the first year of the establishment of such enterprises.

Support for the recruitment of qualified personnel

This is a complimentary support provided for enterprises and entrepreneurs under the Contracted Package Support Program; for enterprises and entrepreneurs benefiting from Workshops for Use in Common (WCU), Laboratories for Use in Common (LCU), Training Centers for Use in Common (CTC), Technology Development Centers, BUDEC, and TIWW; also for the recruitment of qualified personnel for the projects to be jointly run by professional organizations.

Computer software support

This is a complimentary support provided for enterprises benefiting from the Contracted Package Support Program; for enterprises supported at the Technology Development Center, the TIWWs, and the BUDECs; for the Operator Organizations of the WCU, the LCU, and the CTC for the purchase of computer software.

Patents, useful model, industrial design support

In the case where the activities of an enterprise result in innovations or designs entailing a patent specification, a useful model certificate, or an industrial design registration, complimentary support is provided to obtain a Patent or a Useful Model Certificate, or an Industrial Design Registration Certificate.

Support for infrastructure and superstructure projects

This is a complimentary support provided for professional organizations, enterprises, and investors in Small Industrial Sites (SIS), Organized Industrial Zones, Industrial Areas and Technology Development Areas for application plans for the construction of their production facilities and R&D buildings; and for implementation plans for SIS infrastructure/superstructure construction. The objective of the support is to increase production and employment and to develop new technologies.

*** Tax Incentives in Free Zones**

Free zones are considered to be outside the customs area. Taxpayers who obtained a permit for operation in free zones before 06.02.2004 benefit from the following tax incentives:

- Operating profits arising from their activities within these zones are exempt from income or corporation tax for a limited period, as indicated in their permits.
- Wages/salaries paid to personnel employed in these zones are exempt from income tax until 31.12.2008.
- Transactions carried out in connection with their operations in these zones are exempt from taxes, duties and charges until 31.12.2008.
- For taxpayers who started their operations in free zones after 06.02.2004; profits arising from the sale of products manufactured in these zones are exempt from income or corporation tax until the end of the taxation period which would include the date when full membership to the EU is achieved.

*** Some Income and Corporation Tax and Other Exemptions**

Exemptions to Corporate Tax

The Corporate Tax Law (No. 5520) replacing the former Corporate tax law dated 03.June.1949 (No. 5422) was enacted on 13th : June. 2006 . The new Law reduces the corporate tax rate from 30% to 20 % while re-regulating the earnings exempt from tax and the reductions.

One of the important changes, affecting the subjects of the Income and Corporate tax , has been made by Law dated 30th March 2006 (No.5479) and "investment allowance" has been abolished. However, with relation to investments that had been started before 31st December 2005, the investment allowance exemption amounts that haven't been reduced can be reduced from the earnings of 2006, 2007 and 2008

Exemption on wages

Wages paid by limited taxpayers to the service personnel working for them, paid in foreign currency, from income earned outside of Turkey, are exempt from income tax.

Keeping foreign currency records

The Cabinet of Ministers may authorize enterprises with a paid-up capital in YTL equivalent to a minimum of US\$ 100 million, and with a share capital at least 40% of which belongs to Real and Legal entities domiciled abroad, to keep their records in foreign currency. If these conditions are breached, keeping the records in YTL becomes mandatory, dating from the accounting period that follows that in which the conditions are breached.

Transactions carried out in Turkish currency are converted into the relevant foreign currency at the bid rate of CBRT for this currency on the day of the transaction. Values of the economic assets and the tax base are decided based on the Reporting Currency, and declared in Turkish currency by converting them at

the exchange rate on the first day of the month in which the tax return has to be submitted. Taxpayers keeping their records in foreign currency do not make any adjustments for inflation.

VAT exemptions

Export exemption

Export deliveries and services relating to such deliveries, and services rendered for overseas customers are exempt from VAT.

VAT, paid on goods purchased in Turkey but taken outside the country by those not domiciled in Turkey, is returned when such goods are cleared at customs.

Transit transport exemption

Certain types of transit transport and transportation between Turkey and foreign countries, determined by the Cabinet of Ministers, are exempt from VAT. This exemption applies to taxpayers with legal domiciles and places of business outside Turkey. The exemption is also based on reciprocity agreements with the relevant countries.

Import exemption

The exemption also applies to the import of goods deliveries which are exempt from tax as per the VAT Law.

The VAT exemption also applies to goods subject to transit and customs warehouse regimes, and to the temporary storage and free-zone articles of the Customs Law.

VAT exemption on sea and air transport vehicles and on railway rolling stock

Taxpayers whose activities involve the following, are exempt from VAT. (VATL, Art. 13/a):

- the leasing or operation of any form of sea and air vehicles, as well as of railway rolling stock
- the delivery of such vehicles,
- floating facilities and vehicles,
- the delivery and services connected with the manufacture and construction of the above vehicles,
- services rendered for the modification, repair and maintenance of the above vehicles

VAT exemption for seaports and airports

Services rendered for Sea and Air transport vehicles in Seaports and Airports are exempt from VAT. (VATL, Art. 13/b)

Taxpayers who physically carry out, or who provide for the construction, renovation, or extension works in seaports and airports, as well as for the delivery of relevant goods, and for the construction and contracting of work connected with such activities are also exempt from VAT. (VATL, Art. 13/e)

VAT exemption on mineral and petroleum exploration

The following are exempt from VAT. (VATL, Art. 13/c): deliveries made to, and services rendered for, those who perform gold, silver and platinum prospecting, processing, enrichment, and refining activities; and also for petroleum exploration activities in accordance with the provisions of Petroleum Law No. 6326.

VAT exemption on investors with incentive certificates

Taxpayers in possession of Investment Incentive Certificates are exempt from VAT. (VATL, Art. 13/d) on deliveries of machinery and equipment, subject to the details of the incentive certificate.

VAT Exemption on Resources for National Defense and Domestic Security

The following are exempt from VAT: the delivery of various defense vehicles and equipment, weapons, materials, etc. to Public Entities connected with National Defense, National Security, Intelligence and Customs Protection; the deliveries and services connected with the R&D, the software, the manufacture and the assembly of spare parts of these vehicles and equipment; the maintenance and repair, and the modernization of such vehicles, equipment, etc.; and all deliveries and services to the relevant the parties.

Other exemptions

The following are exempt from VAT:

- Delivery of gold ingots, silver ingots, precious stones, foreign currency, money, tax stamps, valuable papers, stocks and bonds; and delivery of metals, plastic, rubber, paper, glass, scrap and waste
- Services rendered in Free Zones
- Services for the pipeline transport of foreign crude oil and gas, and crude oil and gas products
- Various deliveries and services intended for cultural, social and military purposes

Exemption on stamp tax and duties

Documents issued for the obtaining and repayment of loans from banks, overseas credit institutions and international organizations, and annotations on such documents (excluding the utilization of loans) are exempt from Stamp Tax.

In addition, the following are exempt from duties: transactions for incorporations, the increase of capital, for mergers, for transfers, for divisions, and for changes in the type of joint stock company, of limited partnerships with share certificates and of limited companies; transactions for the provision, collaterals and repayment of loans to be extended by the aforementioned organizations.

Land for Investment

In this section, you will find the legal regulations related to organized industrial zones, technology development zones, industry zones which are allocated for investments in Turkey and detailed info

*** Organized Industrial Zones**

Organized Industrial Zones are areas with necessary infrastructure dedicated to industry. The aim of these Zones is to ensure that industrial activities are carried out in appropriate places; to act as guides towards urbanization; to prevent environmental problems; to benefit from information and informatics technologies; and to enable manufacturing industries to locate and develop according to a pre-defined plan. There are 93 OIZs in 58 provinces of Turkey, with their site selection, their expropriation, and their infrastructure completed. As of end of 2006, all of them are fully operational.

Definition of an OIZ

Organized Industrial Zones Code No. 4562 dated April 12, 2000 regulating establishment, building and operation of OIZ`s

defines them as follows:

“OIZ`s are places for the manufacture of goods and provision of services, established, and operated in accordance with the provisions of the OIZ Act, by equipping lands which have approved boundaries with the necessary infrastructure, technoparks and social facilities as may be required. They are designated for a particular industry under a certain plan and a certain system. The aim of this system is to ensure that industrial activities are carried out in appropriate places, to act as guides towards urbanization, to prevent environmental problems, to benefit from information and informatics technologies, and to enable manufacturing industries to locate and develop according to a pre-defined plan.” OIZs are grouped as mixed and expert zones.

The establishment and operation of OIZs

Code No. 4562 rules that OIZ`s shall be established upon the Ministry`s approval at locations deemed to be appropriate

in accordance with the Site Selection Bylaw. Rules and principles for the establishment, building, and operation of OIZ`s

are set out by the OIZ Implementation Bylaw which came into force on its publication in the Official Gazette

No. 24713, dated April 1, 2002.

Objectives for the establishment of OIZs

- To regulate the industry,
- To contribute to the planned development of cities,
- To ensure efficiency and increased profitability in production by gathering together industrialists working in similar fields, and, as a result, to encourage spin-offs, under a common plan,
- To extend the industry to underdeveloped regions,
- To regulate the use of agricultural land for industrial purposes,
- To establish a healthy, inexpensive, and reliable infrastructure and common social facilities,
- To protect the environment by the use of common waste treatment facilities,
- To enable the zones to govern themselves under state supervision.

Organized Industrial Zones help prepare the industrial infrastructure for investment (roads, drinking water, water for business use, electricity, communications, waste treatment). Industrialists thus move to these zones with infrastructure to start up

their operations.

OIZs in Turkey

There are 93 OIZs in 58 provinces of Turkey, with their site selection, expropriation, and the infrastructure completed.

As of end of 2006, all of them are fully operational.

There are a further 155 OIZ`s where the site selection and the registration are complete, but the establishment and

infrastructure works are still in progress. The geographical distribution of 93 OIZs providing full services, and 155 OIZs with infrastructure activities still in progress (There are total 248 OIZs in 80 cities) is indicated below.

Number of Organized Industrial Zones in Turkey

Regions	Number of OIZs	Share in Total (%)
Marmara Region	57	25
Aegean Region	44	19
Mediterranean Region	17	7
Central Anatolia Region	42	19
Black Sea Region	33	15
Eastern Anatolia Region	20	19
South Eastern Anatolia Region	13	6
Source: Ministry of Industry and Trade		
Provinces With Active OIZs		
Adana	Burdur	Hatay Kocaeli Sivas
Adıyaman	Bursa	Isparta Konya Sanliurfa
Afyon	Canakkale	Istanbul Kutahya Tekirdag
Amasya	Cankiri	Izmir Malatya Tokat
Ankara	Corum	Karaman Manisa Trabzon
Antalya	Denizli	Karabük Mardin Tunceli
Aydın	Düzce	Kars Mersin Usak
Balıkesir	Elazig	Kayseri Nigde Yozgat
Bartın	Erzincan	Kirikkale Ordu Zonguldak
Bayburt	Erzurum	Kirklareli Osmaniye Van
Bilecik	Eskisehir	Kirsehir Samsun
Bolu	Gaziantep	Kilis Sinop
Source: Ministry of Industry and Trade		

Fields of activities in the OIZs

Foodstuffs; beverages; tobacco and tobacco products; textile and clothing; forestry; paper; printing; leather and leather products; rubber; plastics; chemicals; petrochemicals; petroleum products; fertilizers; cement; kiln-dried clay and cement supplies; glass; iron and steel; non-iron metals; metallic goods; non-electrical machinery; agricultural tools and equipment; optical equipment; professional, scientific, measurement and control equipment; electrical appliances; electronics; land vehicles; railway rolling stock; shipbuilding; aircrafts.

Incentives for companies operating in OIZs

According to Code No. 5084 on the Encouragement of Investments and Employment and the Amendment of Certain Acts, investors operating in OIZ`s located in provinces with a GDP less than US Dollars 1,500 are eligible for the following incentive measures:

- 100% exemption from income tax calculated on the wages of the workers employed,
- 100% Treasury subsidy for the employer`s share of the workers` insurance premiums,
- Up to 50% Treasury subsidy for the electricity expenses of enterprises operating in OIZs and physically and permanently employing minimum ten workers in the fields of stock farming (including aqua farming and chicken

farming), greenhouse cultivation, certified seed propagation, and cold storage; and those employing a minimum of thirty employees in the fields of the manufacturing industry, mining, tourist accommodation facilities, education or health.

- Free land allocation (this incentive also applies to the provinces included in Code No. 5084, and other provinces in Regions of High Priority Development).

The map below indicates the provinces where OIZ`s benefit from the incentives under Code No. 5084.

Provinces where free landlots are provided in OIZs along with tax, insurance premium and energy supports		
Van 35	Gumushane 18	Adiyaman 1
Yozgat 36	Hakkari 19	Afyon 2
Artvin 37	Igdir 20	Agri 3
Corum 38	Kars 21	Aksaray 4
Elazig 39	Kirsehir 22	Amasya 5
Karaman 40	Malatya 23	Ardahan 6
Kastamonu 41	Mardin 24	Bartın 7
Rize 42	Mus 25	Batman 8
Tunceli 43	Ordu 26	Bayburt 9
Kahramanmaraş 44	Osmaniye 27	Bingöl 10
Kilis 45	Siirt 28	Bitlis 11
Kutahya 46	Sinop 29	Cankiri 12
Nevşehir 47	Sivas 30	Diyarbakir 13
Niğde 48	Sanliurfa 31	Duzce 14
Trabzon 49	Sirnak 32	Erzincan 15
Tokat 33	Erzurum 16	
Uşak 34	Giresun 17	

Source: Ministry of Industry and Trade

Provinces where free landlots are provided in OIZs

Çanakkale 1
 Karabük 2
 Kırkkale 3
 Samsun 4
 Zonguldak 5

Source: Ministry of Industry and Trade

Other advantages, granted to OIZ`s, not included in Code No. 5084,:

- Enterprises in OIZs are exempt from real estate tax, waste water charges, building construction duty, and
- the use-of-building permit charge,
- Customs Duty, Public Housing Fund and VAT exemptions apply to investments for which an incentive certificate is issued,

- Wherever deemed appropriate by the Undersecretariat of the Treasury, and regardless of whether or not an incentive certificate
- is issued, credits may be granted from budgetary resources for research and development investments, investments for environmental protection, investments to be carried out in Technological Development Regions, priority technology investments, investments for Regional Development, and investments to be moved from Developed Regions to Regions of Special Purpose,
- In addition, the Small and Medium Scale Industry Development Organization (SMIDO) supports the investment
- projects of investors in OIZ`s at a rate of 60% for developed regions, 70% for normal regions, and 80% for High Priority regions.

Investing in OIZs

Land allocation in Organized Industrial Zones is made by the committee of entrepreneurs acting as the General Council of the relevant zone.

Real or Legal Persons intending to request an allocation of land from an OIZ should apply to the Committee of Entrepreneurs with an application file which includes the following information and documents:

- An application letter,
- Size of the requested land,
- A Certificate of Domicile and a Trade Registry Certificate, if any; for Real and Legal Persons not domiciled in Turkey, similar documents approved by the representatives of the Republic of Turkey,
- A Production Flow Chart and an explanatory report about the intended investment together with information including the type of production, the units of production, quantity of water to be consumed, electrical energy required, waste water, emissions, sources of solid and hazardous waste; and reference literature on the subject if the said investment will be carried out for the first time in Turkey,
- The potential amount of import and export, if any,
- The number of people to be employed,
- Written information and documents indicating if the applicant has had the same investment in another place.
- The following are the basic criteria required for the allocation of land in OIZs.
- The business should:
 - conform to the terms of the establishment protocol of the OIZ
 - indicate in the written submission to the Governor's Office following the site selection that it conforms to sector limitations (if applicable)
 - conform to the sector classification of the OIZ`s if the zone is designated as a specialized zone in the establishment protocol,
 - not be a repair shop, warehouse, storehouse, or workshop with no specific production program,
 - not be a small scale industry that falls under the small industrial site category (not qualifying as a factory)
 - not use electricity and water in excess of what could be provided by the OIZ
 - not be a facility defined as inappropriate to be established in an OIZ.
- Applications for the allocation of land are assessed by the Committee of Entrepreneurs. Where the request is found to be acceptable, the land allocated and the terms for allocation are specified to the relevant parties in writing.

*** Technology Development Zones**

Technology Development Zones (TDZ)

The objective in passing Technology Development Zones Law No. 4691 was the development of special investment areas for investments involving high technology. This law came into force on July 6, 2001 to regulate the support of Research and Development activities as sources of innovations in production. Eight of the 17 Technology Development Zones established in Turkey are currently operational.

Definition of a Technology Development Zone

The objective in passing Technology Development Zones Law No. 4691 was the development of special investment areas for investments involving high technology. This law came into force on July 6, 2001 to regulate the support of Research and Development activities as sources of innovations in production. Under the regulations of January 2, 2004, major tax advantages were provided to companies operating in TDZs.

Technology Development Zones Law No.4691 defines TDZs as: `Sites integrating academic, economic, and social structures at or near the campus of certain universities; advanced technology institutes; an R&D centers or institutes; or a Technopark involved in these same areas of work. They are sites where companies using advanced technology or companies with a new technological orientation, produce and develop technology or software by through the facilities provided by the organizations mentioned above. They are involved in activities which transform a technological innovation into a commercial product, method or service and by this means contribute to the development of the region.`

Objectives of Technology Development Zones

The objectives of Technology Development Zones are to:

- Produce technological know-how,
- Develop innovations in products and production methods,
- Enhance product quality or standards,
- Increase efficiency,
- Decrease production costs,
- Commercialize technological know-how,
- Support technology-intensive production and entrepreneurship,
- Ensure the adaptation of small and medium scale enterprises to new and advanced technologies,
- Create investment opportunities in technology intensive areas by taking on board the ideas of the Science and Technology Supreme Board,
- Create employment for people with research qualifications,
- Assist in technology transfer,
- Provide the technological infrastructure for the acceleration of the inflow of foreign capital which will bring advanced technology into Turkey. This will enhance the competitive position of Turkey`s industry in international markets, and ensure an export-oriented industrial structure.

Technology Development Zones operational in Turkey

There are 17 established Technology Development Zones as of March 2005, under Technology Development Zones Law No. 4691. These zones are listed below:

- Middle-east (Technopark) Technology Development Zone
- Izmir Technology Development Zone
- GOSB Technopark Technology Development Zone
- Yildiz Technical University Technology Development Zone
- Eskişehir Technology Development Zone
- Istanbul University Technology Development Zone

- West Mediterranean Technocity Technology Development Zone
- Trabzon Technology Development Zone
- Erzurum University Technology Development Zone
- TÜBİTAK Marmara Research Center Technopark
- Ankara Technology Development Zone
- İstanbul Technical University Arç Technocity
- Hacettepe University Technology Development Zone
- Kocaeli University Technology Development Zone
- Selçuk University Technology Development Zone
- Erciyes University Technology Development Zone
- Çukurova Technology Development Zone

Of these 17 technoparks, the following 8 are currently active:

- ODTÜ Technocity Technology Development Zone - ANKARA
- TÜBİTAK Marmara Research Center Technopark - KOCAELİ
- İzmir Technology Development Zone - İZMİR
- Ankara Technology Development Zone - ANKARA
- GOSB Technopark Technology Development Zone- KOCAELİ
- Hacettepe University Technology Development Zone – ANKARA
- İstanbul Technical University Arç Technocity – İSTANBUL
- Eskişehir Technology Development Zone– ESKİŞEHİR

Incentives for Investment in Technology Development Zones

Incentives and exemptions under Technology Development Zones Law No.4691 are listed below:

- According to Article 39 of the Higher Education Board (HEB) Law No. 2547, instructors can carry out their studies on the basis of temporary appointments in Turkey and abroad, at organizations in the zone, with the permission of the University Administrative Board. Remunerations earned by the instructors appointed in the zone on the basis of paid leave, will be outside the scope of the university's revolving funds.
- Furthermore, instructors may establish companies, participate in an established company, or may accept duties on the executive boards of such companies with the permission of the University Administrative Board, in order to create a business from the results of their research work.
- Profits of income taxpayers and corporation taxpayers in the zone, resulting from software and R&D-based production activities and which are carried out exclusively in the zone will be exempt from income and corporation tax until December 31, 2013.
- Deliveries of application software for system management, for data management, for business applications, for different business sectors, for the internet, mobile phones and military command control produced exclusively in this zone will be exempt from Value Added Tax until December 31, 2013. Services for the areas mentioned above will also be exempt from Value Added Tax until the same date.
- Salaries paid to researchers, software, and R&D personnel employed in the zone for their research, software, and R&D work will be exempt from all taxes **until December 31, 2013**.
- Entrepreneurs supported by KOSGEB at the Technology Development Centers in the zone will further benefit from the exemptions provided for by the Law.
- A company incorporated as a joint stock company under Law No. 4691, and responsible for the management and operation of the zone, will be exempt from all taxes, duties and charges in the transactions concerning the implementation of the Law. Profits from the implementation of the Law will be exempt from income and corporation tax until December 31, 2013.

