



REPUBLIC OF TURKEY
MINISTRY OF ECONOMY

TURKEY'S GENERAL ECONOMIC OUTLOOK

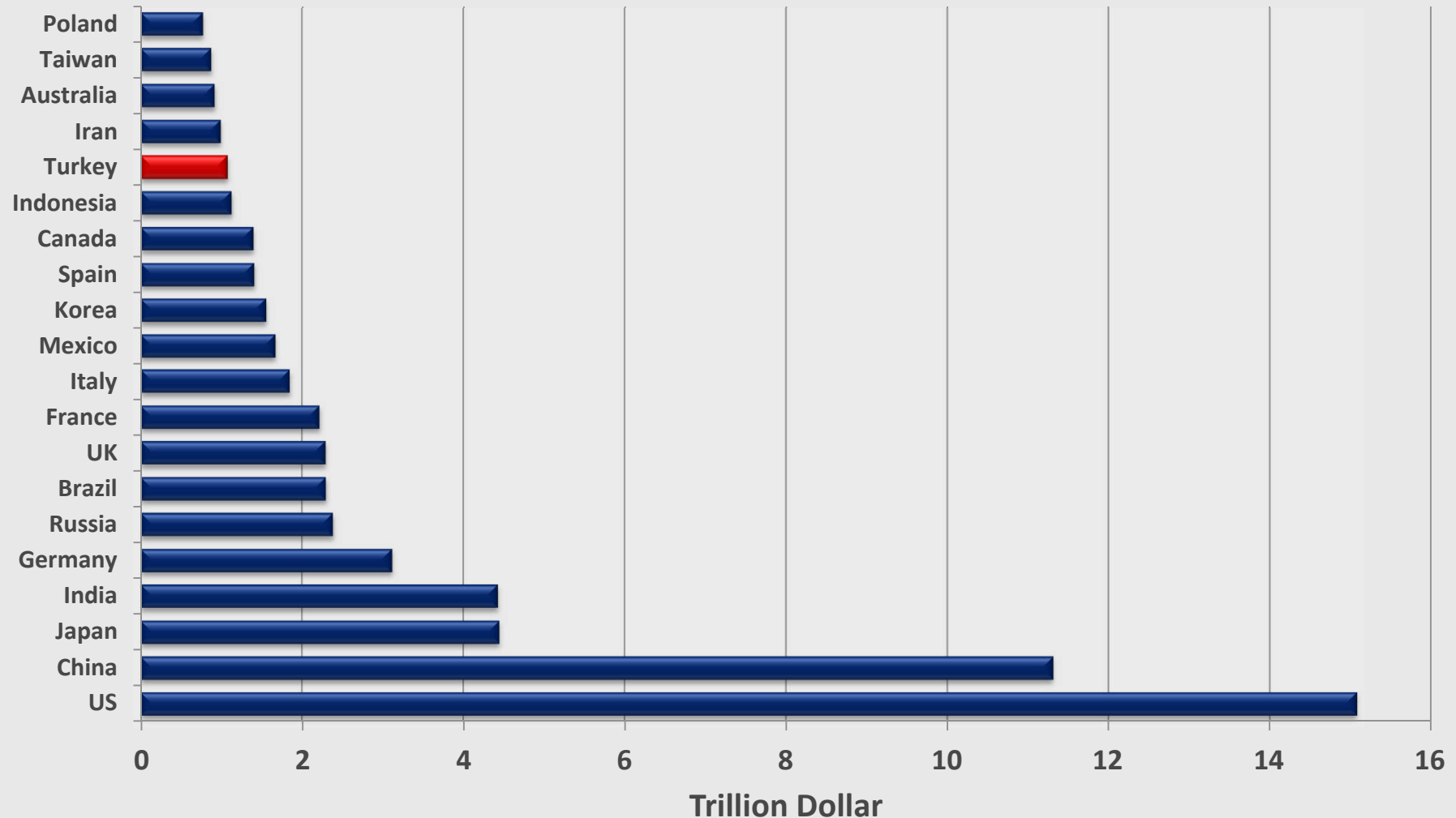
**GENERAL DIRECTORATE OF INCENTIVE IMPLEMENTATION
AND FOREIGN INVESTMENT**

March, 2013



Market Size

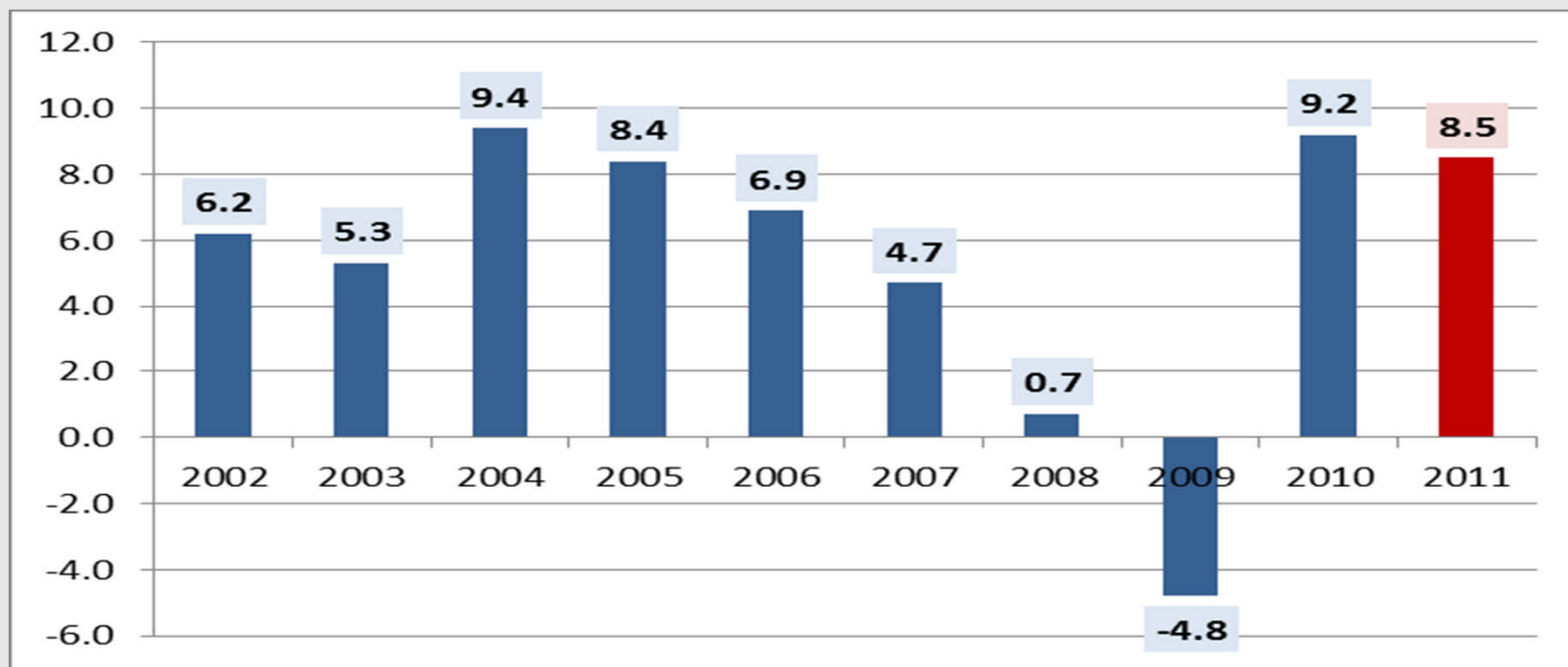
WORLD'S BIGGEST ECONOMIES GDP based on purchasing-power-parity (PPP), 2011



