Doing Business In Turkey: A Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Turkey

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Market Overview

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Turkey is strategically positioned at the crossroads of Europe, Asia and the Middle East. Aside from its location as the bridge between East and West, Turkey's complex mix of modern industry and commerce continues to attract a diverse set of American companies ranging from mining to high technology to energy. Over the years, we have witnessed a gradual increase in U.S. - Turkish bilateral trade. Today, the U.S. is Turkey's fourth largest trading partner and U.S. exports to Turkey totaled $2.9 billion in 2003.

From January to November 2004, the United States exported US$ 3.0 billion in goods and imported US$ 4.536 billion from Turkey. The U.S. has maintained a significant standing in Turkey as one of its large trading partners, and excellent opportunities exist for U.S. exporters in this market. Information Technology remains one of the leading sectors offering excellent opportunities for U.S. firms. Telecommunications is another promising sector in which further investment and market development will be necessary for the full realization of the investment potential involved. Opportunities also exist in

Turkey's energy sector as it relates to the distribution of gas; safety and security equipment and services; and building materials.

On 17 December 2004, the EU and Turkey agreed for Turkey to begin accession negotiations in fall 2005. Turkey has begun to adopt a number of European Union directives, regulations and laws to bring it more in line with the EU, which may impact U.S. companies as Turkey establishes closer relations with Europe.

Market Challenges

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The Republic of Turkey is a complex and challenging market requiring adaptability and persistence. Many U.S. exporters face many of the same challenges that exist in other medium developed countries, such as inconsistent, sometimes contradictory policies, lack of transparency in decision-making, and an inconsistent judiciary. Careful planning and patience are the keys to succeed in Turkey. Keeping in mind that Turkey is also the commercial hub of Central Asia, companies should also plan to eventually use Turkey's resources to expand business opportunities throughout Central Asia, the Middle East and the Caucasus.

The Commercial Service in Turkey is ready to assist U.S. manufacturers and exporters in tackling the Turkish market, which could reward those businesses seeking a long-term, well-managed business relationship with one of our leading trading partners. For additional information, please visit the U.S. Commercial Service in Ankara's web site at www.csturkey.com and www.buyusa.gov/turkey/en.

Market Opportunities

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The Republic of Turkey's move toward membership in the European Union offers an excellent opportunity for the nation to adopt European business regulations and standards, thereby making it easier to ultimately sell and conduct business in Turkey. The Commercial Service in Turkey has identified a number of market opportunities for U.S. firms and continues to work with companies in either entering the Turkish market or expanding market share. Information on key industry sectors can be found in Chapter 4: Leading Sectors for U.S. Export and Investment of this country commercial guide. Market research on leading industries can also be seen at http://www.export.gov/marketresearch.html. The Commercial Service in Turkey stands ready to assist U.S. companies in marketing their products in the local market and beyond to Central Asia and the Caucasus. Please visit our web site at www.csturkey.com and www.buyusa.gov/turkey/en.

Companies producing and exporting agricultural commodities or processed foods can visit the website of the U.S. Department of Agriculture at http://www.fas.usda.gov/hotpages/default.asp?lstCode=TU&submit=Submit+Query or http://www.usemb-ankara.org.tr/FAS/FAS.HTM

Market Entry Strategy

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To be successful in the Turkish market, most U.S. companies opt to have a local manufactures representative or account executive manage the marketing strategy for both the company and the product. Company's rely on the local experience and knowledge as to how "business is done" in this exciting market. Knowing the regulatory and business framework is almost an impossible task without the support of a local business partner. The Commercial Service in Turkey has a number of programs and services available to assist the U.S. business community in establishing a presence in this market. In addition, the Commercial Service in Turkey employs experienced Commercial Specialists with industry sector expertise that can tailor your business approach to the right audience and to advise and steer your company through the often less than transparent bureaucratic procedures that is common in Turkey. To find out more about what we do to help you with one of leading trading partners (over USD 7.5 billion in bilateral trade), please visit our web site at www.csturkey.com and www.buyusa.gov/turkey/en.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

http://www.state.gov/r/pa/ei/bgn/3432.htm

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Chapter 3: Selling U.S. Products and Services

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Using an Agent or Distributor

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Marketing of most foreign products in Turkey is through foreign suppliers' representatives or distributors. Depending on the location of consumers/end-users, most distributors have a dealer network throughout the country or in areas where the product is most used—in the case of several industrial sectors; a dealer/repair network may be required. Commission representatives/agents, on the other hand, periodically visit their customers together with their foreign principals to maintain strong personal contact, a very important marketing tool in Turkey.

USE OF MANUFACTURER REPRESENTATIVES/AGENTS AND DISTRIBUTORS

Unless a U.S. firm's interests are large enough to warrant opening an office in the country, the most effective means of selling in Turkey is through a reliable and qualified local representative. Personal contact is extremely important in Turkish business in both private and public sectors. When dealing with government tenders, an agent is an absolute necessity in view of complicated bureaucratic procedures and the language barrier.

An American firm should carefully investigate the reputation and possible conflicting interests of any prospective representative or agent before signing contractual agreements. Agency agreements under Turkish law are private contracts between two parties and their stipulations vary according to mutual consent. There are no fixed commission rates. It is recommended that sole manufacturer representatives/distributors be appointed, either for a particular sales territory, by product or for a particular market niche. In cases where a large volume of government business is expected, it is essential either to appoint an Ankara firm or an Istanbul firm with a branch office in the capital.

Commercial Service Turkey, through its offices in Ankara, Istanbul and Izmir, provides a Gold Key Service, arranging custom-tailored appointment programs for visiting American business people. The Commerce Department's International Partner Search, the Matchmaker, Trade Mission, and Catalog Show programs are other options for U.S. companies looking for assistance in entering the Turkish market. The Foreign Agricultural Service also provides information and assistance to firms interested in marketing agricultural commodities in Turkey. For more information on the Commercial Service in Turkey, please visit our web site at www.buyusa.gov/turkey/en.

Establishing an Office

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Foreign investment and the establishment of offices in Turkey are governed by Foreign Investment Law number 6224 (dated January 18, 1954--published in the Official Gazette on January 24, 1954)--"The Law Concerning the Encouragement of Foreign Capital," and the "Foreign Capital Framework Decree" number 92/2789 (dated March 4, 1992--published in the Official Gazette on March 20, 1992). Under these regulations, foreigners may invest in Turkey, engage in commercial activities, participate in partnerships, purchase shares, open branch offices, and establish liaison offices. The General Directorate of Foreign Investment (GDFI) of the Undersecretariat of the Treasury is responsible for advising the Turkish Government and foreign investors on foreign investment regulations.

In 2003, the Government of Turkey enacted Law 4875, which is a new foreign investment law that eliminates the pre-permit provision of previous legislation and makes simpler to invest in Turkey. The legislation allows the right of free transfer of profits, dividends, proceeds from sale or liquidation of all or any part of an investment, licensing fees, and reimbursements and interest payments arising from foreign loans.

Legal entities with foreign capital, established and registered under Turkish Commercial Code, can acquire real estate. The principal of reciprocity is valid for foreign real persons operating in Turkey. The new legislation also establishes a dispute settlement mechanism, which includes the right of the investor to seek contractual resolution in national or international arbitration. The new legislation also allows foreign personnel to be employed in the investment in Turkey. Given the importance to investment, employment of expatriates is explicitly mentioned in the law.

A foreign company is free to choose between a corporation (Anonim Sirket--A.S., or "Societe Anonyme" type corporation), private limited company (limited liability company), or branch office as the form for its operations in Turkey. The 'A.S.' form is more suitable for larger enterprises, since corporations can attract a large number of shareholders. The limited liability company form is more appropriate for the establishment of sales and distribution entities.

Liaison Offices: A liaison office cannot engage in any activity in Turkey that generates revenue. The expenditures of a liaison office must be met entirely from foreign currency brought in from abroad.

Commercial Service Turkey suggests that an attorney be retained to obtain additional details and handle the application process and entity formation. Use of an accountant for tax planning is also recommended. Listings of American and Turkish lawyers and

accountants resident in major Turkish cities are available from the Commercial Service in Turkey.

Franchising

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Since 1986, franchising has grown in the Turkish market. The Turkish National Franchising Association, Ulusal Franchising Dernegi (UFRAD), a member of the International Franchising Association (IFA), is traditionally the first point of contact and is an excellent meeting point for prospective franchisers and franchisees. Foreign franchises in Turkey are concentrated in fast foods and apparel, but other areas are increasingly represented as well.

The Block Exemption Decree (relief from the Free Competition Law) No. 1998/7 dated December 1998 is based on the European Community's Law No. 4087/88. If a franchise agreement meets the requirements of this decree, it is exempt from the Free Competition Law, which is often in conflict with certain aspects of the franchising concept. Until this decree, each franchisee was obliged to obtain an individual exemption status by applying to the Competition Committee.

Franchising Contacts:

National Franchising Association
(Ulusal Franchising Dernegi-UFRAD)
Ergenekon Caddesi
Pangalti Is Merkezi 89/15
80240 Pangalti
Istanbul, Turkey
Tel: [90] (212) 296-6628
Fax: [90] (212) 224-5130
Internet: www.ufrad.org.tr
Web site in Turkish only

The International Franchising Association in Washington, D.C. (1350 New York Avenue, NW, Washington, D.C. 20005-4709, tel. (202) 628-8000; fax: (202) 628-0812), has been active in Turkey, organizing visits to Turkey by potential U.S. franchisers and, in cooperation with UFRAD, putting them in contact with potential local franchisees.

Most large U.S. accounting / auditing / consulting firms, many U.S. banks, and several U.S. law firms also have offices in Turkey to assist American firms interested in the Turkish market.

Direct Marketing

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Unless a U.S. firm has established an office in Turkey, direct marketing from the United States without an agent or representative is not recommended. In fact, it is virtually impossible to surmount complicated bureaucratic requirements, language obstacles, and purchasing transactions without a competent local representative/agent. Especially for those firms with sales potential large enough to warrant it, a local affiliate is the best possible way of selling to this market without an agent, representative or distributor.

Joint Ventures/Licensing

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Although 100 percent foreign ownership is permitted (except in the media), most U.S. investment in Turkey is in the form of joint venture or licensing operations. Most Turkish companies prefer to establish joint ventures with U.S. suppliers to overcome shipping costs and European competition. Especially in view of customs duties applied to U.S. products vis-à-vis zero customs charges for European-origin goods (Turkey joined the European Customs Union in 1996), many U.S. firms have chosen local production as a way to profitably penetrate the Turkish market. Especially in large urban centers, a highly sophisticated infrastructure exists (legal support, financial and consulting services) which may be required by potential foreign investors or joint venture partners. Major U.S. accounting/auditing firms, law firms and banks also have established branches in Turkey.

Selling to the Government

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The GOT procurement system while often frustrating, it does not discriminate against international suppliers, with the United States having succeeded in winning a large number of tenders. The main law that regulates government procurement is the Public Tender Law No. 4734 and Law No. 4964-the amending law to 4734. The Public tender law aimed to establish greater transparency and to bring Turkish procurement to comply with European Union tendering standards. Though Law 4734 was omnibus legislation incorporating all public sector enterprises, the amending legislation 4964 limited the Public Tender Law's coverage such that the energy, water, transport and telecommunications sectors would be exempted from the Public Tender Law. The Government of Turkey would need to establish additional legislation for these industry sectors and promulgate code similar to the EU Directive 93/38 concerning the awarding of state contracts in the above-mentioned industry sectors. State-owned corporations (state economic enterprises-SEEs) generate revenues through sales of raw materials, semi-finished and finished products and services. SEE procurement regulations are largely based upon a government decree called "the Decree on the Operations of the State Economic Enterprises" No. 233 of June 8, 1984, Turkey's Law of Obligations No. 818, dated April 22, 1926, and the Turkish Commercial Code No. 6762, dated June 29, 1956. Other exceptions are the Undersecretariat of Defense Industries (SSM) and the Ministry of National Defense. SSM procurement is financed off budget, through special taxes, and is not subject to Law 2886.

Price, quality, financial credit terms, and length of repayment period are the most important factors in purchasing decisions. Other factors that affect sourcing decisions are the suppliers' reputation, the reputation of the quality and reliability of their products, and previous experience in dealing with particular suppliers.

In GOT tenders, state organizations give particular importance to the way proposals are prepared and to their adherence to administrative and technical specifications. Generally, the validity of the proposal must be three to six months from the bid date and the same validity is expected for the bid bond (generally a stand by letter of credit). If a company retracts its offer, the bid bond is forfeited. The bid bond is usually obtained from the actual supplier for three percent of the bid amount. The performance bond is usually six percent of the contract amount and is valid throughout the delivery or final

acceptance beginning from the contract date. All bonds have to be counter-guaranteed (confirmed) by a Turkish national bank.

The GOT enacted the Electricity Market Law on February 20, 2001, which envisages a market that is competitive, transparent, and operates in accordance with provisions of private law. The law also established the Electricity Market Regulatory Authority (EMRA). The Turkish Treasury does not issue Treasury Guarantees to support electricity generation projects done by the private sector, unless either the State Hydraulic Works (DSI) or the Electricity Generation Corporation invests in the project.

The Turkish Parliament passed the Natural Gas Market Law No. 4646 on April 18, 2001. This law liberalizes the trading of natural gas and authorizes the same independent regulatory body for electricity trading to also regulate the natural gas market (EMRA). Companies are free to supply natural gas at wholesale to customers buying in excess of one million cubic meters of gas per year. Electricity generation companies will also be able to purchase its own gas from the free market. EMRA is currently issuing the required licenses. This law also permits the private sector to distribute gas in cities.

Distribution and Sales Channels

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Marketing of most foreign products in Turkey is through foreign suppliers' representatives or distributors. Depending on the location of consumers/end-users, most distributors have a dealer network throughout the country or in areas where the product is most used—in the case of several industrial sectors; a dealer/repair network may be required. Commission representatives/agents, on the other hand, periodically visit their customers together with their foreign principals to maintain strong personal contact, a very important marketing tool in Turkey.

Selling Factors/Techniques

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Once an American firm appoints a manufacturers' representative or agent, the agent or distributor expects-and should receive-the principal's full support with regard to literature, technical information and advertisement materials. Possible government buyers and potential private-sector importers should receive catalogs and other literature clearly indicating the name and address of the local representatives/distributors. A common and very effective support practice by European principals is to invite the representative/agent to the principal's country every year for an annual sales meeting. Both agents and, if possible, their principals, should periodically visit existing and potential customers since the importance of personal contact in Turkey cannot be overemphasized.

Especially in larger Turkish cities, international trade promotional events, such as fairs, exhibitions and seminars, are common methods of sales promotion. These fairs are also opportunities for U.S. companies to assess (and meet) existing competition, since all major foreign and local suppliers participate in such events. The catalogs of the events serve as 'trade lists' on specific product categories. Currently, there are about seventy international fair and exhibit organizers in Turkey.

Commercial Service Turkey has been promoting attendance by prospective Turkish buyers at exhibits in the U.S. and Europe. Likewise, the Foreign Agricultural Service

(FAS) organizes trade teams to U.S. agriculture and food shows. Turkish visitors to those fairs return highly impressed by the U.S. products. CS Turkey will continue to coordinate with other U.S. Government posts and event organizers to facilitate the visits of buyers to these events.

Electronic Commerce

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The majority of E-commerce transactions in Turkey are in the field of Internet banking. Local industry sources report that nearly 70 percent of all electronic commerce transactions are in on-line banking and financial services. The concept of having Internet banking in Turkey is popular given the very high cost of maintain physical bank branches throughout the country. Most commercial banks expended between USD 100,000 and USD 200,000 to develop their infrastructure. Apart from increasing customer service, the commercial banks realized that the transaction cost was substantially less for Internet banking than the traditional brick and mortar enterprise of the past.

Other E-Commerce Business Activity

Apart from the significant on line banking segment of the Turkish E-commerce industry, Turkish companies in food delivery, books/CDs/entertainment, clothing, and consumer products are also active in promoting goods and services via the Internet. The majority of commercial sites were developed without focusing on IT integration of overall corporate operation and instead focused on order taking and transaction clearance. Turkish E-commerce companies generate only a small percentage of gross revenue from electronic transactions.

Trade Promotion and Advertising

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Chambers of Commerce and Industry, various associations, and specific sectoral publications serve as potential channels for advertisement. Television commercials or ads in major newspapers are also highly effective. In Turkey, there are 16 national TV channels. Major newspapers include Cumhuriyet, Dunya, Hurriyet, Milliyet and Sabah, all of which have their headquarters in Istanbul with branch offices in Ankara. The country's foremost commercial/economic daily newspaper is Dunya. The leading English language newspaper is the Turkish Daily News. Major weekly periodicals are: Anka Haber (economy); Barometre (economy); Briefing (weekly inside perspective on Turkish political, economic and business affairs); Detay (economy-also publishes tenders on equipment procurement and infrastructure projects); Eba Newsletter (economy/English daily); Eba Report (a weekly special survey of Turkish business, industry and business contacts); and Tebanews (weekly magazine--in English--on tenders, investment projects and the economy). There are many periodicals issued monthly. The most important publications in this category are Bilgisayar (computer and related equipment); Bilisim (computer and related equipment); BT/Haber (weekly/computer and related equipment); Dunya Insaat (construction machinery); Finans Dunyasi (finance and economy); Telekomunikasyon (telecom); Turkey (economy) and Yazilim Donanim (software).

Pricing

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Price has traditionally been the most important consideration in government tenders. Private sector buyers emphasize quality, but price remains a significant issue. In both public and private sales, creative financing which reduces up front cash outlays can mitigate this. While imports from European Union and EFTA countries are exempt from duties, American firms can still be competitive by offering financing alternatives to credit-hungry Turkish buyers. Financing also includes GSM-102 export credit guarantees, which is available for most agricultural products. The Commercial Service urges U.S. suppliers to utilize instruments like letters of credit and U.S. EXIM Bank products when establishing a new relationship with a Turkish importer.