- No wastewater costs will be charged to zones operating a wastewater purification facility.
- According to Article 8 of Technology Development Zones Law No. 4691, a contribution to the expense of procuring the land for the establishment of the zone, the infrastructure expenses and the expenses to construct an administrative building ` which cannot be met by the Managing Companies ` will be covered out of the Grant-in-Aid included in the Ministry's budget, and will be limited to that sum.

Making investments in Technology Development Zones

Companies intending to locate in Technology Development Zones, must contact the Managing Companies according to the sector they are working in or for which they are developing projects, and identify their zone. Companies must apply for and carry out the activities in accordance with the provisions of Zone Operation Directives drawn up by each Technology Development Zone.

Any company starting a business in the Zone, in order to benefit from exemption, must notify the Ministry of Finance of its R & D personnel, after the approval of the Managing Company.

*** Industrial Zones**

The objective of the industrial zone implementation is to provide sites suitable for large scale and technology intensive investments. These zones are described as manufacturing areas created by equipping land which have authenticated boundaries with the required infrastructure facilities to encourage investments, to direct Turkish workers in overseas countries to invest their savings in Turkey, and to increase foreign capital inflow, and which are allocated to industries to be used for the specific purposes only.

Definition of industrial zones

In the Industrial Zones Regulation under Industrial Zones Code No. 4737 promulgated in the Official Gazette No. 26645, dated January 19, 2002, Industrial Zones are defined as:

` Manufacturing areas created by equipping land having authenticated boundaries with the required infrastructure facilities to encourage investments, to direct Turkish workers in overseas countries to invest their savings in Turkey, and to increase foreign capital inflow, and which are allocated to industries to be used for the specific purposes only. Currently, there are no declared Industrial Zones.

The Establishment of industrial zones

The Industrial Zones Coordination Board chaired by the Undersecretary of Prime Ministry has been set up to identify the areas for the establishment of Industrial Zones under the relevant regulations. Industrial Zones will be established by a Decree of the Council of Ministers, after assessing the requests received from potential investors, in the areas to be identified by the Board upon the recommendation of the Ministry of Industry and Trade. The land declared as an industrial zone will be expropriated and registered in the name of the Treasury and designated by the Ministry of Finance for use as an industrial zone. Expropriation costs for the establishment of industrial zones, and expenses for establishing their infrastructure, will be covered by the funds set aside for this purpose in the budget of the Ministry of Industry and Trade. Any interested investor, however, at the discretion of the Ministry, will be able to pay the cost of the expropriated land declared as an industrial zone,.

Investments in industrial zones

Upon application to the Ministry, a preliminary allocation will be made to domestic and foreign individuals and corporate bodies wishing to invest in industrial zones. However, an applicant company which has an investment permission by a positive

Environmental Impact Assessment (EIA) decision or by a decision stating EIA is not required, must pay to the Central Accounting Office of the Ministry a sum to be determined by the Council of Ministers, in a figure not to exceed **.005%** of the fixed investment amount, before the required consents are granted. All the required consents for operations, including authorizations, permits and easement, will be given within **fifteen days of the application**, under a positive EIA decision, or a decision that EIA is not required, without any further action on the part of the relevant applicant. All the transactions cited above will be completed within a period of three months.

It will be possible to expropriate land declared as an industrial zone at the discretion of the Ministry of Industry and Trade in compliance with the law, through the payment of the expropriation cost by the relevant investor. If the expropriation cost of the land declared as an industrial zone is covered by the budget of the Ministry of Industry and Trade the investor must pay the worth of the real estate to get the easement of it; else if the appropriation cost is paid by the investor the easement of the real estate will be granted without any payment.

Industrial zones for individual investment

Areas deemed appropriate by the Ministry of Industry and Trade can be allocated as investment sites by the Council of Ministers upon the application of domestic and/or foreign individuals or corporate bodies for the realization of an individual industrial investment with certain qualifications provided that:

- the sum of the investment to be realized will be a **minimum of seventy-five trillion New Turkish Lira**,
- the intended investment should be one of the high technology investments indicated in the development plans,
- and the investment site should be at least **one hundred fifty thousand square meters**.

Investment Support for industrial zones

All the support implemented for investments in OIZs under Code No. 5084 `Regarding the Encouragement of Investment and Employment; and the Amendment of Certain Acts` ; and the Council of Ministers Decree No. 2002/4367 regarding Government Subsidies, will also apply to investments in IZs.

The Council of Ministers shall be authorized to decide on the type of incentives applicable under the Investment Incentive Decree for investments by individuals and corporate bodies starting up operations for the first time in industrial zones. The Council of Ministers will also decide on the overall implementation method and on the scope of incentive for different types of investment.

*** Free Zones**

Free zones, considered to be outside the customs area although they are inside the political borders of the country, are special areas designed to increase the number of export-focused investments. Within the free zones, legal and administrative regulations on commercial, financial and Economic fields applicable in the rest of Turkey are either not implemented at all or are partially implemented, and more extensive incentives are given for industrial and commercial operations. Twenty-one free zones are operational in Turkey.

Laws and regulations applicable to free zones

Free Zone Law No. 3218 published in the Official Gazette No. 18785 dated June 15, 1985, and the Free Zones Implementation Regulation published in the Official Gazette No. 21520 dated March 10, 1993, include the provisions for the establishment, the siting and boundary identification, the administration, the

fields of activity, and the operation of free zones They also deal with the construction of buildings and facilities in these zones.

Definition of free zones

Free zones can generally be described as sites considered to be outside the customs area although they are inside the political borders of the country. Within these free zones legal and administrative regulations in commercial, financial and economic fields applicable in the rest of Turkey are either not implemented at all or are partially implemented, more extensive incentives are given for industrial and commercial operations, and which are physically separated from other regions of the country.

Functions of free zones

The functions of free zones are:

- To create the suitable areas for the import of foreign capital and technology into Turkey
- To conveniently procure the raw materials and intermediary goods required by industrialists at the desired amount and without delay
- To facilitate the low-cost production and export of goods on the basis of the incentives and advantages provided
- To facilitate the transit trades of goods from one foreign country to another
- To create new employment opportunities
- To act as a stepping-stone for the facilitation and acceleration of exporting Turkish export products.

Free zones in Turkey

A total of 21 free zones are operational in Turkey. A list of these zones in the order of their years of establishment is given below:

- Mersin, Antalya (1987),
- Aegea (İzmir), İstanbul Atatürk Airport (1990),
- Trabzon (1992),
- İstanbul Leather and Industry, East Anatolia (Erzurum), Mardin (1995),
- İSE International Securities (1997),
- İzmir Menemen Leather, Rize, Samsun, İstanbul Thrace (İstanbul), Kayseri (1998)
- Europe (Çorlu-Tekirdağ), Gaziantep, Adana-Yumurtalık (1999)
- Bursa, Denizli, Kocaeli (2001)
- Tübitak-Marmara Research Center, Technology (Kocaeli) (2002)

Potential activities in free zones

Potential activities have been identified as e.g. production, commerce, assembly and dismantling, maintenance and repair, banking, underwriting, financial leasing, warehousing, and office renting, and many others.

Incentives and advantages provided in free zones

Profits on the sale of products manufactured by individuals or corporate bodies using free zones as of February 6, 2004 and operating under a production permit, will be exempt from income or corporation tax until the end of the taxation period of the year in which European Membership is realized.

The Corporation Tax General Communiqué - Serial No. 85 issued by the Ministry of Finance in connection with the regularizations made in Law No. 5084, and Free Zones Law No. 3218, was published in the Official Gazette No. 25573, dated September 4, 2004 and became effective on the same date. This Communiqué clarifies the rules concerning the implementation of tax exemptions which will continue until 2009, for users with Permits obtained before February 7, 2004. It

also clarifies the income and corporation tax exemptions which will benefit, until EU membership, the free zone users who have obtained or will obtain Production Permits

- An operation permit is given for a term of 10 years to leaseholder companies which will operate in a rented prepared business office (this is for 15 years to those in the production field) and 20 years to investor-user companies who will become operational after constructing their own business premises (this is for 30 years to those in the production field).
- Profits from free zone activities may be transferred to overseas countries or to other parts of Turkey without any special permit.
- Since free zones are considered outside the customs area, the provisions of the foreign trade regulation will be applicable for trade between free zones and other areas of Turkey. In other words, goods sold by Turkey to free zones are subject to Export regulations, and goods sold by free zones to Turkey are subject to import regulations. Free zone users can purchase goods and services from Turkey at export prices (VAT-free). On the other hand, the provisions of the Foreign Trade Regulation are not applicable to trade between the free zone and other countries, nor is it applicable to trade between free zone areas.
- Since the free circulation status of the goods, of Turkish or EU origin, or in free circulation in Turkey or EU countries, do not change when brought to free zones, no customs duty is paid at their entry to Turkey or into EU member countries. Furthermore, no customs duty on goods from a third country of origin is paid on entry to a free zone. Nor is there custom duty on the dispatch of such goods to a third country other than Turkey or EU countries. Customs duty however, is payable at the rate specified in the Common Customs Tariff for third country of origin goods not freely circulating and dispatched by free zones to Turkey or EU countries.
- Since free zones are considered a part of the "Turkey-EU Customs Union Customs Area", Turkey or EU origin products and products freely circulating in Turkey can be dispatched to the EU under an A.TR Certificate. Third country of origin products, on the other hand, may be dispatched to the EU under an A.TR Certificate after entering into free circulation by paying the Customs Duty at the rate identified in the Common Customs Tariff to the free zone customs office.
- All Companies, domestic and foreign, benefit equally from the incentives and advantages provided in free zones.
- Authorizations concerning price, quality, and standards, granted to public institutions and organizations, are not applicable in free zones.
- All bureaucracy for the process of application and operations has been reduced to a minimum. Free zones are operated by private sector companies.

Making investments in free zones

An Operating Permit must be obtained from the Undersecretariat of Foreign Trade, the Free Zones General Directorate in order to start operations in free zones.

To obtain an Operating Permit the following documents are required:

- An Operating Permit Application Form and a photocopy, to be obtained from the Free Zones General Directorate, the relevant free zone directorate, or the free zone operator or promoter company.
- A written presentation giving details of the applicant and about the proposed operation to be carried out
- An authorization certificate and a sample signature of the applicant, and the authorization certificate and the authenticated signature of the company's representative (if any),
- The Turkish Trade Registry Gazettes where the applicant company's establishment and the latest capital and shareholding structure was published,

and/or the Chamber of Commerce and/or the Industry Registry Records (for foreign companies, a copy of the valid establishment document, certified by the representative office of the relevant country in Turkey),

- The company's balance sheet, and profit and loss statement for the last three years,
- The original and one photocopy of the bank statement giving evidence of the deposit of the application fee at the Central Bank (the sum of 5,000 USD will be deposited in Dollar (\$) Account No. 951 101 301 at the Turkish Republic Central Bank),
- Documents indicating the amount of foreign exchange brought into Turkey (if any) during the last three years

Following the assessment made by the General Directorate, those Companies deemed suitable to receive an Operating Permit will, within 30 days, sign a rental contract with the free zone operator/promoter-operator company, in the case of renting an empty space; or with any organization holding a leasing license in the area, in the case of renting a prepared business premises.

Companies can purchase land or business premises in free zones where the public sector has title to the property of the lands in such a free zone. Following the assessment to be made by the General Directorate, those companies deemed suitable to receive an operating permit will, within 30 days, sign a sales contract with the free zone operator/promoter-operator for the purchase of land or business premises.

One copy of the contract approved by the relevant free zone directorate will be sent to the Free Zones General Directorate. An operating permit will be drawn up for those who complete a rental and/or sales contract within the permitted period.

After receiving the Operating Permit, investors/users will apply to the Zone Directorate to get a 'Construction Permit' for the implementation of the construction plans. After the completion of construction work, an 'Occupancy Permit' will be obtained and operations can then start. Application Fees for the Operating Permit will be returned to those who are not found suitable to receive an Operating Permit.

*** The Public Land Allocation to the Tourism Investors**

Public lands reserved for touristic investments by means of implementation plans and situated within and outside of the "Culture and Tourism Conservation and Development Region and Tourism Area/Center" are allocated to local and foreign investors pursuant to the provisions of Tourism Incentive Law No.2634, as amended by the Law No. 4975 and to the "Regulations For Public Land Allocation For Tourism Investments". These public lands are announced by means of Official Gazette and the newspapers having the 3 highest circulation and the web site: www.kulturturizm.gov.tr to the public. After the evaluation among the investor applying with the information and documents for the allocation in the given period of time, the allocation operations is realized as per the facility sort and class to the satisfactory investors.

The application for the allocation of the public land shall be done as real or corporate bodies or as a joint venture (as consortium or work-partnership).

The following information and documents are to be submitted together to the address determined in the specification:

- 1) Letter of Application,
- 2) Statement and Its Enclosure of Investor Information Form,
- 3) Investment Time Table,
- 4) Trade registered gazette or "those in the audience", approved by the Notary

- Public, which states last partnership structure of corporate bodies,
- 5) The Letter of Termless Performance Security,
 - 6) Financial report prepared by a financial consultant or by institutions having an independent control authority,
 - 7) Letter of Commitment,
 - 8) A work partnership or consortium contract, approved by the notary public, in case of joint ventures application,
 - 9) Bank Deduction For The Specification

The applications to the Ministry are evaluated in terms of both financial adequacy determined in the report of the financial consultant and experiences in the sector in accordance with the Article 11 of the "Regulations of Public Land Allocation For Tourism Investments" and the matters within the scope of the Public Land Allocation Specification by the Land Allocation Commission.

A negotiation for a direct contribution of investors to social and technical infrastructure shall be held in between the qualified investors for the parcels having several applications.

The parcels with only one application shall be evaluated and concluded by the Land Allocation Commission.

At the end of the evaluation of the applications, the Ministry is free with regard to whether the allocation of the immovables in this Specification is realized or not.

The investor is granted preliminary permit, not longer than a six-month term, for mapping and planning works, confirmation procedure and incorporating a tourism-oriented joint-stock company.

In order to validate the preliminary permit, within a one-month term following the registered notification date of the decision of preliminary permit to the investor;

- a) The Letter of Termless Performance Security, at an amount of 5% (five percent) of the total investment cost,
- b) The Letter of Commitment of Preliminary Permit approved by the Notary Public,
- c) Work Schedule for preliminary permit have to be submitted to the Ministry by the investor.

Preliminary Permit begins on the submission date of the Letter of Performance Security, the Letter of Commitment and Work Schedule to the Ministry and then the Letter of Performance Security, submitted to the Ministry at the phase of application, is returned.

Within the period of Preliminary Permit, the investor;

- a) Prepares Land Use Maps and Implementation Plans of the subject areas of investment which does not have 1/1.000 scale Implementation Plans and submits them to the related institutions for approval. Realizes allotment, integration, relinquishment and similar operations of the immovable,
- b) Prepares the tree survey plans for the immovables under the ownership of the Forest or the Treasury as the forest status, and submits to the related Forestry Administration for the approval and submits to the Ministry,
- c) Obtains current application drawings approved by the administration of Land Register and Surveying,
- d) Incorporates a joint-stock company, which has registered tourism among its fields of activity,
- e) Obtains Tourism Investment Certificate,
- f) Obtains necessary within the areas where EIA Report has to be prepared,
- g) Submits the site plan approved by the Municipality together with the documents requested in preliminary permit, in the events that total investment cost is calculated by square meter,
- h) Puts out the cost of contribution to social and technical infrastructure, proposed in the phase of negotiation and submitted as the letter of performance security to the Ministry, to the bank account to be determined by the Ministry.

Unless the investor meets the liabilities for the reasons except for compulsory or public-oriented in the period of preliminary permit, the preliminary permit shall be cancelled by the Ministry. The letter of performance security taken at the application and the letter of commitment taken at the negotiation will be converted to the cash and foreclosed to the treasury.

Unless the investor meets the requirements for the reasons compulsory or public-oriented, in the period of preliminary permit; in case of investor's request, preliminary permit is cancelled by the Ministry and the letters of performance security will be returned.

The final allocation is realized by the decision of Land Allocation Commission for the investor, who have met the requirements of preliminary permit and submits the documents to the Ministry, indicating that the cost of contribution to social and technical infrastructure has been put out to the account determined by the Ministry and the letter of performance security for final allocation is returned.

In order to validate the final allocation, within a one-month term following the registered notification date of the decision of final allocation to the investor;

- a) The Letter of Termless Performance Security, at an amount of 10% (ten percent) of the total investment cost,
- b) The Letter of Commitment for Final Allocation Conditions approved by the Notary Public,
- c) Work Schedule for the final allocation period

have to be submitted to the Ministry by the investor.

The letter of performance security for preliminary permit is returned after submitting the letter of performance security for final allocation.

After submitting these documents to the Ministry; the easement, leasing or land rights are requested from the Ministry of Finance.

Except for the reasons compulsory or public-oriented, and which source from the administrative and judicial disputes acceptable by the Ministry; the allocation for the investor, who has not been able to meet the requirements for final allocation within the terms determined in the final allocation paper, is cancelled by the Ministry and the performance securities are foreclosed to the treasury. In this case, all sorts of buildings and facilities on the land are foreclosed to the treasury without charge.

However, the terms are paused, in the events that there are compulsory or public-oriented reasons, which interfere the operations of development plan decisions and architectural project preparation which source from the administrative and judicial disputes acceptable by the Ministry, until the settlement of disputes. In this term the land rental shall not be taken and a period of time which is a period of the term paused shall be added.

In this case, the public land to be discharged is evaluated by means of the announcement in accordance with the sentences of the Regulations of Public Land Allocation For Tourism Investments.

For the matters that are not defined in this specification, the provisions of "The Regulations on Allocation of Public Land to the Tourism Investments" shall be taken into consideration. In case of being the matters that are not defined in the regulation aforesaid, the decisions of the Land Allocation Commission shall be taken into consideration.



Demography and Labor Force

Turkey offers investors a young, talented, motivated and skilled workforce which is composed of 24.2 million people, approximately 34% of the total population.

* Population

Demographic Indicators

Turkey has a young and dynamic population of 73.4 million. 94 % of its population is below the age of 65.

	2004	2005	2006
Demographic Indicators*			
Total Population (Mid-year)	71.152.000	72.065.000	72.974.000
Total Population (End of the year)	71.609.000	72.520.000	73.425.000
Annual Population Growth (%)	1,29	1,26	1,24
Annual Natural Population Growth** (%)	1,29	1,26	1,24
Population by Age Groups (%)			
0-14 Age Group	28,80	28,40	28,10
15-64 Age Group	65,40	65,70	66,00
65 + Age Group	5,70	5,90	6,00

Source : 2005 Annual Program, State Planning Organization (SPO)

Notes:

(*) Temporary projections

(**) Not including migrations

* Labor Market

The Domestic Labour Market

According to 2005 statistics the total labor force in Turkey is about 25 million. The unemployment rate has decreased to 10.2 %. The employment figures show that 51 % of the employment total is in the Services sector, 30 % in the Agriculture sector and 19 % in the Industry sector.

Labor Market*

x1000 Persons

	2001	2002	2003	2004	2005	2006
Total Population of 15+ Age Group	47.158	48.041	48.912	49.906	50.826	51.701
Labor Force	23.491	23.818	23.640	24.289	24.565	25.508
Employment	21.524	21.354	21.147	21.791	22.046	23.257
Agriculture	8.089	7.458	7.165	7.400	6.493	6.854
Industry	3.774	3.954	3.846	3.988	4.280	4.412
Services	9.661	9.942	10.135	10.403	11.273	11.911
Unemployed	1.967	2.464	2.493	2.498	2.520	2.251
Underemployment	1.405	1.297	1.143	997	817	911

Source : SPO, TSI, Results of Household Labour Force Survey.

Notes:

*Starting with the year 2005, Household Labour Force Survey results will be announced in every month

based on the moving averages of three months. The results will be called with the name of middle month in order to simplify expression.

Ref:5007

The Labour force - by Qualification

In Turkey, 10.2 % of the total labor force has a University degree; 20 % has a High School diploma; 63.2 % has an education level below High School level.

	%			
	2003	2004	2005	2006
Total Labor Force 15+ Age (Persons)	23.640.000	24.289.000	24.565.000	25.444.000
Primary Education- 8 Years (%)	63,5	63,2	61,9	60,8
High School (%)	19,5	20,0	21,2	21,4
University (%)	10,7	10,5	11,5	12,2
Other (%)	6,4	6,3	5,4	5,6
Total Employment 15+ Age (Persons)	21.147.000	21.791.000	22.046.000	23.128.000
Primary Education- 8 Years (%)	64,0	64,1	62,3	61,6
High School (%)	18,4	18,9	20,5	20,8
University (%)	10,7	10,2	11,5	12,1
Other (%)	6,9	6,8	5,7	5,5

Source: Turkish Statistical Institution (TURKSTAT)
Household-Labor Force Survey
Ref:5009

Salaries and Wages in the Labour Market

The wages for blue-collar workers in both the Public Sector and in the Private Sector as well as the minimum wage are shown in the table.