Source: World Economic Outlook Database, October 2012

For further inquiries: info@yoikk.gov.tr

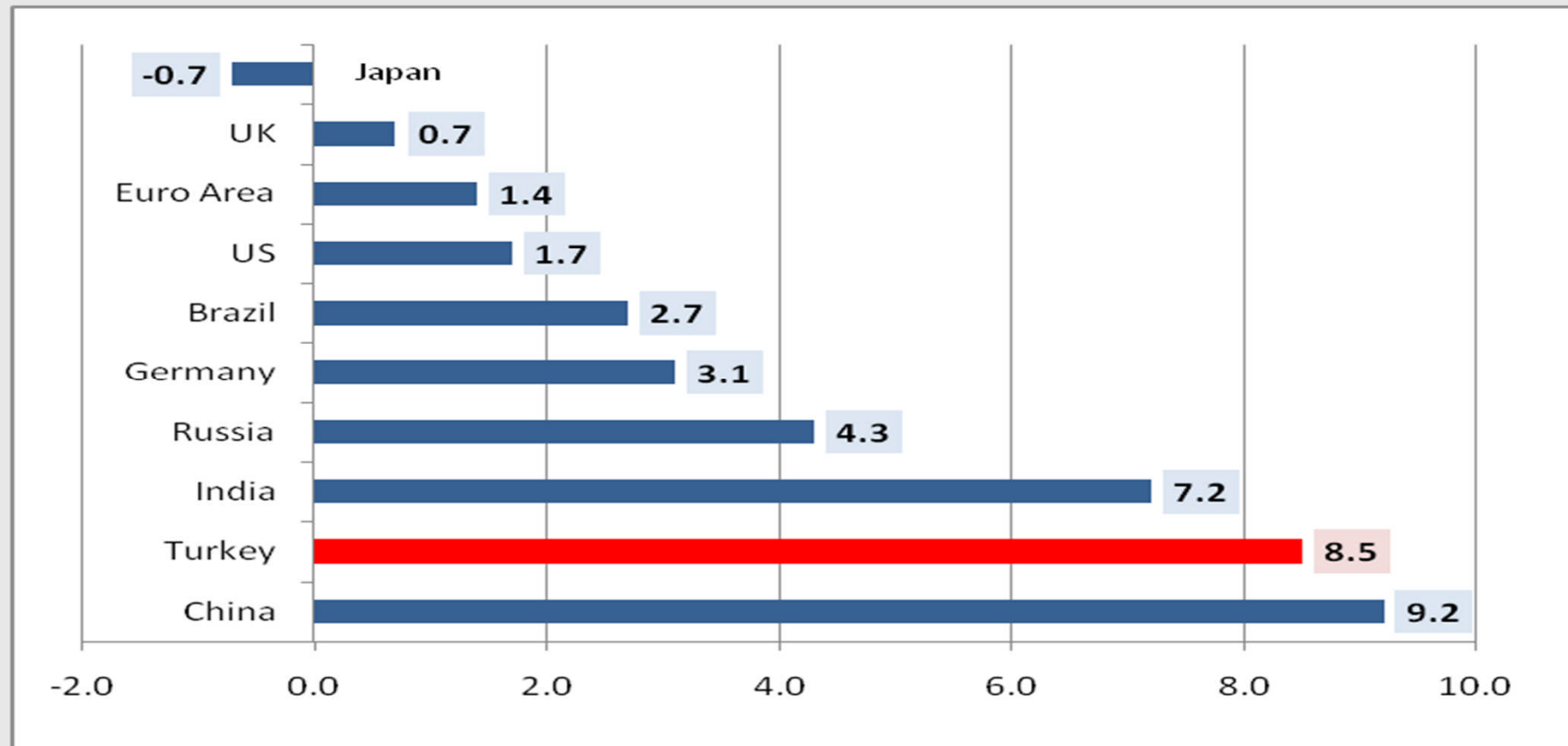
Growth Performance



* Source: TURKSTAT

- Turkey has quickly recovered from the global financial crisis and among the least affected countries from current economic uncertainties
- Turkey has the highest economic growth rate in Europe
- **Average annual growth rate between 2002 and 2011 is 6%**
- **Real GDP growth for 2011 has been realized as 8.5%**
- **In the first three quarters of 2012, Turkey grew by 2.6%**

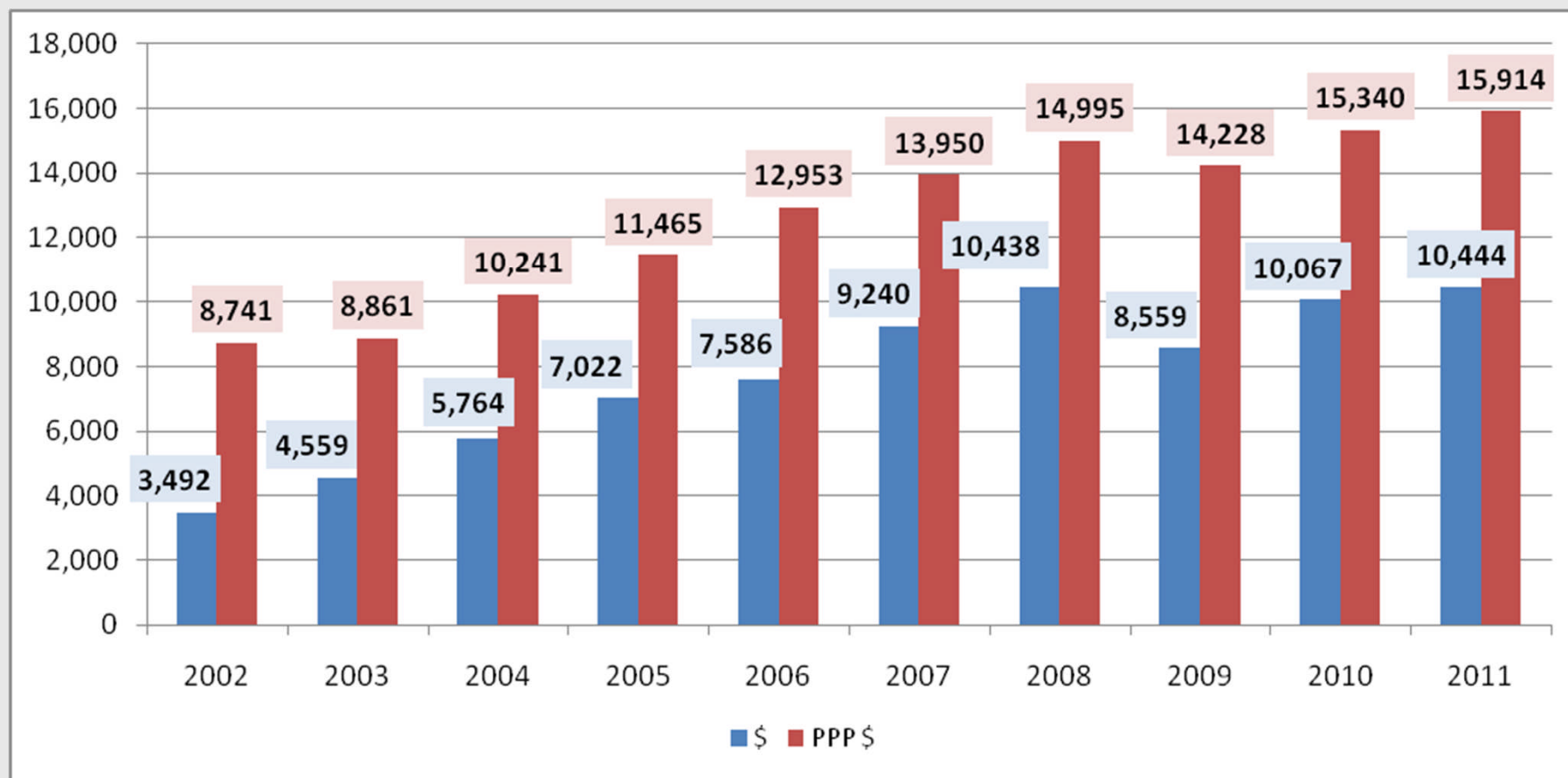
Growth Performance



Source: TURKSTAT, IMF

➤ **Turkish Economy expanded by 8.5% in 2011, which was well beyond the forecast of the IMF (7.5%).**