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U.S. suppliers should identify local agents/distributors with the necessary service and maintenance capability. Depending on the level of business activity, a U.S. firm may also consider establishing its own office in Turkey to set up servicing facilities in the country's major business centers.

Protecting Your Intellectual Property **Return to top**

In 1995, as part of Turkey's harmonization with the EU in advance of a customs union, the Turkish parliament approved new patent, trademark and copyright laws. Turkey also acceded to a number of multilateral intellectual property rights (IPR) conventions. Although the new laws provide an improved legal framework for protecting IPR, they required further amendments to be consistent with the standards contained in the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). The Turkish Parliament passed amendments to the Copyright Law in June 2001, further strengthening IPR enforcement and making Turkish IPR law TRIPS compliant. Parliament further amended the Patent Law in June 2004. The new law provides for penalties for infringement of up to 3 years imprisonment or 47 billion Turkish Lira/47,000 New Turkish Lira (approximately USD 32,000), or both, and closure of the business of up to one year.

Turkey continued to show evidence of poor IPR enforcement practices, and as a result, the U.S. Government has again placed Turkey on the Priority Watch List in 2004.

Due Diligence **Return to top**

Companies can minimize their risk of exporting to new customers or entering into business with new partners by utilizing the U.S. Department of Commerce International Company Profile (ICP) program. An ICP provides up-to-date information that includes bank and trade references; names of principals, key officers and managers; product lines; the number of employees; financial data; sales volume; reputation and market outlook, all at a reasonable price. For more information, please visit our web site at www.buyusa.gov/turkey/en.

Local Professional Services **Return to top**

English-speaking attorneys specializing in commercial law, investment legislation, joint ventures, corporate law, tax law, bankruptcy law, public finance, banking corporations,

criminal law, and civil law are available for consultation with U.S. business representatives. A list of specialized attorneys is available from CS offices in Turkey. U.S. companies will also find large multi-national U.S. accounting and financial firms operating in Turkey, to assist in establish a presence in the Turkish market.

Web Resources

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For additional information on entering the Turkish market, or if you have specific questions pertaining to your product or market niche, please visit our web site at www.buyusa.gov/turkey/en.

Government of Turkey Contact:

Undersecretariat of Treasury
General Directorate of Foreign Investment
Eskisehir Yolu, Inonu Bulvari
Emek Mevkii, Ankara, Turkey
Tel: [90] (312) 212-8800 (switchboard)
[90] (312) 212-8414 or 212-8915
Fax: [90] (312) 212-8916
E-mail: GDFI@pm.treasury.gov.tr
Internet: www.investinginturkey.gov.tr
http://www.treasury.gov.tr

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Chapter 4: Leading Sectors for U.S. Export and Investment

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- Natural Gas Transmission, Distribution, Exploration, Storage and Trading
- Telecommunications Equipment
- Information Technologies-Hardware and Software
- Building Materials
- Medical Equipment and Technologies
- Plastics
- Automotive Parts and Equipment
- Architecture, Civil Engineering and Construction

Telecommunications Services

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USD Millions	2002	2003	2004 (estimated)
Total Market Size	5,200	6,700	8,500
Total Local Production	4,700	5,900	7,500
Total Exports	910	930	1,300
Total Imports	1,410	1,730	2,300
Imports from the U.S.	140	280	450

(Above figures are unofficial estimates. Prices are calculated at an average exchange rate of USD 1 = YTL 1.4)

In 2005, privatization of Turk Telekom and activities of over 40 private long distance telecom companies will play an important role in forging this market. Turkish GSM companies will widely implement new services such as push to talk and the new features by moving forward to the 3G technologies. These services and the competition introduced by the new long distance telecom companies will boost the telecommunications services market.

The Telecommunications Authority (TA), an independent regulatory authority, issues licenses for telecommunications services as well as issuing and implementing telecom regulations. TA is responsible for allocation of the frequencies and type approval of telecom equipment. TA itself or in cooperation with the Competition Authority also tries to resolve any issues unresolved between two operators-including the incumbent operator Turk Telekom.

Turk Telekom is the incumbent public switch network operator with a subscriber number

exceeding 19 million. The Privatization Administration on behalf of Turkish Government will privatize 55 percent of the shares of this multi billion-dollar company this year. The tender announcement has already been made and several foreign and local telecom operators/companies showed interest.

The demand for new GSM subscriptions will continue. GSM companies will continue their GSM switch and transmitter investments. Turkey has three GSM cellular service operators, Turkcell, Telsim, and Avea. Turkcell has over 20 million subscribers. Telsim's subscriber estimate is 6 million. Avea has approximately 4 million subscribers. Turkcell and Telsim operate at 900 MHz GSM systems. Avea operates at 1800 MHz GSM frequency. Turkcell's shares are floated in New York Stock Exchange.

Turkish GSM cellular companies have obtained and continue to obtain licenses in other countries in the region. For these operations, GSM companies supply the equipment required through their contacts in Turkey. To access such markets, maintaining an excellent relationship with the headquarters of these companies in Istanbul is rather important.

Additional opportunities exist for the Turkish market in international traffic either originating or terminating in the country. Due to the widely dispersed Turkish population around the world, there is considerable amount of international calls being placed, primarily from Western Europe and the United States to Turkey.

Best Products/Services

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Push to talk, 3G and other new technologies for GSM cellular operators such as MMS and Java based services, and other telecom services to enhance activities of long distance operators.

Opportunities

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Privatization of Turk Telekom and improvements required in Turk Telekom for better customer, data and network management are the potential opportunities.

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- Telecommunications Authority's web site: www.tk.gov.tr
- Turk Telekom's web site: www.turktelekom.com.tr
- Privatization Administration's web site: www.oib.gov.tr
- Turkcell's web site: www.turkcell.com.tr
- Telsim's web site: www.telsim.com.tr
- Avea's web site: www.avea.com.tr

Electric Power Systems

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USD Millions	2002	2003	2004 (estimated)
Total Market Size	1,650	1,700	2,200
Total Local Production	480	550	700
Total Exports	180	240	300
Total Imports	1,350	1,390	1,800
Imports from the U.S.	460	510	800

(Above figures are unofficial estimates. Prices are calculated at an average exchange rate of USD 1 = YTL 1.4)

Turkish Government estimates that the generation companies in Turkey will produce over 160,000 billion kWh and Turkey will import over 500 million kWh; export over 2,152 million kWh of electricity. In 2010, total demand will be over 240,000 billion kWh. It is estimated that 44 percent of this demand will be met by natural gas-fired power plants, 27 percent of it by coal-fired power plants, 24 percent by hydroelectric, 3 percent by oil-fired and 2 percent by wind power.

The Turkish Government estimates that Turkey needs an additional power generation capacity of 54,000 MW until 2020. Ministry of Energy and Natural Resources (MENR) announced that Turkey would have nuclear power plants built at the total capacity of 4,500 – 6,000 MW to meet the demand. Turkey has announced plans to construct its first nuclear power plant, however, many details need to be worked out before this project moves to completion.

Turkey is liberalizing the electricity market. The Energy Market Regulatory Agency (EMRA) issues licenses for those private sector investors, which would like to establish power plants as an independent power producer or autoproducer. Most of these investors are interested in purchasing natural gas-fired power plants as cogeneration, simple or combined cycle types.

The Turkish Government has submitted a draft renewable energy law to the Turkish Parliament for approval. Once this law passes, retail companies will be forced to buy 8 percent of their total electricity procurement from renewable energy generation companies. Prices to be paid to the renewable energy suppliers will be higher than the average prices. These regulations will boost the renewable energy market in Turkey.

Turkish Government has established a hydrogen energy technology center in Istanbul. This center plans to implement projects on pilot hydrogen energy plants, storage facilities, transportation systems and its application on vehicles.

Renewable energy will play an important role as Turkey's preparations for accession to the European Union is underway. EMRA has license fee holidays for investors in renewable energy and Turkish Electricity Trading Company, TETAS, can provide buying guarantees to renewable energy companies.

Other best prospects will be upgrading of existing power plants, supply and installation of power transformers and gas insulated substations for power transmission lines and SCADA systems for the electricity distribution lines.

Best Prospects/Services Return to top

Simple or combined cycle power plants, wind mills, small hydro power plants, geothermal and solar energy type of applications and power generation, biogas facilities, hydrogen generation pilot facilities, generator sets.

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Major opportunities may come out as a result of planned privatization of electricity distribution grids and existing power plants owned by the State. The Privatization Administration will announce these privatizations in 2005.

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Ministry of Energy and Natural Resources' Web Site: www.menr.gov.tr
Privatization Administration's Web Site: www.oib.gov.tr

Natural Gas Transmission, Distribution, Exploration, Storage and Trading

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USD Millions	2002	2003	2004 (estimated)
Total Market Size	3,200	4,300	5,000
Total Local Production	300	400	500
Total Exports	50	100	150
Total Imports	2,800	3,900	4,500
Imports from the U.S.	330	360	550

(Above figures are unofficial estimates. Prices are calculated at an average exchange rate of USD 1 = YTL 1.4)

As part of the liberalization process in the natural gas (NG) market, the Energy Market Regulatory Agency (EMRA) has issued many licenses for natural gas distribution, storage, trading (import-export or wholesale).

Turkey has signed long term take or pay NG procurement contracts with Russia, Iran, Azerbaijan, Turkmenistan, Algeria (LNG) and Nigeria (LNG). The Turkish Petroleum Pipeline Corporation, BOTAS, announced a tender to transfer these contracts to the private sector. The contracts for 16 billion cubic meters (bcm) of the total expected consumption of 25 bcm of NG in Turkey in 2005, will be transferred to the private sector this year.

Turkey imported over 21 billion cubic meters of NG and LNG from Russia, Iran, Algeria and Nigeria in 2004 and expects to import over 25 billion cubic meters of NG in 2005. Turkey is strategically located at the crossroads of NG rich Central Asian Republics and Middle East; and the large consumers in Europe. Turkey's NG gas grid will soon be tied to that of Greece with a pipeline under construction. Turkey will also be able to transmit NG of Azerbaijan and Iraq to Europe through Austria or Italy through a pipeline to be constructed between Italy and Greece.

Almost every city is building its NG distribution pipelines in Turkey. The most potential one, which was recently licensed, is NG distribution of Izmir. Other potential projects are Samsun-Ceyhan and Bosphorus by-pass pipeline projects. BOTAS will carry out main transmission pipeline construction tenders for a total length of 2454 Km in 2005. One of the most potential ones is the construction of Black Sea Coast pipelines to be built in three phases at lengths of 96, 95 and 114 Km.

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Pipeline equipment, compressor stations, pressure reduction valves, NG meters.

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Samsun-Ceyhan and Bosphorus by-pass pipeline projects and BOTAS' new main transmission pipeline construction tenders at a total length of 2454 Km.

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Botas' Web Site: www.botas.gov.tr
Energy Market Regulatory Agency (EMRA)'s Web Site: www.emra.org.tr

Telecommunications Equipment

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USD Millions	2002	2003	2004 (estimated)
Total Market Size	2,530	2,800	3,500
Total Local Production	1,110	1,300	1,500
Total Exports	320	450	500
Total Imports	1,740	1,950	2,500
Imports from the U.S.	330	380	550

(Above figures are unofficial estimates. Prices are calculated at an average exchange rate of USD 1 = YTL 1.4)

The Telecommunications Authority issued licenses for over 40 companies for long distance telecommunications services. Some of these companies are establishing their own networks. The telecommunications equipment required by them and by the GSM cellular companies, Turkcell, Telsim and Avea will be the dominating factors for the growth of the market.

Turk Telekom, the incumbent operator will continue to be major buyer of telecommunications equipment. Push to talk type GSM cell phone sets and new models will have a major market. The 30 million GSM subscribers keep on growing with a growth rate of over 20 percent. Existing and the new subscribers will purchase new model GSM handsets.

The private sector may make major investments on establishment of new fiber-optic networks, VoIP Equipment and Wireless Local Loop networks. Depending on the timing

of license tenders, the other best prospect can be the third generation GSM networks. Due to the proximity Turkey has with a liberated Iraq, Turkey can be a hub-market for the telecommunications equipment needed in the Iraqi Reconstruction and improvement of the existing telecom network in Iraq.

Turk Telekom being the incumbent fixed line operator with over 19 million subscribers may invest in new technologies in 2004. Turk Telekom plans to expand its ADSL backbone, therefore, will continue to purchase new ADSL equipment.

Best Prospects/Services

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Push to talk GSM handsets, new model GSM handsets with new features, VoIP equipment, ADSL equipment, switches and networks for long distance operators.

Opportunities

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U.S. companies should consider this large telecom market as a hub for the region and consider establishing joint venture companies to supply to the EU markets as Turkey is already in the European Customs Union and a candidate to join the EU. (CE certification is required by the import laws of Turkey to be able to export to the Turkish market.)

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- Turkish Competitive Telco Operators Association (TELKODER) www.telkoder.org.tr
- Turkish Electronics and IT Industries Association (TESID) www.tesid.org.tr

Information Technologies-Hardware and Software

Overview

USD Millions	2002	2003	2004 (estimated)
Total Market Size	3510	4635	5098
Total Local Production	850	1000	1048
Total Exports	110	135	180
Total Imports	2660	3635	4050
Imports from the U.S.	450	650	800

Exchange Rate used: $1 = TL 1,350,000 or 1.350 YTL (New Turkish Lira)

Note: The above statistics are unofficial estimates.

Turkey's Information Technology market (IT) size is $4.0 billion in 2004. This figure is expected to reach nearly $ 4,850 billion by the end of 2005. With over 6 million personal computers in Turkey, pc sales still the main driver for gross sales. Total ICT (including telecom) market is estimated at $ 12.5 billion.

E-signature applications are expected to be the next step in Turkish IT circles. The law had passed in 2003 and firms are just catching up with the implementations of e-signature. The usage is extremely low and the general public does not have a basic understanding of the issue. Estimates are that e-signature users will reach 8 million in five years. Implementations of e-signature range widely from selling and buying property, signing leases and contracts using e-signature. 2005 is expected to be a launch year for the public awareness of the e-signature. US firms who have specialized in e-signature applications may wish to enter the market in 2005.

Best Products/Services

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Wireless equipment
ADSL modems small home / business routers
Network security appliances
Professional custom tailored software
Digital cameras, accessories
Portable data storage
Cell Phone accessories

Opportunities

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The Government of Turkey (GOT) will be looking to continue developing E-public administration hardware and software systems, which would include the Prime Ministry's goal of increasing WAN/LAN networks to local and regional government offices and facilities in rural Turkey, upgrading computers in schools, and significantly increasing the IT infrastructure used by the federal, regional and local governments. Some estimates put E-government in the range of USD 6 to USD 8 billion in needed investment.

Resources

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Turkish Data-Processing Industrialists' Association
www.tubisad.org.tr

Building Materials

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USD billions	2002	2003	2004 (estimated)
Total Market Size	1.00	1.20	1.70
Total Local Production	3.60	4.00	4.50
Total Exports	4.80	4.80	5.50
Total Imports	2.20	2.40	2.70
Imports from the U.S.	0.30	0.34	0.40

Source: Turkish State Institute of Statistics for actual figures; Yapi Endustri Merkezi 2004 report, CS/Turkey industry contacts and publications for estimates.
Exchange rate used: $1 = YTL 1.4

The Government of Turkey announced that in the next 5 years, the nations housing shortage would reach 1.5 million.

Turkish contractors are active in Central and Eastern Europe, Russia, the Caucasus, Central Asia and the Middle East. Therefore, a large number of the countries in the region rely on Turkey as a major supplier of building materials and construction services.

More than 5,000 local producers manufacture most building materials domestically. There are nearly 100,000 firms, which manufacture, export, import, wholesale, and retail in the market, and 19 building hypermarkets. Turkey is primarily self-sufficient in conventional building materials. However, imported building materials are also increasingly being used, especially in modern world-class hotels, tourist centers, and in the country's more affluent residential areas. Products used in tourism projects are primarily imported as the Turkish government allows such materials to be imported duty free as an incentive for the tourism sector.

Best Products/Services

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Best sales prospects are: flooring, prefabricated wall panels, wall paper, doors, windows, paint, insulation, sanitary wares and plumbing fixtures, prefabricated homes, roofing and siding materials, and earthquake resistant structures/materials, glass, radiators, aluminum building materials.

Opportunities

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Companies will continue to see a housing boom in Turkey, particularly if the nation adopts a mortgage banking system. Most international tourism development projects in Turkey and in the Central Asian Republics will continue to rely on foreign supplied building materials and supplies.

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Prefabricated Concrete Construction Producers Union
www.prefab.org.tr

Mass Housing Builders Association
www.tokyad.org.tr

The Building and Industry Center - YEM
www.yem.net

Medical Equipment and Technologies

Overview

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USD Millions	2002	2003	2004 (estimated)
Total Market Size	1,503	1,695	1,950
Total Local Production	1,150	1,300	1,500
Total Exports	32	35	50
Total Imports	385	430	500
Imports from the U.S.	162	180	210

Source: CS/Turkey industry contacts, and industry association estimates.
Exchange rate used: New TL 1.4 = $1

There is a strong trend of privatization in Turkey's health sector - although 80 percent of total hospital bed capacity is provided by government agencies. A larger number of private hospitals being built offers increased sales opportunities and less complicated procurement requirements vis-à-vis the often-confusing tender requirements of established by government agencies.

The Republic of Turkey has a number of specialist private care facilities promotion cardiovascular care, OBGYN, orthopedics and minimally invasive outpatient ambulatory procedures. Ankara, the nation's capital, recently procured the second stereotatic radio surgical unit operating in Turkey and is offering the latest in neurosurgical procedures. Likewise a number of private hospitals are procuring angio-cath, radiological equipment and advanced surgical and life support technologies.