Labor Cost and Wages	USD/ Month			
	2002	2003	2004	2005
Labor Cost				
Public Sector	1.179	1.530	1.843	2.196
Private Sector	871	1.075	1.311	1.543
Minimum Wage*	198	286	370	443
Net Wage				
Public Sector	673	825	976	1.173
Private Sector	460	578	695	814
Minimum Wage*	116	151	218	261

Source : SPO, Public Sector Employer Unions, Turkish Confederation of Employer Association, Ministry of Finance.

*Annual Average Minimum Wage (Age 16+Over)

* Education

Number of schools, students and teachers by educational level (2005-2006)

To date in 2006 the number of students in Turkey is 20.4 million. Primary school students

make up 52 % of the student population. The total number of teachers is 732,509. 53 % of the teachers are employed in the primary schools.

Education Level	Number of schools	Number of Enrollment	Number of Teacher
Pre-Primary Education	19.089	550.146	8.248
Primary Education	34.990	10.673.935	389.859
Secondary Education	7.435	3.258.254	185.317
General Secondary Education	3.406	2.075.617	102.581
Vocational and Technical	4.029	1.182.637	82.736
Non-Formal Education	9.630	3.886.638	69.530
Higher Education	77	2.073.428	79.555

**Source: Council of Higher Education (YOK), TUIK
Valid for the academic year 2005-2006**

The rate of schooling

The rate of schooling in Turkey is steadily increasing every year.

	2001-2002	2002-2003	2003-2004	2005-2006
Primary Education (8 Years)	99,45	96,49	96,30	95,59
Secondary Education (3-4 Years)	67,89	80,76	80,97	85,18
Higher Education (2-5 Years)	23,37	27,12	28,15	34,46

Source :SPO, TUIK

* Universities

To date in 2005, there are 77 universities in Turkey. 25 of these are foundation universities. In 32 universities the medium of instruction is English, in 8 of them, the medium of instruction is French and in 5 of them, the medium is German.

Universities in Turkey

University	Province	Year of Establishment
1 Abant Izzet Baysal	Bolu	1992
2 Adnan Menderes	Aydin	1992
3 Afyon Kocatepe	Afyon	1992
4 Akdeniz	Antalya	1982
5 Anadolu	Eskisehir	1973
6 Ankara	Ankara	1946
7 Atatürk	Erzurum	1957
8 Atilim*	Ankara	1997
9 Bahcesehir*	Istanbul	1998

10	Bal?kesir	Balikesir	1992
11	Baskent*	Ankara	1994
12	Beykent*	Istanbul	1997
13	Bilkent*	Ankara	1984
14	Bogazici	Istanbul	1971
15	Cag*	Mersin	1997
16	Canakkale Onsekiz Mart	Canakkale	1992
17	Cankaya*	Ankara	1997
18	Celal Bayar	Manisa	1992
19	Cukurova	Adana	1973
20	Cumhuriyet	Sivas	1974
21	Dicle	Diyarbakir	1973
22	Dogus*	Istanbul	1997
23	Dokuz Eylul	Izmir	1982
24	Dumlupinar	Kutahya	1992
25	Ege	Izmir	1955
26	Erciyes	Kayseri	1978
27	Fatih*	Istanbul	1996
28	Firat	Elazig	1975
29	Galatasaray*	Istanbul	1994
30	Gazi	Ankara	1982
31	Gaziantep	Gaziantep	1987
32	Gaziosmanpa?a	Tokat	1992
33	Gebze Yuksek Teknoloji Enstitusu	Kocaeli	1992
34	Hacettepe	Ankara	1967
35	Halic*	Istanbul	1998
36	Harran	Sanliurfa	1992
37	Inonu	Malatya	1975
38	Isik*	Istanbul	1996
39	Istanbul	Istanbul	1933
40	Istanbul Bilgi*	Istanbul	1996
41	Istanbul Kultur*	Istanbul	1997
42	Istanbul Teknik	Istanbul	1944
43	Istanbul Ticaret*	Istanbul	2001
44	Izmir Ekonomi*	Izmir	2001
45	Izmir Yuksek	Izmir	1992

	Teknoloji Enstitüsü		
46	Kadir Has*	Istanbul	1997
47	Kafkas	Kars	1992
48	Kahramanmaraş Sutcu Imam	Kahramanmaraş	1992
49	Karadeniz Teknik	Trabzon	1955
50	Kirikkale	Kirikkale	1992
51	Koc*	Istanbul	1992
52	Kocaeli	Kocaeli	1992
53	Maltepe*	Istanbul	1997
54	Marmara	Istanbul	1982
55	Mersin	Mersin	1992
56	Mimar Sinan	Istanbul	1982
57	Mugla	Mugla	1992
58	Mustafa Kemal	Hatay	1992
59	Nigde	Nigde	1992
60	Okan*	Istanbul	1999
61	Ondokuz Mayıs	Samsun	1975
62	Orta Dogu Teknik	Ankara	1959
63	Osmangazi	Eskisehir	1993
64	Pamukkale	Denizli	1992
65	Sabanci*	Istanbul	1996
66	Sakarya	Sakarya	1992
67	Selcuk	Konya	1975
68	Suleyman Demirel	Isparta	1992
69	TOBB Ekonomi ve Teknoloji*	Ankara	2003
70	Trakya	Edirne	1982
71	Ufuk*	Ankara	1999
72	Uludag	Bursa	1975
73	Yasar*	Izmir	2001
74	Yeditepe*	Istanbul	1996
75	Yildiz Teknik	Istanbul	1982
76	Yuzuncu Yil	Van	1982
77	Karaelmas	Zonguldak Zonguldak	1992

Source: Council of Higher Education(YÖK)

Departmens	Associate Degree		Bachelor`s Degree		Master`s Degree		PhD	
	Enrollment	%	Enrollment	%	Enrollment	%	Enrollment	%
Language & Literature	225	-	34.925	4,0	2.465	2,6	873	3,2
Mathematics & Scientific	3.197	0,8	85.654	10	6.903	7,5	3.186	11,7
StuTürkiye ?statistik Kurumu (TÜ?K)s								
Health Sciences	13.282	3,5	77.978	9	3.647	3,9	3.653	13,4

* Foundation University

Degrees offered at universities

According to the statistics in 2005, 28 % of the students at university take an Associate Degree, 63 % take a Bachelor`s Degree and 9 % either take a Master`s Degree or are involved in PhD programs.

Social Sciences	14	-	80.815	9,4	11.080	12	3.513	12,8
Applied Social Sciences	159.115	41	389.255	45,1	44.104	47,6	7.606	27,8
Technical Sciences	186.629	49	149.179	17,3	19.305	20,9	6.450	23,6
Agriculture & Forestry	16.067	4,2	27.480	3,2	3.249	3,5	1.541	5,6
Art	5.716	1,5	17.662	2	1.813	2	513	1,9
Others	211	-	-	-	-	-	-	-
TOTAL	384.456	100	862.948	100	92.566	100	27.335	100
Source : Council of Higher Education (YÖK)								



Business Environment and Infrastructure

In this section, you will find information about Turkey`s administrative structures related with business environment and descriptive informations about regulations.

*** Turkish Administrative Structure**

According to the Constitution, the Turkish State is a unitary Republic. The Republic of Turkey is a democratic, secular and social State governed by the rule of law; it invokes the concepts of public peace, national solidarity and justice; it respects human rights; it remains loyal to the nationalism of Atatürk; its language is Turkish; its capital is Ankara.

The foundation and principles of the Turkish government are based on Central Administration and Local Administration concepts. Accordingly, the administrative structure of the Turkish Republic is divided into two, namely `Central Administration` and `Local Administrative Institutions`.

Central administration

The organization of the Central Administration in the capital consists of the President of the Republic, the Council of Ministers, the Prime Minister, the Ministries and other auxiliary bodies such as the State Council, the Court of Accounts, and the National Security Council. The provincial organization of the Central Government has been created to administer public services to its citizens throughout the entire country. In Turkey there are three kinds of provincial administrations: province, county, and district.

The Province is the largest provincial administrative unit of the Central Administration. The administration of the provinces is based on the Provincial Administration Code No. 5442. There are 81 provinces in Turkey. Provincial administration consists of the Governor, the Department Heads of the provincial administration, and the Provincial Administrative Council. The Governor is the head of the Provincial Administration.

Provinces are divided into counties. Just as for the Provincial Administration, the County Administration also consists of the County Chief, the Department Heads of the County Administration, and the County Administration Council. The District Administration also has three bodies: the District Administrator, the

District Assembly, and the District Commission.

Local administrative institutions

Local administration bodies are divided into two categories, Those bodies based on locality (**local government organizations**) and those based on services provided (**public institutions**).

Local government organizations

These are public legal personalities that have been established outside Central Government to meet the common needs of provincial, municipal, and village residents. They have separate legal personalities from that of the State; a certain degree of autonomy; and their members are locally elected. According to the Constitution, there are three kinds of local Government Organizations: Provincial Administration, Municipality, and Village Administration. The Ministry of the Interior has jurisdiction over local government bodies. The Ministry exercises this authority through the General Directorate of Local Government.

The principles governing the organization and duties of Provincial Administrations have been specified in the Special Provincial Administration Code No. 5302. Unlike the Provincial Administrations, Municipalities are the administrative organizations not of a specific geographical region but of limited residential areas where people live in neighboring houses in regions called districts. The organization and duties of Municipal Administrations have been specified in Municipal Law No. 5272. According to the legislation, a municipality may be established in places having a population of more than 2,000 people. It is compulsory to establish a Municipal Administration in provincial and district centers regardless of their population. As of 2005, there are 3,215 municipalities in Turkey.

Based on the authority granted by the Constitution, Metropolitan Municipalities were established in 1984. A Metropolitan Municipality is a public legal personality established in cities made up of at least three counties or first stage municipalities. It is responsible for coordination among these municipalities, and for fulfilling its responsibilities and duties using the authority granted to it by law. It has administrative and fiscal autonomy and its decision-making body is elected by the people. For these Municipal Administrations, Metropolitan Municipality Code No. 5216 is applied. As of 2005, there are 16 Metropolitan Municipal Administrations.

The smallest and most common type of local government is the Village Administration. Villages are administered according to the Village Code No. 442, dated 1924. As of 14.06.2004, there are 35,181 villages in Turkey.

Public Institutions

These institutions have been set up for the delivery of services which require specialised information and expertise through an organization outside the State or Local Government. They are established through the granting of a separate legal personality. Public institutions have public legal personalities and they function under some form of public administration (State or Local Government). However, Public Institutions have a certain degree of independence from the Public Administrations which set them up. They are not subject to hierarchical control. They are self-administrated and internally monitored.

There are several different kinds of Public Institutions:

- Administrative Public Institutions (e.g. the General Directorate of Highways, the General Directorate of State Hydraulic Works, the General Directorate of Foundations)
- Economic Public Institutions (Ziraat Bank, the Republic of Turkey State Railways Administration, the Tobacco and Cigarette Industries etc.)
- Social Public Institutions (the Pension Fund of the Republic of Turkey, the

- General Directorate of Social Insurances, the Employment Agency (??-Kur) etc.
- Scientific, Technical, and Cultural Public Institutions (universities, Turkish Scientific and Technical Research Agency (TÜB?TAK), the Turkish Standards Institute, the Turkish Academy of Sciences)

Furthermore, there are also regulatory and supervisory public institutions (Independent Administrative Authorities). Independent Administrative Authorities are independent organizations that carry out regulatory and supervisory duties in sensitive areas of public life such as capital markets, competition, radio and television broadcasting, and banking. They have the authority to take executive decisions in the name of the State. Based chronologically on the year in which they were set up, the Independent Administrative Authorities of Turkey are as follows: the Capital Markets Board (SPK), the Supreme Council for Radio and Television (RTÜK), the Turkish Competition Authority, the Bank Regulation and Supervisory Agency (BDDK), The Telecommunication Institute, the Turkish Sugar Authority, the Energy Market Regulatory Authority (EPDK), and the Public Procurement Authority (K?K).

There are also "institutions that have the standing of public institutions" within the Turkish administrative system. According to the Constitution, public professional organizations and their higher organizations are set up by law to meet the common needs of people from a specific profession with a view to assisting them in their professional activities; to facilitating the development of the profession in line with the common interest; to preserving professional discipline and ethics in order to create honesty and trust between members of the profession and the general public. The members of these organizations are selected under judicial supervision, through a secret ballot, in line with the procedures set forth in law. Examples of such organization are: Bar Associations, Medical Associations, Chambers of Commerce and Industry, Confederations of Engineers and Architects (e.g. the Turkish Bar Association, The Union of Chambers and Commodity Exchanges of Turkey - TOBB, The Confederation of Tradesmen and Craftsmen - TESK, the Union of the Confederation of Turkish Engineers and Architects - TMMOB).

*** Revenue Administration**

The Revenue Administration has been established on May 16, 2005 so as to work according to principles of transparency, accountability, participatory, efficiency, effectiveness and taxpayer-focused and with the aims of applying revenue politics as fair and neutrality, of collecting taxes and other revenues with the minimum cost, of providing taxpayer`s voluntary consistency, of taking necessary measures that taxpayers implement their obligations easily by serving high quality service.

The Revenue Administration as dependent on the Ministry of Finance has taken the General Directorate of Revenue`s place with the Law no: 5345 on May 16, 2005.

According to the Law no: 5345, the duties of the Revenue Administration are as follows:

- to implement the state revenue policy, determined by the Ministry,
- to facilitate the adaptation of taxpayers to tax and to carry out services,
- to take necessary measures in order to protect taxpayer`s rights and relations based on mutual confidence between Ministry and taxpayers,
- to inform taxpayers about their rights and obligations arising from the tax laws,
- to participate in the law and by-law workings related to the state revenues policy,
- to ensure the collecting of the governmental claims and to take necessary

- measures on this matter,
- to take necessary measures in order to reduce disputes to the minimum level and to provide application accord,
 - to collect information about taxation and to implement the data processing activities,
 - to measure the costs of all exceptions, exemption and discounts in the tax laws or other fiscal laws, and to analyze their economic and social effects,
 - to carry out tax inspection and audit at the direction of main policies and strategies determined by the Ministry and to take necessary measures in order to prevent tax lost and invasion,
 - to take measures in order to ensure that the implementation of the local administration revenues policy is in compliance with the state revenues policy,
 - to review all proposals of laws and drafts of laws effecting revenues and to notify its decisions on these regulations,
 - to cooperate with other institutions and organizations on implementation of the revenue laws and to carry out data trade with this purpose,
 - to observe international events in the field of its function and to cooperate with the EU, international organizations and other states,
 - in accordance with the laws, to carry out operations for the deletion of tax dues and other governmental claims , of which due time is over,
 - to ensure to gain the qualified human resource, to improve perfection, to make career plans and to measure their performance,
 - to prepare organizational ethic rules in the frame of rules determined by the Civil Servants Ethic Committee and to announce to the employees and taxpayers,
 - to announce activity results to the public in regular times and to explain the annual activity report to the public,
 - to carry out other duties assigned by laws.

*** The Turkish Judicial System**

Judicial power is exercised by independent courts on behalf of the Turkish nation. All individuals are equal without any discrimination before the law, irrespective of language, race, colour, sex, political opinion, philosophical belief, religion and sect, or any such consideration.



According to the 1982 Constitution, judicial power is exercised by independent courts on behalf of the Turkish nation. All individuals are equal without any discrimination before the law, irrespective of language, race, colour, sex, political opinion, philosophical belief, religion and sect, or any such consideration.

State agencies and administrative authorities must act in compliance with the principle of equality before the law in all their proceedings.

The main principles of the Turkish Judicial System are specified in the third chapter of the 1982 Constitution titled `Judiciary`.

According to Article 138 "The Independence of the Courts", judges are independent in the execution of their duties. They make judgments in accordance with the Constitution, with the law, and with their consciences in compliance with the law. No agency, authority, office or individual may give orders or instructions to courts or judges relating to the exercise of judicial power. Nor may they send them circulars, or make recommendations or suggestions.

The Legislative, the Executive and the Administration shall comply with court decisions. These Branches and the Administration shall neither alter the decisions in any respect nor delay their execution.

Based on article 141 "Public Hearings and the Justification of Verdicts", court hearings are open to the public. In some cases, where it is considered absolutely necessary for reasons of public morality or public order, the courts may decide to hear all or part of the hearings in closed session. Special provisions are provided in Law with respect to the trial of minors. The decisions of all courts are written up justification. It is the duty of the Judiciary to conclude trials as quickly as possible with minimum cost.

The Organization, Responsibilities and Jurisdiction of the courts, how they should carry out their duties and trial procedures are all regulated by law.

There are seven types of courts in Turkey:

- The Constitutional Court
- The Court of Justice
- The Administrative Court
- The Military Court of Justice
- The Military Administrative Court
- The Court of Jurisdiction Disputes
- The Election Court

Constitutional Court

In the Turkish Judicial System, constitutional justice is carried out by the Constitutional Court. The President of the Republic, parliamentary groups of the party in power and of the main opposition party and a minimum of one-fifth of the total number of members of the Turkish National Assembly have the right to apply to the Constitutional Court for annulment of laws, decrees with power of law, bylaws describing the rules and procedures of the Turkish National Assembly on the grounds of unconstitutionality in form or substance. If more than one political party is in power, the right of the parties in power to apply for an annulment is exercised by the party having the greatest number of members. The right to apply for an annulment directly to the Constitutional Court lapses sixty days after the publication in the Official Gazette of the contested law, the decree having the force of law, or the Rules of Procedure. The time limit for applications for an annulment on the grounds of unconstitutionality in form is 10 days. Moreover, if a court which is trying a case finds that the law or the decree having the force of law to be applied is unconstitutional, or if it is convinced of the seriousness of a claim of unconstitutionality submitted by one of the parties, it shall postpone the consideration of the case until the Constitutional Court decides on the issue and may use "concrete norm control". The decisions of the Constitutional Court are final. Decisions of an annulment cannot be made public without a written statement explaining the reasons for the annulment. Annulment decisions cannot be applied retroactively.

Besides these main duties and powers, the Constitutional Court, in its capacity as the Supreme Court, also has additional functions and powers such as bringing a court case for offences relating to their duties against:

- the President of the Republic,
- members of the Council of Ministers,

- presidents and members of the Constitutional Court,
- presidents and members of the High Court of Appeal,
- presidents and members of the Council of State,
- presidents and members of the Military High Court of Appeal,
- the Chief Public Prosecutors of the High Military Administrative Court of Appeal,
- presidents and members of the Audit Court .

The duties and powers of the Constitutional Court, and its appraisal and judgment procedures have been regulated in Code No. 2949: The Organization and Trial Procedures of the Constitutional Court.

The courts of justice

Courts of justice are the courts of common and general justice. In other words, all cases that are not under the authority of other courts are to be heard in the Courts of Justice. The Courts of Justice are responsible for resolving disputes between persons that are considered to be under the scope of private law and also for the implementation of the Turkish Criminal Code. The Courts of Justice of First Instance consist of the Civil and Criminal courts. Secondary Courts of Justice are Regional Courts of Justice.

Civil courts are divided into two, namely, "Civil Peace Courts" and "Civil Courts of First Instance". Each of these courts has one judge. Besides Civil Courts of First Instance, there are also "Commercial Courts of First Instance" which are responsible for commercial cases. These courts are composed of one chairman and two members. There are Commercial Courts of First Instance in Adana, Ankara, Antalya, Bursa, Eskişehir, Gaziantep, Istanbul, Izmir, Kayseri, Kocaeli, Konya, Mersin, Samsun, and Trabzon. Civil courts also incorporate "special courts" such as consumer courts, deed courts, labour courts, and courts of intellectual and industrial property. The responsibilities, the authority, and the judgment procedures of the civil courts are regulated by Civil Procedure Code No. 1086.

Criminal courts are divided into three, namely, criminal peace courts, criminal courts of first instance, and high criminal courts. Besides these general courts, there are also criminal courts that are considered to be courts of special competence such as children's courts, media courts, and traffic courts. The responsibilities, the authority, and the judgment procedures of the criminal courts are regulated by the Criminal Procedure Code No. 1412.

According to Code No: 5235, it is possible to apply for an appeal (to the regional courts of justice) against the final verdicts of the courts of justice of the first instance within 15 days of the notification of the final verdict. The verdicts of the courts of first instance regarding estate cases involving amounts of less than 1.000 YTL are final. Code No. 5235 came into effect on July 1, 2005, and it is predicted that regional courts of justice will be established within two years of this date.

The Supreme Court of Appeal is the highest of the courts of justice. Appeals are possible, within fifteen days of the official notification, against the final decisions of the legal branches of regional courts of justice and against arbitration decisions . Decisions of the regional courts of justice involving cases where the amount or value does not exceed five thousand YTL cannot be appealed. The Supreme Court of Appeal consists of 21 Judicial Offices, 11 Criminal Offices, 1 Judicial General Assembly, 1 Criminal General Assembly, and 1 Grand General Assembly.