Market Potential: GDP Per Capita



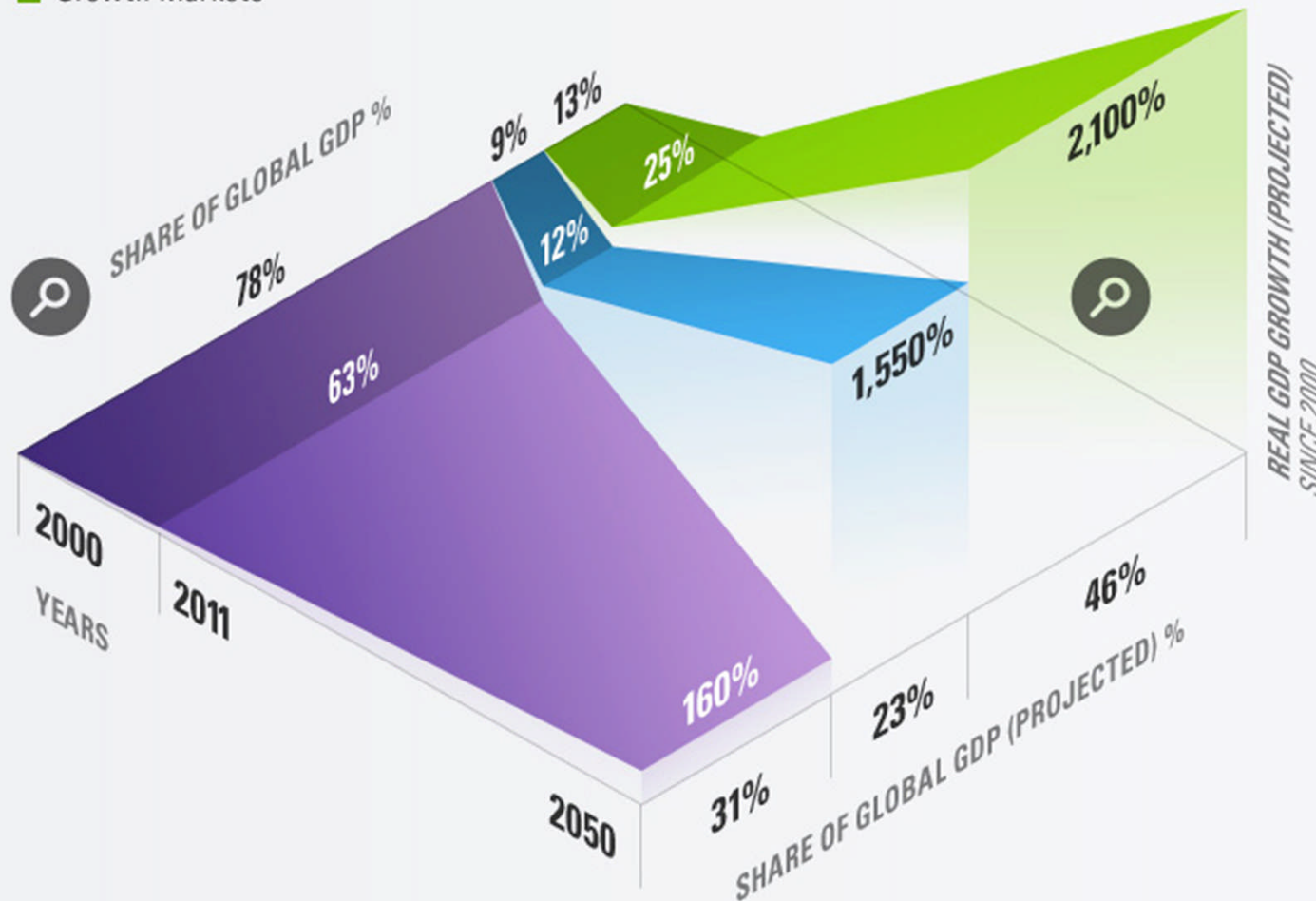
Source: TURKSTAT

- GDP per capita has tripled in the last eight years from 3,492 USD to 10,444 USD. According to Purchasing Power Parity (PPP), GDP per capita surpassed 15,000 USD.