Best Products/Services

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Advanced med/surg equipment including angio-cath facilities, radiology, pathology, orthopedic, OBGYN and OR/ER systems.

Opportunities

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As Turkey continues to expand the number of private hospitals, the purchase of advanced medical equipment will continue. The Commercial Service in Ankara works closely with several private hospitals, in identifying supply sources for their equipment needs.

Resources

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U.S. Department of Commerce market research:http://www.export.gov/marketresearch.html

Plastics

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USD Millions	2002	2003	2004 (estimated)
Total Market Size	3,612.00	3,800.00	4,000.00
Total Local Production	1,320.00	1,800.00	1,900.00
Total Exports	544.54	1,000.00	1,200.00
Total Imports	2,836.90	3,000.00	3,300.00
Imports from the U.S.	103.85	125.00	140.00

Exchange rate used: $1 = YTL 1.4

The plastics industry continues to grow at over ten percent per annum. The Turkish plastics industry relies heavily on imported down-stream petrochemical components and foreign technologies to manufacture finished plastic products for the domestic and Central Asian markets. Plastic consumption in Turkey is 2.8 million metric tons, making Turkey the sixth largest consumer in Europe. Over six thousand companies are engaged in the plastics industry, most businesses are engaged in either the packaging or the building materials industries.

Best Products/Services

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Turkish consumption of the 2.8 million tons is broken down as follows: PP 23%, PVC 15%, LDPE 15%, HDPE 8%, PS 7%, Elastomer 7%, PETF 5%, PUR 5%, Engineering Plastics 5%, and other 8%

Opportunities

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Plastics and chemical companies will continue to find a niche in packaging materials, building products (especially sanitary wares), and the growing automotive industry.

Resources

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U.S. Department of Commerce market research:http://www.export.gov/marketresearch.html

Automotive Parts and Equipment

Overview

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USD Million	2002	2003	2004 (estimated)

Total Market Size	5,490	6,700	5,360
Total Local Production	4,280	5,300	5,800
Total Exports	2,390	2,700	3,100
Total Imports	3,600	4,100	2,660
Imports from the U.S.	42	50	55

Exchange Rate used: $1 = YTL 1.4
Note: The above statistics are unofficial estimates.

The Turkish automotive parts/service equipment industry has expanded as Turkish automotive production and imports have increased. Today Turkey produces spark plugs, carburetors, fuel injection systems, and several transmission parts. The sector provides parts to the new vehicles as well as the existing automobile fleet exceeding 7.5 million units. Of the 7.5 million automobiles on Turkish roads, nearly 25 percent are commercial vehicles.

Currently, share of locally manufactured parts in the production of OEMs is around 40%. Parts manufacturers chose the way to be more aggressive in the export markets, in the last three years, due to the two major economic crisis resulting in shrinking local market, and they were successful. Currently, 51% of the local parts production is exported.

Best Products/Services

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Tires, brake linings, gearboxes, and clutches are the major imported items in the parts industry. Generally, imported parts are used in supplying imported vehicles, to OEMs for vehicles to be exported, or where there is no local production, such as for CV drive shafts, catalytic converters and tapered roller bearings. Imports are also found where production shortages occur. Examples include power steering hydraulic systems, bearings, and v-belts. Parts, which need to be replaced frequently because of poorly maintained roads, heavy traffic, traffic accidents, and poor fuel quality, can also be considered as "best prospects." Examples include: shock absorbers, brakes, clutches, rings, filters, bumpers, lights, and signaling equipment to name but a few.

Opportunities

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As Turkey continues to move towards European Union integration, equipment meeting stricter EU guidelines from emission control to automobile safety and standards tests, will equate to increased sales of advanced auto parts.

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Automotive Distributors' Association
www.odd.org.tr

Automotive Industry Association
www.osd.org.tr
Vehicle Sellers' Association
www.oyder.tr.com

Auto Parts Association
www.taysad.org.tr

Architecture, Civil Engineering and Construction

Overview

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	2002	2003	2004 (estimated)
Total Market Size	1,200.00	1,280.00	1.500.00
Total Local Production	1,200.00	1,280.00	1,300.00
Total Exports	250.00	300.00	350.00
Total Imports	250.00	300.00	550.00
Imports from the U.S.	50.00	55.00	60.00

Source: The above statistics are unofficial estimates provided by sector contacts.
Exchange rate used: $1 = YTL 1.4

By 2010, Turkey's population is estimated to reach 87 million. Due to population growth and continued urbanization, Turkey would require an additional 5.5 million housing units. Added to the existing housing deficit, this represents a requirement for more than 500,000 new housing units to be built each year. Additionally, with a growing economy and rapid urban expansion, there is a need for the construction of more commercial/office/professional buildings. Likewise shopping malls and retail establishments need to be built as consumer spending is increased. Tourism development continues to generate new construction projects. As in other countries the construction industry is highly susceptible to macro economic factors. Government projects, mostly infrastructure projects such as highways, bridges, airports, seaports, etc., have been slowed by the economic crises. Residential and industrial buildings are mostly completed by the private sector. While this portion of the sector is also influenced by the world financial conditions, there is still growth, albeit at a slower rate. Expectation for the date October 17, 2005, when Turkey will start its negotiations with the EU to become a full EU member, seems to influence performance of the industry in the coming years.

Turkish Architectural/Construction/Engineering (ACE) services are one of the major sectors, which contribute to the exports of the Turkish services sector. According to the Turkish Contractors' Association, Turkish contractors are working in 62 countries across 4 continents, and so far completed around 3000 projects. Their market presence is in Southeast Asia, Central Asia and the Caucasus. Some contracts were recently won in India, Morocco, Pakistan, Philippines, Thailand, Malaysia and Indonesia. The next steps could be other ASEAN countries as well as towards Eastern and Southeastern Europe in the framework of the Stability Pact programs. Total work already performed or being performed throughout the world by Turkish contractors is estimated at US$ 54 billion. Total projects completed by Turkish contractors abroad is around $3.4 billion, and estimation for the year 2004 is $5 billion. 40% of these are in the neighboring countries. Reconstruction of Iraq and Afghanistan is one project that most Turkish firms are interested.

Best Products/Services

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Civil Engineering consulting services for transportation, urban construction, and residential building.

Opportunities

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Projects funded by international institutions like the World Bank, European Investment Bank, and the Japanese ICF offer the best prospects for U.S. companies. U.S. ACE firms are highly regarded in Turkey, although they face stiff competition from European and Japanese firms. When possible, U.S. firms should consider joint ventures with Turkish firms to take advantage of low Turkish labor costs and local familiarity with bureaucracy.

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Turkish Contractors Association/The Union of International Contractors
www.tmb.org.tr

Agricultural Sectors

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Companies producing and exporting agricultural commodities or processed foods can visit the website of the U.S. Department of Agriculture at http://www.fas.usda.gov/hotpages/default.asp?lstCode=TU&submit=Submit+Query or http://www.usemb-ankara.org.tr/FAS/FAS.HTM

(all figures in '000 metric tons; Marketing years)

COTTON

Year	2003	2004 (Jan.-Nov)
Total Exports	88.5	44.0
Total Imports	555.8	523.7
Total Imports from U.S.	354.6	319.5

Turkey's has become the second largest market for U.S. cotton in the world. Turkey's textile industry remains important to the economy. U.S. Cotton has a very good reputation in Turkey, and strong U.S. exports in the current year reflected this. Competitive, low prices also helped the U.S. to capture a larger share of the market. Turkey is expected to remain a significant importer as some farmers continue to shift into more profitable commodities like wheat.

SOYBEANS

Year	2003	2004 (Jan.-Nov)
Total Exports	N/A	1.3
Total Imports	810.1	520.9
Total Imports from U.S.	382.8	172.5

The industry has invested in modern crushing facilities and is seeking to expand capacity. The poultry sector seems to have recovered spurring greater demand for protein meal. A rising awareness of the soybean's utility in "healthy foods", and American Soybean Association marketing programs help drive demand in Turkey. The food-processing sector is becoming more aware of how soybean products can be used in food items and is looking at incorporating new products like soy flour.

SOYBEAN MEAL

Year	2003	2004 (Jan.-Nov.)
Total Exports	27.4	14.2
Total Imports	406.0	398.4
Total Imports from U.S.	201.1	110.0

Soybean meal consumption continues to increase in response to demand from Turkey's poultry industry. Local production has increased in recent years, as crushing capacity has grown. Full fat soya has become very popular among local poultry producers and a number of companies have installed or are in the process of installing new crushing facilities.

Corn oil

Year	2003	2004 (Jan.-Nov)
Total Exports	6.1	10.1
Total Imports	95.4	73.9
Total Imports from U.S.	87.5	48.1

Demand for vegetable oils continues to outpace production. As a result, Turkey imports large quantities of crude vegetable oils (sunflower oil, corn oil, and soy oil) to refine for domestic consumption and its export markets, which include the Middle East, Russia, the NIS, plus North Africa. The United States is the largest corn oil supplier.

CORN

Year	2003	2004 (Jan.-Nov.)
Total Exports	10.9	8.9
Total Imports	1,818.1	1,025.0
Total Imports from U.S.	1,113.4	678.1

Demand for imported corn should continue to increase in response to expansion of both the poultry industry and dairy and beef sectors, with an emphasis on improved feeding techniques to boost productivity. There has also been significant expansion of production capacity for starch and high fructose corn syrups although non-GMO corn is

demanded. A high tariff rate, which fluctuates seasonally between 10 and 50 percent, constrains imports.

TALLOW

Year	2003	2004
Total Exports	710.8	121.1
Total Imports	138.6	103.1
Total Imports from U.S.	138.5	99.1

Turkey's markets for processed soaps include the traditional Middle Eastern and North African markets, as well as newer markets in the Former Soviet Union and Eastern Europe.

Soybean Oil

	2003	2004 (Jan.-Nov.)
Total Exports	19.5	2.1
Total Imports	134.7	73.4
Total Imports from U.S.	16.4	N/A

RICE

Year	2003	2004 (Jan.-Nov.)
Total Exports	19.5	2.1
Total Imports	134.7	73.4
Total Imports from U.S.	16.4	N/A

Turkey remains a good market for U.S. rice. Calrose is the preferred U.S. rice, but smaller amounts of long-grain rice also are available. The Turkish market is price sensitive and the Turkish preference for U.S. rice is a matter of value as well as consistency of quality. Some importers have set up offices in California to establish direct relationships with producers.

Industry Contacts

Turkish Farmers Union
www.tzob.org.tr

Turkish Dairy, Meat, Food Industry and Producers Union
www.setbir.org.tr

White Meat Industrialists Association
www.besd-bir.org.tr

Flour Millers Association
www.usd.org.tr

Turkish Feed Millers Association

www.turkiyeyembir.org.tr

Turkish Seed Industry Association
E-mail: turkted@turkted.org.tr

Union of Pasta Producers
www.makarna.org.tr

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Chapter 5: Trade Regulations and Standards

- Import Tariffs
- Trade Barriers
- Import Requirements and Documentation
- U.S. Export Controls
- Temporary Entry
- Labeling and Marking Requirements
- Prohibited and Restricted Imports
- Customs Regulations and Contact Information
- Standards
- Trade Agreements
- Web Resources

Import Tariffs

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Import duties are calculated on the CIF value. Turkey is a signatory to Article VII of the General Agreements on Tariffs and Trade (GATT). The agreement stipulates that the customs valuation is the transaction value (the price that is actually paid or payable plus costs and expenses). Turkey is also obliged to comply with other Article VII provisions including the rapidity of clearance of goods, currency convertibility, and appeal privileges and rights. Turkish regulations do not allow for advance rulings on customs HS classification or on the applicable import duties on particular products.

Customs surcharges including a value-added tax (VAT) being levied on most imported, as well as domestic, goods and services. The importer is responsible for paying the VAT. The VAT is calculated on a C.I.F. basis plus duty rate and any other applicable charges levied before the goods clear customs. It has a ceiling of 26 percent; however; most industrial products are charged a rate of 18 percent and pharmaceuticals, staple foods, books/publications, education/training services, and health care (human and vet) including ambulance and emergency services are assessed an eight percent VAT. Capital goods, some raw materials, imports by government agencies and state owned enterprises, and products for investments with incentive certificates are exempt from import fees. Information on Turkish Customs procedures and regulations can be seen at www.gumruk.gov.tr.

U.S. companies can also calculate the Turkish duty by visiting www.gumruk.gov.tr and in English review Turkey's Harmonized Tariff Schedule by commodity, chapter or sub heading.

Trade Barriers

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On December 17, 2004 the European Commission announced intentions to begin EU accession proceeding with the Republic of Turkey beginning sometime in late 2005. The move towards EU membership is expected to take between ten and fifteen years. Prior to beginning its move towards EU accession, on January 1, 1996, Turkey and the

European Union (EU) formed a customs union. The agreement covers industrial products and processed agricultural goods. The Republic of Turkey adopted the EU's common external tariff (CCT), resulting in lower duties for imports from third countries, including the United States. The union establishes zero duty rates and no quotas for non-agricultural items of EU and European Free Trade Association (EFTA) origin. The current import regime is organized in five chapters that list more than 20,000 items, identified with 12 digit harmonized tariff system numbers.

The Government of Turkey (GOT) estimates that as a result of its accession to the European Customs Union, the average duty rate for imports from the European Union and EFTA countries has dropped from approximately ten percent to zero. For products imported from third countries, including the United States, the average duty rate has dropped from ten percent to approximately five percent. Turkey has reserved some exempted categories for sensitive products with tariffs on these items generally much higher than the CCT. Some agricultural goods will remain protected by steep tariffs until the next WTO round is concluded. When the European Union applies further Uruguay Round reductions, Turkey's average rates for third countries (including the U.S.) will be lowered to 3.5 percent.

Turkey is a member of GATT/WTO and regulates its customs practices in line with GATT requirements. In 1989, Turkey, along with the United States, converted to the new GATT Harmonized System. While generally in compliance with the WTO agreement, Turkey has exceeded its annual export subsidy limits for sugar and wheat in the past. In the current year, Turkey has exceeded its limits for barley. Turkey regularly fails to notify the WTO of changes to import requirements. Application of non-tariff barriers also poses problems for agricultural products such as wheat and bananas. Maintenance of high import duties on agricultural products, while consistent with WTO obligations, is not consistent with the spirit of the WTO agreement. Turkey's failure to establish protocols for the importation of all meat products (except for breeding cattle-beef and dairy), effectively banning all imports is in violation of WTO obligations.

Import Requirements and Documentation

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IMPORT LICENSES

The 1996 Turkish import regime abolishes the requirement that every importer needs an import license and that the importer must obtain an import authorization from a bank. An importer only needs a tax number to import all but restricted items, e.g., firearms, hazardous materials, etc., which can be imported only by authorized establishments, or for which the approval of the Directorate General of Security is required. Agricultural imports, though, often do require import licenses and control certificates. The Ministry of Agriculture and Rural Affairs issues certificates.

IMPORT DOCUMENTATION

Turkish documentation procedures require a commercial invoice, a certificate of origin and a bill of lading or airway bill to accompany all commercial shipments. Import licenses and phytosanitary certificates are necessary for food and agricultural commodity imports.

Commercial Invoice: The commercial invoice must be submitted in triplicate, including the original copy; and must contain a complete description of the goods and all required payment terms. The original must be endorsed by the exporter as follows: "We hereby certify that this is the first and original copy of our invoice, the only one issued by our firm for the goods herein mentioned." The Turkish Embassy or Consulate in the United States must certify the document. At least one copy of the invoice should accompany the goods, and the original should be sent to the importer through the correspondent bank.

Certificate of Origin: The certificate of origin is to be prepared in duplicate. No corrections are permitted on this document, which is to be prepared in English by a local chamber of commerce. The Turkish Embassy or Consulate in the United States must certify the certificate of origin. One copy of the document must be surrendered to the customs authorities at the time of importation.

Bill of Lading/Airway Bill: Details in the bill of lading should correspond exactly to those given in other shipping documents.

Proforma Invoices: The proforma invoice must not be more than six months old at the time of application. It must contain an unexpired option (if appropriate), indicate freight and insurance charges separately, and bear the importer's name.

Products falling under the European Union New Approach Directives must be accompanied by either a self-declaration of conformity or a notified body's issued certificate of conformity to be allowed entry into the Turkish market. Please see the **standards and CE mark section below.**

Health Certification

Special health certificates are required for imports of plants, seeds, animals and animal products. Plants, including fruits and vegetables, must be substantially free from pests and diseases and must have been grown in an area substantially free from prohibited pests and diseases. Additional information may be obtained from the U.S. Department of Agriculture's Animal and Plant Health Inspection Service (APHIS) at Tel: (301) 734-7885 or Fax: (301) 734-6402 (Veterinary Services) and Tel: (301) 734-8537 or Fax: (301) 734-5786 (Plant Protection and Quarantine). APHIS inspects and certifies that plants, plant products and live animals conform to health and sanitary requirements as mandated by the Turkish government. U.S. exporters are encouraged to obtain information from the importer prior to shipment because of the complexity of phytosanitary regulations.

Special Import Requirements

Alcohol can only be imported at present by the government monopoly enterprise, TEKEL. The operations of TEKEL are in process of being privatized and current legislation provides private companies with more control over alcoholic beverage import and distribution. Despite these changes, non-tariff barriers, arduous document requirements, and high duty rates continue to limit trade in alcoholic beverages. Continued liberalization in this spirits and tobacco market should improve the competitive environment. Private traders may import wine through TEKEL only for use in hotels and restaurants. Cigarettes can only be imported by TEKEL and cigarette

producers who are permitted by the government under a special decree (such as Philip Morris, RJ Reynolds, British Tobacco, etc.). The Tobacco Law has passed parliament in 2001, however Tekel privatization has yet to be completed. X-ray film can only be imported by the Red Crescent Association (sister organization to the Red Cross). Precious metals and stones, excluding diamonds, can only be imported by commercial banks authorized by the Central Bank (Decree No. 93/4143, March 21, 1993).