The administrative courts

The Administrative Courts resolve disputes that occur as a result of the application of Administrative Law and Tax Law between the Executive and individuals. They have been organized as having two levels. Administrative courts of first instance are administrative and tax courts. Higher courts are organised in two levels. Appeals made against the decisions of administrative and tax courts given by one judge are examined by the regional administrative courts. Appeals

made against the decisions of administrative and tax courts made of a panel of judges are examined by the Council of State. As an exception, the Council of State is also responsible for some administrative cases and tax cases, acting as a Court of First Instance. The period for opening a law suit, with the exception of those cases stated separately in special codes, is sixty days in the Council of State and administrative courts and thirty days in tax courts. Administrative judgment procedures are regulated by the Administrative Judgment Procedure Code No. 2577.

Finally, the Court of Accounts forms part of the system of the Administrative Courts. This Court of Accounts is responsible for examining and auditing, in the name of the Turkish National Assembly, the expenditure, income, and assets of departments within the general budget system and auxiliary budget system. It is also responsible for making the ultimate decisions on the accounts and transactions of the officials of these institutions who are responsible for incomes and expenditure. It is not possible to appeal to another authority against the compensation decisions of the Court of Accounts.

The military criminal courts

Military courts have jurisdiction over military offences of military personnel. They have also jurisdiction over offences committed by military personnel against military persons or in military places or regarding duties and services considered within the scope of the military service. Military Courts have two levels. Firstly, there are the military courts of first instance which are discipline boards and military courts. There is also the Supreme Military Court of Appeal which is the final place of appeal for decisions made by the military criminal courts.

The military administrative court

Military administrative justice is carried out by the Supreme Military Administrative Court. According to the Constitution, it is the court of first and final instance for disputes arising out of administrative actions regarding military service and are related to military personnel, even if these administrative actions are carried out by non-military authorities.

Jurisdiction disputes

Since there are several types of courts in Turkey, the Court of Jurisdiction Disputes has been set up to resolve disputes arising between these courts. The Court of Jurisdiction Disputes is authorized to resolve competency disputes arising between civil, administrative, and military judicial courts and their decisions.

Election courts

Election courts consist of city and county election boards that are responsible for making decisions on complaints and objections regarding elections; and they also include the Supreme Election Council that is responsible for examining the decisions of the boards.

COURT TYPE	CONSTITUTIONAL JUSTICE	JUDICIAL JUSTICE	ADMINISTRATIVE JUSTICE	MILITARY CRIMINAL JUSTICE	MILITARY ADMINISTRATIVE JUSTICE	JURISDICTION DISPUTES	ELECTION
Higher Court	Constitutional Court	Supreme Court of Appeal	Council of State, regional administrative courts	Supreme Military Court of Appeal	Supreme Military Administrative Court	Court of Jurisdiction Disputes	City and County Election Boards - Supreme
Court of		Civil and criminal	administrative courts,	Discipline			

First Instance		courts (first instance), regional courts of justice (second instance)	tax courts	boards, military courts (second instance)			me Election Council
-----------------------	--	---	------------	---	--	--	---------------------

Arbitration

In addition to the above, it is possible in Turkey, to resolve disputes arising out of investment contracts that are under the scope of private law, and from concession contracts related to public services, through national and international arbitration. International Arbitration Code No. 4686 is applied in the resolution of those disputes that have a foreign element in which Turkey is decided as the place of arbitration, and where the provisions of the law are selected by the parties, arbitrators or arbitration board. Code No. 4501, on the other hand, determines the principles to be observed in case arbitration is to be used in disputes out of concession contracts related to public services.

There are arbitration boards attached to the Istanbul Chamber of Commerce, Izmir Chamber of Commerce, and the Union of Chambers and Commodity Exchanges of Turkey (TOBB). In addition, the Turkish National Committee of the International Chamber of Commerce provides consultancy services for applications to the International Chamber of Commerce arbitration.

*** Foreign Direct Investment Regime**

Foreign direct investments are realized without a special permit process, under the same procedures as for domestic corporations.

Legal framework of foreign direct investments

The basic principles concerning Foreign Direct Investments are stated in the Foreign Direct Investments Code No. 4875, and related regulations. The definitions and entitlements under Code No. 4875 standing as a legal guide for foreign investors are compatible with the best international practices.

Individuals holding foreign citizenship, and Turkish citizens domiciled in foreign countries, as well as legal persons established under the laws of foreign countries and international organizations acquire a Direct Investor status in Turkey. Foreign direct investments can be realized with the establishment of companies or branches in Turkey or with the participation in an existing company by the direct foreign investor through economic assets in the country or from abroad. Foreign investors can establish or participate in companies, e.g. joint stock, limited liability, unlimited, or special companies regulated under the Turkish Commercial Code. They can also establish or participate in various agreement-based partnerships under the title of ordinary partnerships, business partnerships, consortiums, and joint ventures.

Freedom of investment and national treatment

The principles of freedom of investment and national treatment are applicable for foreign direct investments in Turkey. Foreign investors can freely make direct foreign investments in Turkey unless stipulated otherwise by international treaties and specific law provisions. Foreign investors are treated the same as domestic investors. Some restrictions exist for foreign investors in a few fields such as radio and television broadcasting, civil aviation, maritime transport, marina operations, and fishing.

Expropriation and nationalization

Foreign direct investments cannot be expropriated or nationalized unless it is in the public interest and upon the payment of corresponding financial compensation. These points are under constitutional and statutory assurance.

Freedom of transfer

The following can be freely transferred outside the country through banks or private finance institutions: net profits; dividends; sales; liquidation and compensation costs; amounts payable under license; management and similar agreed costs; principal and interest payments made under a foreign loan agreement arising out of the operations and transactions in Turkey.

Acquisition of real property

Foreign investors can freely have title to, and obtain limited real rights on companies with a legal entity established or participated in, in regions open to investment by Turkish citizens.

Foreign investors, through companies they have established in Turkey or shares purchased in such companies, can acquire title or real rights in properties situated in regions open for ownership of Turkish citizens.

Settlement of disputes

Disputes arising out of investment contracts under private law and investment disputes arising out of public service concession contracts signed between the foreign investor and the Government can be referred to competent local courts as well as, depending on whether or not the conditions in the legislation are satisfied and the parties so agreed, can be referred to national or international arbitration or other dispute settlement procedures.

Appraisal of non-cash capital

Appraisal of non-cash capital is made in accordance with the provisions of the Turkish Commercial Code. In cases where securities of companies incorporated in foreign countries are used as a means of investment, assessments made by the approved authorities (under the statutes of the country of origin), or of expert witnesses (appointed by the courts of the country of origin), or of international assessment organizations, will be acceptable.

Liaison offices

The Undersecretariat is authorized to permit companies incorporated under the statutes of foreign countries to open liaison offices provided that such offices do not deal in commercial activities in Turkey.

Foreign direct investments- policy

The Undersecretariat of the Treasury is authorized to establish the general framework of the policies for Foreign Direct Investments. Approval of the Undersecretariat must be sought for draft statutes or for the amendment of existing statutes concerning Foreign Direct Investments.

The "permit system" has been abandoned in the field of Foreign Direct Investments, and an "information" based system has been established. Statistical data for Foreign Direct Investments is kept at the Undersecretariat of the Treasury, under the General Directorate for Foreign Investment. In this context, investors must regularly provide information to the General Directorate for Foreign Investment regarding the Company capital, Company operations, and share of transfers by filling out Data Forms. Such information will be used for statistical purposes only.

Bilateral Agreements for the Promotion and Protection of Investments (BAPPI)

With the objective of increasing the number of Foreign Direct Foreign

Investments, in 1962 Turkey started to sign Bilateral Agreements for the Promotion and Protection of Investments (BAPPI) with the countries with which we have close investment and trade relations, and with countries considered to have the potential for the enhancement of such relations. This process has been accelerated when Turkey started to export capital. BAPPI have been signed with 72 countries to date and 53 of these have come into effect.

*** Turkish Labor Market**

According to the constitution, everyone has the freedom of work in whatever sector he/she desires. The State is responsible for creating a suitable environment to prevent unemployment and to provide a peaceful labour environment.

According to Articles 48 and 49 of the Constitution, everyone has the freedom of work and contract in the field of his/her choice. The establishment of private enterprises is free. The State will take the necessary measures to raise the standard of living of workers; to protect workers and the unemployed with a view to improving the general working conditions; to encourage work; to create suitable economic conditions for the prevention of unemployment; and to provide a peaceful labour environment. Minors, women and persons with physical or mental disabilities enjoy special protection with regard to working conditions.

Turkey has been a member of the International Labour Organization (ILO) since 1932. Since it became a member, Turkey has accepted 56 ILO Agreements. Moreover, Turkey has signed Bilateral Social Security Agreements with 20 countries.

Trade union activities

The rights and obligations regarding working conditions and the working environment of those whose work is based on a job contract with employers are set out in the Labour Code No. 4857 and in the secondary legislation that are based on the Code. Trade union activities (labour and employers' unions and confederations) that are protected by the constitution have been regulated in the Trade Union Code No. 2821; collective bargaining, strikes and lockouts have been regulated in the Collective Bargaining, Strike and Lockout Code No. 2822. In Turkey, inspections and regulatory activities regarding the working life in Turkey are carried out by the Ministry of Labor and Social Security.

Determination of the minimum wage

According to article 39 of Code No. 4857, the minimum wage of those working with a job contract, regardless of whether or not they are included within the scope of the Code, is to be determined at least every two years by the Ministry of Labour and Social Security through the Minimum Wage Determination Commission, with a view to keeping the economic and social conditions of these workers up-to-date. The Minimum Wage Determination Commission is headed by one of its members who is to be appointed by the Ministry of Labor and Social Security. This Commission is made up of the General Director of the Ministry of Labor and Social Security or his deputy; the General Director of Occupational Health and Security or his deputy; the General Director of the Economic Statistics Office of State Statistics Institute or his deputy; a representative of the Undersecretariat of Treasury; the head of the relevant department of the Undersecretariat of State Planning Organisation or a representative authorized by him; five representatives selected from different professions from among the labour organization with the highest number of members; five representatives selected from different professions from among the employers' organization with the highest number of members. The decisions of the commission take effect following their publication in the Official Gazette.

The Turkish employment agency (??-Kur)

??-Kur is responsible for domestic and international matching up of jobs with employees; for carrying out workforce planning; and for safeguarding and

developing employment. The agency is subject to the provisions of private law; it has the status of a legal person with administrative and fiscal autonomy.

In Turkey, it is also possible to find employment and employees via private employment agencies. Real and legal persons wishing to establish private employment agencies within the provisions of the Code on Turkish Employment Agency No.4904, Regulation and Declaration on Private Employment Agencies must apply to the relevant provincial offices of the Turkish Employment Agency (??-KUR).

Social security

According to Social Insurance Code No. 4958, the social security services for employees in Turkey are carried out by the Social Insurance Agency. This agency is a public legal person with administrative and fiscal autonomy and is subject to the provisions of private law.

Furthermore, the Social Security Agency has been established to eventually gather all Social Security and Social Support Organisations into one single body; to standardize the regulations and principles of all social security institutions; and to keep track of the fiscal position and financial records of the institutions.

*** The Employment of Foreigners**

According to the Work Permits for Foreigners Code No. 4817, foreigners may work in Turkey after receiving permission from the Ministry of Labour and Social Security.

According to the Work Permits for Foreigners Code No. 4817, foreigners may work in Turkey after obtaining permission from the Ministry of Labour and Social Security either for an employer or independently. However, according to this same code and relevant legislation, if not otherwise stated in bilateral and unilateral agreements to which Turkey is a party, it is also possible to issue an exceptional work permit and/or to exempt completely from having to obtain a work permit.

Work permits must be obtained before starting to work. Only in those cases where national interests deem it necessary and/or due to very convincing reasons, on condition that the relevant authorities must be notified in advance, may a work permit be issued after a person has started working, provided the specific job does not last more than one month or exceptional permission from the Ministry has been received.

Work permit applications

Applications for work permits may be made from inside or outside Turkey. When applying from abroad, the applications must be made to the Turkish Republic representatives in the applicant`s country of citizenship or permanent residence. The Turkish Republic representatives and the Ministry of Labour and Social Security carry out the relevant procedures regarding work permit applications made from outside Turkey by e-mail. However, the documents that are required for the application, must be delivered to the Ministry in Turkey by the applicant`s employer within three days from the date of application.

Applications made in Turkey should be made to the Ministry of Labour and Social Security. In order to apply, a person must have a residence permit which is valid for at least six months and this residence permit must not be out of date at the time of application. Within the Ministry of Labour and Social Security, there is a department responsible for the issuing of work permits. In addition, the Prime Ministry, the Ministry of Defense, the Ministry of Health, the Undersecretary for Foreign Trade, and the Board of Higher Education also have the right to issue

work permits on condition that the Ministry is informed.

The Ministry concludes the application process within 90 days from the date of application and informs the relevant Turkish representative or, if the application is made in Turkey, the applicant or his/her employer. This period can be reduced to **15 days** for key personnel of companies involved in direct foreign investment, in exceptional circumstances..

The Ministry announces its decision to the foreigner or, if applicable, to his/her employer according to the provisions of the Official Notification Code No. 7201. regarding:

- the rejection of the work permit application
- the request for renewing an existing work permit
- the cancellation of the work permit
- the validity of the work permit

The parties involved may object to the Ministry's decisions within thirty days from the receipt of the official notification. In cases where the objection is rejected, the parties involved may apply to the administrative courts.

Renewing work permits

In order to renew a work permit, a person must apply to the Ministry with an application form within 15 days following its expiry date. He/she must present the application form, required documents and the original previous work permit. Applications made after the expiry date will be considered as a completely new application and will be treated accordingly. Renewals may be applied for not earlier than two months before the expiry date of the work permit.

Categories of work permit

Work permits are divided into **4** categories:

- **A limited work permit**

This work permit is for a maximum of 1 year. At the end of this 1-year period, it is possible to renew the permit for up to three years. Following this three-year period, it is also possible to renew this permit for a further six months.

- **An unlimited work permit**

Unless otherwise stated in bilateral or multilateral agreements to which Turkey is a party, an unlimited work permit may be given to those foreigners who have resided legally and without interruption in Turkey for eight years and who have a history of a total of six years' lawful employment in the country. Account is not taken of the status of the job market during these years, nor the developments which have taken place in the world of employment.

- **An independent work permit**

This work permit is granted to those foreigners who wish to work independently of an employer with the condition that he/she resides in Turkey legally and without interruption for a minimum of five years.

- **An exceptional work permit**

This category of work permit may be granted to those foreigners who are married to a Turkish citizen and who are living in Turkey with the spouse; or those foreigners whose marriages to a Turkish citizen in Turkey have ended after at least three years and who have settled in Turkey; to Citizens of the European

Union, their spouses and children who are possibly not citizens of the European Union; to diplomats, their spouses and children; to those foreigners who are considered to be key personnel in jobs involving the purchase of goods and services or who hold jobs awarded through bidding for Ministries and public institutions and organizations; and in some other exceptional cases other foreigners may be granted work permits without being subjected to the time periods mentioned in the law.

Termination of a work permit

Work permits cease to be valid in the following cases:

- If the validity period expires.
- If the residence permit of the foreigner becomes invalid for some reason or if its validity period has not been renewed.
- If the validity period of the passport, or the passport's equivalent, expires, unless the Ministry of Interior or the Ministry of Foreign Affairs expresses opinion in favour of extension
- If the foreigner remains outside of Turkey for a continuous six months without an extremely convincing reason.

Obligation of declaration due to work permit

There are some types of declaration obligations for those foreigners working independently or for an employer; and for those employers who have employed foreign workers:

- Those foreigners working independently starting from the date they began working and at the end of their work,
- Those employing foreign workers, starting from the date he/she has started working,
- In case he/she has not started working within thirty days following the issuance of work permit, after the ending of this period or starting from the date when the service contract has ended for some reason,

*** Research and Development Activities**

In Turkey, public institutions and universities play an important role in R&D activities. While, the R&D costs are 69% of the total R&D expenditure in universities, the share of R&D in public institutions is 13%, and that in the private sector is 18%. Apart from universities the most important institution that carries out R&D activities in Turkey is The Scientific and Technological Research Council of Turkey (TUBITAK), which is a national research institution. TUBITAK is the public agency in charge of promoting, developing, organizing, conducting and coordinating research and development in different fields of natural sciences, in line with the national targets for economical development and technical progress. In this respect, the Institution contributes to the creation of Turkey`s guidelines on Science and Technology. It provides, promotes and monitors academic R&D support, and operates R&D institutes in line with national priorities. It also makes important contributions to the relations between universities and industries.

TUBITAK is also the secretariat of the Supreme Council of Science and Technology, which is the highest agency which decides Turkey`s policy on Science and Technology. TUBITAK, which has fiscal and partial administrative autonomy due to its special establishment code, has direct links with the Prime Minister and/or Deputy Prime Minister.

The institution provides certain incentives in order to increase the scientific and

technological competitiveness of Turkey; develop methods to rapidly transform scientific research into technological innovations; and provide an active contribution from the private sector into research and development.

The Turkish Technology Development Foundation (TTGV) was set up to raise the industrial sector's awareness of R&D and support technological development projects of Turkish Industry through the funds provided by The Undersecretariat of Treasury from the resources of the World Bank. This Foundation continues its activities as a successful example of Private and Public Sector co-operation. In this respect, the Foundation promotes the R&D activities of the industrial sector; contributes to the creation of the necessary infrastructure for technology to produce a commercial and marketable product, system or service; provides financial support; and undertakes studies aimed at improving the legislative and institutional framework for R&D.

Another institution, which conducts R&D research in Turkey, is the Small and Medium-sized Industry Development Organization (KOSGEB). KOSGEB is aimed at helping small and medium-sized industrial companies to adapt quickly to technological innovations; increase their competitiveness and their contributions to the economy; and improve their efficacy. In this respect, the institution supports the R&D activities of small and medium-sized companies and promotes the development of a R&D culture within small companies.

*** Privatization**

The objective of Privatization is to minimize industrial and commercial state activity in the economy. This will create a more competitive market economy; reduce the burden of state-owned economic enterprises on government resources; improve the capital market; and promote the entry of inactive capital into economic activities. Therefore, the resulting available resources can be used for investment in infrastructure.

The Privatization Code No. 4046 was prepared taking into consideration the recommendations of political parties and trade unions. It took effect on November 27, 1994 following its publication in the Official Gazette. Based on Code No. 4046, the Privatization High Council and the Privatization Administration are responsible for carrying out privatization.

The Privatization High Council (The Council) is headed by the Prime Minister and consists of four ministers chosen by the Prime Minister. The main responsibilities of the Council are:

- to decide on the inclusion in the privatization process of those enterprises mentioned in Code No. 4046
- to prepare for privatization in terms of their fiscal and legal conditions those enterprises, which are included in the privatization process but are not yet ready for privatization
- to decide on the immediate inclusion in the privatization program those enterprises that are deemed ready for privatization
- to decide on the inclusion of those that are not considered ready, when they have completed their preparation
- to determine a time period for the completion of privatization procedures for those enterprises that are already included in the privatization process
- to decide on removing the enterprises unsuitable for privatization out of the privatization process and to give them their previous status
- to decide to prepare for privatization those enterprises, which have been deemed suitable for privatization;
- to decide on the privatization methods required for specific enterprises
- to decide on scaling down those enterprises that are already in the process of privatization

- to bring to a halt the activities of those enterprises that are already in the process of privatization either temporarily or permanently, or to decide on the liquidation of these companies

The Council, where it deems necessary, may authorize the Privatization Administration when carrying out privatization, to explicitly determine the monetary limits, the procedures, and the principles of the relevant enterprise.

The main duty of the Privatization Administration, which is a Public Legal Persona with a private budget, and an establishment dependent on the Prime Ministry, is to apply the decisions of the High Council of Privatization.

*** The Turkish Competition Authority**

The objective of Privatization is to minimize industrial and commercial state activity in the economy. This will create a more competitive market economy; reduce the burden of state-owned economic enterprises on government resources; improve the capital market; and promote the entry of inactive capital into economic activities. Therefore, the resulting available resources can be used for investment in infrastructure.

The Privatization Code No. 4046 was prepared taking into consideration the recommendations of political parties and trade unions. It took effect on November 27, 1994 following its publication in the Official Gazette. Based on Code No. 4046, the Privatization High Council and the Privatization Administration are responsible for carrying out privatization.

The Privatization High Council (The Council) is headed by the Prime Minister and consists four ministers chosen by the Prime Minister. The main responsibilities of the Council are:

- to decide on the inclusion in the privatization process of those enterprises mentioned in Code No. 4046
- to prepare for privatization in terms of their fiscal and legal conditions those enterprises, which are included in the privatization process but are not yet ready for privatization
- to decide on the immediate inclusion in the privatization program those enterprises that are deemed ready for privatization
- to decide on the inclusion of those that are not considered ready, when they have completed their preparation
- to determine a time period for the completion of privatization procedures for those enterprises that are already included in the privatization process
- to decide on removing the enterprises unsuitable for privatization out of the privatization process and to give them their previous status
- to decide to prepare for privatization those enterprises, which have been deemed suitable for privatization;
- to decide on the privatization methods required for specific enterprises
- to decide on scaling down those enterprises that are already in the process of privatization
- to bring to a halt the activities of those enterprises that are already in the process of privatization either temporarily or permanently, or to decide on the liquidation of these companies

The Council, where it deems necessary, may authorize the Privatization Administration when carrying out privatization, to explicitly determine the monetary limits, the procedures, and the principles of the relevant enterprise.