Turkey: One of the Eight Growth Markets of Future

- Developed Markets
- Emerging & Other Markets
- Growth Markets



Growth Markets

Brazil

Russia

India

China

Mexico

Korea

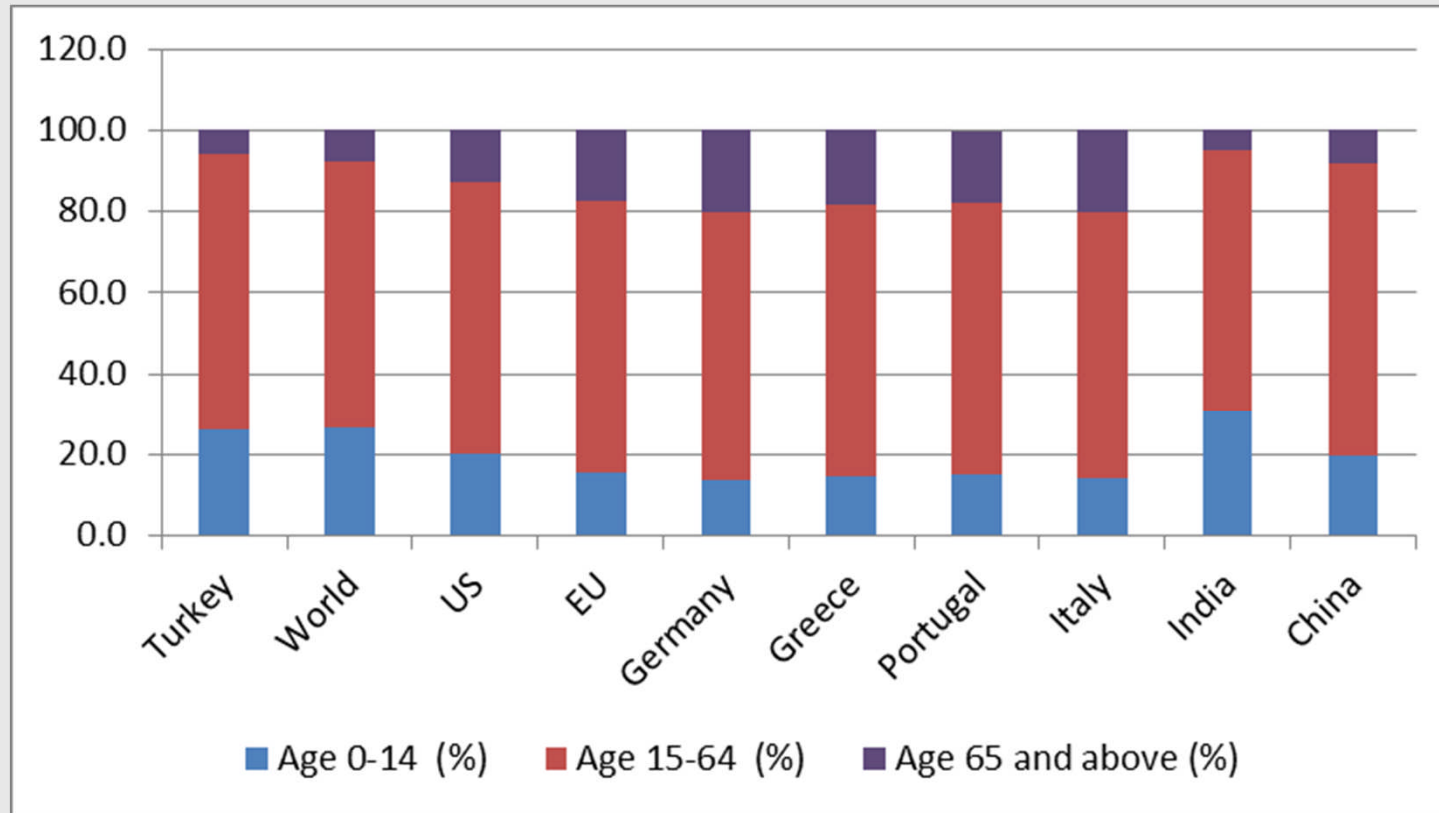
Turkey

Indonesia

Source: Goldman Sachs Asset Management, 2011

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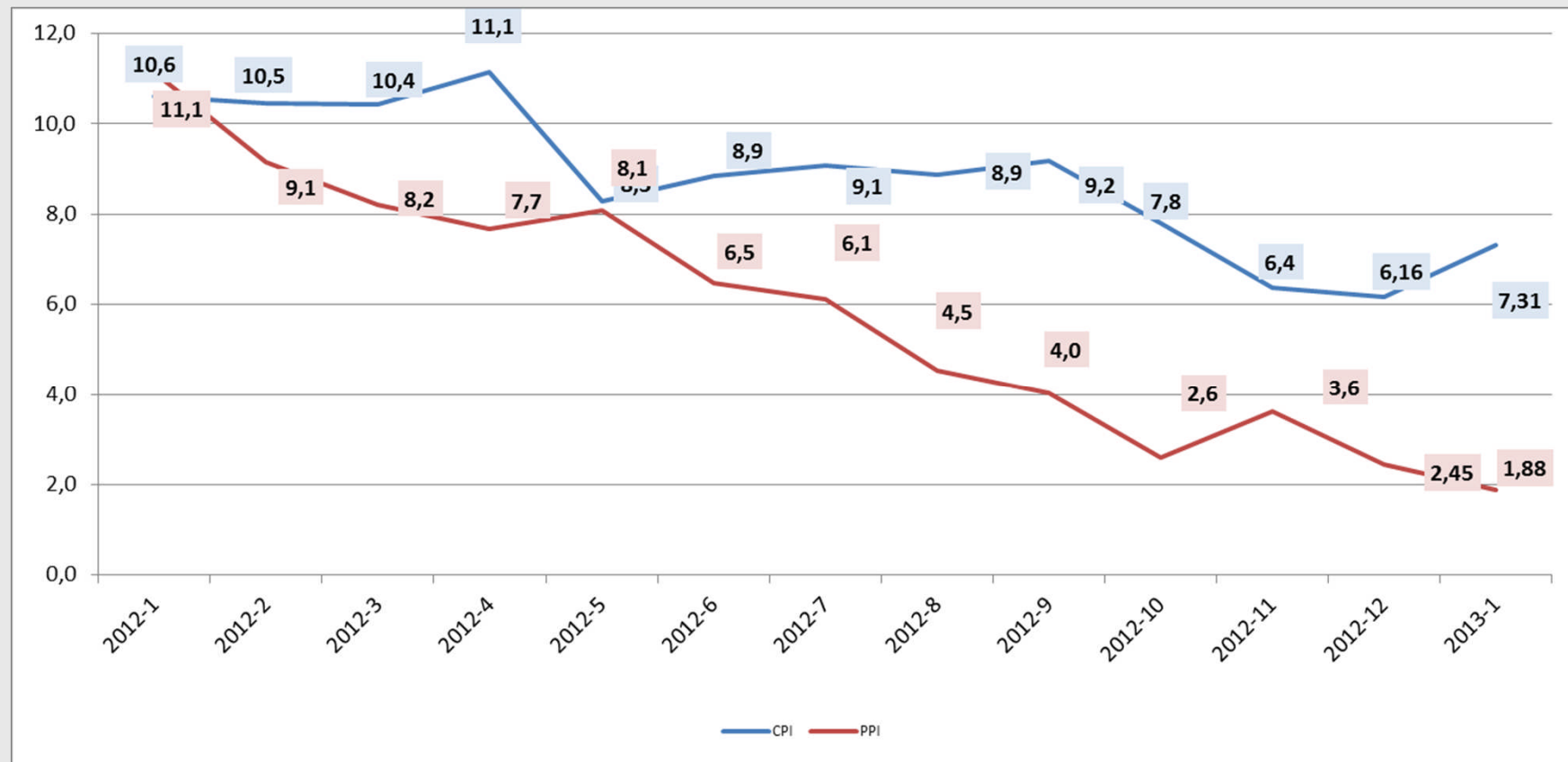
Market Quality: Favourable Demographics



Source: World Bank

- Turkey has a population of 74.7 million in which half of the population is under the age of 29.7.
- Growth rate of population is 1.36% in Turkey, 0.28% in EU Countries and -0.24% in Germany.

Inflation (Annual Percent Change)

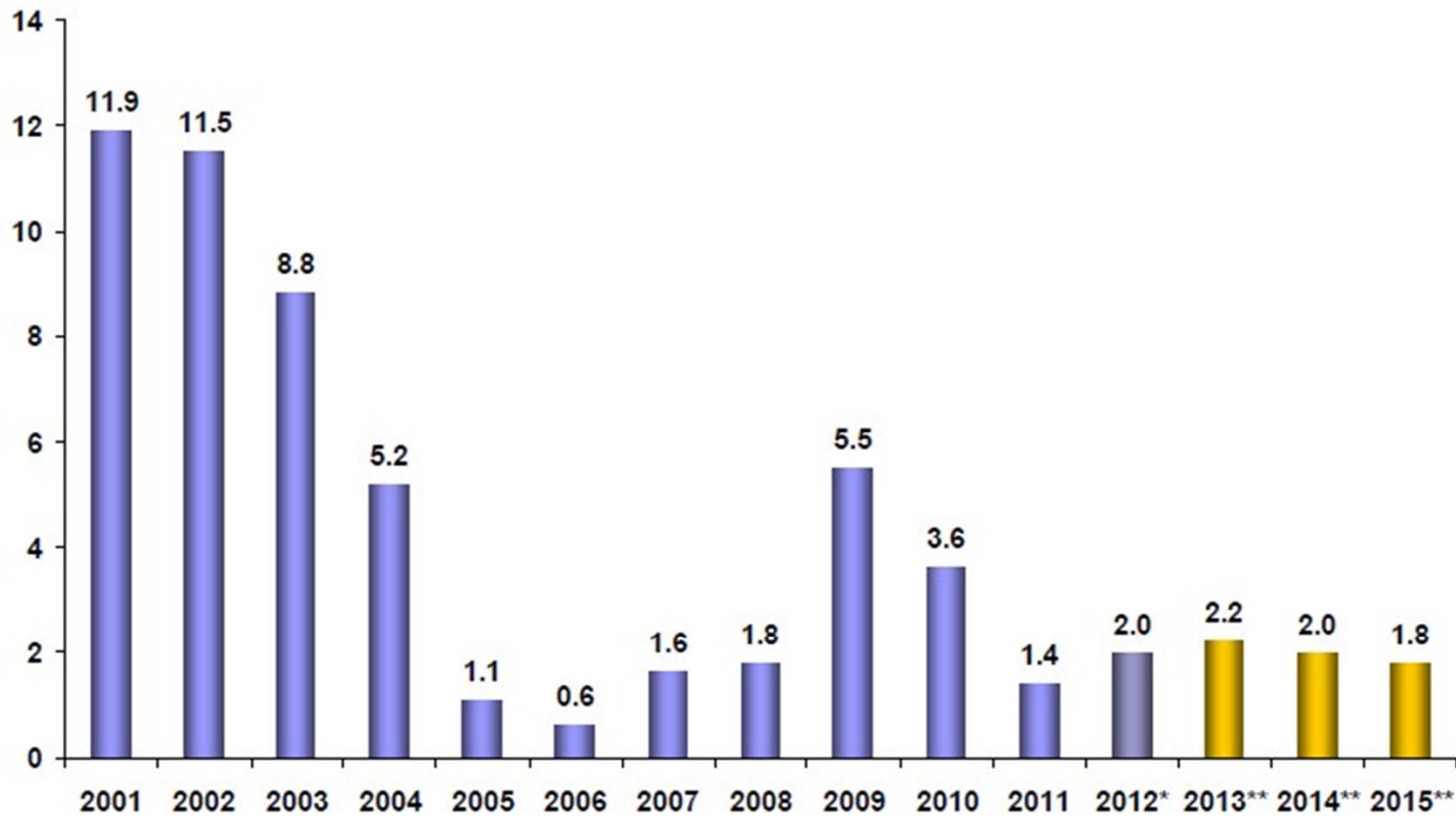


Source: TURKSTAT

- Annual inflation in 2012 realized as 6.16%.
- In January 2013, the inflation based on CPI and PPI increased by 7.31% and 1.88% respectively.

