



---

Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

TURKEY

This report, prepared for the sixth Trade Policy Review of Turkey, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Turkey on its trade policies and practices.

Any technical questions arising from this report may be addressed to Ms Denby Probst (tel.: 022 739 5847), Ms Katie Waters (tel.: 022 739 5067), Ms Mena Hassan (tel.: 022 739 6522), and Mr John Finn (tel.: 022 739 5081).

Document WT/TPR/G/331 contains the policy statement submitted by Turkey.

---

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Turkey. This report was drafted in English.

## CONTENTS

<b>SUMMARY .....</b>	<b>10</b>
<b>1 ECONOMIC ENVIRONMENT .....</b>	<b>14</b>
1.1 Recent Economic Developments.....	14
1.2 Balance of Payments.....	17
1.3 Fiscal Policy .....	19
1.4 Monetary and Exchange Rate Policy .....	20
1.5 Trade Performance .....	20
1.6 Foreign Direct Investment .....	24
<b>2 TRADE AND INVESTMENT REGIME .....</b>	<b>27</b>
2.1 General Framework .....	27
2.2 Trade Policy Objectives .....	28
2.3 Trade Agreements and Arrangements.....	30
2.3.1 Participation in the WTO .....	31
2.3.2 Regional and preferential agreements.....	31
2.3.2.1 Customs Union with the EU .....	31
2.3.2.2 Reciprocal trade agreements.....	33
2.3.2.3 Unilateral preferential regimes .....	36
2.3.3 Other agreements and arrangements.....	36
2.3.3.1 Turkey-Iran Preferential Trade Agreement .....	36
2.3.3.2 Economic Cooperation Organization (ECO).....	37
2.3.3.3 Developing-8 (D-8) .....	37
2.3.3.4 Organization of Islamic Cooperation (OIC) .....	37
2.3.3.5 Black Sea Economic Cooperation (BSEC) .....	38
2.4 Investment Regime .....	38
2.4.1 Overview and framework .....	38
2.4.2 Investment policy .....	39
2.4.3 Investment restrictions.....	40
2.4.4 Investment incentives .....	40
2.4.4.1 Investment schemes .....	40
2.4.4.2 Investment zones .....	42
2.4.4.2.1 Technology Development Zones .....	42
2.4.4.2.2 Organized Industrial Zones .....	43
2.4.4.2.3 Free Zones .....	43
2.4.5 Investment promotion .....	44
<b>3 TRADE POLICIES AND PRACTICES BY MEASURE.....</b>	<b>45</b>
3.1 Measures Directly Affecting Imports .....	45
3.1.1 Customs procedures and requirements .....	45
3.1.2 Trade facilitation.....	48
3.1.3 Customs valuation .....	49

---

3.1.4	Rules of origin .....	49
3.1.5	Tariffs .....	50
3.1.5.1	Applied MFN duties .....	50
3.1.5.2	WTO bound duties .....	55
3.1.5.3	Preferential tariffs .....	55
3.1.5.4	Other duties and charges (ODCs) .....	56
3.1.5.5	Tariff-rate quotas .....	57
3.1.5.6	Tariff exemptions .....	58
3.1.5.7	Fees and charges for services rendered .....	58
3.1.6	Other charges affecting imports .....	59
3.1.6.1	Value Added Tax .....	59
3.1.6.2	Strip stamps for alcoholic beverages and tobacco products .....	59
3.1.6.3	Special Consumption Tax .....	60
3.1.6.3.1	SCT on petroleum products .....	60
3.1.6.3.2	SCT on motor vehicles, aircraft, and vessels .....	61
3.1.6.3.3	SCT on alcoholic beverages .....	63
3.1.6.3.4	SCT on tobacco products .....	64
3.1.6.3.5	SCT on durable consumer goods .....	64
3.1.6.4	Other taxes and charges .....	65
3.1.7	Import prohibitions, restrictions, and licensing .....	65
3.1.7.1	Import prohibitions .....	65
3.1.7.2	Import restrictions and licensing .....	66
3.1.8	Contingency measures .....	68
3.1.8.1	Anti-dumping and countervailing measures .....	68
3.1.8.2	Safeguard measures .....	69
3.1.9	Standards and other technical requirements .....	70
3.1.9.1	Developments .....	70
3.1.9.2	Policy and framework .....	70
3.1.9.3	Alignment with the EU .....	72
3.1.9.4	Controls at the border .....	73
3.1.9.5	Quality infrastructure .....	73
3.1.9.6	Market surveillance .....	74
3.1.9.7	WTO and Bilateral Agreements .....	74
3.1.10	Sanitary and phytosanitary requirements .....	75
3.1.10.1	Overview and alignment with the EU .....	75
3.1.10.2	Legal overview .....	76
3.1.10.3	Framework .....	78
3.1.10.4	Biosafety .....	79
3.2	Measures Directly Affecting Exports .....	80
3.2.1	Export procedures and requirements .....	80