The main duty of the Privatization Administration, which is a Public Legal Persona with a private budget, and an establishment dependent on the Prime Ministry, is to apply the decisions of the High Council of Privatization.

*** The Banking Regulation and Supervision Agency**

The Banking Regulation and Supervision Agency (BRSA), which has a public legal personality, and administrative and fiscal autonomy, was set up on June 23, 1999 and started its activities on August 31, 2000 .

The Agency is authorized and obliged to make the necessary decisions and take the necessary measures to safeguard the rights and benefits of depositors; to prevent all kinds of operations and transactions that may risk the orderly and safe operation of banks or that may harm the economy; to facilitate the efficient working of the credit system. The Agency is located in Ankara and it can set up branches wherever it deems necessary. In accordance with Article 4 clause 2/a of Code No. 4389, the service units of the Agency and their duties and responsibilities are to be determined by the Regulation to be issued by the Council of Ministers upon the recommendation of the Agency. For this reason, the Agency has completed its structuring based on the "Regulation on the Organization of Bank Regulation and Supervisory Agency", which came into force on its publication in the Official Gazette No. 24087 on June 22, 2000.

The main goals of the Agency are as follows:

- To enhance the efficiency of the Banking Sector and its competitiveness.
- To maintain confidence in the Banking Sector.
- To minimize potential negative effects of Banking Sector on economy.
- To improve the stability of the Banking Sector.
- To protect the rights of depositors.

Basel-I, which took effect in 1988, is the basis for the Capital Sufficiency Directive based on first risk at an international level. A Capital Sufficiency measurement method that is based on Basel-I, which has become the international standard for the sector, came into use in Turkey following the issuing of a directive in 1989. This included a three-year transition period.

Following the development of Fiscal Markets and the increasing complexity of the transactions, the Basel-I criteria were considered insufficient and studies on new standards began. Following new consensus efforts that started in 1998 and continued until 2004, the way Capital Sufficiency is viewed has changed considerably. With Basel-II, which was prepared as a result of these efforts, banking risks are being considered in a more extensive and risk averse manner. Unlike Basel-I, which deals only with Capital Sufficiency, Basel-II has been built on 3 structural blocks.

These are:

1st Structural Block: Capital Sufficiency,

2nd Structural Block: Examination by the Auditing Authority and

3rd Structural Block: Market Discipline

As a sign of the great importance it gives to Basel-II, BRSA set up the Basel-II Direction Committee within the Turkish Banks Union in March 2003. The Agency authorities and senior managers of various banks who are responsible for risk management took part in its establishment. The Committee meets monthly and has been involved in studies regarding the transition to Basel-II. Moreover, the Basel-II Coordination Committee has been established with the attendance of the Undersecretariat of Treasury, CBRT, and CMB under the coordination of BRSA to make advisory decisions and maintain coordination on issues regarding Basel-II. At the same time, the Basel-II Project Committee and Risk-Oriented Control Committee, which are both made up of various subcommittees and which undertakes technical studies, continue their studies.

You can get further detailed information from the Agency`s website and you can also get information on the following legislation:

- **The Banks` Act**
- **Regulations Regarding the Banking Code**
- **Regulations Regarding the Savings Deposit Insurance Fund**
- **Financial Restructuring Program**
- **Regulations Regarding the Bank Regulation and Supervisory Agency**
- **Regulations Regarding Check Legislation**
- **Other Regulations**
- **Draft Regulations**

*** The Telecommunication Market**

The Telecommunication Institution undertakes the regulation, the authorization, the reconciliations, and the supervision of activities within the telecommunication market.

The Telecommunication Institution Telecommunication Institution undertakes the regulation, the authorization, the reconciliation, and the supervision of activities within the telecommunication market. The authorization activities of the Institution consist of **Assignment Contracts, License Contracts, Type 2 Telecommunication Licenses, and General Permits.**

As a regulatory authority, the Institution undertakes Reconciliation and Arbitration duties. Supervisory activities, on the other hand, are conducted based on the Laws and secondary legislation, and are carried out through such methods as market surveillance and supervision, technical supervision, and oversees conformity to regulations.

The Telecommunication Institution was established by Code No. 4502 dated January 27, 2000. This Code took the place of Radio Code No.2813 and Telegram and Telephone Code No. 406. To enable the Institution to apply its authority and fulfill its duties, it has been equipped with a legal personality, administrative and fiscal autonomy, and a private budget. The Institution is independent in the fulfillment of its duties. The Institution is affiliated to the **Ministry of Transportation.**

The decision-making body of the Institution is the **Telecommunications Board** which consists of a chairman and six members. With the amendment of Code No. 2813 by Code No. 5189 dated June 16, 2004, the number of Board members has been increased to seven. The Board is made up of a Chairman, a member representing the radio services, another representing consumers, two members representing telecommunication services, and finally two members representing the telecommunication sector. The Chairman of the Board is also the supreme authority of the Institution and he/she is responsible for its general management and its representation. Upon the recommendation of the Chairman, the Board elects one of the members as the Vice President.

In the Central Organization, the Board, which is the executive body of the Institution, consists of Vice- Presidents of the Institution, of the Main Service Units, of the Consultative Units, and of the Supplementary Service Units. In the Regional organization it consists of 10 Telecommunication Regional Directors of which 7 are currently active.

*** Turkish Energy Market**

The EPDK has the authority to regulate and control the energy market. It conducts activities aimed at creating a transparent and competitive energy market.

Energy Market Regulatory Authority equipped with a legal personality, administrative and fiscal autonomy, and a private budget, so that it can use its jurisdiction and fulfill its duties effectively. The Authority is independent in the fulfillment of its duties. It is affiliated to the Ministry of Energy and Natural Resources.

The Authority was established according to Code No. 4628. It was later renamed the Electricity Market Regulatory Authority according to the provisions of the Natural Gas Market Code No. 4646. With the enactment of the Petroleum Market Code No. 5015 and the Liquefied Petroleum Gas (LPG) Market Code No. 5307, the Authority has been commissioned to regulate and supervise the petroleum and LPG markets.

The objective of the afore-mentioned Codes is to establish a financially viable, stable and transparent energy market, which will function according to the provisions of private law and within a competitive environment. They will also ensure the independent regulation and supervision of the market in order to provide sufficient Electricity, Natural Gas, Petroleum and LPG of high quality to consumers, at low cost, in a reliable and environmentally friendly manner.

The Energy Market Regulatory Authority assumed its duties on November 19, 2001. The executive body of the Authority is the Energy Market Regulatory Board which is composed of eight members. The Chairman of the Board is also the supreme power behind the Authority and he/she is responsible for its general management and its representation. The Board, which is the executive body of the Institution, is composed of Main Service Units, Consultative Units, and Supporting Service Units.

*** The Inst. for the Regulation of the Tobacco&Alcohol Products**

The Institution for the Regulation of the Tobacco, Tobacco Products and Alcoholic Drinks Market was set up under Code No. 4733 in order to establish regulatory and supervisory systems in areas dealing with tobacco, tobacco products, alcohol and alcoholic drinks.

The responsibilities and operation of the Institution have been summarized under the headings for the individual departments.

The Tobacco Market Department- its responsibilities and powers:

- The regulation and supervision of tobacco production; the granting of permission for the import of tobacco seeds and the issuing of authorization to trade in tobacco; the regulation, monitoring, and supervision of tobacco producers on the basis of a written contract and the buying and selling of tobacco products by public auction.
- The granting of permission for the setting up of tobacco processing plants, the control of their production, movements, handovers, and closures; the monitoring of tobacco stocks and warehouses, and the granting of compatibility permission to tobacco warehouses.
- The issuing of an Export Compatibility Document after detailed certified examination.
- The supervision of companies operating within the sector and the issuing of fines when necessary; the making and monitoring of important regulations in the tobacco sector.

The Tobacco Products Market Department– responsibilities and powers:

- The granting of production permits, sales permits and the granting of permission to establish factories aimed at producing tobacco products.
- The granting of change-of -production permits to factories that are already in existence.
- The granting of an Export Compatibility Document for tobacco and tobacco products, and the monitoring of their export activities.

In addition, conditions regarding the introduction of tobacco products to the market are determined by the Institution under two codes. Code No. 4733 - `Regulation on Methods and Principles regarding the setting up of Tobacco Production Factories, the Production of Tobacco Products, and the Supervision of their Trade at Home and Abroad ` and Code No. 4703 `Regulation on the methods and principles used in the production of Tobacco Products, their Labeling and Supervision, aimed at protecting people from their harmful effects.

The Alcoholic Drinks Market Department–responsibilities and powers:

- The creation of a record system to make the production, import and export, storage and distribution, of all sales in the alcohol and alcoholic drinks sector and the firms involved in these activities, traceable by the State. To this end, all activities in this market are to be licensed.
- Regulating of the market in Ethyl Alcohol, Methanol, Distilled Alcohol Drinks, and Fermented Alcoholic Drinks, the preparation of national regulations in this market, and the harmonization with the EU regulations.
- The creation of a record system to make all products being produced or imported and introduced into the market with "22.03, 22.04, 22.05, 22.06, 22.07, 22.08, 29.05" GTIP numbers, traceable by the State; for this reason, technical specification information concerning the products and details regarding market entry requirements must be compiled.
- The creation of a cross-checking system between the various public institutions aimed at preventing illegal activities within the market sectors, the monitoring of the market, and the setting up of this department as an authoritative reference point..

The Department of Competition and Consumer Rights– responsibilities and powers:

- To provide approximately 200,000 sales permits for the retail, wholesale and

open alcoholic drink outlets throughout the country - based on the Regulations for the Wholesale and Retail Sale of Tobacco Products, Alcohol and Alcoholic Drinks and their Sales Permits.

- To inform consumers about the harmful effects of tobacco products and alcohol.
- To demonstrate the dangers of tobacco products with suitable advertisements, in accordance with Code No. 4207 which refers to the Prevention of the Harmful effects of Tobacco Products; to check cigarette and alcohol advertisements in terms of their compliance with the regulation.

* Turkish Capital Markets

When making regulations in the Turkish Capital Markets, maximum care is being taken to harmonize Turkish regulations with international standards, the IOSCO principles, and EU Directives.

Legal Framework

The current legal framework of the Turkish Capital Markets has been created with reference to the Capital Market Code (SerPK) issued in 1981 and amended twice - in 1992 and again in 1999. Decree No. 91 (which has the power of law), issued in 1983, together with SerPK (which mainly regulates the primary markets) is the basis of the regulation of secondary markets. The Capital Markets Board (SPK) regulates markets through communiqués using the authority granted by the Capital Market Code.

In addition, the Turkish Commercial Code (TTK) dated 1956, regulates the setting up and the activities of Companies. This code also includes the principle regulations concerning securities. As regards securities Joint-Stock Companies that are subject to the Capital Market Code have to conform to the TTK in terms of its general rules and in regard to issues about which there are no regulations in the Capital Market Code.

A very important regulation regarding the development of Capital Markets has been Decision No. 32 on the Preservation of the Value of the Turkish Lira. With this regulation, which came into force in 1989, an important step was taken towards liberalizing the fiscal system. This meant that the ability to invest in Turkish securities was opened up to non-Turkish residents and that Turkish citizens were allowed to invest in foreign securities.

When making regulations in the Turkish Capital Markets, maximum care is being taken to harmonize Turkish regulations with **international standards, IOSCO principles, and EU Directives**. With the introduction of the Capital Market Code in 1999 and the setting up of the Central Recording Foundation in 2001, an important step was taken towards **taking on board the monitoring** of Capital Market tools and related rights from the record system. The ultimate aim is to move on to a full record system in which all Capital Market tools can be monitored. Moreover, with the setting up of the Investor Protection Fund, an important step has been taken towards the **protection of investors**. From 2005, eligible investors have the right to receive compensation of up to 30,000 USD. For the directors of public companies, the right to own **a minority share** has been decreased from 10% to 5%. Moreover, in order to achieve full harmonization with EU regulations, changes have been made and continue to be made in many regulations and communiqués.

Institutional Management Principles

In July 2003 the document "Institutional Management Principles" was published. This document incorporates both the specific conditions for Turkey and the "OECD Institutional Management Principles" which are general principles accepted worldwide. The system described in the document is on-demand, and works on the basis of "apply and declare". However, efforts are continuing to establish an

`Institutional Management Index` in the Istanbul Stock Exchange (ISE) which will encourage companies that have high application performances to take part in the system.

The Istanbul Stock Exchange (ISE)

In the IMKB, transactions and trading take place in a completely electronic environment. Orders that are delivered electronically are matched automatically in a system that prioritizes price and time. Transactions in Takasbank, Turkey`s only central Securities and Depository bank, take place in accordance with such international principles as multi-sided clarification, payment on delivery, and recorded trading.

As of July 1, 2005, the total market capitalization in IMKB was 145 billion YTL (107 billion USD). The market capitalization, calculated by using the publicized rate of 29.3%, was 42.4 billion YTL (31.3 billion USD). At the beginning of July 2005, the foreign exchange preservation rate in the Shares Market reached 61%.

Forward Transactions and Option Stock (VOB)

In February 2005 transactions on contracts in Forward Transactions and Option Stock (VOB), (established in July 2002 as a profit oriented joint-stock organization) started. Currently, foreign currency commodities (based on cotton and wheat), index (IMKB30), and interest-based forward transaction contracts are being processed in the VOB.

Foreign Investors

Real and legal persons residing outside of Turkey (including trust companies and funds) may freely buy and sell Turkish Capital Market tools through intermediate organizations based in Turkey. There are no restrictions regarding the transactions of foreign investors.

*** Istanbul Stock Exchange**

The Istanbul Stock Exchange (ISE) which was set up at the end of 1985 provides trading facilities in a wide variety of securities, as follows: Stocks Exchange traded funds Government Bonds Treasury Bills Money Market Instruments (repo/reverse repo) Corporate Bonds Foreign securities. There are no restrictions on foreign portfolio investors trading in the Turkish Securities Markets.

The ISE is a public organization the members of which come from banks and brokerage houses. The ISE is the only Stock Exchange in Turkey.

The ISE is governed by an Executive Council consisting of five members. The Chief Executive Officer of the ISE is appointed by joint decree for a term of five years and acts as the Chairman of the Executive Council. The remaining four members are elected by the General Assembly from bank and brokerage house personnel.

The ISE has three markets, namely, the Stock Market, the Bonds and Bills Market, and the International Market.

The Stock Market has five sub-markets - the National Market, the Secondary National Market, the New Economy Market, the Watch List Companies Market and the Exchange Traded Funds (ETFs) Market. The Stock Market has been operational since 1986. Stock trading activities are carried out in two separate sessions, one in the morning and the other in the afternoon. Prices are determined by a `multiple-price continuous auction` method, using a computerized system that automatically matches buying and selling orders on a price and time priority basis. The buyers and sellers enter the orders into the computer system either via their workstations located at the ISE or in their head offices. With the exception of order identities, all information regarding

transparency is displayed in the computer trading system during the sessions.

The Bonds and Bills Market has three sub-markets - the Outright Purchase and Sales Market, the Repo/Reverse Repo Market, the Real Estate Certificates Market.

Members enter the orders via terminals located in their own offices. After an order is entered into the computer system, it is processed according to price and time priorities. Both the Outright Purchase and Sales Market and the Repo/Reverse Repo Market operate on a multiple-price continuous auction system.

The International Market (ISE IM) has been set up in the `ISE International Securities Free Zone` and operates in a tax-free environment. The objectives of the International Market are:

- to encourage the flow of international capital to the ISE
- to provide a transparent and secure trading environment for securities issued in international markets.

ISE IM has two sub-markets - the Depository Receipts Market, and International Bonds and Bills Market.

Foreign investors hold approximately 50% of the publicly held portion (free-float) of the ISE traded companies` shares.

In October 1993, the U.S. Securities and Exchange Commission (SEC) recognized the ISE as a "Designated Offshore Securities Market". On May 9, 1995, the Japan Securities Dealers Association (JSDA) officially designated the ISE as an `appropriate foreign investment market for private and institutional Japanese investors`. On July 21, 2000, the ISE was approved by the Austrian Ministry of Finance as a regulated market in accordance with the regulations of the Austrian Investment Fund Act.

The ISE is a member of the "Federation of Euro-Asian Stock Exchanges (FEAS)" and holds the presidency of the FEAS. The ISE is also a member of the following international organisations:

- The World Federation of Exchanges(WFE)
- The International Securities Services Association (ISSA)
- The International Capital Market Association (ICMA)
- The European Capital Markets Institute (ECMI)
- The World Economic Forum" (WEF)

The ISE is also an affiliate member of the `International Organization of Securities Commissions` (IOSCO).

*** The Central Bank of the Republic of Turkey**

The main aim of the Central Bank of the Republic of Turkey (CBRT) is to maintain price stability. The bank itself decides on the monetary policy and monetary policy tools that it will use to maintain price stability. The bank supports the growth and employment policy of the Government only if this does not conflict with its aim of maintaining price stability.

Procedures to set up the Central Bank of the Republic of Turkey started after the approval by Parliament on June 11, 1930 of the Central Bank Code No. 1715. It then became active on October 3, 1931. The Bank currently operates under Code No. 1211 which which was amended by Code No. 3985 on April 21, 1994. The main aim of the Central Bank of the Republic of Turkey (CBRT) is to maintain price stability. The Bank itself decides on the monetary policy and monetary policy tools that it will use to maintain price stability. The bank supports the growth and employment policy of the Government only if this does not conflict with the aim of

the maintenance of price stability.

The main responsibilities of the CBRT are as follows:

- a) to carry out open market operations,
- b) to take necessary measures in order to protect the domestic and international value of Turkish Lira and to establish the exchange rate policy in determining the parity of Turkish Lira against gold and foreign currencies jointly with the Government; to execute transactions such as spot and forward purchase and sale of foreign exchange and banknotes, foreign exchange swaps and other derivatives transactions in order to determine the value of Turkish Lira against other currencies,
- c) to determine the procedures and conditions of reserve requirements and liquidity requirement by taking into consideration the liabilities of banks and other financial institutions to be deemed appropriate by the Bank,
- d) to conduct rediscount and advance transactions,
- e) to manage the gold and foreign currency reserves of the country,
- f) to regulate the volume and circulation of Turkish Lira, to establish payment, securities transfer and settlement systems and to set forth regulations to ensure the uninterrupted operation and supervision of the existing or future systems, to determine the methods and instruments including electronic environment for payments,
- g) to take precautions for enhancing the stability in the financial system and to take regulatory measures with respect to money and foreign exchange markets,
- h) to monitor the financial markets,
- i) to determine the terms and types of deposits in banks and the terms of participation funds in special finance houses.

*** Environmental Standards**

Turkey`s policies regarding environmental protection and development are based on the prevention of pollution; the improvement of environmental management; the harmonization of policies and solutions with both EU and international standards; the raising of awareness of environmental issues; and the reinforcement of the existing legislation in such a way as to provide harmony between economic development and environmental protection.

Turkey is party to 76 international agreements concerning environmental protection and management, as well as 25 bilateral agreements. It is also party to five bilateral agreements on Forestry. Almost all of these agreements have come into force.

The Act that ratified the agreement made between European Union countries and the Republic of Turkey regarding Turkey`s participation into European Environment Agency and the European Information and Observation Network., came into power on January 28, 2003 upon its publication in the Official Gazette. The Turkish Office of the Regional Environmental Center (REC) was set up in Ankara following the signing of a bilateral agreement in Budapest on January 19, 2004. Turkey also participates in various regional initiatives such as the Mediterranean Technical Aid Program (METAP), the Mediterranean Action Plan, the Black Sea Environmental Program, and Regional Agenda 21. Based on MEDPOL Stage III requirements, the quality of seawater is being monitored in Turkey and an investment portfolio aimed at minimizing the sources of pollution originated from land is being prepared.

The Environment Code No. 2872, dated 1983, which is the fundamental code regarding environmental protection, has the `the polluter pays` principle. To this

end, the concept of "Absolute Liability" is the basis in the Code. The Environment Code also defines activities aimed at the prevention of and solutions to environmental problems. Such activities include the banning of certain activities that lead to pollution; the requirement of Environmental Impact Assessment (EIA) for certain activities; the creation of sensitive areas as "Regions for Special Environmental Protection", the introduction of sanctions to prevent arbitrary dumping of dangerous chemical substances and waste, and the provision of incentives to decrease pollution.

According to Code No. 4856 on the Organization and Duties of the Ministry of Environment and Forestry, the Ministry sets out principles and policies aimed at environmental protection and the prevention of pollution; it prepares environmental programs; and it undertakes research and projects to this end. The General Directorate of Forestry, the General Directorate of Meteorology, and the Special Environmental Protection Organisation are institutions attached to the Ministry. The Supreme Board of Environment, the Regional Environment Boards, the Environment and Forestry Council, and the Central Hunting Commission are the "permanent" boards of the Ministry. Every province of Turkey has its own Provincial Directorate of Environment and Forestry..