Budget Performance

Central Government Budget Deficit (% of GDP)

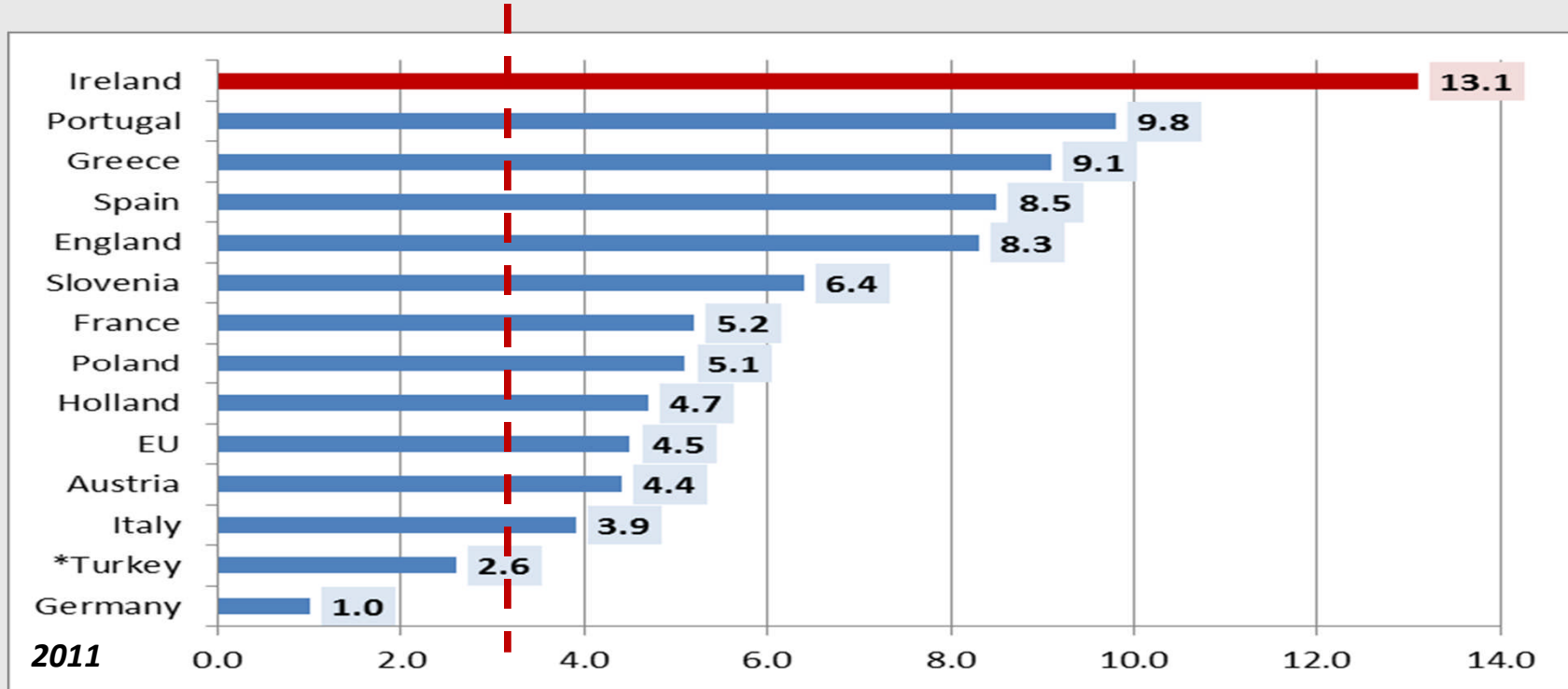


(*) Provisional

(**) 2013-2015: Medium Term Program targets

Source: Ministry of Finance, 2013-2015 MTP

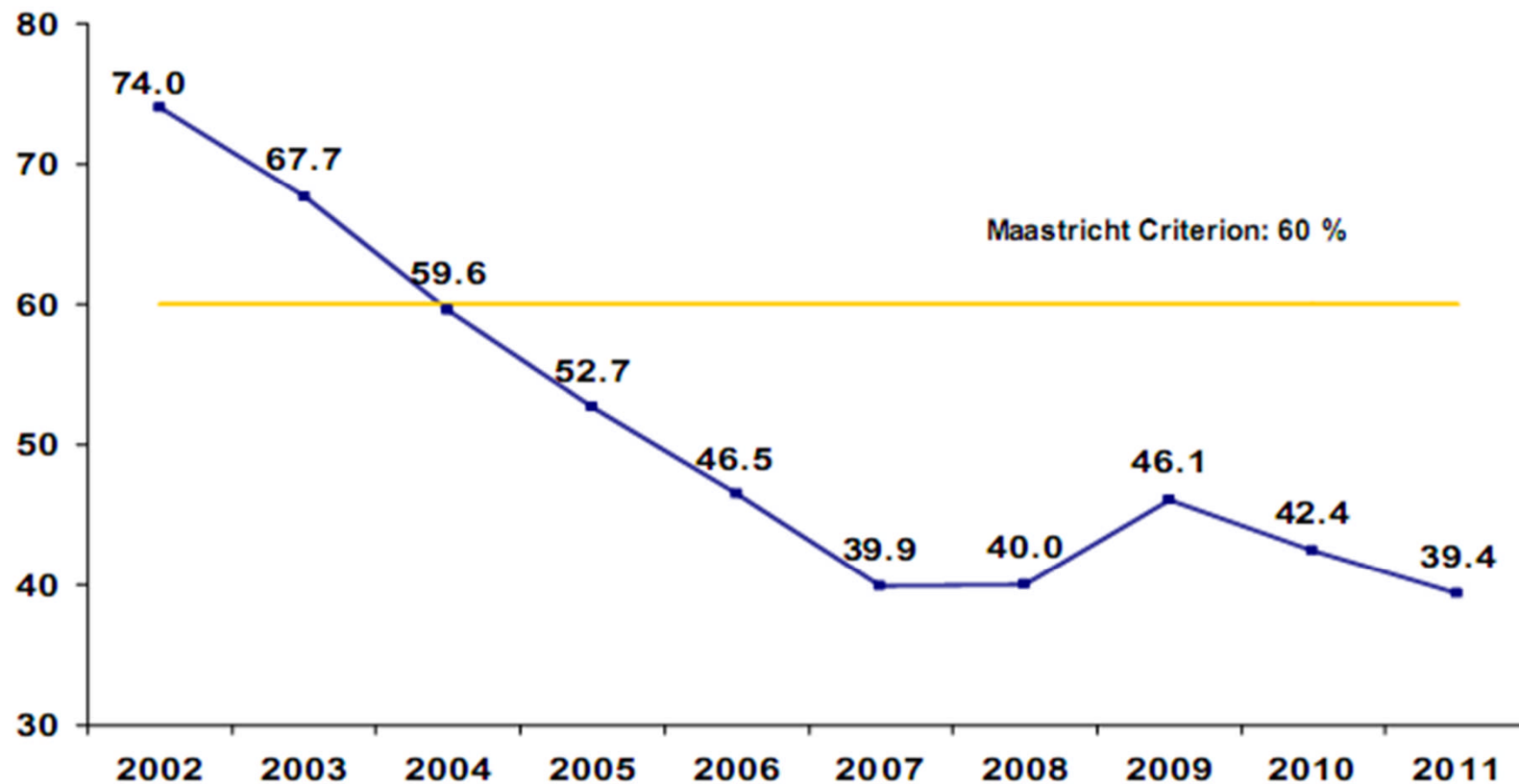
Budget Performance



- EU defined general government budget deficit/GDP ratio was 2.6% in Turkey in 2011 and Turkey satisfied the Maastricht criteria of 3%. Turkey also outperformed 18 EU Countries.
- Central government budget deficit/GDP ratio was 1.3% in Turkey in 2011 and Turkey outperformed 23 EU Countries.
- In 2012, central government budget deficit was 28.8 billion dollars.