Importing products such as pharmaceuticals; organic chemicals, especially those used to produce medicines and medical products; vaccines for both humans and animals; cosmetic products; chemicals used in cleaning and the food industry; live animals and plants; grains and plant seeds; and hormones require import permission certificates from the Directorate General of Curative Care Service of the Ministry of Health and Agriculture.

Products requiring after-sales service such as motor vehicles, household electrical goods, office equipment and computers, cash registers, TV and video equipment, heaters, gas-fired burners, industrial machinery, automobiles, and wireless equipment require an import permit from the Ministry of Industry and Trade. In order to obtain such a permit, importers must guarantee that they will provide service and spare-parts in each of Turkey's seven geographic regions, either by establishing offices or by signing agreements with existing service/parts firms. In July 2001, the GOT codified a regulation, which requires additional maintenance facilities to be established for companies importing automobiles into the Turkish Republic.

Telecommunications equipment such as automatic data processing machines, electrical apparatus for line telephony or telegraphy, and telephone answering machines need type-approval of the Turkish Telecommunications Regulatory Authority. Further, all wireless equipment also requires approval from the Directorate General of Wireless Affairs (TGM).

Under a regulation published in the Turkish Official Gazette of February 1, 1996 (No. 22540-supplementary issue), which discusses certain compulsory standards for about 70 products, importers are required to obtain a control certificate from the Ministry of Environment for materials considered detrimental to the environment. Such materials include hard coal, lignite, petrocoke, petroleum, arsenic, mercury, lead sulfides and carbonates, fluorocarbons, other chemicals and scrap metals.

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U.S. Export Controls

The Bureau of Industry and Security is charged with the development, implementation and interpretation of U.S. export control policy for dual-use commodities, software, and technology. Dual-use items subject to BIS regulatory jurisdiction have predominantly commercial uses, but also have military applications. In order to accomplish this objective, BIS seeks to promulgate clear, concise, and timely regulations. This section of our Web site provides a link to the Bureau's regulations governing exports of dual-use items (the "Export Administration Regulations"), codified at 15 Code of Federal Regulations, Chapter 7. It also provides discussions of certain key regulatory policy areas, including policies governing exports of high performance computers, exports of encryption products, deemed exports, U.S. antiboycott regulations, special regional

considerations, the multilateral export control regimes, and the technical advisory committees.

In addition to the U.S. export control policy for dual-use items, the Bureau of Industry and Security is also charged with the development, implementation and interpretation of the antiboycott provisions of the Export Administration Act. The antiboycott provisions encourage, and in some cases require, U.S. persons to refuse to participate in foreign boycotts that the United States does not sanction. U.S. persons are also required to report receipt of boycott-related requests.

Key Regulatory Areas

High Performance Computers
Encryption
Deemed Exports FAQ's | Process Improvements and Guidance
Antiboycott Regulations
Regional Considerations
Multilateral Export Regimes
Technical Advisory Committees
Wassenaar Arrangement

Export Administration Regulations

The Government Printing Office's Export Administration Regulation Web site contains an up-to-date database of the entire Export Administration Regulations (EAR), including the Commerce Control List, the Commerce Country Chart, and a link to the Denied Persons List. EAR revisions are incorporated into this site within 48-72 hours and the EAR can be viewed, downloaded, and searched. This Web site also includes a table with all the Federal Register notices that revise the text of the EAR since its complete revision on March 25, 1996. In addition, users can subscribe to GPO's paper version of the EAR from this Web site. Lastly, users can e-mail the Regulatory Policy Division directly from this Web site, to get answers to general questions about the EAR. Users can also attach a properly formatted advisory opinion (See Section 748.3c for the proper format) and forward it to BIS by e-mail.
The NTIS EAR Marketplace Web site also offers an up-to-date searchable EAR database and files that are downloadable and viewable. In addition, the EAR Marketplace has a combined, downloadable and searchable version of the Denied Persons List, the Entity List, the Debarred List, and the Specially Designated Nationals List. Subscribers to the EAR on-line database are notified by email whenever a change occurs to any of these lists. The EAR Marketplace also includes a table with all the Federal Register notices that revise the text of the EAR since its complete revision on March 25, 1996. In addition, NTIS offers a loose leaf/paper version of the EAR, which can be ordered on-line.

Turkish Export Controls Information

The export of sensitive and dual-use materials covered by various international non-proliferation agreements and arrangements to which Turkey is a party, is controlled by a two-tier mechanism which involves licensing by the Ministry of National Defense (MND) and registration by the Undersecretariat for Foreign Trade (UFT) through the appropriate

exporters' union. Law No. 3763, of 1940, "The Control of Private Industrial Enterprises Producing War Weapons, Vehicles, Equipment and Ammunition," requires a MND license for the export of all weapons and ammunition as well as the materials used for the production of weapons and ammunition. Sporting and hunting rifles are exempt from MND licensing. The second tier, UFT control via registration, was promulgated via Decree number 95/7623 in December 1995. As a part of the over all process, MND consults with UFT regarding proposed export sales.

All exporters are required to be a member of one of the 13 exporters' unions in Turkey. Sensitive goods, technology and dual-use materials are registered by the Istanbul Metals and Minerals Exporters' Union (IMMIB) thereby creating a centralized mechanism monitoring the export company, product, quantity, and value. It is IMMIB that determines whether the intended export items require MND licensing and provides the UFT registration. It is UFT's role to draft the general export policies and to monitor and control the overall trade control process.

Temporary Entry

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Goods may be temporarily imported into Turkey without payment of duties and tax if they are to be used in the production or manufacture of a product that is to be exported. The importer gives security in the form of a bank guarantee (temporary import bond) in the amount of applicable duties and taxes. Upon exportation of the finished product, the guarantee is remitted. Temporary admission of goods intended for re-export in their original form is permissible free of import duties and taxes with the approval of the Undersecretariat for Foreign Trade.

Turkey is a signatory to the International Convention to Facilitate the Importation of Commercial Samples and Advertising Material. Samples of no commercial value are admitted duty-free. Other samples are assessed duties and taxes at the time of import, but these are refunded if the samples are re-exported within six months from the date of import. A letter of guarantee will be provided to Turkish Customs for a temporary import, with the guarantee being returned at the time of re-export. Samples should be listed on an invoice. Books, newspapers, magazines, catalogs, pamphlets, brochures, and similar advertising materials are exempt from customs duty.

U.S. traders may also wish to consider a more simplified procedure in the form of an "ATA Carnet." Carnets are international customs documents permitting the holder to temporarily import products as samples without paying customs duties or posting bonds. Virtually all goods, personal and professional, including commercial samples, professional equipment, goods intended for use at trade shows and exhibitions, computers, tools, cameras and video equipment, industrial machinery, automobiles, apparel and even jewelry are covered under a carnet.

The reader may wish to check the "General List" to see if the goods are covered by ATA Carnet guidelines or call the Carnet-Help-Line at (800) 5-DUTYFREE or visit the web site www.uscib.org for clarification. Normal processing of an ATA Carnet is five working days; expedited service is available at an extra charge. In the United States, carnets are sold by the U.S. Council for International Business and Roanoke Trade Services at the following locations: New York, NY, (212) 708-5078; Long Beach, CA, (800) 421-9324 or (562) 628-9306; Schaumburg, IL, (800) 762-6653 or (847) 969-8211; San Francisco, CA (800) 255-4994 or (415) 732-5480; Miami, FL (also serves Houston) (800) 468-5467 or

(305) 593-5583; Hunt Valley, MD (800) 422-9944 or (410) 771-6100 x 12; Boston, MA (800) 233-3620 or (617) 368-9907; and Houston, TX (pick up site only) (800) 456-0422 or (713) 582-6464 x 102.

With the carnet, goods may be imported without payment of duties and taxes. Carnets are valid for one year and may be used for multiple exists and entries to countries that accept the Carnet.

Labeling and Marking Requirements **Return to top**

All packages, cases, and bales must bear shipping marks, numbers, dimensions, and the gross weight of the merchandise. Packages along with accompanying bills of lading for goods to be shipped through Turkey must be marked "In Transit." All goods entering Istanbul or any other entry port in Turkey (Ankara, Iskenderun, Izmir, Mersin, Sinop, Samsun, and Trabzon) will be cleared through customs, and full payment of duty will be required unless the packages and bills of lading are marked "In Transit." If so marked, the goods may be cleared for entry and reshipment.

Prohibited and Restricted Imports **Return to top**

Products currently prohibited include weapons and narcotics. However, under certain conditions the Ministry of the Interior, Security General Directorate will provide clearance to import shotguns, hunting rifles, and explosives.

A list of all prohibited or restricted products for Turkey can be viewed at the Turkish Customs Service Website at www.gumruk.gov.tr.

Customs Contact Information **Return to top**

The Turkish Customs can be reached via www.gumruk.gov.tr.

Standards **Return to top**

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The Government of Turkey's Undersecretariat for Foreign Trade announced the implementation of twenty-three European Union industrial directives, which would affect an estimated 70% of the manufactured products imported into Turkey. The Undersecretariat for Foreign Trade has adopted the EU's Low Voltage Directive, the Simple Pressure Vessels Directive, the Gas Appliances Directive, the Hot Water Boilers

Directive, the EMC, the Machinery Directive, the Civil Explosives Directive, the Weighing Instruments Directive, the Equipment and Protective Systems Intended in Explosive Atmospheres Directive, the Lifts Directive (elevators), the Household Refrigerator/Freezer Directive, the Pressure Equipment Directive, the Noise Emission Directive, the Energy Efficiency for Ballast for Fluorescent Lighting Directive, the Active Implantable Medical Device Directive, the Medical Device Directive, the In Vitro Diagnostics Device Directive, the Toy Directive, the Recreational Water Craft Directive, the Construction Equipment Directive, the Personal Protective Equipment Directive, the Radio and Telecommunications Terminal Equipment Directive and the Cableway Directive (ski lifts and gondolas).

Equipment meeting the directive definition of products needing to conform to EU technical regulations must have evidence of meeting the requirements either through verified laboratory testing conducted by an EU approved notified body or by manufacturer's self-declaration if the directive dictates. Companies selling to the Turkish market must submit evidence of conformity (CE Mark) either by providing a notarized/consularized conformity certificate from a notified body or a manufacturer's issued certificate of conformity, which declares compliance of all relevant directives.

The CE Mark was established by the European Union to ensure the free circulation of products in Europe. The directives that were entered into effect under a system called the "New Approach," were established to ensure, health and safety, consumer and environmental protection. The "New Approach" identifies level of risk and hazard. Annexes to the various EU directives will specify levels of risk and types of products that would need to be either certified by a notified body or if the product can be certified by the manufacturer as conforming to the particular directive(s). The EU's laws and regulations made it compulsory to comply with the directives when goods are sold in the territory of the European Union and the European Economic Area (EEA). Companies must show evidence of product compliance by maintaining or presenting a technical file that includes product specifications, technical drawings and standards applied per the appropriate directives and corresponding annexes.

Standards Organizations Return to top

The Turkish Standards Institute is responsible for issuing compliance certificates with respect to Turkish standards.

Turk Standartlari Enstitusu (TSE)
Necatibey Caddesi 112
Standart Hazirlama Baskanligi
06100 Bakanliklar
Ankara, Turkey
Tel: [90] (312) 417-0020
Fax: [90] (312) 425-4399
Web site: www.tse.org.tr

CE Mark Enforcement

The Government of Turkey (GOT) has directed the Turkish Customs Service (www.gumruk.gov.tr) to ensure that all imported products that fall within a particular EU industrial directive must show conformity to the standard. The GOT has further

announced that its domestic industry would also need to meet the CE Mark requirements, even though a time line for CE mark implementation in Turkey is not yet known at this time.

Conformity Assessment

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Conformity Assessment is a mandatory step for the manufacturer in the process of complying with specific EU legislation. The purpose of conformity assessment is to ensure consistency of compliance during all stages of the production process to facilitate acceptance of the final product. EU product legislation gives manufacturers some choice with regard to conformity assessment, depending on the level of risk involved in the use of their product. These range from self-certification, type examination and production quality control system, to full quality assurance system. You can find conformity assessment bodies in individual member state country in this list by the European Commission http://europa.eu.int/comm/enterprise/nando-is/home/index.cfm. To promote market acceptance of the final product, there are a number of voluntary conformity assessment programs.

For products falling outside of the scope of the European Union New Approach Directives and where the Government of Turkey has established a directive or standard, then that standard or directive would apply. At this point, certification of compliance with TSE standards would be required. Turkish Standards Institute contact information is provided below in the website portion of this chapter.

Product Certification

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To sell their product to Turkey, the EU as well as Norway, Liechtenstein and Iceland, U.S. exporters are required to apply CE marking whenever their product is covered by specific product legislation. CE marking product legislation offers manufacturers a number of choices and requires decisions to determine which safety/health concerns need to be addressed, which conformity assessment module is best suited to the manufacturing process, and whether or not to use EU-wide harmonized standards.

In the 1980s, the New Approach was launched to overcome the lengthy adoption process of “old approach” type legislation. The goal of the European Union's harmonization program under the New Approach is to streamline technical harmonization and the development of standards for certain product groups, including, among others, machinery, toys, construction products, electromagnetic compatibility, personal protective equipment, non-automatic weighing instruments, medical devices, gas appliances, hot water boilers, and radio and telecommunications terminal equipment (RTTE). Under the New Approach, Directives cover essential safety, health and environmental requirements. The three regional European standards organizations, CEN, CENELEC and ETSI, are mandated by the Commission to develop technical standards that are consistent with the essential requirements of EU Directives.

Products manufactured to standards adopted by CEN, CENELEC and ETSI, and published in the Official Journal as harmonized standards, are presumed to conform to the requirements of EU Directives. The manufacturer then applies the CE Mark and issues a declaration of conformity. With these, the product will be allowed to circulate freely within the European Union. A manufacturer can choose not to use the harmonized EU standards, but must then demonstrate that the product meets the

essential safety and performance requirements. Trade barriers occur when design, rather than performance, standards are developed by the relevant European standardization organization, and when U.S. companies do not have access to the standardization process through a European presence.

The CE mark addresses itself primarily to the national control authorities of the Member States, and its use simplifies the task of essential market surveillance of regulated products. Although CE marking is intended primarily for inspection purposes by EU Member State inspectors, the consumer may well perceive it as a quality mark.

The CE mark is not intended to include detailed technical information on the product, but there must be enough information to enable the inspector to trace the product back to the manufacturer or the authorized representative established in the EU. This detailed information should not appear next to the CE mark, but rather on the declaration of conformity, the certificate of conformity (which the manufacturer or authorized agent must be able to provide at any time, together with the product's technical file), or the documents accompanying the product.

Accreditation

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The independent certification bodies, known as notified bodies, have been officially accredited by competent authorities to test and certify to EU requirements. However, under the U.S./EU Mutual Recognition Agreements (MRAs), notified bodies based in the United States and referred to as conformity assessment bodies, will be allowed to test in the United States to EU specifications, and vice versa. The costs will be significantly lower and U.S. products will, as a result, become more competitive. At this time, the U.S./EU MRAs cover the following sectors: EMC (in force), RTTE (in force), medical devices (in transition), pharmaceutical (in transition), and recreational craft (in force). This link lists to American and European Conformity Assessment bodies operating under a mutual recognition agreement http://ts.nist.gov/ts/htdocs/210/gsig/mra.htm. Accreditation is handled at member state level. "European Accreditation" (www.european-accreditation.org) is an organization representing nationally recognized accreditation bodies. Membership is open to nationally recognized accreditation bodies in countries in the European geographical area that can demonstrate that they operate an accreditation system compatible with EN45003 or ISO/IEC Guide 58. At this time, the Government of Turkey has applied for the Turkish Standards Institute (TSE) to be accredited as a notified body. The Turkish Standards Institute is the accredited authority in the Republic of Turkey for all matters related to ISO, EN ISO and TSE standards and directives.

Publication of Technical Regulations

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The Turkish Standards Institute publishes all Turkish standards and directives and documents are available for purchase.

Turk Standartlari Enstitusu (TSE)
Necatibey Caddesi 112
Standart Hazirlama Baskanligi
06100 Bakanliklar
Ankara, Turkey
Tel: [90] (312) 417-0020

Fax: [90] (312) 425-4399
Web site: www.tse.org.tr.

Trade Agreements

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The EU confirmed Turkey's status to be accession negotiations on 17 December 2004. Turkey continues to reap the benefits of its 1996 customs union agreement with the EU, particularly in terms of improved economic efficiency. The customs union commits Turkey to adopt the EU's common external tariff and a commercial policy "substantially similar" to that of the EU, including adoption of the EU's preferential trade regime with third countries. Turkey has already signed Free Trade Agreements with the EFTA member countries and is in the process of finalizing agreements with the other EU applicant countries.

Turkey is a founding member of the Black Sea Economic Cooperation (BSEC) in which the governments of Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey and the Ukraine are nurturing multilateral cooperation among the members on a number of issues including trade. Turkey, along with Pakistan and Iran, is a founding member of the Economic Cooperation Organization (ECO). ECO, whose membership beyond the founders includes Afghanistan, Azerbaijan, Turkmenistan, Uzbekistan, Kyrgyzstan, Tajikistan and Kazakhstan has had limited success in improving trade cooperation. Turkey is a founding member of the Southern Europe Cooperative Initiative (SECI); a regional association aimed at encouraging cooperation among its member states on a variety of issues including customs, transportation and anti-crime efforts. SECI member states include Albania, Bosnia & Herzegovina, Bulgaria, Croatia, Greece, Hungary, the Former Yugoslav Republic of Macedonia, Moldova, Romania, Slovenia and Turkey.