Turkey has in place most of the basics required for the monitoring and application of environmental policies, codes, and regulations. These include the Regulation of Air Pollution caused by Heating, the Regulation of Industrial Air Pollution, the Regulation of Water Pollution, the Environmental Impact Assessment Regulation, the Regulation of Packaging and Packaging Waste, the Regulation of Radiation Security. The Regulation on Noise Control, dated 1986, determines indoor and outdoor maximum noise levels, as well as determining noise-reduction measures. There are also regulations in place regarding Waste Management.

The Special Environmental Protection Organisation of the Ministry of Environment and Forestry is working on Ecological Management plans for 14 "Regions for Special Environmental Protection" as set out by the Council of Ministers.

The Ministry of Health has certain duties and responsibilities regarding issues that effect human health, such as air quality, water safety, toxic chemicals, the development of infrastructure and construction.

The Ministry of Agriculture and Rural Affairs, the Ministry of Health, the Ministry of Culture and Tourism, the Ministry of Energy and Natural Resources, and the Ministry of Industry and Commerce also have certain responsibilities regarding the environment. There are also other institutions that focus on environmental issues such as the General Directorate of State Hydraulic Works, the General Directorate of Electrical Power Resources Survey and Development Administration, the Public Health Institute, the Southeastern Anatolian Project (GAP) Regional Development Administration, and the General Directorate of Rural Services. Local administrations create infrastructure and services connected with environmental protection and management. The environmental responsibilities of municipalities include solid waste management; provision of water, natural gas, and local transport services, as well as building and repair of local roads and streets. In specific cases, Metropolitan Councils or Governors may issue waste water disposal permits to municipal councils and industrial companies after consulting with Local Environment Boards.

Main Economic Indicators

Turkish economy has exhibited a growth far beyond the targets determined in the last three years.

*** Doing Business 2008 Report**

Doing Business 2008 Report published annually by the World Bank ranks the countries in terms of the regulations, costs and timing of the procedures influencing investment environment based on `Ease of Doing Business Index`

In the Doing Business 2008 Report Turkey has moved to 57th rank as it`s ranking increased by 34 places compared to Doing Business 2007 Report. According to the Report, Turkey has displayed improvement especially on employment, taxation, foreign trade, enforcement of contracts and closing a business.

*** Economic Outlook- 2006**

Executive Summary:

Strong and prudent economic policies accompanied by structural reforms has brought a new outlook to the Turkish economy. The outstanding growth performance accompanied by strong disinflation carried the economic reforms to a new frontier. Due to the stability in the economy, a much better investment environment and positive expectations towards the future, Turkey has been able to attract considerably high amounts of foreign direct investment (FDI) in recent years.

Although hit by some external shocks in 2006, the overall performance of Turkey showed that the economy was built on a firm ground. Like most of the other emerging markets, Turkey witnessed the financial market fluctuations in 2006 May-June period. Thanks to the increases in total factor productivity and robust private investment, the economy grew by 6% in 2006, making the cumulative growth 43.2% over the past five years period. End-year inflation rate for 2006 exceeded the target due to various supply shocks but remained in single-digit level and was realized as 9.65%. Strong economic growth and high energy prices led to a current account deficit of 7.9% of GNP in 2006. However, the deficit has not become a basic risk for the economy and is considered as sustainable. Current account sustainability depends to a large extent on the type of foreign capital flows used for financing the deficit. As a matter of fact, both the level and the quality of the external financing kept improving in recent years with the share of non debt creating capital flows, like FDI, rising quite significantly. Year 2006 witnessed record high FDI inflows into the country. Net FDI inflows, that averaged around USD 1 billion in the past, increased to USD 20.1 billions. There is also a significant shift in the term structure of debt from short-term to long-term.

Fiscal discipline and tight fiscal policy continued to be the main pillar of the economic program and contributed a lot to disinflation as well as to strong growth performance. Fiscal policy during the last five years has been shaped with a goal to produce high primary surpluses at the consolidated public sector level. Average primary surplus to GNP ratio in 2003-2006 period slightly over performed the 6.5 percent target. The strong fiscal adjustment has also been instrumental in reducing the risk premium and cost of public borrowing. As a result of significant decline in both nominal and real interest rates, the public sector interest payments to GNP ratio dropped to 8 percent in 2006 from 23.3 percent in 2001. The lira debt issuance by foreigners, a good indication of confidence to YTL, continued in 2006 with total amount of YTL borrowing by finance houses standing at around YTL 6 billion. In addition, the foreign investors were also interested in the sovereign issuance of the Republic in Eurobond markets, which was around USD 5.8 billion in 2006. Substantial improvement in overall fiscal balance enabled the public net debt over GNP ratio to decline sharply from 90.4% in 2001 to 44.8% in 2006.

In addition to the strong macroeconomic policies, Turkey implemented a comprehensive and far-reaching structural reform agenda. The achievement has been found remarkable in terms of the speed of structural and institutional change in comparison with worldwide experience. Indeed, Turkey has made big strides in restructuring its financial sector, improving public sector governance and business environment.

Sustainable Growth Path...

Turkish economy displayed a high growth performance thanks to the decisively implemented structural reforms together with successful macroeconomic policies and has become one of the fastest growing economies in the world. The average real GDP growth rate, which was 2.4 percent during the 1992-2001 period, reached to 7.45 percent during the 2002-2006 period.

During the last five-year period, the driving force of economic growth was total factor productivity increase on the supply side and the private sector investment on the demand side. In 2006, parallel to expectations, GNP increased by 6.0 % and reached to USD 400 billion while per capita income has risen to USD 5,477.

Economic growth in 2007, is estimated to be 5 per cent and the early indicators point out that, the official estimate of 5 percent growth for the whole year seems well within reach. It is expected that economic growth will be mainly driven by private sector investment supported by high export performance in 2007.

As a result of sustained pace in growth, structural reforms and the process of macroeconomic stabilization, EU emphasized the improvement in the functioning market forces in Turkey. The accelerated reform process with EU accession negotiations, robust private sector investment and favorable demographics promise for a faster convergence to the EU during the negotiation process. The expected rise in participation to the labor force and vast productivity gains through increasing investments are strong candidates for being the main engines of the convergence and guarantee for the sustainability of high growth.

Declining Inflation...

One of the most striking aspects of the recent performance of Turkish economy has been the substantial decline in inflation in a strong growth environment and soaring energy prices. Annual inflation rate declined from 70 percent levels at the beginning of 2002 to 7.5 percent in October 2005 which was the lowest level in 35 years. To further support disinflation, the Central Bank of Turkey shifted to formal inflation targeting in 2006. The end-year CPI target was determined at 5 % with a two percentage point uncertainty band around this target. However, various supply shocks such as high commodity prices and unprocessed food prices throughout the year, depreciation in the New Turkish Lira in May-June turbulence caused an over shooting of inflation in 2006. Policy measures taken to ensure the convergence of inflation to the target helped containing inflation expectations. Medium-term expectations exhibited a declining pattern since 2006 July. Central Bank of Turkey has shown its commitment to disinflation and as a result of successful policy implementations, annual CPI inflation followed a downward trend in the last quarter of 2006.

Medium-term economic program for 2007-2009 sets the end-year inflation target at 4% for 2007 and 2008. Projections point that disinflation will continue in the medium term as negative effects of recent volatilities die out. The policy credibility already established by the Government and the Central Bank also lends confidence in attaining this target.

Prudent Fiscal Policy...

Fiscal discipline continued to be the cornerstone of the macroeconomic performance of the Turkish economy. By sustaining historically high levels of total public sector primary surpluses over GNP, averaging above 6.5% annually over the past four years, Turkey reduced its debt stock and positively affected the expectations of the market towards a stable economic growth environment and

low inflation rate.

There was not only a significant progress in the primary balance, but also with the contribution of lower interest rates, the central government budget deficit over GNP ratio which declined from 16.5% in 2001 to 0.7% in 2006. Moreover, the Maastricht criterion for general government budget deficit over GDP ratio was met. Thanks to fiscal discipline and high economic growth, there was also a significant improvement in the government debt position. The public net debt over GNP ratio declined from 90.4% in 2001 to 44.8% in 2006, while the EU defined general government nominal debt stock over GDP ratio fell from 104.4% to 60.7%, in the same period. Under the current fiscal stance, the Maastricht criterion on public debt is expected to be met by the end of 2007. For year 2007, again a 6.5% total public sector primary surplus target is committed by the government. Although primary expenditures are slightly higher than expected for the first four months of 2007, the Ministry of Finance announced that a 0.6% spending of GNP was blocked and other measures were taken to keep public expenditures low, signaling a tight fiscal spending control for the rest of 2007.

Looking at External Accounts...

2006 current account deficit was realized as 7.9% of GNP. It should be noted that the current account deficit has not been driven by fiscal expansion or monetary loosening. High energy prices, private sector led growth and strong domestic currency have been the major factors that led to widening deficit. If the energy prices had remained same as 2002 level, current account deficit to GNP ratio would have been 3.9 percent in 2006 instead of 7.9 percent. This shows the dramatic effect of soaring energy prices on current account deficit. Exports hit USD 85.5 billion in 2006 while imports amounted to USD 138 billions. The total trade volume reached USD 223 billions as of end 2006, more than 50 percent of GNP. It shows the progress Turkey had made towards integrating with the world economy. Turkey continuously increases its share in existing markets, while opening up to new markets through a very active foreign trade policy. Today, Turkey exports 7.000 different commodities to 170 countries.

The current account deficit was easily financed in 2006 and the share of long term and non-debt creating capital inflows kept an increasing trend. The FDI inflows reached USD 20.1 billions dollars in 2006, the highest ever in Turkish economic history. The receipts from the FDI are expected to continue in coming years with the acceleration of the EU accession process and efforts to improve investment environment. The level of gross reserves also stayed robust in 2006 and onwards. Central Bank reserves was realized as USD 64.4 billions at the end of May 2007.

The current account deficit in 2007 is projected to decline to about 7% of GNP mainly due to high export performance. The financing position in 2007 would remain robust as coverage of the current account deficit by non-debt creating inflows is projected to expand on account of privatization receipts and boosting FDI.

Structural Reforms Moving Ahead...

Impressive developments on the macro economic side of the program have been fortified by actions on structural reforms that addressed challenging micro-level issues which have macro-level ramifications. The government set its structural reform priorities as: increasing the role of private sector in the economy; putting social security system on a more sound footing; privatization; fighting against the informal economy through targeted tax administration and tax policy measures as well as increasing the efficiency of the financial sector.

The government developed many initiatives to increase the role of the private sector in the economy and to improve the business climate in Turkey. In light of the guidance by the Investment Advisory Council and the Coordination Council for the Improvement of Investment Environment many steps were taken to improve the investment environment. Steps to improve corporate governance, further deregulation, reduce the administrative barriers and increase the efficiency of the judicial process occupy an important part of the agenda. In this context,

Parliamentary approval of the new Turkish Commercial Code is expected. To foster investments, the Turkish Investment Support and Promotion Agency, was established in July 2006. In order to provide easy access to necessary information during various stages of an investment process, the Investment Portal of Turkey (InvestinTurkey - www.investinturkey.gov.tr) was launched in May 2006. Moreover, to update the global players on the macroeconomic front, an investor relations office web site was launched in 2005.

Landmark progress was made in privatization. The ever biggest privatization in Turkey, the sale of Turk Telekom was finalized. The privatizations of TÜPRAŞ (refineries), ERDEMİR (steel) and the initial public offering (IPO) of the Turkish Airlines were also concluded. Following the successful IPO of Vakıfbank, the work on privatization of state banks also gained pace and the IPO for about 25 percent of Halkbank was completed. Hence, Turkey attracted USD 9.8 billion of foreign direct investment in 2005 and a record level of FDI in 2006, which at USD 20.1 billion exceeded the cumulative total of the previous five years. Moreover, FDI for this year is expected to be almost as high, driven by ongoing merger and acquisition activity in the banking and other sectors and also by investment across several sectors including communications, energy, manufacturing, and real estate.

The overarching objectives of the tax reform are to simplify tax structure, broaden the tax base, and strengthen enforcement. In this respect, the first phase of the personal income tax reform had been completed in 2006 which streamlined the tax structure and reduced the top rate. The second phase reform, in order to make PIT more progressive and easy to administer, was passed by the Parliament on March 2007. Corporate Income Tax law was adopted in the Parliament which reduced the headline tax rate from 30 to 20%, while maintaining a single-rate structure. Substantial progress has been made in strengthening tax administration. Functional reorganization of the Revenue Administration was completed in August 2006, including at the provincial and local level, and the Large Taxpayer Unit became operational in January 2007. The General Directorate of Revenue Policies in the Ministry of Finance was established to steer tax policy issues and relieve the burden on Revenue Administration making them more focused on tax collection and administration. In the meantime measures to improve the social security contributions will be introduced, including (i) putting in place by end-June 2007 a legal framework requiring large employers to pay salaries through bank accounts, (ii) strengthening and expanding the Large Employer Office, and (iii) modernizing debt collection techniques.

Social security reform is of vital importance to clamp down on the social security deficits. To ensure the sustainability of the social security system without frequent recourse to the budget, the laws which unify the social security institutions, introduce parametric reforms and universal health insurance were enacted at the Parliament in April 2006. The short term target for social security system was to cap the deficit at its current level in coming years and to gradually build up savings of around 1% of GNP over a ten year horizon. In the long term, budget contribution to pension system was envisaged to be reduced to 1% level of the GNP. However, the Constitutional Court, in December 2006, cancelled or stopped many key provisions of this reform, including (i) all aspects of the pension reform pertaining to civil servants, where most of the medium-term savings were to be generated; (ii) changes in the valorization formulas for all workers; and (iii) the introduction of medical co-payments for civil servants. Since excluding these elements would significantly reduce the reform's long-term savings, the implementation of the reform was postponed. But the revised legislation, that meets the court's objections while preserving to the maximum extent possible the reform's benefits in order to ensure the long-term financial sustainability of the social security system, will be submitted soon after opening of the new parliamentary session with the view to putting it in place within six months of its submission to parliament.

On the financial sector front, new Banking Law was approved by the Parliament in 2005. The new legislation aligns the regulation and supervision of the sector with

the EU standards and introduces new and modern practices in many fields. With the new legislation, a structure parallel to international best practices is established in many areas such as bank ownership and management, bank licensing, and connected lending. The Banking Regulation and Supervision Agency (BRSA) implemented the necessary organizational changes including the merger of onsite and offsite supervision and risk based supervision. The BRSA also issued Banking Law regulations, needed to enhance the supervisory framework, in November 2006.

Along with many steps already taken to improve transparency and accountability, the regulation and supervision of the non bank financial institutions was also transferred to the BRSA from Treasury starting from 2006. New mortgage legislation was adopted in the

Parliament which will contribute to deepening of the financial sector in the country. Furthermore, to take stock of the progress made in financial sector area, a Financial Sector Assessment Program jointly conducted by the World Bank and the IMF was also launched in 2006. Drawing upon the findings of the mentioned Program, a new Insurance Law which will align the regulatory and supervisory framework for insurance sector with the international best practices, have been passed from the Parliament. The BRSA is planning to implement Basel II principles in 2008, just one year after G-10 countries. Moreover, SDIF will have disposed of all its assets taken over from intervened banks as planned by end-2007, thus allowing it to focus exclusively on its role as a deposit insurance agency.

In Conclusion...

Thanks to prudent fiscal and monetary policies, and comprehensive structural reforms, economic fundamentals and balance sheets have strengthened considerably in recent years, which have made the economy much more resilient to adverse shocks. Turkey still faces important challenges going forward. In this respect, Turkey is determined to continue and to accelerate the structural reforms in all fronts and transform towards a well developed country in all aspects.

*** Main Economic Indicators**

You can find tables about the main economic indicators of the Turkish economy between the years 1995-2005.

Macroeconomic indicators

The Turkish GNP grew by 9.9 per cent in 2004 mainly because of the sharp increase in private fixed investment spending and household consumption expenditure. These occurred, for the most part, during the first two quarters of the year.

	GNP (Current Price) (billion USD)	GNP Per Capita (Current Price- USD)	Growth (Real) (%)
1997	192,4	3.079	8,3
1998	206,5	3.255	3,9
1999	185,3	2.879	-6,1
2000	200,0	2.965	6,3
2001	145,7	2.123	-9,5
2002	180,9	2.598	7,9
2003	239,2	3.383	5,9
2004	299,5	4.172	9,9
2005	360,9	5.008	7,6

2006 399,7 5.477 6,0

Source: Turkish Statistical Institution (TURKSTAT)

Foreign trade figures

In 2004, both exports and imports reached an all time high. Exports increased by 33.6 per cent and realized USD 63.1 billion, while imports rose by 40.7 per cent and amounted to USD 97.6 billion. The table below shows Turkey`s historic trade figures for the years 1995-2004.

	Exports (FOB) (billion USD)	Imports (CIF) (billion USD)	Foreign Trade Balance Balance/ GNP (%)	Foreign Trade Balance/ GNI (%)	Current Account Balance/ GNI (%)
1997	26,2	48,6	-22,4	-11,6	-1,
1998	26,9	45,9	-19,0	-9,2	1,
1999	26,6	40,7	-14,1	-7,6	-0,
2000	27,7	54,5	-26,8	-13,4	-4,
2001	31,3	41,4	-10,1	-6,9	2,
2002	36,0	51,6	-15,6	-8,6	-0,
2003	47,2	69,3	-22,1	-9,2	-3,
2004	63,2	97,5	-34,3	-11,5	-5,
2005	73,5	116,8	-43,3	-12,0	-7,
2006	85,3	137,4	-52,1	-13,0	-7,

Source: Turkish Statistical Institution (TURKSTAT)

Changes in price levels

Together with the implementation of tight fiscal and strict monetary policies, inflation decreased significantly and came down to single figures. Turkey experienced its lowest inflation levels for the last thirty years.

	Wholesale PI Annual Av. Change	Consumer PI Annual Av.Change	GNP Deflator (%)
1997	81,8	85,8	81,2
1998	71,8	84,6	75,3
1999	53,1	64,9	55,8
2000	51,4	54,9	50,9
2001	61,6	54,4	55,3
2002	50,1	45,0	44,4
2003	25,6	25,3	22,5
2004	11,1	10,6	9,5
2005	8,24	10,14	5,3
2006	9,77	10,51	11,7

Source: Turkish Statistical Institution (TURKSTAT)

* Balance of Payments

with the previous year and has risen to 23 billion USD. In the same year, the capital and finance account produced a 20.9 billion USD surplus.

In 2006, in comparison with the previous year, the current account deficit has increased in comparison with the previous year and has risen to 23 billion USD. The foreign trade deficit has the highest share within this amount.

	Million USD				
	2002	2003	2004	2005	2006
Current Account	-1.524	-8.036	-15.601	-22.603	-31.679
Exports f.o.b.	40.071	51.130	66.956	76.758	91.022
Imports f.o.b.	-51.554	-69.340	-97.540	-116.774	-137.450
Balance on Goods	-7.283	-14.010	-23.878	-33.530	-40.128
Services: Credit	14.025	17.952	22.941	26.640	24.411
Services: Debit	-6.146	-7.441	-10.144	-11.368	-11.027
Balance on Goods and Services	596	-3.499	-11.081	-18.258	-26.744
Income: Credit	2.486	2.246	2.651	3.684	4.473
Income: Debit	-7.042	-7.803	-8.288	-9.387	-10.988
Balance on Goods, Serv.&Income	-3.960	-9.056	-16.718	-24.057	-33.366
Current Transfers	2.436	1.020	1.117	1.454	1.687
Capital and Financial Account	1.406	3.095	13.410	20.487	34.671
Direct Investment	962	1.253	2.024	8.723	19.231
Portfolio Investment	-593	2.465	8.023	13.437	7.360
Other Investment	7.190	3.424	4.187	16.174	14.194
Reserve Assets	-6.153	-4.047	-824	-17.847	-6.114
NET ERRORS AND OMISSIONS	118	4.941	2.191	2.116	-2.992

Source: CBRT



FDI in Turkey

In this section, you will find the updated information and statistical indicators related with foreign direct investments in Turkey.

FDI in Turkey

There has been a considerable increase in the number of companies with foreign capital since the "Foreign Direct Investment Law No.4875" came into power on June 17th 2003. The number of companies with foreign capital established between June 17th 2003 and December 31th 2006 is 101% more than that of the previous years total

	1954-2000**	2001	2002	2003	2004	2005
January	676	44	37	36	155	177
February	321	37	35	34	116	208
March	370	31	38	40	191	223
April	381	33	37	24	182	218
May	326	34	43	40	223	257

June	351	52	40	36	232	262	324
July	354	37	49	126	156	263	270
August	330	46	34	147	136	214	277
September	337	35	46	158	187	263	288
October	359	46	45	176	186	261	279
November	387	49	35	114	161	222	310
December	387	40	59	177	195	277	242
TOTAL	4.579	484	498	1.108	2.120	2.845	3.350

Provisional data

Source: Undersecretariat of Treasury- General Directorate of Foreign Investments (UT-GDFI)

Notes:

* Provisional data

**Cumulative

As of 2006, 12.286 companies and branch offices with foreign capital have been established. And 2.669 foreign capital participations to the existing companies incurred. A total of 14.955 companies with foreign capital are in operation in Turkey.