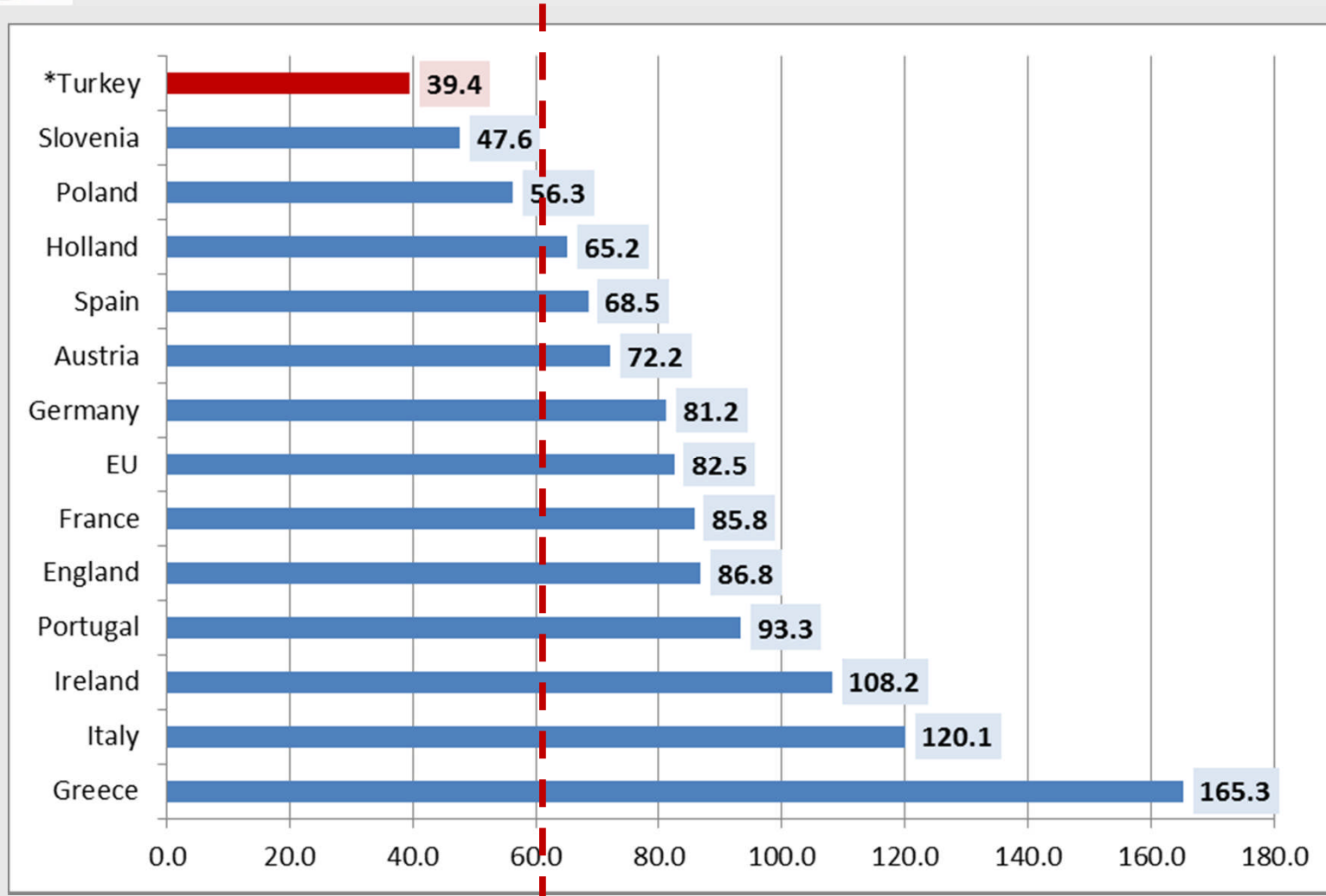
Debt Management

General Government Gross Debt Stock (EU Defined, % of GDP)



Source: Undersecretariat of Treasury

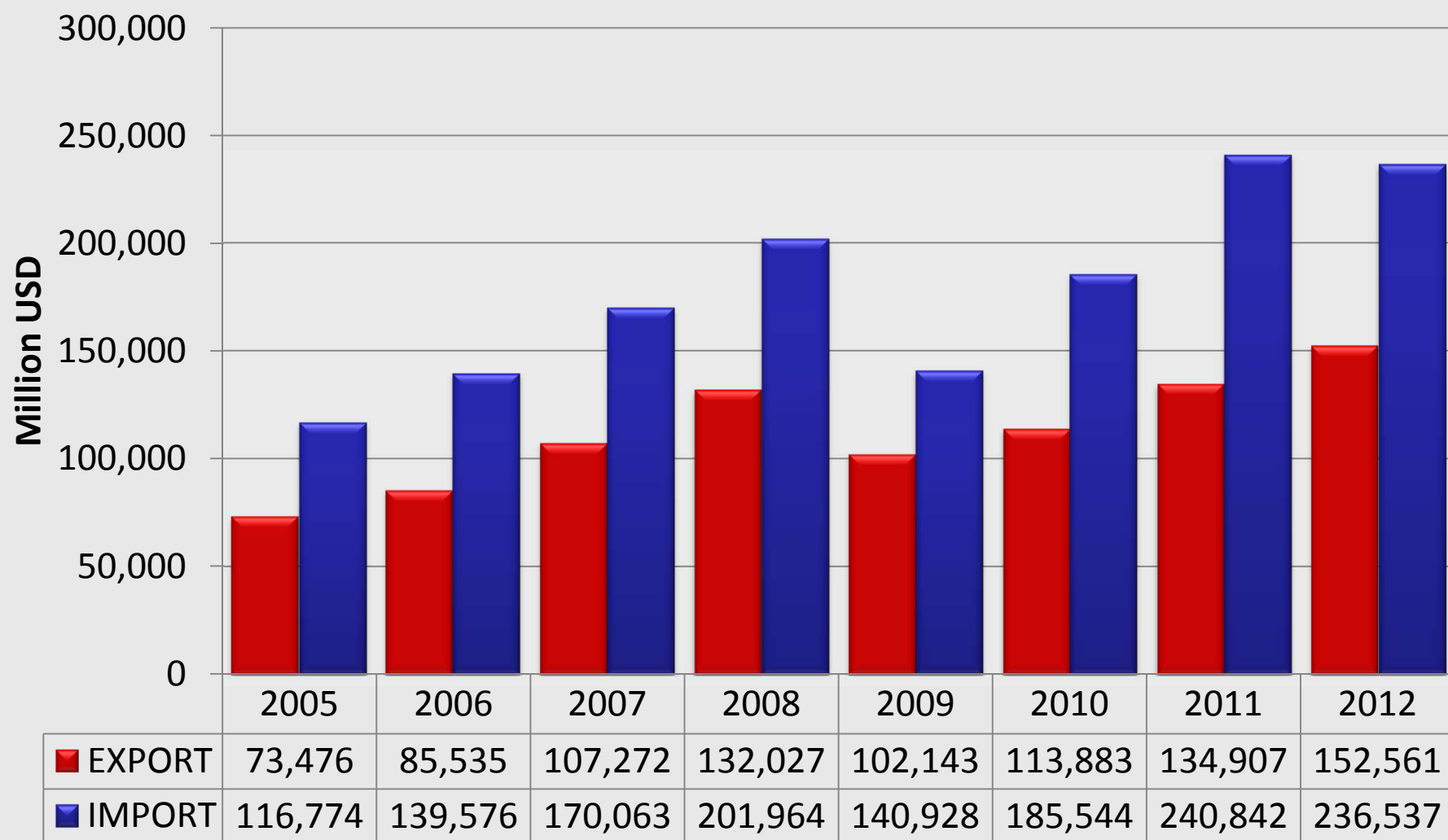
Debt Management



- Debt/GDP ratio of Turkey was 39.4% in 2011, which was below the level in 21 EU Countries and the Maastricht Criteria (60%).