Web Resources

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U.S. Embassy and U.S. EU Mission Contacts

The United States Embassy's Commercial Section has been assisting U.S. companies, which meet EU directives conformity, in having products clear Turkish Customs as expeditiously as possible. The Commercial Section is also working to have the Government of Turkey accept CE conformity certification from U.S. corporations or U.S.-based Notifying Bodies, without having U.S. companies face additional bureaucratic delays at customs and additional testing at the Turkish Standards Institute. For additional assistance in managing the new CE Mark regulations in Turkey, please contact Commercial Specialist Ozge Cirika at Ozge.Cirika@mail.doc.gov.

For additional information on the European Union Directives and European standards, please contact:

U.S. Mission to the E.U.
Foreign Commercial Service
Rue Zinner 13
B - 1000 Brussels, Belgium
Fax: 32 2 513 1228
Gwen B. Lyle – Standards Attaché

Tel: 32 2 508 2674
gwen.lyle@mail.doc.gov
Sylvia Mohr – Standards Specialist
Tel: 32 2 508 2675

CE Websites

http://www.ita.doc.gov/td/tic/ce_mark/ceindex1.htm
http://ts.nist.gov/ts/htdocs/210/ncsci/export-eu.htm
www.buyusa.gov/europeanunion
http://europa.eu.int/comm/enterprise/index_en.htm
www.newapproach.org

Standards Websites

www.cenorm.be
www.cenelec.org
www.etsi.org
www.ansi.org

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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The Investment Climate Statement has been prepared by the United States Embassy Ankara's Economic Section and remains a key element of this Country Commercial Guide.

The Government of Turkey (GOT) views foreign direct investment as vital to the country's economic development and prosperity. Accordingly, Turkey has one of the most liberal legal regimes for FDI in the OECD. With the exception of some sectors (see below), areas open to the Turkish private sector are generally open to foreign participation and investment. However, all companies - regardless of nationality of ownership - face a number of obstacles: excessive bureaucracy, weaknesses in the judicial system, high and inconsistently collected taxes, weaknesses in corporate governance, sometimes-unpredictable decisions taken at the municipal level, and frequent, sometimes unclear changes in the legal and regulatory environment. Historically, investment has also been discouraged by high inflation and political and macroeconomic uncertainties, though Turkey has become much more stable in the years following the 2001 economic and financial crises.

As a result, FDI inflows, at well below one percent of GDP over the last decade, have been far below FDI received by more investor-friendly emerging markets and also below Turkey's potential. The GOT's far-reaching economic reform program agreed with the World Bank and IMF, and motivated also by multilateral agreements and EU accession, has begun to address these problems and should allow FDI inflows to grow.

Regulations governing foreign investment are, in general, transparent. Legislation approved by Parliament in 2003 (Law 4875 on Direct Foreign Investment) repealed 1954 legislation on foreign investment. The 2003 law liberalized the foreign direct investment regime by eliminating screening of foreign investors in favor of a notification system and providing national treatment in acquisition of real estate by foreign-owned entities registered under Turkish law. The law also abolished specific minimum capital requirement for foreign investments (general capital requirements apply to all

companies); the requirement to seek permission from Treasury if a capital increase would change the participation ratio between the foreign investor and any local partners; and the requirement for Turkish companies to register with Treasury any licensing, management, or franchising agreements concluded with foreign persons.

Foreign investors are subject to restrictions on establishment in certain sectors. The equity participation ratio of foreign shareholders is restricted to 20 percent in broadcasting and 49 percent in aviation, maritime transportation, and many value-added telecommunication services (though telecommunications legislation has been amended to allow certain company- specific exceptions to these limits). However, companies receive full national treatment once they are established. Establishment in financial services, including banking and insurance, and in the petroleum sector requires special permission from the GOT for both domestic and foreign investors.

The GOT privatizes State Economic Enterprises through block sales, public offerings, or a combination of both. Foreign investors generally receive national treatment in privatization programs. Law 5189 of 2004 removed the limit on foreign ownership of Turk Telecom, the dominant provider of voice and other telecommunications services. The company's privatization plan foresees a block sale of 55 percent of the company.

The Turkish Parliament passed legislation in 2003 streamlining the company registration process (see Section 8 - Transparency of the Regulatory System). Another 2003 law on work permits for foreign citizens gave the Labor and Social Security Ministry additional authority in this area (see Section 5 – Performance Requirements/Incentives). Inflation accounting was introduced at the end of 2003. Law 5177, published in June 2004, amended existing legislation on mining with a view toward making this sector more accessible to foreign investment by streamlining permit requirements and procedures and removing limits on mining on certain types of land.

At the end of 2003, Parliament replaced a complex series of taxes on financial instruments with a 15 percent tax on all of them. In 2005, Turkey also plans to reduce the rate of corporate tax and to broaden the set of goods and services eligible for lower value added tax rates.

Turkish law and regulation affecting the investment climate continues to evolve. Potential investors should check with appropriate Turkish government sources for current and detailed information. The following web site provides the text of regulations governing foreign investment and incentives as well as other useful background information:

http://www.treasury.gov.tr/for_inv.htm.

Additional information is available at:
http://www.investinginturkey.gov.tr.

Conversion and Transfer Policies

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Turkish law guarantees the free transfer of profits, fees and royalties, and repatriation of capital. This guarantee is reflected in Turkey's Bilateral Investment Treaty with the United States, which mandates unrestricted and prompt transfer in a freely usable currency at a legal market-clearing rate for all funds related to an investment. There is no difficulty in obtaining foreign exchange. However, as the result of a 1997 court decision, the Turkish Government has blocked full repatriation of investments by oil companies under Article 116 of the 1954 Petroleum Law, which protected foreign investors from the impact of lira depreciation. Affected companies have challenged the 1997 decision and the case is currently in the Turkish court system.

Expropriation and Compensation

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Under the 1990 Bilateral Investment Treaty with the United States (codifying existing Turkish law), expropriation can only occur in accordance with international law and due process. Expropriations must be for public purpose and non-discriminatory. Compensation must be reasonably prompt, adequate, and effective. Under the Bilateral Investment Treaty, U.S. investors have full access to the local court system and the ability to take the host government directly to third party international binding arbitration to settle investment disputes. There is also a provision for state-to-state dispute settlement.

As a practical matter, the GOT occasionally expropriates private property for public works or for State Enterprise industrial projects. The GOT agency expropriating the property negotiates and proposes a purchase price. If the owners of the property do not agree with the proposed price, they can go to court to challenge the expropriation or ask for more compensation. There are no outstanding expropriation or nationalization cases.

Dispute Settlement

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There are several outstanding investment disputes between U.S. companies and Turkish government bodies, particularly in the energy and tourism sectors.

Turkey's legal system provides means for enforcing property and contractual rights, and there are written commercial and bankruptcy laws. The court system is overburdened, however, which sometimes results in slow decisions and judges lacking sufficient time to grasp complex issues. The judicial system is also perceived to be susceptible to external influence and to be biased against outsiders. Judgments of foreign courts, under certain circumstances, need to be reconsidered by local courts before they are accepted and enforced. Monetary judgments are usually made in local currency, but there are provisions for incorporating exchange rate differentials in claims.

Turkey is a member of the International Center for the Settlement of Investment Disputes (ICSID), and is a signatory of the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Turkey ratified the Convention of the Multinational Investment Guarantee Agency (MIGA) in 1987.

Turkish law accepts binding international arbitration of investment disputes between foreign investors and the state; this principle is included in the U.S.-Turkish Bilateral Investment Treaty (BIT). In practice, however, Turkish courts have on at least one occasion failed to uphold an international arbitration ruling involving private companies.

Performance Requirements and Incentives

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Turkey is a party to the WTO Agreement on Trade Related Investment Measures (TRIMS).

Turkey provides investment incentives to both domestic and foreign investors. These include a corporate tax exemption of 40 percent of specified investment expenses deductible from future taxable profits for investments greater than 5,000 new TL (approximately USD 3,700). (New Turkish currency was issued on January 1, 2005, with 1 new Turkish lira equal to 1,000,000 (old) Turkish lira). Certain other incentives may require an incentive certificate from the Turkish Treasury Undersecretariat.

Law 5084, which went into effect in early 2004, encourages investment in provinces with annual per capita income below USD 1,500 as well as to high priority development regions. For low-income

provinces and under certain conditions, the law provides for withholding tax incentives on income tax; social security premium incentives; free land; and electricity price support. These incentives will remain in effect until the end of 2008, except for allocation of free public land, which has no expiration date. The same law also limits certain tax preferences previously enjoyed by Turkey's free zones (see below). The Turkish Government is reported to be considering expanding the number of provinces eligible for the investment incentives.

There are no performance requirements imposed as a condition for establishing, maintaining, or expanding an investment. There are no requirements that investors purchase from local sources or export a certain percentage of output. However, domestic or foreign investors who commit to realizing USD 10,000 of exports upon completion of the investment may be exempt from certain fees and taxes, such as those related to land registration or company establishment. Investors' access to foreign exchange is not conditioned on exports.

There are no requirements that nationals own shares in foreign investments, that the shares of foreign equity be reduced over time, or that the investor transfer technology on certain terms. There are no government imposed conditions on permission to invest, including location in specific geographical areas, specific percentage of local content - for goods or services – or local equity, import substitution, export requirements or targets, employment of host country nationals, technology transfer, or local financing.

The GOT does not require that investors disclose proprietary information, other than publicly available information, as part of the regulatory approval process. Enterprises with foreign capital must send their activity report, submitted to the general assembly of shareholders, auditor's report, and balance sheets to the Treasury's Foreign Investment Directorate every year by May.

With the exceptions noted under Section 1 "Openness to Foreign Investment" and Section 8 "Transparency of the Regulatory System", Turkey grants all rights, incentives, exemptions and privileges available to national capital and business to foreign capital and business on an MFN basis. American and other foreign firms can participate in government-financed and/or subsidized research and development programs on a national treatment basis.

Expatriates may be assigned as managers or technical staff. We are aware of one case in the tourism sector in which denial of a residence permit has hindered operations for a foreign investor. A 2003 law (no. 4817) on work authorizations for foreign nationals gave the Ministry of Labor and Social Security more authority over work permits.

Outside of the agricultural sector and many services, Turkey generally has a liberal foreign trade regime. There are no discriminatory or preferential export or import policies directly affecting foreign investors. Turkey harmonized its export incentive regime with the European Union in 1995, prior to the start of the Customs Union. Turkey currently offers a number of export incentives, including credits through the Turkish Eximbank, energy incentives, and research and development incentives. Foreign investors can participate in these export incentive programs on a national treatment basis. More information on Turkey's trade regime can be found at www.foreigntrade.gov.tr.

Military procurement generally requires an offset provision in tender specifications. The offset guidelines were modified to encourage direct investment and technology transfer. Offset guidelines can be viewed at www.ssm.gov.tr.

Right to Private Ownership and Establishment **Return to top**

With the exceptions noted in Section 1, private entities may freely establish, acquire, and dispose of interests in business enterprises, and foreign participation is permitted up to 100 percent.

Competitive equality is the standard applied to private enterprises in competition with public enterprises with respect to access to markets, credit, and other business operations. Turkey is adopting the EU's competition policy; a Competition Board was established in 1997 to implement the 1994 competition (anti-monopoly) law.

Protection of Property Rights

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Secured interests in property, both movable and real, are recognized and enforced. There is a recognized and reliable system of recording such security interests. For example, there is a land registry office where real estate is registered. Turkey's legal system protects and facilitates acquisition and disposal of property rights, including land, buildings, and mortgages, although some parties have complained that the courts are slow in rendering decisions and that they are susceptible to external influence (see "Dispute Settlement").

Turkey's intellectual property rights regime has improved in recent years, but still presents serious problems. Turkey was elevated from the Special 301 Watch List to the Priority Watch List in 2004, due to concerns about lack of pharmaceuticals data exclusivity protection and continued high levels of piracy and counterfeiting of copyrighted and trademarked materials.

Turkey's 2001 copyright law substantially modernized the legal regime, providing deterrent penalties for copyright infringement. However, it does not prohibit circumvention of technical protection measures, a key feature of the World Intellectual Property Organization (WIPO) "Internet" treaties. In addition, the Turkish courts have generally not rendered deterrent penalties to pirates as provided in the copyright law. Legislation enacted in March 2004 contains several strong anti-piracy provisions, including a ban on street sales of all copyright products and authorization for law enforcement authorities to take action without a complaint by the right holder. However, the law also reduces potential prison sentences in piracy convictions.

In 1995, new patent, trademark, industrial design, and geographic indicator laws revamped Turkey's foundation for industrial property protection. Turkey also acceded to a number of international conventions, including the Stockholm Act of the Paris Convention, the Patent Cooperation Treaty, and the Strasbourg Agreement. The Turkish Patent Institute (TPI) was established in 1994 to support technological progress, protect intellectual property rights and provide public information on intellectual property rights, but its effectiveness has reportedly been limited by lack of resources.

In accordance with the 1995 patent law and Turkey's agreement with the EU, patent protection for pharmaceuticals began on January 1, 1999. Turkey has been accepting patent applications since 1996 in compliance with the TRIPS agreement "mailbox" provisions. The patent law does not, however, contain interim protection for pharmaceuticals in the R&D "pipeline."

Parliament amended the Patent Law in June 2004. The new law provides for penalties for infringement of up to 3 years or 47,000 new TL (approximately USD 35,000) in fines, or both, and closure of the business for up to one year. However, some companies in the pharmaceutical sector have criticized provisions that give judges wider discretion over penalties in infringement cases, delay the initiation of infringement suits until after the patent is approved and published, and permit use of a patented invention to generate data needed for the marketing approval of generic pharmaceutical products.

The Health Ministry has accepted applications to register generic copies of products, which have a valid patent in Turkey; in the absence of a system for patent linkage, it may become possible for generics manufacturers to register a copy of a brand name drug with a valid Turkish patent, damaging the interests of the patent owner.

The key intellectual property concern for research-based pharmaceutical companies is Turkey's lack of data exclusivity protection for confidential test data. U.S. industry contends that numerous products infringing data exclusivity have been approved or are pending review by the Turkish Health Ministry.

Trademark holders also contend that there is widespread and often sophisticated counterfeiting of their marks in Turkey, especially of apparel, pharmaceuticals, film, cosmetics, detergent and other products.

In 2004, Turkey published its first Plant Variety Protection (PVP) Law. However, at least one subsidiary of a U.S. seed company has been unable to obtain protection for its commercial seed under this new law.

Further information on the intellectual property situation in Turkey is available in the National Trade Estimate report, available at the U.S. Trade Representative's website: www.ustr.gov.

Transparency of Regulatory System

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The GOT has adopted policies and laws that in principle should foster competition and transparency. However, foreign companies in several sectors claim that regulations are sometimes applied in a nontransparent manner.

Turkish legislation generally requires competitive bidding procedures in the public sector. In 2003, Law 4734 on Public Procurement entered into force. The law established a board to oversee public tenders, and lowered the minimum-bidding threshold at which foreign companies can participate in state tenders. The law gives preferences to domestic bidders, Turkish citizens and legal entities established by them, as well as to corporate entities established under Turkish law by foreign companies. The public procurement law may be further amended in the future.

In general, labor, health and safety laws and policies do not distort or impede investment, although legal restrictions on discharging employees may provide a disincentive to labor-intensive activity in the formal economy. Certain tax policies distort investment decisions. High taxation of cola drinks discourages investment in this sector. Generous tax preferences for free zones have provided a stimulus to investment in these zones, though these preferences will be trimmed in the future (see free zones section). Similarly, incentives for investment in certain low-income provinces appear to be stimulating investment there (see Performance Requirements/Incentives Section).

Bureaucratic "red tape" has been a significant barrier to companies, both foreign and domestic. Law 4884 of June 2003 simplifies company establishment procedures. The law repeals the permit requirement from the Industry and Commerce Ministry for certain firms, institutes a single company registration form and enables individuals to register their companies through local commercial registry offices of the Turkish Union of Chambers and Commodity Exchanges. The goal is to enable registration to be completed in as little as one day and to encourage electronic sharing of documents. The government is also considering other measures to streamline other business procedures as part of its effort to improve the business climate.

Efficient Capital Markets and Portfolio Investment

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The government has taken a number of important steps in recent years to strengthen and better regulate the banking system, whose weaknesses had contributed to macroeconomic instability over the previous decade and played an important role in the 2000-2001 financial crises.

A 1999 banking law established an independent Banking and Regulation and Supervision Agency (BRSA) to monitor and supervise Turkey's banks. The BRSA, which began functioning in 2000, is headed by a board whose seven members are appointed by the cabinet for six-year terms. The law's provision's also toughened conditions for establishing new banks or branches, set credit limits to protect bank solvency, and strengthen regulatory and sanctioning powers, including authorizing the board to merge weak banks with stronger ones.

The law also created an independent deposit insurance agency, the State Deposit Insurance Fund (SDIF). Until 2004, BRSA and SDIF had the same board and shared staff and offices, though they were separate legal entities. Since the beginning of 2004, BRSA and SDIF's boards and staffing have been separated and SDIF's headquarters moved to Istanbul.

During and after the 2000-2001 financial crisis, many Turkish banks became insolvent or undercapitalized, and SDIF, in coordination with BRSA, took over 21 financial institutions. This includes Imar Bank, which was taken over on July 4, 2003. The SDIF has recapitalized these banks, and has been selling or liquidating them, at the same time as it is negotiating repayment agreements from the banks' former owners covering these banks' portfolio of credits to affiliated companies. The BRSA also has issued a regulation limiting the extent of connected lending (between a bank and related corporate entities) and requiring frequent BRSA on-site monitoring.

In early 2005, the government is preparing a new banking law that helps to bring the bank regulatory framework in line with European Union norms. Once enacted, the new law is expected to further tighten bank regulation, notably by broadening the range of expertise inspectors can draw on when conducting on-site inspections.