	1954-2000	2001	2002	2003	2004	2005*
New	3.871	335	357	873	1.596	2.284
Participation	613	117	117	199	470	503
Branch	163	32	21	33	63	58
TOTAL	4.647	484	495	1.105	2.129	2.845

Source: UT-GDFI

Notes:

* Provisional Data

Majority of the total 14.955 companies with foreign capital is in wholesale and retail trade sectors while manufacturing, real estate renting and other business activities follow. Textile goods production leads the manufacturing sector investments followed by chemicals and food beverage products.

ISIC Code	Sectors	1954-2000 (Cumulative)	2001	2002	2003	2004	2005
A	Agriculture, Hunting, Forestry and Fishing	75	9	4	27	33	
C	Mining and Quarrying	72	7	18	11	32	
D	Manufacturing	1.254	93	80	267	369	
15	Manufacture of Food Products and Beverages	137	7	8	20	51	
17	Manufacture of Textiles	120	12	12	63	58	
24	Manufacture of Chemicals and Chemical Products	155	10	6	29	50	
29	Manufacture of	92	5	7	19	25	

	Machinery and Apparatus n.e.c.								
34	Manufacture of Motor Vehicles, Trailers and Semi-Trailers	109	11	6	16	18	21	14	195
	Other Manufacturing	641	48	41	120	167	244	260	1.521
E	Electricity, Gas and Water	58	4	6	10	14	12	45	149
F	Construction	157	27	21	30	136	348	434	1.153
G	Wholesale and Retail Trade	1.593	165	207	434	888	792	862	4.941
H	Hotels and Restaurants	512	53	43	60	78	180	226	1.152
I	Transport, Storage and Communication	325	49	44	95	219	260	285	1.277
K	Real Estate, Renting and Business Activities	297	43	38	90	230	520	724	1.942
O	Other Community, Social and Personal Service Activities	245	27	34	81	96	187	233	903
TOTAL		4.588	477	495	1.105	2.095	2.845	3.350	14.955

Source: UT-GDFI
*Provisional Data

When the figures of the year 2006 are considered, there can be seen that a majority of the foreign capital firms has an equity below 50,000 USD. Registered capital value is greater than \$500.000 in 207 of the EU originated firms operated between June 17th 2003 and December 30th 2006

BREAKDOWN OF COMPANIES WITH FOREIGN CAPITAL BY COUNTRY ACCORDING TO THE AMOUNT OF EQUITY CAPITAL (a)

Countries			2005		2006*				Num ber
	<50.000\$	50.000\$ -	<50.000\$	50.000\$ -	<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 (25)	1.117	405	84	78	1.684	1.281	531	137	
Germany	139	2.088	333	122	32	22	509	363	162
Netherlands	600	140	54	10	10	214	172	58	21
United Kingdom	276	248	71	13	9	341	320	133	14
Other EU Countries	20	487	396	158	29	37	620	426	178
Other European Countries (Except EU Countries)	63	725	349	242	104	27	23	396	13

North African Countries	28	12	2	--	42	18	5	1		
--	24									
Other African Countries	13	6	--	--	19	12	5	1		
--	18									
North America	75	28	9	6	118	91	31	12	10	
	144									
USA	68	23	8	5	104	75	26	9	8	118
Canada	7	5	1	1	14	16	5	3	2	26
Central and South America, Caribbeans	10	2	2	3	174					
3	--	3	10							
Near and Middle East Countries	245	132	27	11	415	231				
152	34	21	438							
Azerbaijan	41	21	1	--	63	44	35	3	5	
87										
Iraq	32	25	5	2	64	35	34	5	4	78
Iran	71	45	7	3	126	68	39	5	--	112
Others	101	41	14	6	162	84	44	21	12	161
Other Asia	111	48	8	10	177	106	46	19	9	
180										
Other Countries	9	8	3	4	24	34	12	1	5	
52										
Total	1.838	720	162	125	2.845	2.019	889	232	210	
3.350										

Source: UT- GDFI

Notes:

*Provisional data

(a) The term "foreign capital companies" refers to " new company or branch establishments and participations in a company." The calculation of the number of the companies is based on the country of the



International Trade

Foreign trade volume of Turkey has grown 2.3 fold between 1999 and 2004. As of 2005, Turkey ranks as the 23rd largest exporting country in the world. You will find the details of foreign trade figures

* Foreign Trade

With the liberal policies and export-based development model implemented since 1980, Turkey now has an open economy which has completed its integration with the rest of the world. As of 2003, Turkey ranks as the 24th largest exporting country in the world. Furthermore, the export increase rate of 31% in 2003 has positioned Turkey as the second country, from among the 30 leading exporting countries, to achieve the highest export growth rate.

Turkey`s foreign trade

The year 1980 was a crucial turning point for the Turkish economy and foreign trade policies. With the introduction of an economic program based on the objective of ensuring the operation of the country`s economy according to the principles of a free market mechanism, and on the objective of bringing about integration with the world economy, Turkey has abandoned the import-based industrial strategy which created a closed economy, and has adopted the `export-based industrialization` strategy.

Bureaucratic obstacles in export were extensively reduced in this period. In effect,

Decree No. 30 regarding the Protection of the Turkish Currency published in July 1984 under Code No. 1567 for the Protection of the Turkish Currency had been the basis of the foreign exchange regulation until 1989. With its amendment, made in the same year, 1989, deregulation for the import of all foreign currency was accepted. In 1990, the Foreign Exchange Regulation was liberalized even further. The convertibility of the Turkish Lira was strengthened, and with the amendment of Decree No. 32, exports and imports in Turkish Lira were deregulated.

Türk Eximbank was established in 1987 with the objective of increasing the competitive strength of Turkish exporters in foreign markets, and of supporting Turkey's export strategy.

With the policies summarized above, significant increases were realized in the volume of foreign trade, particularly in exports from the country. In addition, the range of export products widened extensively. The 2.3 billion USD of exports in 1979 increased to 12.9 billion USD in 1990. While the export share of agricultural products declined rapidly, the export share of industrial products increased significantly. In fact, the export of industrial products which made up 36% of total exports in 1980 reached 80% by 1990.

In the first place, Turkey became a member of the World Trade Organization (WTO) in 1995. This Organization, initiated after World War II, was established with the completion of the GATT process for the purpose of ensuring the liberalization of international trade. Next, the agreement with the EU for accession to the Customs Union was finalized on January 1, 1996.

By the year 2000, a continuing structural transformation of exports was being observed. Out of the total exports for the year 2000, the share of manufacturing industry products was 91.2%, agricultural and forestry products 7.1%, and mining products 1.4%.

A significant increase was observed in Turkey's exports after the economic crisis in February 2001. As a result of the substantially decreased domestic demand arising from the crisis, and because of a major devaluation in the Turkish Lira which was allowed to float freely in the post-crisis period, companies orientated themselves to export as a way out of the crisis. The outcome was an increase in exports of 12.8% between 2000 and 2001, reaching a total of 31.3 billion USD.

The increase in exports during 2001 and 2002 was observed to accelerate in 2003. In fact, exports in 2003 increased by 31% over the previous year, reaching 47.3 billion USD.

As of 2003, Turkey ranks as the 24th largest exporting country in the world. Furthermore, the export increase rate of 31% in 2003 has positioned Turkey as the second country, from among the 30 leading exporting countries, to achieve the highest export growth rate.

In 2004, Turkey's foreign trade volume increased by 38% over the year 2003, rising to 160.6 billion USD. The GNP / foreign trade volume was realized as 53.6%. In 2004, the increase in exports was 34%, and the increase in imports was 41% over the year 2003.

A review of data for 1999-2004 reveals major progress in foreign trade, in line with the private sector focused growth strategy, one of the basic goals of the economic program that has been implemented in Turkey since 2000. The economic growth performance observed in recent years is underlined in the private sector. One of the most significant components of private sector focused growth is the increase in exports. While foreign trade volume has grown 2.3 fold between 1999 and 2004, exports and imports have increased approximately 2.5 fold. On the one hand, the share of exports in GNP has risen from 14% to 21%; and on the other hand, the share of foreign trade volume in GNP has increased from 36% to 54%.

The GNP/trade volume ratio is expected to rise to 56.7 in 2006; to 57.9 in 2007

and to 59.8 in 2008. It is estimated that foreign trade volume will be over 250 billion USD in 2008.

These developments contribute considerably to making Turkey an attractive investment territory particularly because trade and investments exhibit complementary features. Also, the open economy indicator calculated as the GNP/foreign trade ratio is accepted as a significant determining factor for foreign direct investors in identifying their investment areas. With its economic structure integrated with the world economy, Turkey has not only increased its trade volume and exports, but also by ensuring a structural transformation in its export products it has created an export product range with an emphasis on industrial products of high added value, requiring advanced technology. It has also diversified its target markets. Turkey currently exports over 7000 products to 170 countries.

	Million USD				
	2002	2003	2004	2005	2006
Export	36.059	47.253	63.121	73.275	85.142
Import	51.554	69.340	97.540	116.352	137.032
Trade Volume	87.613	116.593	160.661	189.627	222.174
Foreign Trade Balance	-15.495	-22.087	-34.419	-43.076	-51.890
Export / Import	69,9	68,1	64,7	63,0	62,1
Export / GNP	24,8	26,1	26,4	24,5	21,3
Import / GNP	35,4	38,3	40,8	38,9	34,3
Trade Volume / GNP	47,8	48,8	53,6	63,3	55,6

Source: TURKSTAT

* Foreign Trade by Economic Activities

In the period between 1980 and 2004 there have been important changes in the and imports within the different sectors. In exports, a structural transformation the period 1974-2004. Furthermore, the export volume increased 28-fold and reached 63 billion USD in 2004, 94.3 % is attributed to the manufacturing industry. On the other hand, while at the beginning of this period, mining products had the of imports, since 1990 the manufacturing industry became the leading importer. 63 billion USD in 2004, 94.3 % is attributed to the manufacturing industry. Out of approximately 97 billion USD, 82.5 % was carried out by the manufacturing industry carried out by the mining and quarrying sectors.

In line with the policies implemented within the framework of the export-led development has been followed since 1980, exportation has developed to an important extent quantitatively. In exports, a structural transformation was undertaken during the period 1974-2004. Furthermore, the export volume increased 28-fold and reached 63 billion USD. In particular in 1980 and lasting right up to the mid-1990s, very important developments observed in the market share of such labour-intensive industrial products as the and of clothing; iron and steel; and foodstuffs. In 1996, with the establishment of with the European Union, Turkey's exportation entered a new structural transformation. Developments in recent years show that production and export in such high tech electrical and electronic machinery and equipment, and automobile manufacture significantly. In this respect, it is also seen that the export market share of the manufacturing products has increased in the period from 1999 to 2004. While in 1999 the manufacturing products made up 90.1 % of the exports, in 2004 this share increased to 94.3%.

within the different sectors. At the beginning of this period, mining products had the highest share (52 %) of imports. Since 1990 the manufacturing industry became the leading importer. Regarding the sub-sectors of the manufacturing industry, it is apparent that the import share of iron and steel, and chemicals in total imports has not changed significantly. However, the import of machinery and transportation vehicles, as well as that of textile products sectors has increased. When the 1999-2004 period is taken into consideration, it is seen that the manufacturing industry has retained its import position. Its import share has gone from 79 % to 83 %.

Out of exports worth 63 billion USD in 2004, 94.3 % is attributed to the manufacturing industry. Out of imports worth approximately 97.5 billion USD, 82.5 % was carried out by the manufacturing industry and 11.3 % was carried out by the mining and quarrying sectors.

	2003		2004		2005		2006	
	Million USD	% of Total	Million USD	% of Total	Million USD	% of Total	Million USD	% of Total
Export								
Agriculture and Forestry	2.121	4,5	2.542	4,0	3.318	4,5	3.448	4,0
Fishery	81	0,2	103	0,2	137	0,2	130	0,2
Mining and Quarrying	469	1,0	649	1,0	808	1,1	1.142	1,3
Manufacturing	44.378	93,9	59.533	94,3	68.630	93,7	79.887	93,8
Others	204	0,4	294	0,5	383	0,5	535	0,6
Total	47.253	100,0	63.121	100,0	73.275	100,0	85.142	100,0

Import								
Agriculture and Forestry	2.535	3,7	2.758	2,8	2.786	2,4	2.872	2,0
Fishery	2	0,0	8	0,0	24	0,0	32	0,0
Mining and Quarrying	9.021	13,0	10.981	11,3	16.314	14,0	21.952	16,0
Manufacturing	55.690	80,3	80.448	82,5	93.838	80,7	108.028	79,0
Others	2.092	3,0	3.346	3,4	3.390	2,9	4.147	3,0
Total	69.340	100,0	97.540	100,0	116.352	100,0	137.031	100,0

Source: UFT

Notes:

Classified according to USSS, 3.REV.classification

* Foreign Trade in terms of Countries - Import

Imports by Country

In terms of Turkey`s imports by country groups, EU members have held the highest position since 1980. Between 1999 and 2004, while it is observed that imports from EU members rose from around 44% to 52%, an increase in imports from Asia, the Black Sea Economic Cooperation Member Countries, and the Commonwealth of Independent States has also attracted attention.

In 2004, the share of the OECD countries in imports was 61%. The highest position among the OECD countries was held by the EU members with a market share of 46.5%. In 2004 the top 5 countries in terms of imports were Germany, Italy, Russia, France, and England. The overall share of these 5 countries in imports was 39.9%.

	2002		2003		2004		2005	
	Million USD	% of Total	Million USD	% of Total	Million USD	% of Total	Million USD	% of Total

		I				I		
OECD Countries	32.984,5	64,0	43.898,6	43.898,6	59.492,4	61,0	65.896,5	56,6
EU Countries	23.321,0	45,2	33.494,7	33.494,7	45.373,1	46,5	49.047,6	42,2
EFTA Countries	2.512,0	4,9	3.395,7	3.395,7	3.888,7	4,0	4.437,3	3,8
Other OECD Countries	7.151,4	13,9	7.008,2	7.008,2	10.230,6	10,5	12.845,1	11,0
Turkish Free Zones	574,5	1,1	588,9	588,9	809,0	0,8	756,8	0,7
Non OECD Countries	17.994,8	34,9	24.852,2	24.852,2	37.238,4	38,2	49.698,4	42,7
European Countries	6.342,8	12,3	8.910,0	8.910,0	14.411,3	14,8	19.274,0	16,6
African Countries	2.696,2	5,2	3.338,0	3.338,0	4.779,3	4,9	6.032,9	5,2
American Countries	592,3	1,1	1.082,0	1.082,0	1.359,0	1,4	1.798,1	1,5
Middle East Countries	3.681,5	7,1	4.059,0	4.059,0	5.121,8	5,3	7.372,9	6,3
Other Asian Countries	4.366,5	8,5	6.801,0	6.801,0	10.636,2	10,9	14.457,8	12,4
Other Countries	315,5	0,6	651,0	651,0	930,9	1,0	762,6	0,7
Selected Country Groups								
Black Sea Econ. Cooperation	6.576,6	12,8	9.297,7	9.297,7	15.263,1	15,6	20.401,3	17,5
Economic Cooperation Org. Commonwealth of Indep.States	1.548,2	3,0	2.735,7	2.735,7	3.208,1	3,3	5.101,5	4,4
Turkish Republics	5.554,5	10,8	7.777,1	7.777,1	12.848,2	13,2	17.178,4	14,8
Islamic Conference Org.	467,8	0,9	623,3	623,3	940,9	1,0	1.262,3	1,1
	6.770,1	13,1	8.481,5	8.481,5	10.565,9	10,8	14.426,8	12,4
Selected Countries*								
Germany	7.041,5	13,7	9.453,0	9.453,0	12.515,7	12,8	13.594,8	11,7
Russia	3.891,7	7,5	5.451,3	5.451,3	9.033,1	9,3	12.856,8	11,0
Italy	4.097,0	7,9	5.471,5	5.471,5	6.865,8	7,0	7.539,8	6,5
China	1.368,3	2,7	2.610,3	2.610,3	4.476,1	4,6	6.848,2	5,9
France	3.052,7	5,9	4.164,1	4.164,1	6.201,3	6,4	5.874,8	5,0
USA	3.099,1	6,0	3.495,8	3.495,8	4.745,2	4,9	5.360,6	4,6

Switzerland	2.142,7	4,2	2.968,2	4,3	3.404,5	3,5	4.053,0	3,5
United Kingdom	2.438,3	4,7	3.500,0	5,0	4.317,1	4,4	4.681,4	4,0
Spain	1.419,2	2,8	2.003,7	2,9	3.253,7	3,3	3.540,1	3,0
Southern Korea	900,4	1,7	1.312,4	1,9	2.572,5	2,6	3.475,7	3,0
Iran	921,0	1,8	1.860,7	2,7	1.962,1	2,0	3.469,0	3,0
Japan	1.465,5	2,8	1.927,1	2,8	2.684,3	2,8	3.102,3	2,7
Ukraine	991,1	1,9	1.331,5	1,9	2.509,4	2,6	2.632,4	2,3
Belgium-Luxemburg	1.150,0	2,2	1.523,6	2,2	1.991,7	2,0	2.224,3	1,9
Netherlands	1.311,3	2,5	1.656,7	2,4	1.908,1	2,0	2.138,6	1,8
Saudi Arabia	793,8	1,5	969,1	1,4	1.231,5	1,3	1.886,5	1,6
Sweden	535,1	1,0	822,2	1,2	1.118,4	1,1	1.423,6	1,2
T o t a l	51.553,8	100,0	69.339,7	100,0	97.539,8	100,0	116.351,7	100,0

Source: SPO

* The countries are chosen according to the total import values in the previous years.

* Foreign Trade in terms of Countries - Export

Exports by Country

Between 1980 and 2004, the export share by European Union members was around 50% and these countries maintained their place as the group to which Turkey exports most. Between 1999 and 2004, it is observed that while the share of exports made to the EU countries changed from around 51% to 54%, there has also been an increase in exports made to Black Sea Economic Cooperation Countries, to countries of the Islamic Conference Organization, and to the Commonwealth of Independent States.

In 2004, the export share of OECD countries was 63.9 %. The highest position among the OECD countries was held by the EU members with a share of 54.4%. In 2004 the top 5 countries in exports were Germany, the USA, England, Italy, and France. The overall share of exports by these 5 countries was 43.6%.

	2002		2003		2004		%
	Million USD	% of Total	Million USD	% of Total	Million USD	% of Total	
OECD Countries	23.553,1	65,3	30.422,4	64,4	40.332,2	63,9	44,0
EU Countries	18.458,5	51,2	25.898,7	54,8	34.309,9	54,4	38,0
EFTA Countries	409,0	1,1	538,0	1,1	655,5	1,0	1,0

Other OECD Countries	4.685,5	13,0	3.985,6	8,4	5.366,8	8,5	6.009,7	8,2
Turkish Free Zones	1.438,5	4,0	1.928,3	4,1	2.529,1	4,0	2.963,8	4,0
Non OECD Countries	11.067,5	30,7	14.902,2	31,5	20.259,6	32,1	26.031,5	35,5
Europe + CIS Countries	3.447,4	9,6	4.720,0	10,0	5.922,2	9,4	7.920,2	10,8
African Countries	1.696,7	4,7	2.131,2	4,5	2.951,5	4,7	3.625,8	4,9
American Countries	241,2	0,7	256,0	0,5	373,0	0,6	520,7	0,7
Middle East Countries	3.575,7	9,9	5.131,5	10,9	7.237,6	11,5	9.268,8	12,6
Other Asian Countries	1.939,8	5,4	2.604,0	5,5	2.864,0	4,5	3.486,7	4,8
Other Countries	166,7	0,5	59,5	0,1	911,3	1,4	1.209,3	1,7

Selected Country Groups								
Black Sea Economic Cooperation	3.476,9	9,6	5.044,4	10,7	6.736,3	10,7	8.604,0	11,7
Economic Cooperation Organization	1.041,9	2,9	1.569,2	3,3	2.186,5	3,5	2.658,9	3,6
Commonwealth of Independent States	2.278,9	6,3	2.962,6	6,3	3.932,7	6,2	5.046,6	6,9
Turkish Republics	619,3	1,7	899,1	1,9	1.186,1	1,9	1.406,0	1,9
Islamic Conference Organization	5.195,9	14,4	7.341,8	15,5	10.141,2	16,1	12.988,8	17,7

Selected Countries*								
Germany	5.868,8	16,3	7.484,9	15,8	8.745,3	13,8	9.448,8	12,9
United Kingdom	3.024,9	8,4	3.670,1	7,8	5.543,9	8,8	5.916,1	8,1
Italy	2.375,7	6,6	3.193,2	6,8	4.640,3	7,3	5.606,2	7,7
USA	3.356,1	9,3	3.751,6	7,9	4.848,6	7,7	4.887,3	6,7
France	2.134,6	5,9	2.826,1	6,0	3.668,4	5,8	3.791,0	5,2
Spain	1.125,1	3,1	1.789,5	3,8	2.618,4	4,1	3.009,1	4,1
Iraq	0,0	0,0	0,0	0,0	1.820,8	2,9	2.724,7	3,7
Netherlands	1.055,6	2,9	1.525,9	3,2	2.138,0	3,4	2.467,3	3,4
Russia	1.172,0	3,3	1.367,6	2,9	1.859,2	2,9	2.374,4	3,2
Romania	566,5	1,6	873,3	1,8	1.235,5	2,0	1.783,6	2,4
U. A. E	457,3	1,3	702,9	1,5	1.143,7	1,8	1.669,4	2,3
Israel	861,4	2,4	1.083,0	2,3	1.313,9	2,1	1.462,5	2,0
Belgium Luxembourg	693,3	1,9	885,6	1,9	1.183,2	1,9	1.291,1	1,8
Bulgaria	380,3	1,1	621,7	1,3	894,3	1,4	1.178,5	1,6
Greece	590,4	1,6	920,4	1,9	1.170,8	1,9	1.124,1	1,5
Saudi Arabia	554,6	1,5	741,5	1,6	768,5	1,2	961,2	1,3
Iran	334,0	0,9	533,8	1,1	813,0	1,3	905,4	1,2
Poland	342,6	1,0	480,0	1,0	697,7	1,1	829,3	1,1
T o t a l	36.059,1	100,0	47.252,8	100,0	63.120,9	100,0	73.275,3	100,0

Source: SPO

Notes:

* The countries are chosen according to the total export values in the last year.