Foreign Trade of Turkey

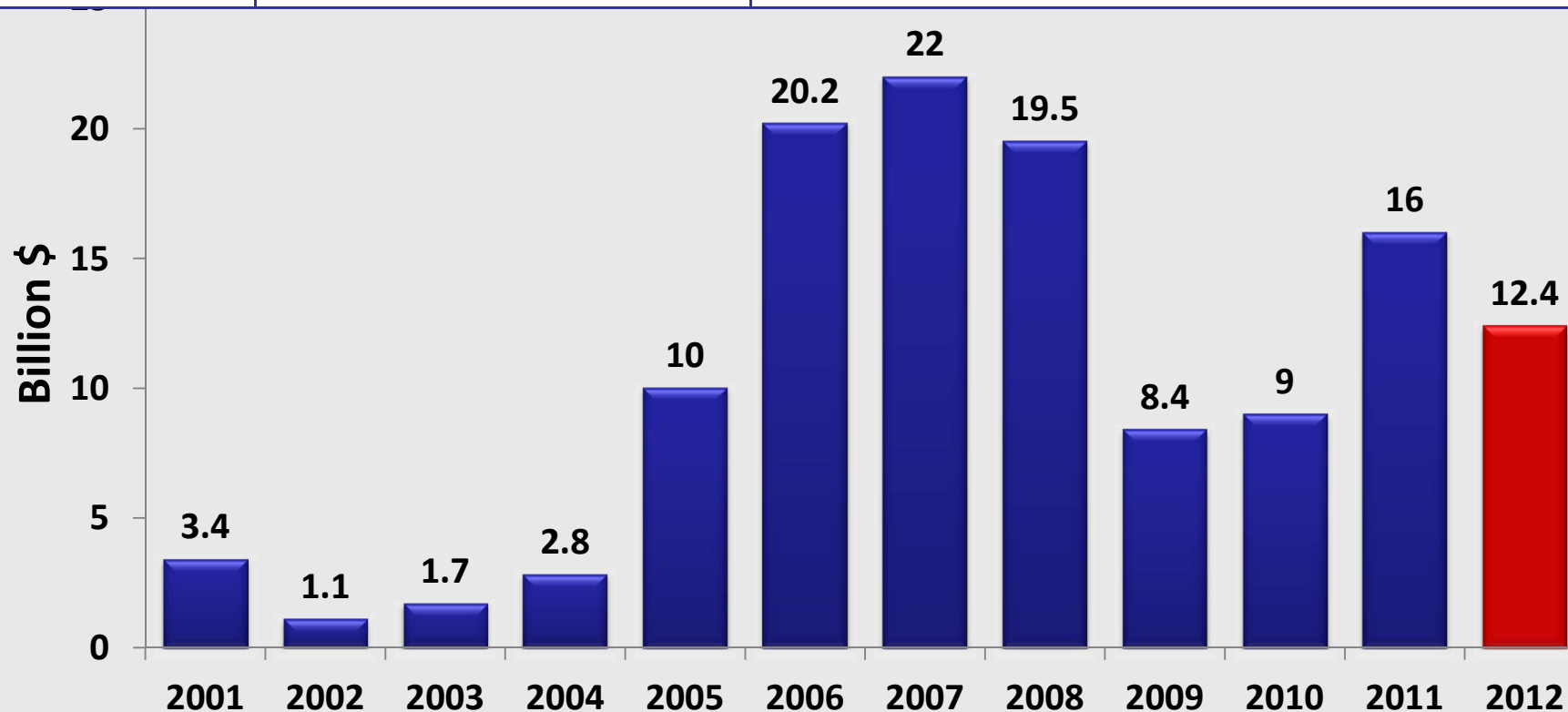


Source: Ministry of Economy



FDI Figures

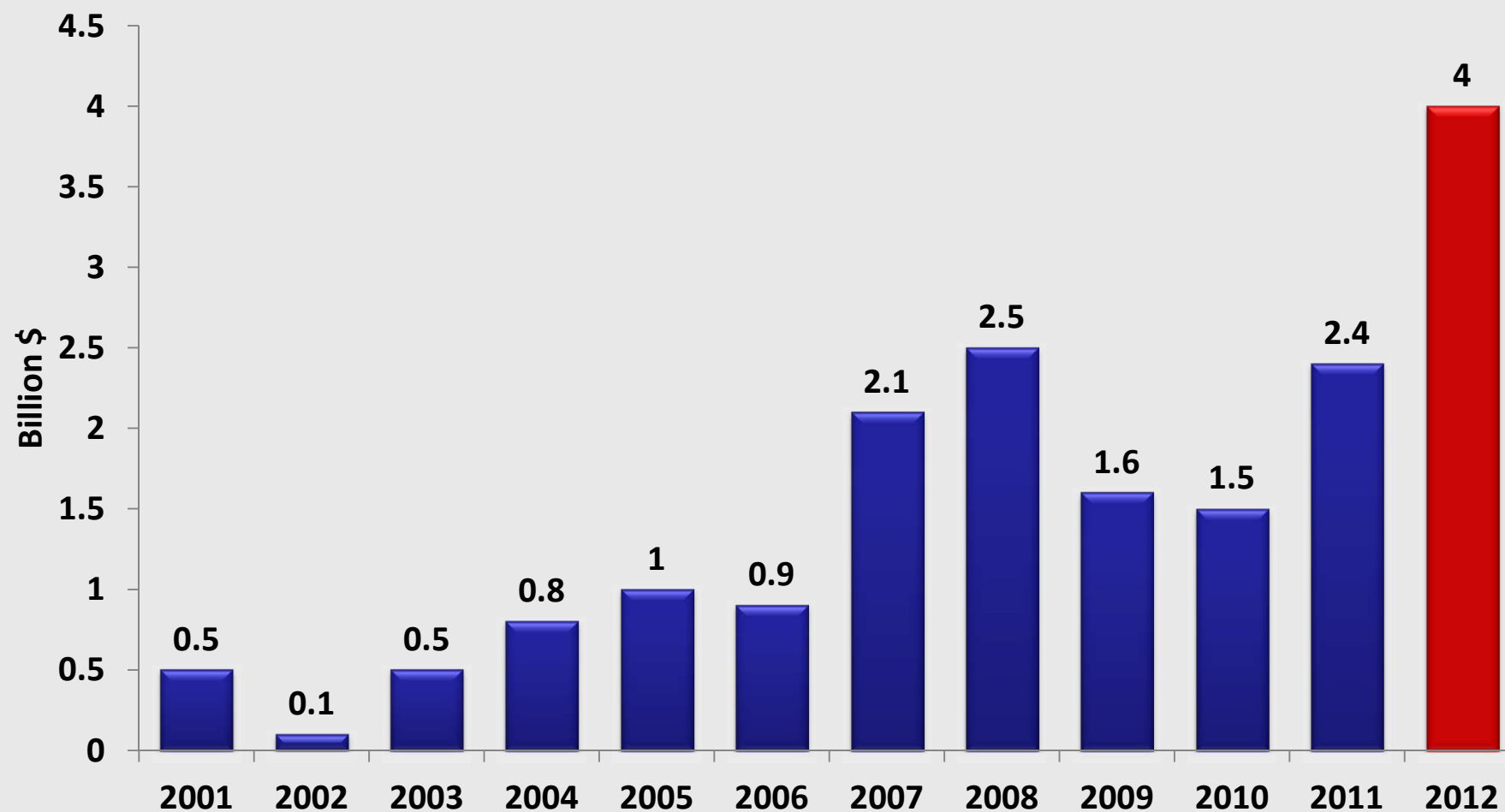
Period	FDI inflows (cumulative)	Companies with Intr.Capital (cumulative)
1923-2002	15 Billion USD	6.000
2003-2012	120 Billion USD	30.000



Source: Ministry of Economy

FDI Outflows

- ✓ Turkey is becoming a global player with increasing outward investments.



Source: CBRT, BOP Report



REPUBLIC OF TURKEY
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INVESTMENT CLIMATE IN TURKEY

**GENERAL DIRECTORATE OF INCENTIVE IMPLEMENTATION
AND FOREIGN INVESTMENT**

Foreign Direct Investment Regime

- ✓ National treatment
- ✓ No pre-entry screening /minimum capital requirements
- ✓ Right to acquire real estate
- ✓ Guarantee to free transfer of proceeds, dividends and other financial assets.
- ✓ Right to employ key expatriate staff
- ✓ Right to access international dispute settlement

International Agreements – TURKEY & USA

✓ **Bilateral Investment Treaty**

Signature date : December 03, 1985

Entry into force : May 18, 1990

✓ **Double Taxation Treaty**

Signature date : March 03, 1996

Entry into force : December 19, 1997



Company Registration

- ✓ Company establishment in **one day-online application**
- ✓ Starting and operating a business on **equal terms** with local investors within the context of the new Turkish Commercial Code
- ✓ **All** types of companies are allowed
- ✓ Significant **cost and time advantages** comparing with the countries in the region