Following the 2001 crises, the government restructured state-owned banks, minimizing the scope for political interference, liquidating one of the banks, and slating these banks for eventual privatization. However, the process of privatizing the three remaining state-owned banks has stalled.

Because of high local borrowing costs and short repayment periods, both foreign and local firms frequently seek credit from international markets to finance their activities. As of end-2004, there were 48 commercial banks (including 12 foreign banks) and 14 development or investment banks operating in Turkey. Total sectoral assets were approximately USD 184 billion, or about 70 percent of GNP, as of July 2004 according to data from the Banking Regulation and Supervision Board. The three state-owned commercial banks and the top 4 privately capitalized banks hold approximately 74 percent of total assets.

There is a regulatory system established to encourage and facilitate portfolio investments, though it needs improvements in transparency, accounting, and enforcement provisions to bring it up to EU and U.S. standards. The Istanbul Stock

Exchange (ISE), formed in 1986, is becoming a significant emerging market stock exchange. As of January 2005, 276 companies were listed on the exchange. However, Turkey has yet to develop other capital markets. The Capital Markets Board is responsible for overseeing the activities of capital markets, including activities of ISE-quoted companies, and securities and investment houses. A new Capital Markets Law is under consideration.

The Turkish private sector is dominated by a number of large holding companies, whose upper management is family-controlled. Most large businesses continue to float publicly only a minority portion of company shares in order to limit outside interference in company management. There has been no attempt at a hostile takeover by either international or domestic parties in recent memory.

There are no laws or regulations that specifically authorize private firms to adopt articles of incorporation or association in order to limit or prohibit foreign investment, participation, or control. Neither is there any attempt by the private sector or government to restrict foreign participation in industry standard-setting consortia or organizations.

Political Violence

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Terrorist bombings -- some with significant numbers of casualties -- over the past two years have struck religious, political, and business targets in a variety of locations in Turkey. The potential remains throughout Turkey for violence and terrorist actions against U.S. citizens and interests, both by transnational and indigenous terrorist organizations. In November 2003 the Al-Qa'ida network was responsible for four large suicide bombings in Istanbul that, among other targets, hit western interests. Indigenous terrorist groups also continue to target Turkish as well as U.S. and Western interests. In June 2004 the indigenous terrorist group PKK/KADEK/KONGRA GEL announced an end to their "unilateral ceasefire." Since the announcement, there have been repeated attacks against Turkish targets in the southeast region of Turkey, where the group has traditionally concentrated its activities. In addition, there have been bombings and other incidents in Istanbul, Bodrum, Antalya, and Mersin. Other terrorist groups, including the Turkish group Revolutionary People's Liberation Party/Front (DHKP/C), continue to target Turkish officials and various civilian facilities and may use terrorist activity to make political statements. In 2002, 2003, and 2004, civilian venues such as courthouses and fast food restaurants were the targets of minor bomb attacks, which have resulted in small numbers of casualties among bystanders. Similar, random bombings are likely to continue in unpredictable locations. Americans traveling to Southeastern Turkey, the site of PKK/KADEK/KONGRA GEL actions, should exercise caution.

Although the Turkish government takes air safety seriously and maintains strict controls, particularly on international flights, hijacking attempts have occurred as recently as 2003. For the latest security information on Turkey and throughout the world, travelers should monitor the State Department web site http://travel.state.gov, where the current Worldwide Caution Public Announcement, Travel Warnings, and Public Announcements can be found.

Corruption

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Turkish legislation outlaws bribery and some prosecutions of government officials for corruption have taken place, but enforcement is uneven. Turkey ratified the OECD Convention on Combating Bribery of Public Officials, and passed implementing legislation in January 2003 to provide that bribes of foreign officials, as well as domestic, are illegal and not tax deductible. In 2003, Turkey signed the UN Convention Against Corruption.

The Prime Ministry's Inspection Board, which advises a new Corruption Investigations Committee, is responsible for investigating major corruption cases. Nearly every state agency has its own inspector corps responsible for investigating internal corruption. The National Assembly can establish investigative commissions to examine corruption allegations concerning Cabinet Ministers for the Prime Minister; a majority vote in the parliament is needed to send these cases to the Supreme Court for further action.

Recent public procurement reforms were designed to make procurement more transparent and less susceptible to political interference, including through the establishment of an independent public procurement board with the power to void contracts. The judicial system is also perceived to be susceptible to external influence and to be biased against outsiders to some degree.

Transparency International has an affiliated NGO in Istanbul.

Bilateral Investment Agreements Return to top

Since 1985, Turkey has been negotiating and signing agreements for the reciprocal promotion and protection of investments. Turkey has signed or initiated negotiations on bilateral investment treaties with 69 countries. Fifty-two of these agreements are now in force, including with the United States, United Kingdom, Germany, the Netherlands, Belgium, Luxembourg, Denmark, Austria, Sweden, Switzerland, Spain, Finland, Italy, Portugal, Hungary, Poland, Romania, Tunisia, Kuwait, Bangladesh, China, Japan, South Korea, Indonesia, Croatia, Cuba, the Czech Republic, Estonia, Russian Federation, Azerbaijan, Kazakhstan, Georgia, Tajikistan, Ukraine, Uzbekistan, Belarus, Lithuania, Latvia, Slovakia, Macedonia, Pakistan, Turkmenistan, Moldova, Kyrgyzstan, Albania, Bulgaria, Argentina, Bosnia, Malaysia, Egypt, Mongolia, Greece and Israel.

Turkey's bilateral investment treaty with the United States came into effect on May 18, 1990. A bilateral tax treaty between the two countries took effect on January 1, 1998. Turkey has signed avoidance of double taxation agreements with 59 countries; 39 of these are in force.

OPIC and Other Investment Insurance Programs Return to top

The Overseas Private Investment Corporation (OPIC) offers a full range of programs in Turkey, including political risk insurance for U.S. investors, under its bilateral agreement with Turkey. OPIC is also active in financing private investment projects implemented by U.S. investors in Turkey. OPIC-supported direct equity funds, including the USD 200 million Soros Private Equity Fund can make direct equity investments in private sector projects in Turkey. Small-and medium-sized U.S. investors in Turkey are also eligible to utilize the new Small Business Center facility at OPIC, offering OPIC finance and insurance support on an expedited basis for loans from USD 100,000 to USD 10 million.

In 1987, Turkey became a member of the Multinational Investment Guarantee Agency (MIGA).

The U.S. Government annually purchases approximately USD 24 million of local currency. Embassy purchases are made at prevailing market rates, which fluctuate in accordance with Turkey's free floating exchange rate regime

Labor

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The Turkish labor force numbers 25.3 million (22.9 million employed and 2.4 million unemployed); 35.9 percent of the workforce is in agriculture. The official unemployment rate was 9.5 in the third quarter of 2004.

Students are required to complete eight years of schooling. Turkey has an abundance of unskilled and semi-skilled labor.
However, there is a shortage of qualified workers for highly automated high-tech industries. Individual high-tech firms, both local and foreign-owned, have generally conducted their own training programs for such job categories. Vocational training schools for some commercial and industrial skills exist in Turkey at the high school level. Apprenticeship programs, both formal and informal, remain in place, although they are dying out in some traditional occupations. Turkey's labor force has a reputation for being hardworking, productive and dependable.

Labor-management relations have been generally good in recent years. Employers are obliged by law to negotiate in good faith with unions that have been certified as bargaining agents. Strikes are usually of short duration and almost always peaceful. Since 1980 Turkey has faced criticism by the ILO, particularly for shortcomings in enforcement of ILO Convention 87 (Convention concerning Freedom of Association and Protection of the Right to Organize) and Convention 98 (Convention concerning the Application of the Principles of the Right to Organize and to Bargain Collectively).

In 2002, Parliament approved a job security bill, providing basic job security for workers and requiring a valid reason for the termination of the labor contract at the initiative of the employer. The law came into effect on 15 March 2003. In 2003, the Labor Law of 1971 (No. 1475) was replaced by a new Labor Law (No. 4857), which provided employers with greater flexibility in the organization of work and weakened to a certain extent the job security provided by the 2002 law.

In 1995 and 2001, constitutional amendments reduced restrictions on freedom of association and political activity of trade unions. However, the restrictions on the right to strike under Article 54 of the Constitution were preserved intact. Under the Law on Collective Labor Agreements, Strikes and Lockouts, some restrictions on the right to strike were repealed in 1988. Civil servants (defined broadly as all employees of central government ministries, including teachers) are allowed to form trade unions and to engage in limited collective negotiations, but are prohibited from striking.

Foreign-Trade Zones/Free Ports

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Firms operating in Turkey's free zones have historically enjoyed many advantages, but these will be limited in the future by recent legislation. Twenty-one zones have been

established since passage of the Turkish law on free zones in 1985. The zones are open to a wide range of activities, including manufacturing, storage, packaging, trading, banking, and insurance. Foreign products enter and leave the free zones without payment of any customs or duties. Income generated in the zones is exempt from corporate and individual income taxation and from the value-added tax, but firms are required to make social security contributions for their employees. Additionally, standardization regulations in Turkey do not apply to the activities in the free zones, unless the products are imported into Turkey. Sales to the Turkish domestic market are allowed, with goods and revenues transported from the zones into Turkey subject to all relevant import regulations. There are no restrictions on foreign firms operations in the free zones. Indeed, the operator of one of Turkey's most successful free zones located in Izmir is an American firm.

Law 5084 revised the free zones law to effectively eliminate certain income and corporate tax immunities for the zones. Under the new rules, taxpayers who possessed an operating license as of February 6, 2004 will not have to pay income or corporate tax on their earnings in the zone for the duration of their license. Earnings based on sale of goods manufacturing in a zone will be exempt from income and corporate tax until the end of the year in which Turkey becomes a member of the European Union. Earnings secured in a free zone under corporate tax immunity and paid as dividends to real person shareholders in Turkey or to real person or legal-entity shareholders abroad will be subject to 10 percent withholding tax. The tax immunity of the wage and salary income earned by persons employed in the zones by taxpayers possessing an operating license as of February 6, 2004 will remain in effect until December 31, 2008, or the expiration date of the operating license, whichever is earlier. The implications of the new rules are complex, and interested parties may want to consult with a tax advisor and/or the Foreign Trade Undersecretariat (web site: www.dtm.gov.tr).

Foreign Direct Investment Statistics **Return to top**

With the foreign investment permit requirement in place until 2003, the Turkish Treasury collected detailed sectoral and country of origin data for authorized FDI. Data collected since the abolition of the permit requirement, by the Central Bank and other entities, may not be directly comparable to data collected prior to 2003.

According to Turkish Treasury data, as of June 2003, there are 6,511 foreign firms invested and are operating in Turkey. The Turkish government has provided permits for foreign capital since 1980 amounting to USD 35.2 billion, and aggregate actual inflows reached USD 16.4 billion. In 2003, EU countries accounted for 74.3 percent of authorized new foreign investment, OECD countries accounted for 93.7 percent, and Islamic countries for 3.7 percent. Over the past two decades, France (16.4 percent) has been the top source of foreign investment, followed by the Netherlands (15.8 percent), Germany (13.0 percent) and the U.S. (11.5 percent) (Note that these figures are based on the amount of authorized investment, not on actual capital inflows.) Because of the absence of a bilateral tax treaty until 1998, much U.S.-origin capital was invested in Turkey through third-country subsidiaries. According to U.S. Commerce Department data, U.S. company investment amounted to about USD 2 billion in 2003. By unofficial estimates, the U.S. may be one of the largest sources of foreign investment in Turkey.

In 2003, about 58.9 percent of authorized foreign investment took place in manufacturing, 30.23 percent in services, 10.3 percent in mining and 0.6 percent in agriculture. The sub-sectors with the greatest amount of authorized foreign investment include banking (10.6 percent); communications (9.4 percent); food, beverage and tobacco processing (8.0 percent); and trade (6.5 percent). Between 1980 and June 2003, 53.0 percent of actual capital inflows were invested in manufacturing, 44.0 percent in services, 1.8 percent in agriculture, and 1.2 percent in mining. The finance and communications sectors received the highest share of increased foreign direct investment permits in 2003.

FDI Inflow by Years (million USD)

Year	Actual Inflow	Inflow/GDP	No. firms (cumulative)
1980-1988	1.172		
1989	663	0.80	1,525
1990	684	0.67	1,856
1991	907	0.69	2,123
1992	911	0.78	2,330
1993	746	0.56	2,554
1994	636	0.64	2,830
1995	934	0.66	3,163
1996	914	0.53	3,582
1997	852	0.54	4,068
1998	953	0.49	4,533
1999	813	0.41	4,950
2000	1,707	0.85	5,328
2001	3,288	2.21	5,841
2002	1,702	0.48	6,280
2003	1,702	0.71	6,511
2004(*)	2,216	1.02	N/A
Total	20,140		6,511

Source: Central Bank of Turkey, State Institute of Statistics,
(*)January through November 2004.
(**) Includes capital inflows, foreign loans and real estate investment.

FDI Inflow by Source Country (1999-2002/ million USD)

Country	Cumulative Value	Share (percent)
Italy	1,966	30.9
Netherlands	962	15.1
USA	793	12.4
United Kingdom	647	10.1
Germany	514	8.1
Bahrain	323	5.1
Japan	267	4.2

France	263	4.1
Switzerland	104	1.6
Belgium-Luxembourg	25	0.4
Spain	23	0.4
Others	488	7.7
Total	6,377	100.0

Source: Turkish Treasury Undersecretariat, General Directorate of Foreign Investment. Updated information has not been issued for the period following 2002.

Sectoral Breakdown of FDI Permits (1980-2003*/ million USD)

Sector	Cumulative Value	Share (percent)
Manufacturing	18,641	53.0
Services	15,453	44.0
Agriculture	616	1.8
Mining	442	1.2
Total	35,152	100.0

Source: General Directorate of Foreign Capital
(*) as of June 2003

Main Manufacturing Industry Sub-Sectors Receiving FDI Permits

Industry Sub-sector	Share in Manufacturing Industry (percent)
Chemical Products	18.3
Food	14.7
Transport Equipment	12.3
Electrical Machinery	5.8
Garment Industry	3.9
Iron and Steel	3.4

Source: General Directorate of Foreign Capital
(*) as of June 2003

Turkey's External Investment by Country (As of December 2004)

Country	Amount (USD millions)	Share (percent)
Netherlands	2,248.8	34.8
Azerbaijan	1,043.6	16.1

United Kingdom	524.2	8.1
Germany	472.1	7.2
Kazakhstan	434.5	6.7
Luxembourg	248.7	3.9
USA	179.8	2.8
Russia	159.7	2.5
France	93.4	1.4
Switzerland	84.9	1.3
Other	976.5	15.1
Total	6,466.2	100.0

Source: General Directorate of Banking and Foreign Exchange, Treasury

Major foreign investors

Turkey's foreign investors include Telecom Italia, Renault, Toyota, Fiat, Castrol, Citibank, Pirelli Tire, Unilever, RJR Nabisco, Philip Morris, Honda, Hyundai, Bosch, Siemens, DaimlerChrysler, JP Morgan Chase, AEG, Bridgestone-Firestone, Cargill, Novartis, Coca Cola, Colgate-Palmolive, General Electric, ITT, Ford Motor Co., Lockheed Martin, Goodyear, Aventis, McDonald's, Nestle, Mobil, Pepsi, Pfizer, Procter and Gamble, InterGen, Abbot Laboratories, Aria, Bechtel, Shell, Delphi-Packard, Toreador/Madison Oil, AES, NRG, Normandy Mining, Marsa-Kraft-Jacobs Suchard, ESBAS A.S., Archer Daniels Midland, Merck, Bunge, and Bausch and Lomb.

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Foreign Trade Undersecretariat: www.dtm.gov.tr).
State Department Travel Warnings: http://travel.state.gov
Turkey's trade regime: www.foreigntrade.gov.tr.

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Chapter 7: Trade and Project Financing

- How Do I Get Paid (Methods of Payment)
- How Does the Banking System Operate
- Foreign-Exchange Controls
- U.S. Banks and Local Correspondent Banks
- Project Financing
- Web Resources

How Do I Get Paid (Methods of Payment)

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GENERAL FINANCING AVAILABILITY

Traditionally, Turkish corporations have satisfied most of their financing requirements through the banking industry. Corporation / banking relationships are close. Locally, commercial banks account for about 80 percent of the credits outstanding in the Turkish financial system. However, given the continuing gap between Turkey's extensive needs and its limited internal resources, external financing of public and private project investment will be a crucial factor in this and coming years. Exporters are advised to provide financing for their exports. In addition to short and medium-term credits available from commercial banks in local and foreign currencies, lower-cost TL credits are also available from Turkish Eximbank.

HOW TO FINANCE EXPORTS AND METHODS OF PAYMENT

Letters of Credit (LCs) are traditional import instruments for private-sector transactions. LCs should be irrevocable and confirmed by a prime U.S. bank. As Turkish importers develop long-term contacts and prove their credit-worthiness, suppliers may be willing to accept documents against payment (d/p) or documents against acceptance (d/a). Deferred payment schedules are not common except in cases of large transactions where supplier financing plays a role.

Turkish banks continued to have seen some tightening in their access to international credit, though the major banks are able to borrow internationally. Suppliers should consider unconventional project financing packages (e.g., forfeiting, factoring and utilization of third-country export credits) when bidding on major government infrastructure projects. Exporters should be flexible and try to accommodate customers' needs, building any additional associated cost into the offer price.

Firms bidding on GOT contracts should pay careful attention to the way proposals are prepared and should strictly follow the administrative specifications. Financing costs and foreign exchange rate risks, wherever applicable, should be factored into the bid price. Bids, which do not comply with administrative specifications (which include financial criteria), are generally rejected. Generally, validity of a proposal is required to be 3 to 6 months from the bid date. Government tenders often involve bid and performance bonds. Bid bonds are normally equivalent to 3 percent of the value of the tender, while

performance bonds are usually equivalent to 6 percent of the contract value. The government only calls these bonds in cases of substantial non-performance. All bonds have to be counter-guaranteed by a Turkish national bank.