*** Foreign Trade by Selected Commodities - Imports**

Imports by Selected Commodities

In 2004, the major import items, in order of importance, were: mineral fuels and oil; boilers, machinery and mechanical tools; land vehicles and parts thereof; electrical equipment; iron and steel; plastics and plastic products; organic chemical products; and pharmaceutical products.

CHAPTER		2004	% of Total	2005	% of Total	2006
27	Mineral fuels and oils	14.407,3	14,8	21.255,6	18,2	28.553
84	Boilers, machinery and mechanical appliances	13.457,0	13,8	16.400,3	14,0	18.711
87	Motor vehicles, parts and accessories thereof	10.237,0	10,5	10.552,8	9,0	11.279
85	Electrical machinery and equipment	8.371,8	8,6	9.663,5	8,3	10.769
72	Iron and steel	8.031,5	8,2	9.457,8	8,1	11.275
39	Plastics and articles thereof	4.763,1	4,9	5.798,6	5,0	6.837,8
71	Pearl and other precious stone and products,coins	3.763,4	3,9	4.223,9	3,6	4.356,1
29	Organic chemicals	3.017,0	3,1	3.531,6	3,0	3.617,4
30	Pharmaceutical products	2.710,1	2,8	2.849,3	2,4	3.013,5
90	Optical instruments and apparatus	1.928,0	2,0	2.472,7	2,1	2.698,2
52	Cotton, cotton yarn and cotton fabrics	1.982,2	2,0	2.079,3	1,8	2.073,1
48	Paper and paperboard	1.527,6	1,6	1.766,5	1,5	2.023,3
74	Copper and articles thereof	1.079,9	1,1	1.458,4	1,2	2.405,5
76	Aluminium and articles thereof	960,6	1,0	1.232,0	1,1	1.774,6
40	Rubber and articles thereof	1.063,7	1,1	1.205,1	1,0	1.528,6
55	Man-made staple fibres	1.173,9	1,2	1.137,7	1,0	1.341,4
54	Man-made filaments	1.008,2	1,0	119,6	0,1	1.195,7
38	Miscellaneous chemical products	960,1	1,0	1.131,5	1,0	1.281,2
73	Articles of iron and steel	928,1	1,0	1.184,6	1,0	1.472,0
89	Ships;boats and floating structures	393,9	0,4	1.166,0	1,0	467,7
32	Tanning or dyeing extracts	1.030,1	1,1	1.124,6	1,0	1.278,1
31	Fertilizers	640,3	0,7	755,4	0,6	755,2
44	Woods and articles of woods	568,3	0,6	795,4	0,7	929,2
12	Oil seeds and oleaginous fruits	530,5	0,5	697,7	0,6	614,7
28	Inorganic chemicals	701,0	0,7	779,9	0,7	854,3
15	Animal and vegetable fats and oils	511,2	0,5	723,9	0,6	898,3
33	Essential oils and resinoids	471,6	0,5	530,7	0,5	623,5
94	Furniture	397,8	0,4	530,1	0,5	731,8

41	Raw hides and skins	575,3	0,6	473,4	0,4	564,4	0,4
70	Glass and glassware	339,4	0,3	442,3	0,4	533,3	0,4
62	Articles of apparel and clothing acc. not knitted	230,1	0,2	433,4	0,4	578,4	0,4
64	Footwear, gaiters and the like, parts of such articles	303,3	0,3	412,8	0,4	515,0	0,4
51	Wool, fine or coarse animal hair	417,4	0,4	410,4	0,4	413,8	0,3
83	Miscellaneous articles of base metal	339,3	0,3	408,7	0,3	488,8	0,4
26	Ores, slag and ash	236,9	0,2	395,2	0,3	572,8	0,4
34	Soap	298,3	0,3	342,4	0,3	395,9	0,3
82	Tools of base metal	270,8	0,3	342,1	0,3	463,8	0,3
23	Residues and waste from the food industries	401,4	0,4	341,4	0,3	315,2	0,2
88	Aircraft	1.211,3	1,2	314,4	0,3	542,7	0,4
96	Miscellaneous manufactured articles	255,9	0,3	294,4	0,3	319,6	0,2
47	Pulp of cellulosic material and waste of paper	221,4	0,2	278,2	0,2	331,3	0,2
24	Tobacco and tobacco manufactures	239,3	0,2	276,7	0,2	255,2	0,2
Others		5.584,6	5,7	5.984,5	5,1	7.383,6	5,4
Total		97.539,8	100,0	116.774,2	100,0	137.032	100,0

Source: TURKSTAT-DPT

Notes:

* The chapters with the highest total imports in the last year.

* Foreign Trade by Selected Commodities - Exports

Exports by Selected Commodities

In 2004, the major export items, in order of importance, were: land vehicles; their parts and components; knitwear; iron and steel; electrical equipment and machinery; clothing articles (not knitted); and boilers, machinery and mechanical tools. Between 1999 and 2004, there was a considerable increase in the export share of land vehicles, and parts thereof; and electrical equipment and machinery.

CHAPTER		2004	% of Total	2005	% of Total	Mil 2006
87	Motor vehicles, parts and accessories thereof	8.288,8	212,1	9.530,5	2.750,1	11.882,1
61	Articles of apparel knitted or crocheted	6.259,2	160,1	6.588,1	1.901,0	6.935,7
85	Electrical machinery and equipment	4.790,3	122,6	5.416,7	1.563,0	6.312,8
84	Boilers, machinery and mechanical appliances	4.125,9	105,6	5.233,8	1.510,2	6.502,3
72	Iron and steel	5.359,5	137,1	4.958,6	1.430,8	6.268,4
62	Articles of apparel not knitted or crocheted	4.536,8	116,1	4.858,6	1.402,0	4.707,3
73	Articles of iron and steel	2.226,9	57,0	2.722,0	785,5	3.327,4
27	Mineral fuels and oils	1.429,2	36,6	2.614,3	754,4	3.571,7

8	Edible fruits	1.902,5	48,7	2.494,9	719,9	2.380,4	726,0
63	Made-up textile articles	1.856,5	47,5	1.968,2	567,9	1.919,5	585,4
39	Plastics and articles thereof	1.323,7	33,9	1.719,3	496,1	2.208,4	673,6
71	Pearls, precious stones, coin	1.063,9	27,2	1.314,0	379,2	1.752,6	534,5
20	Preparations of vegetables and fruits	980,4	25,1	1.279,4	369,2	1.117,5	340,8
89	Ships, boats and floating structures	686,3	17,6	1.251,2	361,0	1.397,8	426,3
52	Cotton, cotton yarn and cotton fabrics	1.220,0	31,2	1.177,5	339,8	1.337,2	407,8
25	Salt, sulphur, earths and stone	918,0	23,5	1.119,6	323,1	1.146,5	349,7
40	Rubber and articles thereof	841,4	21,5	1.007,7	290,8	1.191,9	363,5
55	Man-made staple fibres	925,4	23,7	958,4	276,5	1.033,5	315,2
94	Furniture	855,7	21,9	955,9	275,8	1.095,5	334,1
54	Man-made filaments	796,6	20,4	893,6	257,8	1.035,9	315,9
76	Aluminium and articles thereof	649,5	16,6	873,4	252,0	1.229,9	375,1
68	Stone, plaster, cement	574,0	14,7	752,0	217,0	889,1	271,2
69	Ceramic products	640,6	16,4	682,2	196,8	690,3	210,5
57	Carpets	517,5	13,2	669,4	193,2	742,7	226,5
70	Glass and glassware	614,6	15,7	630,9	182,1	678,9	207,1
24	Tobacco and tobacco manufactures	477,8	12,2	590,0	170,2	684,6	208,8
48	Paper and paperboard	478,5	12,2	581,0	167,7	623,4	190,1
60	Knitted or crocheted fabrics	485,7	12,4	529,2	152,7	683,5	208,5
58	Special woven fabrics	382,1	9,8	511,1	147,5	815,1	248,6
7	Edible vegetables	277,0	7,1	501,3	144,7	510,9	155,8
74	Copper and articles thereof	235,2	6,0	478,6	138,1	317,5	96,8
15	Animal and vegetable fats and oils	377,4	9,7	411,9	118,9	484,2	147,7
11	Products of milling industry	315,7	8,1	371,9	107,3	462,0	140,9
34	Soap	304,1	7,8	345,6	99,7	395,7	120,7
28	Inorganic chemicals	324,2	8,3	330,2	95,3	360,2	109,9
19	Preparations of cereals, flour, starch or milk	248,2	6,4	282,4	81,5	311,1	94,9
42	Articles of leather	202,1	5,2	277,9	80,2	510,0	155,6
30	Pharmaceutical products	346,6	8,9	327,9	94,6	8.137,9	2.482,0
26	Ores, slag and ash	63.167,2	1.616,2	73.275,3	21.144,0	85.141,5	25.967,6
	Others	3.908,4	8,3	346,6	0,5	327,9	0,4
Total		47.252,8	100,0	63.167,2	100,0	73.275,3	100,0

Source: TURKSTAT-DPT

Notes:

* The chapters are selected according to the highest total export values in the last three

years.



Business Legislation

Legal Framework of Foreign Direct Investment, Turkey`s Bilateral Agreements for the Promotion and Protection of Investments, Turkey`s Bilateral Free Trade Agreements, Turkey and World Trade Organizations.

*** Legal Framework of Foreign Direct Investment**

Foreign direct investment law (Law no. 4875, dated 5 June, 2003)

The aim of this Law is to encourage foreign direct investments; to protect foreign investors` rights; to bring the concept of the investment and investor into line with international standards; to establish a notification-based system for foreign direct investments rather than screening and approval; to thus regulate the principles to increase foreign direct investments through established policies. This law is directly related to the treatment applied to foreign investments.

Regulation for the implementation of foreign direct investment law

The objective of this Regulation is to specify the procedures and principles of the issues that are laid down within Foreign Direct Investment (FDI) Law no. 4875 dated 5 June 2003.

Law on work permits for foreigners (Law no. 4817)

The objective of this Law is to regulate the work carried out by foreigners in Turkey with a system of work permits and to stipulate the rules regarding the working permits to be given to these foreigners.

*** Bilateral Agr. for the Promotion and Protection Investments**

Bilateral Agreements for the Promotion and Protection of Investments were signed from 1962 onwards with countries which have the potential to improve bilateral commercial and investment relations. The basic aim of these Bilateral Agreements is to establish a favorable atmosphere for economic co-operation between the Contracting Parties by determining the special conditions relating to investments located within the boundaries of the countries concerned.

One of the principal aims of our economic policy is the opening up both of Turkey`s entrepreneurship and Turkey`s capital to foreign markets. At the same time, we wish to take our place in the globalizing world by attracting foreign capital and advanced technology to our country. With this in mind, Bilateral Agreements for the Promotion and Protection of Investments were signed from 1962 onwards with countries which have the potential to improve bilateral commercial and investment relations. This process has been speeded up with Turkey`s increased ability to export capital and, as a result, such agreements have been signed with seventy-nine countries. Sixty-two of these are now in force.

The basic aim of these Bilateral Agreements is to establish a favorable atmosphere for economic co-operation between the Contracting Parties by determining the special conditions relating to investments located within the boundaries of the countries concerned. In addition, such agreements also aim to settle disputes that might occur among investors and the State. They also endeavour to clarify the conditions for the expropriation of foreign direct investments by the Contracting Parties.

These agreements are intended to increase the flow of capital between the Parties while ensuring a more stable investment environment. They are not intended to bring any new financial burden to the concerned countries, but to provide economic and legal assurances to foreign investors.

Below you will find a list of the Bilateral Agreements for the Promotion and Protection of Investments signed by Turkey. The original text of the agreements can be viewed if you click on the name of the countries.

	Date of Entry into Force
Albania	December 26, 1996
Argentina	May 1, 1995
Afghanistan	July 19, 2005
Austria	January 1, 1992
Azerbaijan	September 8, 1997
Bangladesh	June 21, 1990
Belarus	February 20, 1997
Belgium/Luxembourg	May 4, 1990
Bosnia and Herzegovina	January 29, 2002
Bulgaria	September 22, 1997
China	August 20, 1994
Croatia	April 21, 1998
Cuba	October 23, 1999
Czech Republic	August 1, 1997
Denmark	August 1, 1992
Egypt	July 31, 2002
Estonia	April 29, 1999
Ethiopia	March 03, 2005
Finland	April 23, 1995
Georgia	July 28, 1995
Germany	December 16, 1965
Greece	November 24, 2001
Hungary	February 22, 1995
Indonesia	September 28, 1998
Iran, Islamic Republic of	April 13, 2005
Israel	August 27, 1998
Italy	February 3, 2004
Japan	March 12, 1993
Jordan	January 23, 2006
Kazakhstan	August 10, 1995
Korea, Republic of	June 4, 1994
Kuwait	April 25, 1992
Kyrgyzstan	October 31, 1996
Latvia	March 3, 1999
Lebanon	January 4, 2006
Lithuania	July 7, 1997
Macedonia, Republic of	October 27, 1997
Malaysia	September 9, 2000
Malta	July 14, 2004
Moldova	May 16, 1997
Mongolia	May 22, 2000
Morocco	May 31, 2004
Netherlands	November 1, 1986
Pakistan	September 3, 1997
Poland	August 19, 1994
Portugal	January 19, 2004
Romania	April 7, 1996
Russian Federation	May 17, 2000
Slovakia	December 23, 2003
Slovenia	June 19, 2006
Spain	March 3, 1998
Sweden	October 8, 1998

Switzerland	February 21, 1990
Syria	January 3, 2006
Tajikistan	July 24, 1998
Tunisia	April 28, 1994
Turkmenistan	March 13, 1997
Ukraine	May 21, 1998
United Kingdom	October 22, 1996
United States	May 18, 1990
Uzbekistan	May 18, 1995
Yugoslavia	November 10, 2003

Below is the list of the Bilateral Agreements on the Promotion and Protection of Investments in Turkey which **have been signed but not yet approved.**

APPI`s Signed but not
Approved Yet

Algeria
Australia
Bahrain
Chile
France
India
Kosovo
Nigeria
The Philippines
Qatar
Rep. of South Africa
Saudi Arabia
Sudan
Thailand
Sultanate of Umman
Yemen
U.A.E.

Source: Turkish Treasury

*** Turkey`s Bilateral Free Trade Agreements**

As of January 1, 2006, Turkey has signed preferential trade agreements with 17 countries.

In accordance with the provisions of the Association Council Decision No.1/95 dated 6 March 1995, Turkey shall align itself progressively within five years starting from 1.1.1996, with the Preferential Customs Regime of the EU, which is based on sets of autonomous regimes and preferential agreements. Article 16 of the Association Council Decision and its Appendix No. 10 set out the rules and modalities for this alignment. They also stipulate that Turkey take the necessary measures and negotiate agreements on a mutually advantageous basis with the countries concerned. Turkey will give priority to setting up preferential agreements with countries where existing agreements with the EU are already in place. Within the context of the Association Council Decision, Turkey has stated that priority will be given to preferential agreements with the following countries: Hungary, Bulgaria, Poland, Romania, Slovakia, the Czech Republic, Israel, Estonia, Latvia, Lithuania, Slovenia, Morocco, Tunisia, Egypt and Malta.

To date, The Turkish Government has signed 17 preferential trade agreements. The Free Trade Agreement between Turkey and the EFTA States which came into force in April 1992 was the first step on the way to the adoption of the preferential regimes of the EU.

Other FTAs (Free Trade Agreements) are listed chronologically as follows: Israel (May 1997), Romania (Feb. 1998), Lithuania (March 1998), Hungary (April 1998), Estonia (July 1998), the Czech Republic (Sept. 1998), Slovakia (Sept. 1998), Bulgaria (Jan 1999), Poland (May 2000), Slovenia (June 2000), Latvia (July 2000), Macedonia (Sept. 2000), Croatia (July 2003), Bosnia and Herzegovina (July 2003), The Palestine Autonomous Administration (June 2005), Tunisia (July 2005), and Morocco (January 2006). The FTA with Morocco was signed in Ankara on 7th April 2004. The Association Agreement establishing a Free Trade Area between Turkey and the PLO for the benefit of the Palestinian Authority was signed in Istanbul on 20th July 2004, before the Fourth Euromed Trade Ministerial Conference. The Association Agreement establishing a Free Trade Area between Turkey and Tunisia was signed on November 25, 2004. The Association Agreement establishing a Free Trade Area between Turkey and the Syrian Arab Republic was signed on December 22, 2004.

As a result of the accession of Lithuania, Hungary, Estonia, the Czech Republic, Slovakia, Poland, Slovenia and Latvia as full members of the EU, FTAs between Turkey and these countries came to an end after April 30, 2004.

FTA negotiations still continue with Egypt, the Faroe Islands, Lebanon, Albania, and the Republic of South Africa.

*** Turkey and World Trade Organization**

The World Trade Organization (WTO) was created on 1st January 1995. Turkey became a founding member of the WTO on 26 April 1995. The WTO together with the multilateral trading system is considered by Turkey as the principal organization which can benefit an understanding of Turkey`s trade. Their rules and principles will be the rational basis on which all trade relations either at regional or bilateral will be built.

Turkey, as a developing country, acceded to the GATT in 1951 under the Torquay Protocol and has actively participated in all the multilateral trade negotiations meetings, including the Uruguay Round. At the end of the Uruguay round following the signing of the agreements in Marrakesh on 15 April 1994, the World Trade Organization (WTO) was created on 1st January 1995. Turkey became a founding member of the WTO on 26 April 1995.

Turkey believes that the universally agreed international trade system embodied within the WTO and based on the principles of reciprocity and non-discrimination can serve the interests and welfare of the whole global community. The WTO and the system of multilateral trading which dates from the GATT era have proved that the opening up of markets and the maintenance of free trade in a transparent manner is necessary and essential.

The liberalization of trade at regional or bilateral level can also contribute to liberalization and trade expansion in the global context. Therefore, Turkey, with its wide range of economic and social approaches, bridging very different regions of the world, considers establishing bilateral and regional trade relations as valuable opportunities to further enhance trade liberalization.

Within its regional framework, Turkey has a diverse network of regional initiatives, which not only enhances economic and trade relations among member countries but also serves to build stability, peace and prosperity in that part of the world. Nevertheless, the most important and boldest step taken by Turkey is the realization of the Customs Union with the European Union, which aims eventually at full integration.

All of these initiatives should be considered as complementary tools of Turkey`s foreign trade policy which is fully committed to the liberalization of trade at multilateral level under the auspices of the WTO. There can be no doubt that the basic guideline that Turkey follows in its bilateral and regional trade relations is that international trade should be carried out in line with the spirit of the WTO. This entails the gradual opening up of markets on the basis of reciprocity and

non-discrimination. As long as the basic principles of the multilateral trading system are fully respected, trade liberalization both regionally and bilaterally will not interfere in any way, but rather strengthen the benefits of the multilateral trading system.

The WTO together with the multilateral trading system is considered by Turkey as the principal organization which can benefit an understanding of Turkey`s trade. Their rules and principles will be the rational basis on which all trade relations either at regional or bilateral will be built. This stance is essential given the WTO`s and the multilateral trading system`s world-wide membership and its unique legal identity.

Within this framework, Turkey attaches great importance to the WTO Doha Negotiations Round, and believes that this round of negotiations presents an opportunity for achieving a more open, fair, balanced, transparent and development-orientated trading system.