COMPANY REGISTRATION: PROCEDURES

**Company Statute and
Notarized signatures of founders**



**Deposit the initial capital in a bank
and the %00,4 of the capital
to the account of the Competition Authority**



**Register with the Trade Registry and
the Chamber of Commerce and/or Industry**

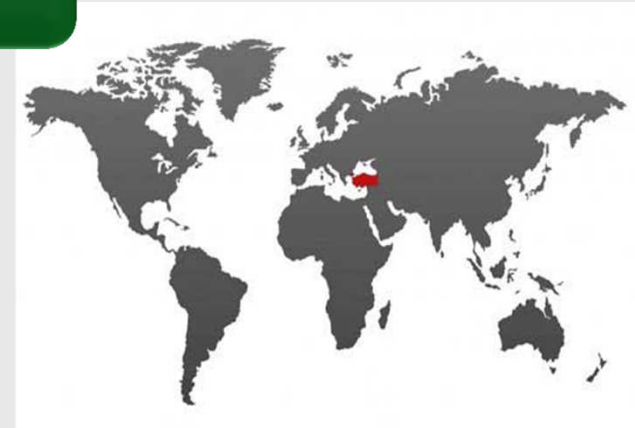


Notarize Commercial Books

Real Estate Acquisition of Foreigners

- ✓ Foreign Real Persons
- ✓ Foreign Companies
- ✓ Turkish Companies with foreign capital

can acquire real estate in Turkey
according to different rules



				good	fair	poor
				Existing Investments	New Investments	Development
1	Istanbul	3.83	3.82	4.03		
2	Munich	3.77	3.60	3.36		
3	Warsaw	3.67	3.50	3.40		
4	Berlin	3.62	3.50	3.09		
5	Stockholm	3.53	3.54	3.22		

Source: *Emerging Trends in Real Estate Europe 2012 survey.*

Note: *On scale of 1 to 5.*

Foreign Real Persons

- ✓ Acquisition is possible for all nationalities **without** requiring “reciprocity”
- ✓ Acquisitions up to **30 hectares**
- ✓ The total area of real estates **can not exceed 10%** of the privately owned land in the town.
- ✓ Requirement to develop a project within **two years** in case the acquisition of a **vacant land**



Foreign Companies

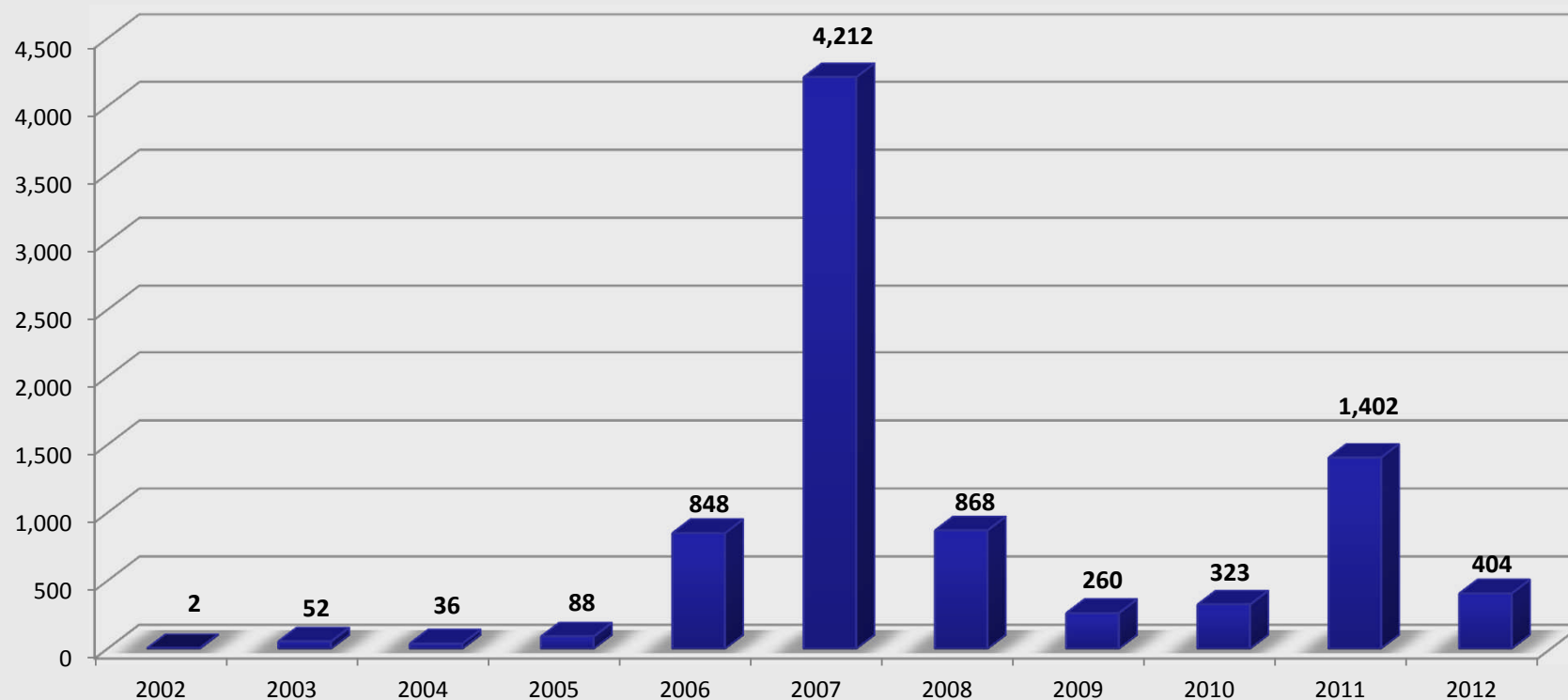
- ✓ Acquisition of real estate within the context of special laws such as Petroleum Law, Tourism Encouragement Law, Industrial Zones Law.

Turkish Companies with Foreign Capital

- ✓ **No restriction** on acquisition and utilization of real estates to conduct business activities listed in the Statute of Company.
- ✓ **Permission requirement** is necessary **only** for foreign capital companies **controlled** by foreign investors. (own more than 50 %)
- ✓ **Permission requirement** for the acquisitions in **military zones** and **special security zones** from the military authorities and province governorship respectively



FDI INFLOW TO TURKEY FROM USA (in million \$)



Source: CBRT, OECD



USA'S FOREIGN DIRECT INVESTMENTS IN TURKEY

citibank



Coca-Cola

JPMorgan 

 **Merrill Lynch**



MOTOROLA



Lilly



DOWAKSA
Advanced Composites



 **United
Technologies**





Regional Management Headquarters

- ✓ Start-up permission for 10 years
- ✓ Permitted fields of activity:
 - Representation and hosting,
 - Control, inspection and provision of local suppliers,
 - Technical support,
 - Communication and transfer of information.
- ✓ Income Tax Exemption for Executives



NEW TREND : TURKEY AS A REGIONAL HEADQUARTERS FOR MULTINATIONALS



Coca-Cola Eurasia and Africa manages more than 70,000 employees in 90 different countries from the company's regional headquarters in İstanbul*.



The International Finance Corporation (IFC), the World Bank Group organization uses its Istanbul office to cover 52 countries in Europe, the Middle East and North Africa (EMENA) regions**.



Alstom Transport, the transportation branch of French multinational conglomerate, has appointed its Turkish office to run its businesses in the Middle Eastern and African markets***.



* Source: Today's Zaman, Jan 19, 2011

** Source: Haberturk, May 30, 2011

*** Source: Dünya, Dec.18, 2012



Improving Investment Climate Activities

- ✓ Regulatory reform is a continual process and the agenda is a moving target
- ✓ Making full use of **public-private dialogue** through permanent platforms:
 - The Coordination Council for Improvement of Investment Climate (**YOIKK**)
 - The Investment Advisory Council for Turkey (**IAC**)



YOIKK

Aim : to enable private sector growth by reducing overly burdensome regulations and by enhancing inefficient institutions that discourage the creation and expansion of businesses

PUBLIC SECTOR



PRIVATE SECTOR

Structures for Improving Investment Environment in Turkey

Investment Advisory Council



- ✓ Executives of leading multinational firms,
- ✓ Heads of international institutions (IMF, World Bank, European Investment Bank) and
- ✓ Heads of NGO's (TOBB, TUSIAD, YASED, TIM).



Investment Advisory Council of Turkey had 7 meetings since 2004.



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