A number of leasing companies operate in Turkey, most owned by Turkish banks. They finance purchases of expensive capital goods such as aircraft, auto fleets or special equipment. Financial leasing used to account for only 1 to 2 percent of capital expenditures in Turkey versus 20 percent in developed countries. The terms of leasing are usually four years, with a balloon payment at the end. Turkish leasing companies are eager to work with U.S. counterparts.

Turkish factoring companies (again, usually offshoots of banks) generally belong to the International Factors Group based in Belgium. Like leasing companies, all factoring and forfeiting companies are having funding difficulties. Both factoring and forfeiting maximize cash flow, reduce transaction risks, and may enhance competitiveness by offering flexible payment terms to the buyer. All U.S. banks active in Turkey know and deal with at least one of the major leasing and factoring companies.

How Does the Banking System Operate

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The banking sector plays less of a financial intermediary role than one would expect in an economy of Turkey's size and sophistication. The three state -owned commercial banks plus the six largest private banks hold nearly a two-thirds share of total bank assets (information on banks, the listing of banks licensed in Turkey and statistics on the Turkish banking sector can be viewed at (www.bddk.org.tr). Turkish banks engage in core banking services, securities brokering and other businesses. In terms of trade finance, treasury operations, electronic banking, and information management, the dozen leading Turkish banks are as sophisticated as their other OECD counterparts. However, bank profitability has been treasury-based, not lending-based, and most banks have yet to develop solid lending cultures and risk-asset management systems. One hundred percent deposit insurance since 1994 is an additional complicating factor. Moreover, accounting practices are neither at commonly accepted international GAAP standards or evenly applied across the sector.

U. S. and U.S.-affiliated investment and commercial banks present in Turkey include Citibank, JP Morgan Chase, American Express, Wachovia and the Bank of New York. The Turkish banking sector continues to undergo significant industry consolidation.

The Istanbul Stock Exchange, formed in 1986, is becoming one of the major players in the capital market. In 1995, the Istanbul Gold Exchange opened for trading. The Capital Market Board, based in Ankara, is responsible for overseeing the activities of capital markets. The Central Bank of the Republic of Turkey is headquartered in Ankara and together with Turkish Treasury is responsible for the integrity of the banking system. In 1994, the Central Bank became an autonomous body but is not independent.

The Central Bank supervises bank activities in order to guarantee that they meet liquidity requirements and operates in a responsible fashion. While the Central Bank's Bank Supervision Division acts as the government's supervisory authority, the Undersecretariat of the Treasury is responsible for the enforcement of banking laws. Treasury's Banking and Exchange General Directorate conducts criminal investigations of banks and is the government agency that determines punitive actions taken against

institutions violating banking or securities laws. The bank regulatory authority (BRSA) determines the disposition of insolvent banks.

Foreign-Exchange Controls

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There are no known foreign-exchange limits placed on importers by the GOT, and there are no restrictions on the transfer of funds in or out of the country. Although the Turkish lira (TL) is fully convertible, most international transactions are denominated in U.S. dollars or Euros due to these currencies' universal acceptance. Banks are allowed to deal in foreign exchange and to borrow and lend in foreign currencies. Foreign exchange is freely traded and widely available. Foreign investors are free to convert and repatriate their Turkish lira profits.

U.S. Banks and Local Correspondent Banks

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U. S. and U.S.-affiliated investment and commercial banks present in Turkey include Citibank, JP Morgan Chase, American Express, Wachovia and the Bank of New York.

Project Financing

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TYPES OF AVAILABLE EXPORT FINANCING AND INSURANCE

The Export-Import Bank of the United States (Eximbank) is open for business in Turkey and offers a variety of credit facilities to U.S. firms exporting to Turkey as well as providing project financing for U.S. investments. Eximbank does not have a ceiling for Turkey as long as a Treasury guarantee is provided (for the public sector). For the private sector investments, Eximbank considers the financial records of the Turkish company or the ability of a project to generate enough revenue to pay back the loan. The U.S. Trade and Development Agency (TDA) is active in financing pre-feasibility and feasibility studies and pre-design work for major government projects and private sector projects, while the Overseas Private Investment Corporation (OPIC) insures and provides investment credit financing to many U.S investments in Turkey. U.S. firms may also compete for contracts financed by the World Bank. Most major government tenders still require suppliers' credits.

In 1999, the Export-Import Bank of the United States (Ex-Im Bank), the Overseas Private Investment Corporation (OPIC), and the U.S. Trade and Development Agency (TDA) opened the Caspian Finance Center (CFC), the agencies' first joint regional office anywhere in the world. Located at the United States Embassy in Ankara, the CFC houses representatives from OPIC and TDA who promote increased trade and investment in Turkey, the Caucasus and Central Asia. Working together with the U.S. Commercial Service and the Department of State, the Center's efforts also focus on supporting American participation in projects throughout the region and Afghanistan.

USDA's Commodity Credit Corporation offers three-year GSM-102 export credit guarantees for imports of a wide range of agricultural products. Seven-year GSM-103 guarantees are available for imports of breeder cattle and poultry. In October 1998, USDA announced Turkey's eligibility for a five year Facilities Credit Guarantee Program for sales of U.S. manufactured goods and services to improve existing agricultural

related facilities and a USD 5 million Supplier Credit Guarantee Program targeted at imports of high value products from the United States.

AVAILABILITY OF PROJECT FINANCING

Project financing is available through a multitude of sources including Turkish and foreign commercial banks and investment banks. OPIC is another source for project financing for U.S. investors. Interested U.S. companies should note that American banks active in Turkey are among the leaders in project financing.

TYPES OF PROJECTS RECEIVING FINANCING SUPPORT

Turkey offers numerous major project opportunities in telecommunications, energy, transportation, and building of infrastructure projects such as dams, airports, harbors, roads, and water and sewerage systems. Supplier financing is the key to winning these large projects. U.S. Eximbank established a project financing office in 1994 to provide financing on a project basis. Traditionally, U.S. Eximbank financing, along with OPIC and TDA programs, are available to U.S. suppliers. The World Bank /International Bank for Reconstruction and Development continues to fund major projects in Turkey (http://www.worldbank.org.tr/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/TURKEYEXTN/0,,menuPK:361718~pagePK:141159~piPK:141110~theSitePK:361712,00.html.)

REGIONAL FINANCING

The Overseas Private Investment Corporation has expanded the scope of the Southeast Europe Equity Fund (SEEF), managed by Soros Private Fund s Management, and is currently permitted to invest in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Montenegro, Romania, Serbia, Slovenia, Turkey, Armenia, Azerbaijan and the Republic of Georgia. The fund is capitalized at US$ 200 million and is available for investment in new, expanding, restructuring and privatizing businesses to promote greater regional economic integration and development.

SMALL BUSINESS SUPPORT

The Overseas Private Investment Corporation (OPIC) has established small business centers to assist qualified small businesses the opportunity to utilize OPIC's resources with improved customer service and easier access through a streamlined approval process. OPIC stands ready to assist small and medium sized business grow through investments in over 150 emerging markets around the world. The Small Business Centers will support the financing and political risk insurance needs to eligible small business.

To support small and medium sized business enterprises in their international trading activity, the United States Commercial Service and the Overseas Private Investment Corporation entered into a partnership that combines the strength of the Commercial Service's network of 105 offices in the United States and 150 offices overseas with the investment finance and political risk insurance support of the Overseas Private Investment Corporation. The cooperation agreement signed on May 12, 2003 by Assistant Secretary of Commerce and Director General of the Commercial Service Maria

Cino and OPIC President and CEO Dr. Peter Watson clearly demonstrates the synergistic value of combining export marketing and trade finance resources. This cooperation agreement has been established to better assist small and medium sized business enterprises. These businesses account for ninety-seven percent of all U.S. exporters, and small business continues to be the bulwark of the U.S. economy.

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Export-Import Bank of the United States: http://www.exim.gov

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: http://www.opic.gov

Trade and Development Agency: http://www.tda.gov/

SBA's Office of International Trade: http://www.sba.gov/oit/

USDA Commodity Credit Corporation: http://www.fsa.usda.gov/ccc/default.htm

U.S. Agency for International Development: http://www.usaid.gov

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Business Customs

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The Turkish people feel close to their traditions and culture. However, having ties with western countries, Turkish people in major cities have adopted a western way of life. A foreigner visiting any one of the large cities in Turkey will find himself or herself in an atmosphere similar to that of a contemporary western city. There are no local customs, beyond the bounds of normal courtesy that a visiting businessman should feel compelled to observe. In general, a personal relationship is an important basis for a successful business relationship in Turkey. It is usually important to allow time for friendly conversation before commencing with a business agenda. Business cards are almost always exchanged, and visitors are usually offered a glass of tea or a cup of Turkish coffee.

Travel Advisory

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The general security situation throughout Turkey is stable, but sporadic incidents involving terrorist groups have occurred. The Turkish government is committed to eliminating terrorist groups such as the Kurdistan Worker's Party (PKK) and various leftist and fundamentalist groups. Although these groups have not completely disbanded, their operational capabilities have greatly diminished. These groups have used terrorist activity to make political statements, particularly in Istanbul and other urban areas of Turkey. No Americans appear to have been targeted in any recent terrorist incident in Turkey, but Americans simply in the wrong place at the wrong time during a terrorist incident could be victims. Terrorists targeting Turkish officials and various civilian facilities in Istanbul were responsible for deaths and injuries of several dozen people. The civilian targets included a number of fast food restaurants. For the latest information with respect to the security situation in Turkey, please visit our Consular Affairs website at www.travel.state.gov.

Visitors to any part of southeastern Turkey are advised to travel only during daylight hours and on major highways. The Turkish Jandarma (Gendarmerie) and police forces monitor checkpoints on roads throughout the southeastern region. Travelers are cautioned not to accept letters, parcels or other items from strangers for delivery either in or outside Turkey. The PKK has attempted to use foreigners to deliver messages and

packages in or outside of Turkey. If discovered, individuals could be arrested for aiding and abetting the PKK-a serious charge. Additional information is available on the U.S. Embassy web page at http://www.usemb-ankara.org.tr and on the State Department web at www.travel.state.gov.

Turkish law has a broad definition of "antiquities" and makes it a crime to remove any from the country. Offenders are prosecuted. Under Turkish law, all historic sites such as fortresses, castles and ruins, and everything in them or on the grounds or in the water, are the property of the Turkish government. While many sites do not have signs cautioning the unwary, official silence does not mean official consent. One may buy certain antiquities, but only from authorized dealers who have been issued a certificate by a museum for each item, which they are authorized to sell. If one has acquired a possible antiquity without having obtained the necessary certificate, competent museum personnel should evaluate it before its removal from Turkey. U.S. visitors may obtain updated information on travel and security in Turkey from the U.S. Embassy in Ankara or Consulates in Istanbul and Adana, or click on the Embassy's home page: www.usemb-ankara.org.tr.

Visa Requirements

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U.S. citizens are required to obtain visas before entering Turkey. A passport and visa are required. Holders of all types of passports can purchase a 90-day sticker visa at the port of entry for $ 20, if they are traveling to Turkey as tourists. For further information, travelers in the U.S. may contact the Embassy of the Republic of Turkey at 2525 Massachusetts Avenue, NW, Washington, D.C. 20008, telephone: (202) 612-6700, or the Turkish consulates general in Chicago, Houston, Los Angeles, or New York. Information may also be found at Internet address http://www.turkey.org. Overseas, travelers may contact a Turkish embassy or consulate. Holders of official and diplomatic passports on official business must obtain a visa from a Turkish embassy or consulate before arrival in Turkey. Holders of official and diplomatic passports on private travel may receive a visa free of charge from a Turkish embassy or consulate, or obtain one upon arrival at the port of entry for $ 20. All those who are planning to stay more than three months for any purpose are required to obtain a visa from a Turkish embassy or consulate. Such travelers must also apply for a residence/work permit or Turkish ID card within the first month of their arrival in Turkey. For example, this would include anyone who plans to spend more than three months doing research, studying, or working in Turkey.

All travelers are advised to obtain entry stamps on the passport page containing their visa at the first port of entry before transferring to domestic flights. Failure to obtain entry stamps at the port of entry has occasionally resulted in serious difficulties for travelers when they attempt to depart the country.

In an effort to prevent international child abduction, many governments have initiated procedures at entry/exit points. These often include requiring documentary evidence of relationship and permission for the child's travel from the parent(s) or legal guardian not present. Having such documentation on hand, even if not required, may facilitate entry/departure.

Street crime is relatively low in Turkey, although it is increasing in large urban centers such as Istanbul and Izmir. Women appear to have been targeted for muggings or

robberies. Visitors should not be complacent regarding personal safety or the protection of valuables. The same precautions employed in the US should be followed in Turkey. As in other large metropolitan areas throughout the world, common street crimes include pickpocketing, purse snatching, and mugging. English-or French-speaking foreigners, who identified themselves as Tunisian, Moroccan, Egyptian, Kuwaiti, or Romanian, have also targeted foreign tourists. These persons have befriended the tourists and then drugged them, using teas, juice, alcohol, or food. Two common drugs used are nembitol, known on the street as sari bomba (the yellow bomb) and benzodiazepine; when used incorrectly they can cause death. In similar cases, tourists are invited to visit clubs or bars, and then presented with inflated bills (often exceeding $1000), and coerced to pay them by credit card.

The loss or theft abroad of a U.S. passport should be reported immediately to the local police and the nearest U.S. Embassy or Consulate. Travelers are encouraged to carry a photocopy of their passport, to assist in getting a replacement passport if the original is stolen. U.S. citizens may refer to the Department of State's pamphlet, A Safe Trip Abroad for ways to promote a trouble-free journey. The pamphlet is available by mail from the Superintendent of Documents, U. S. Government Printing Office, Washington, D.C. 20402, via the Internet at http://www.gpoaccess.gov, or via the Bureau of Consular Affairs home page at www.travel.state.gov. An "Istanbul Street Crime Briefing" is available on the U.S. Embassy Ankara's web site at http://www.usemb-ankara.org.tr or from the Consular Affairs web site at www.travel.state.gov.

U.S. Companies that require travel of foreign businesspersons to the United States should allow sufficient time for visa issuance if required. Visa applicants should go to the following links.

State Department Visa Website: http://travel.state.gov/visa/index.html

United States Visas: http://www.unitedstatesvisas.gov/

U.S. Embassy Ankara: at http://www.usemb-ankara.org.tr

Telecommunications **Return to top**

Communication: The telephone system in Turkey's major cities is good. E-mail and faxes are widely used in international business. Travelers and businesspersons can utilize GSM cellular service prepaid cards and hire a GSM mobile/cell phone in Turkey. Coverage is nationwide.

Transportation **Return to top**

Transportation: The national flag carrier, Turkish Airlines (THY), together with its subsidiaries, dominates air passenger service and flies non-stop daily to most major European, Middle Eastern, Asian cities and U.S. gateways including Tokyo, London, Frankfurt, Paris, New York and Chicago. Major European airlines have also frequent non-stop flights to Turkey. Delta Airlines serves Istanbul direct from its New York Kennedy hub. American Airlines and THY have a code-share arrangement with THY serving American's hubs in New York and Chicago. United Airlines and Lufthansa offer

code-share service with Lufthansa serving Istanbul, Izmir and Ankara from its Star Alliance Frankfurt and Munich hubs. Though Turkish Airlines dominates domestic air travel within Turkey, the Government has liberalized domestic air service, and new airlines are beginning to serve the domestic market. Rail transportation is also available between most of the major cities. Comprehensive networks of long distance buses, which are inexpensive, operate between the major cities. Car rental is relatively expensive although gasoline (benzene) is cheaper than in Western Europe, and fuel stations are numerous. Public transportation is available in the cities. However, businessmen are advised to use taxis, as taxis are relatively inexpensive.

Lodging: Medium to luxury-type hotels, including international hotels such as the Hilton, Sheraton, Hyatt, Holiday Inn, Conrad, Four Seasons, Ritz Carlton and Swissotel, are available in major cities. Apartment rents in Istanbul are expensive. Rents in Ankara and Izmir are more reasonable. Payment on an apartment rental, in a popular area of a city, is usually made in a foreign currency. Generally, six months to one year's rent is expected in advance.

Language

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Language: The official language spoken by more than 90 percent of the population is Turkish. Most educated Turks have a command of at least one foreign language, with sufficient fluency to carry out business transactions. Most company executives were educated in western countries. English is the dominant language for international business. Other frequently spoken languages are German and French.

Health

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Health: Medical facilities are available, but may be limited outside urban areas. Food and water borne diseases are prevalent throughout Turkey. Anyone coming to Turkey should have comprehensive medical insurance. Useful information on medical emergencies abroad, including overseas insurance programs, is provided in the Department of State's Bureau of Consular Affairs brochure, Medical Information for American Traveling Abroad, available via the Bureau of Consular Affairs home page at www.travel.state.gov or autofax: (202) 647-3000.

Vaccines: Vaccines necessary for Turkey are all childhood immunizations, Typhoid, Hepatitis B, Hepatitis A (or Immune Globulin as an alternative). Visitors who will visit rural areas, or go on hiking, or trekking trips in the country may wish to get Rabies vaccine although this is not required.

Information on vaccinations and other health precautions can be obtained from the Center for Diseases Control and Prevention's (CDC) hotline for international travelers at 1-877-FYI-TRIP (1-877-394-8747), fax 1-800-CDC-FAXX (1-800-232-3299), or via CDC's Internet site at http://www.cdc.gov.

Food: Turkish cuisine is characterized by the freshness of its ingredients and most American business travelers have no trouble finding a good meal. All major hotels have at least one restaurant serving continental cuisine. Several European and ethnic restaurants are also available in major cities. Prices at these places are usually moderate-to-expensive. Good food is available not only at expensive restaurants but

also at moderately priced establishments. One also has the choice of fast food restaurants such as McDonald's, Wendy's, Kentucky Fried Chicken, Burger King and their Turkish equivalents such as Kebap 49. A variety of fresh fruits and vegetables are available throughout the year.

Local Time, Business Hours, and Holidays

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Time in Turkey is Universal Time Coordinated/Zulu + 2 hours (Zulu is London UTC). In comparison, Eastern Standard Time is Zulu –5 hours, Central Standard Time is Zulu –6 hours and Pacific Standard Time is Zulu –8 hours.

Business Hours is from 08:30 to 17:30 Monday through Friday except holidays

TURKISH HOLIDAYS IN 2005

January 1	New Year's Day
January 19-23 2005	Kurban Bayrami (Sacrifice Holiday) begins 13:00
April 23	National Sovereignty and Children's Day
May 19	Ataturk Memorial, Youth and Sports Day
August 30	Victory Day
October 28-29	Turkish Independence Day (Begins 13:00 on October 28)
November 2-5, 2005	Seker Bayrami (Ramazan) begins 13:00

Temporary Entry of Materials and Personal Belongings

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Travelers entering Turkey on a temporary basis and carrying items such as laptop computers and accessories, display and exhibit materials are permitted to bring these items into Turkey duty free. Customs officials register the items to the traveler's passport and subsequently cancel them as the traveler exits the country with the same items. Catalogs, brochures, pamphlets, and similar advertising materials are exempt from customs duty. For additional information about temporary entry, please see VI. Trade Regulations and Standards, Temporary Entry section. Customs regulations may be found at www.gumruk.gov.tr.

Web Resources

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Department of State Travel Information: www.travel.state.gov
Center for Diseases Control Health Info: http://www.cdc.gov.
State Department Visa Website: http://travel.state.gov/visa/index.html
United States Visas.gov: http://www.unitedstatesvisas.gov/
U.S. Embassy Anakara: at http://www.usemb-ankara.org.tr

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Chapter 9: Contacts, Market Research, and Trade Events

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- Market Research
- Trade Events

Contacts **Return to top**

U.S. Mission Trade-related Personnel

Commercial Affairs
http://www.buyusa.gov/turkey/en/

Trade and Development Agency
http://www.tda.gov

United States Department of State

http://ankara.usembassy.gov/

Unites States Department of Agriculture

Agricultural Affairs Office
Agankara@fas.usda.gov

Washington-Based U.S. Government Country Contacts

U.S. Department of Commerce

Mr. David S. De Falco, Esq.
Turkey Desk Officer
David_de_falco@ita.doc.gov

U.S. Department of State

Mr. David McCormick
U.S. Department of State- Desk officer for Turkey
MccormickDL@state.gov

Trade and Development Agency
www.tda.gov

Mr. Daniel D. Stein
Regional Director for Russia, NIS, and Turkey
dstein@tda.gov

U.S. Department of Agriculture, Foreign Agricultural Service
www.fas.usda.gov

Mr. James Dever
dever@fas.usda.gov

Export-Import Bank of the United States
www.exim.gov

Ms. Margaret Kostic, Business Development Officer
Margaret.Kostic@exim.gov

Overseas Private Investment Corporation
www.opic.gov

Turkish Government Contacts

AGRICULTURE AND RURAL AFFAIRS

Ministry of Agriculture and Rural Affairs, General Directorate of Agricultural Production Development
www.tarim.gov.tr

Ministry of Agriculture and Rural Affairs, General Directorate of Protection and Control
www.tarim.gov.tr

Ministry of the Environment and Forestry
www.cevreorman.gov.tr

Turkish Grains Council
www.tmo.gov.tr

General Directorate of Rural Services
www.khgm.gov.tr

COMMUNICATIONS

Ministry of Communications and Transportation
www.ubak.gov.tr

Activity: Construction of harbors, airports, and railways, establishes telecommunications policy and monitors telecom privatization.

General Directorate of Turkish Radio and Television
www.trt.gov.tr

Activity: Television and radio broadcasting

Telecommunications Authority
www.tk.gov.tr

Turk Telekom A.S.
www.telekom.gov.tr

Activity: Telecom parastatal, scheduled for privatization. It operates fixed lines and telecommunications satellites serving Turkey, lease channels and transponders from satellites.

DEFENSE AND NATIONAL SECURITY

Ministry of National Defense, Foreign Procurement Department
www.msb.gov.tr

Activity: Defense procurement in accordance to programs and priorities of the Turkish General Staff.

Undersecretariat for Defense Industries
www.ssm.gov.tr

Activity: Defense equipment and systems procurement. Agency promotes the establishment of an indigenous Turkish defense industry.

Turkish Gendarmerie Command, Foreign Procurement Department
Ankara, Turkey
Tel: [90] (312) 456-2487, Fax: [90] (312) 418-9208

General Directorate for Security Affairs
www.egm.gov.tr

EDUCATION

Ministry of National Education
www.meb.gov.tr

Activity: Primary and secondary schools, setting education policy and establishing teaching standards.

(Higher Education Council)

www.yok.gov.tr

Activity: Autonomous public body to administer the activities of all universities, schools, and institutions of higher education.

ENERGY AND NATURAL RESOURCES

Ministry of Energy and Natural Resources
www.enerji.gov.tr

Activity: Electricity generation, transmission, and distribution, energy and petroleum affairs and natural resources development.

Turkish Electricity Distribution Co., Inc.
www.tedas.gov.tr

Activity: Electricity Distribution Grids Operation and Maintenance.

Electricity Generation Co., Inc.
www.euas.gov.tr

Activity: Power Generation.

Turkish Electricity Transmission Co., Inc.
www.teias.gov.tr

Activity: Electricity transmission.

Turkish Electricity Trading Co., Inc.
www.tetas.gov.tr

Activity: Electricity Trading

General Directorate of the Turkish Petroleum Corp.
www.tpao.gov.tr

Activity: Exploration, drilling and production of oil, natural gas and geothermal energy.

Petroleum Pipeline Corporation
www.botas.gov.tr

Activity: Construction and operation of oil and gas pipelines.

General Directorate of Petrochemical Industries-PETKIM
www.petkim.com.tr

ENVIRONMENT AND FORESTRY AFFAIRS

Ministry of Environment, General Directorate of Environmental Impact, Assessment and Planning
www.cevreorman.gov.tr

HEALTH

Ministry of Health, Foreign Relations Department
www.saglik.gov.tr

MINING AND MINERAL RESOUORCES

General Directorate of Turkish Iron and Steel Works
www.tdci.gov.tr

(Black Sea Copper Works Co.)
www.kbi.gov.tr

Activity: Mining of copper ore and copper

Mineral Research and Exploration Institute
www.mta.gov.tr

PUBLIC WORKS AND HOUSING

Ministry of Public Works and Settlement
www.bayindirlik.gov.tr

Municipalities Bank
www.ilbank.gov.tr

Activity: Municipal financing authority.

Prime Ministry- Southeastern Anatolia Project, Regional Development Administration (GAP)
www.gap.gov.tr

General Directorate of State Water Works
www.dsi.gov.tr

Activity: Construction of dams and hydroelectric power plants.

General Directorate of Railways, Harbors, and Airports Construction
www.dlh.gov.tr

TRADE AND ECONOMY

State Planning Organization-SPO
www.dpt.gov.tr

Activity: Develops and administers the State's investment programs. It is the approval agency for allocating government funds for projects and is responsible for the preparation of Turkey's Five Year Plans

Undersecretariat of the Treasury
www.treasury.gov.tr

Activity: Information source on foreign investment opportunities, procedures and incentives. The agency is the primary source of information on Turkey's banking regulations.

Undersecretariat of Foreign Trade, General Directorate of Imports
www.dtm.gov.tr

Activity: Information on Turkish import regulations. This agency also establishes customs duties and surcharges

Prime Ministry, Privatization Administration
www.oib.gov.tr

Activity: Privatization of state economic enterprises

State Institute of Statistics
www.die.gov.tr

Turkish Institute of Standards, Standards Preparation Department
www.tse.org.tr

Turkish Institute of Patents
www.turkpatent.gov.tr

Activity: Patent and trademark agency

The Scientific and Technical Research Council of Turkey
www.tubitak.gov.tr

Export Promotion Center
www.igeme.org.tr

Activity: Turkish exports promotion organization. Publishes periodicals on Turkey's export products and producers. Prepares market research on specific industry sectors.

TRANSPORTATION

General Directorate of State Highways

www.kgm.gov.tr

Activity: Highway construction

General Directorate of Turkish Airlines
www.turkishairlines.com.tr

Activity: National airline of Turkey.

State Airports Administration
www.dhmi.gov.tr

Activity: Agency responsible for airport construction, operations and ATC

General Directorate of State Railways Administration
www.tcdd.gov.tr

Activity: National railway. Maintains track, stations, rolling stock and operations infrastructure

TRAVEL AND TOURISM

Ministry of Culture and Tourism
www.kulturturizm.gov.tr

TURKISH BUSINESS/TRADE ASSOCIATIONS

American Chamber of Commerce in Turkey
www.americanbusinessforuminturkey.org

Foreign Economic Relations Board-DEIK
www.deik.org.tr

Activity: External economic relations promotion authority and source of commercial information. DEIK promotes U.S.-Turkish bilateral business relations.

Foundation for the Development of the Aegean Region
www.egev.org

Activity: Foundation having 85 members including city administrators, chambers of industry and commerce, businessmen's associations and regional universities. EGEV is a foreign investment promotion authority.

Aegean Young Businessmen's Association
www.egiad.org.tr

Activity: Business association in the Izmir region

Aegean Industrialists and Businessmen's Association - TUSIAD's Izmir extension)
www.esiad.org.tr

Activity: Industrialists and businessmen's organization established to promote business in the Aegean region

Turkish Industrialists' and Businessmen's Association-TUSIAD
www.tusiad.org.tr

Activity: Association of the largest business owners in Turkey. It is a business lobby, and the association publishes an authoritative annual report on the Turkish economy

Union of Chambers of Commerce, Industry, Maritime Commerce and Commodity Exchanges of Turkey (TOBB)
www.tobb.org.tr

Activity: Promotes investment and joint ventures on behalf of the member firms.

(Association for Foreign Capital Coordination)
www.yased.org.tr

Activity: Promotes investment and foreign direct investment to Turkey.

AGRICULTURE

Turkish Farmers Union
www.tzob.org.tr

Turkish Dairy, Meat, Food Industry and Producers Union
www.setbir.org.tr

White Meat Industrialists Association
www.besd-bir.org.tr

Flour Millers Association
www.usd.org.tr

Turkish Feed Millers Association
www.turkiyeyembir.org.tr

Turkish Seed Industry Association
E-mail: turkted@turkted.org.tr

Union of Pasta Producers
www.makarna.org.tr

ADVERTISING

Advertising Firms' Association

www.rd.org.tr

AUTOMOTIVE

Automotive Distributors' Association
www.odd.org.tr

Automotive Industry Association
www.osd.org.tr

Vehicle Sellers' Association
www.oyder.tr.com

Auto Parts Association
www.taysad.org.tr

CONTRACTING AND CONSTRUCTION

Turkish Contractors Association/The Union of International Contractors
www.tmb.org.tr

Prefabricated Concrete Construction Producers Union
www.prefab.org.tr

Mass Housing Builders Association
www.tokyad.org.tr

The Building and Industry Center - YEM
www.yem.net

DEFENSE INDUSTRY

Defense Industries Manufacturers' Association-SASAD
www.sasad.org.tr

EDUCATIONAL

Fulbright Commission
www.fulbright.org.tr
E-mail: fulb-ank@itu.edu.tr

Fulbright Commission, Istanbul Office
E-mail: fulb-ist@tr.net

Activity: Fulbright offices provide information to U.S. colleges and universities on student recruitment activities and exchange programs. Fulbright also acts as a liaison between U.S. academic institutions and Turkish universities, high schools, government agencies, and the media.

ELECTRONICS

Electronic Industrialists Association
www.tesid.org.tr

ENVIRONMENT AND POLLUTION CONTROL

Association of Practitioners of Environmental Technology
Irfan Bastug Caddesi, Yuva Apt. 3/10, 80280 Gayrettepe, Istanbul, Turkey
Tel: [90] (212) 274-8681, Fax: [90] (212) 272-2904

Association for Preservation of Turkey's Nature
www.ttkder.org.tr

FRANCHISING

Turkish National Franchising Association
www.ufrad.org.tr

Activity: The Turkish National Franchising Association currently serves 46 members in the Republic of Turkey.

INFORMATION TECHNOLOGY

Turkish Data-Processing Industrialists' Association
www.tubisad.org.tr

Activity: Association of Turkish computer manufacturing, marketing, software and computer related service companies

Association of Turkish Computer Firms
www.tbd.org.tr

Activity: Association for Turkish computer firms; publishes monthly computer periodical.

INSURANCE

Turkish Insurance Firms' Association
www.tsrsb.org.tr

MEDICAL AND HEALTH CARE

Chamber of Medical Doctors
www.istabib.org.tr

Turkish Dental Association
www.tdb.org.tr

Association of Research-Based Pharmaceutical Companies
Barbaros Bulvari 85/A, D.4, Besiktas, Istanbul, Turkey
E-mail: aifd@aifd.org.tr

MINING AND MINERALS

Turkish Miners' Association
www.madenorg.tr

Young Miners Association
www.gemad.org.tr

PACKAGING AND PACKING

Packaging Industrialists' Association
www.ambalaj.org.tr

Carton/Paper Packaging Industrialists' Association
Dogu Sanayi Sitesi, Yonetim Binasi Kat.3, Yenibosna, Istanbul, Turkey
Tel: [90] (212) 451-4757, Fax: [90] (212) 451-4786

PAPER AND PULP

Paper and Paper Pulp Industrialists' Foundation
Buyukdere Caddesi No. 95, Cinar Apt. Kat. 3 , D.11-12, 80300 Mecidiyekoy, Istanbul, Turkey
Tel: [90] (212) 275-1389, Fax: [90] (212) 217-8888

SAFETY AND SECURITY EQUIPMENT AND TECHNOLOGIES

Security Industry Industrialists and Businessmen's Association
www.gesider.org

Safety Equipment and Surveillance Organization Association
www.gusod.com

TEXTILES AND APPAREL

Turkish Clothing Manufacturers' Association
www.tgsd.org.tr

TRAVEL AND TOURISM

Union of Belek Tourism Investors
www.belekturizmcenter.org

Activity: Hotel and resort development association in Belek

Association of Marina Investors and Operators-MARYAT
E-mail: maryat@superonline.com

Activity: Association representing the Ministry of Tourism in marina development and investment

Union of Turkish Hotel Operators
www.turob.org

Activity: Hotel owners lobbying organization. Maintains information on hotel and resort projects.

Association of Turkish Travel Agencies
Fulya Asik Kerem Sokak No. 55
www.tursab.org.tr

Activity: Supports travel agents and the tourism industry.

Tourism Investors Association
www.ttyd.org.tr

Activity: Turkish tourism investment.

CHAMBERS OF COMMERCE AND INDUSTRY IN TURKEY

Union of Chambers of Commerce, Industry, Maritime Commerce and Commodity Exchanges of Turkey (TOBB)
www.tobb.org.tr

Activity: Association of local chambers of commerce and industry

Ankara Chamber of Commerce
www.atonet.com

Ankara Chamber of Industry
www.aso.org.tr

Istanbul Chamber of Commerce
www.ito.org.tr

Istanbul Chamber of Industry
www.iso.org.tr

Chamber of Maritime Commerce
www.chamber-of-shipping.org.tr

Izmir Chamber of Commerce
www.izto.org.tr

Aegean Chamber of Industry
www.ebso.com.tr

MARKET RESEARCH FIRMS

IBS-International Business Services A.S.
www.ibsresearch.com
E-mail: mail@ibsresearch.com

Deloitte & Touche Turkey
Denet Mali Danismanlik A.S.
E-mail: Lyaveroglu@deloitte.com

MAJOR COMMERCIAL BANKS

Akbank T.A.S.
www.akbank.com.tr

Citibank, N.A.
www.citibank.com

Koc Bank
www.kocbank.com.tr

Turkiye Is Bankasi A.S.
www.isbank.net.tr

Yapi ve Kredi Bankasi A.S.
Yapi Kredi Plaza B Blok, Buyukdere Caddesi, 80620 Levent, Istanbul, Turkey
Tel: [90] (212) 339-7000, Fax: [90] (212) 339-6000

T.C. Ziraat Bankasi
Ataturk Bulvari Bakanliklar Cad. No. 424, Ulus, Ankara, Turkey
Tel: [90] (312) 310-3747; 310-3750, Fax: [90] (312) 310-1134

Turkiye Garanti Bankasi A.S.
www.garanti.com.tr

Turk Ticaret Bankasi A.S.
www.turkbank.com.tr

EXHIBITION MANAGEMENT COMPANIES

Interteks Uluslararasi Fuarcilik A. S.
www.interteks@interteks.com.tr
E-mail: interteks@interteks.com.tr

Tuyap Tum Fuarcilik Yapim A.S.
www.tuyap.com.tr
E-mail: yesimulusoy@tuyap.com

CNR Uluslararasi Fuarcilik ve Ticaret A.S.
www.itf-exhibtions.com
E-mail: cnrfair@superonline.com

ITF Istanbul Fuarcilik A.S.
www.itf.exhibitions.com
E-mail: nur.ogutcu@itf-exhibitions.com

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/marketresearch.html and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Trade Events

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Please click on the link below for information on upcoming trade events.

http://www.export.gov/tradeevents.html

Additional event information can be found on the Commercial Service Turkey web sites at www.csturkey.com and www.buyusa.gov/turkey/en.

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

www.csturkey.com and www.buyusa.gov/turkey/en.

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: http://www.export.gov

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.