3.2.1.1	Procedures.....	80
3.2.1.2	Inward processing regime .....	80
3.2.1.3	Outward processing regime .....	81
3.2.2	Export taxes, charges, and levies .....	81
3.2.3	Export prohibitions, restrictions, and licensing.....	81
3.2.3.1	Export of strategic goods .....	81
3.2.3.2	Export quality control .....	82
3.2.3.3	Export prohibitions .....	82
3.2.3.4	Export licensing .....	83
3.2.4	Export support and promotion .....	86
3.2.4.1	Export promotion organizations.....	86
3.2.4.2	Export support programmes .....	87
3.2.5	Export finance, insurance, guarantees .....	87
3.3	Measures Affecting Production and Trade .....	89
3.3.1	Business framework .....	89
3.3.1.1	Commercial Code.....	90
3.3.1.2	Regulatory bodies .....	90
3.3.1.3	SMEs.....	91
3.3.2	Incentives, state aid, and subsidies .....	93
3.3.2.1	TURQUALITY® .....	96
3.3.2.2	WTO notifications on subsidies .....	96
3.3.3	Competition policy and price controls.....	96
3.3.3.1	Price controls .....	96
3.3.3.2	Competition policy .....	97
3.3.4	State trading, state-owned enterprises, and privatization.....	100
3.3.4.1	State Trading Enterprises .....	100
3.3.4.2	State-owned enterprises (SOEs).....	101
3.3.4.3	Privatization .....	103
3.3.5	Government procurement .....	106
3.3.5.1	Basic legal framework.....	106
3.3.5.2	Procurement market and statistics.....	109
3.3.5.3	Institutional framework.....	110
3.3.5.4	Domestic review .....	110
3.3.5.5	National preferences.....	111
3.3.5.6	Participation in international agreements covering government procurement .....	111
3.3.6	Intellectual property rights.....	111
3.3.6.1	Legal framework .....	113
3.3.6.2	International agreements and conventions.....	117
3.3.6.3	Border measures and enforcement .....	118
<b>4</b>	<b>TRADE POLICIES BY SECTOR.....</b>	<b>121</b>

---

4.1	Agriculture .....	121
4.1.1	Overview .....	121
4.1.2	Production .....	121
4.1.3	Trade.....	123
4.1.3.1	Overview .....	123
4.1.3.2	TRQs.....	124
4.1.4	Support programmes .....	126
4.1.5	Strategy and policy .....	129
4.1.6	Export subsidies .....	131
4.1.7	Legal framework.....	132
4.1.8	Major agriculture sectors .....	133
4.1.8.1	Hazelnuts .....	133
4.1.8.2	Livestock .....	133
4.1.9	Marketing Boards.....	136
4.1.9.1	Turkish Grain Board .....	136
4.1.9.2	Sugar Authority .....	138
4.1.9.3	Meat and Milk Board (ESK) .....	138
4.1.9.4	Tobacco and Alcohol Market Regulatory Authority (TAPDK).....	139
4.1.10	Food Aid .....	139
4.2	Manufacturing.....	139
4.2.1	Automotive sector.....	141
4.2.2	Textiles and clothing .....	143
4.2.3	Chemicals.....	144
4.3	Services.....	146
4.3.1	Financial services.....	146
4.3.1.1	Banking.....	147
4.3.1.2	Insurance .....	149
4.3.1.3	Securities .....	150
4.3.2	Health.....	155
4.3.2.1	Overview .....	155
4.3.2.2	Trade .....	156
4.3.2.3	Structure of the sector.....	156
4.3.2.4	Policy .....	157
4.3.2.5	Legal and regulatory framework .....	158
4.3.2.6	Licensing, accreditation, and regulatory aspects .....	159
4.3.2.7	Incentives.....	160
4.3.2.8	Health tourism subsector .....	161
4.3.2.8.1	Health tourism policy .....	161
4.3.2.8.2	Health tourism incentives .....	161
4.3.2.8.3	Health tourism statistics .....	162

4.3.2.9 GATS commitments.....	162
4.3.3 Telecommunications.....	163
4.3.4 Tourism.....	169
4.3.4.1 Overview .....	169
4.3.4.2 Tourism by the numbers .....	169
4.3.4.3 Framework.....	170
4.3.4.4 Policy and strategy .....	170
4.3.4.5 Types of tourism .....	171
4.3.4.6 Legal and regulatory framework .....	172
4.3.4.7 Licensing and classification .....	173
4.3.4.8 Incentives.....	174
4.3.4.9 GATS commitments.....	175
4.3.5 Distribution.....	175
4.3.5.1 Regulatory framework .....	176
4.3.5.2 Market structure .....	177
<b>REFERENCES .....</b>	<b>182</b>
<b>5 APPENDIX TABLES .....</b>	<b>184</b>

## CHARTS

Chart 1.1 Distribution of GDP by industry group at current basic prices, 2014.....	15
Chart 1.2 Distribution of GDP by industry group at current basic prices, 2010-14 .....	16
Chart 1.3 Turkey's current account, 2000-14 .....	17
Chart 1.4 Composition of merchandise trade, 2010 and 2014 .....	23
Chart 1.5 Direction of merchandise trade, 2010 and 2014.....	24
Chart 1.6 Foreign Direct Investment, 2010-14 .....	25
Chart 2.1 Imports by type of import regime, 2014.....	30
Chart 3.1 Distribution of MFN tariff rates, 2011 and 2015 .....	52
Chart 3.2 Average tariff rates, by WTO product category, 2011 and 2015 .....	55
Chart 4.1 TMO operations, 2011-15.....	137
Chart 4.2 Evolution of exports for selected manufacturing product groups, 2000-14 .....	140
Chart 4.3 Regulatory structure of the financial markets .....	147
Chart 4.4 Domestic visitors and incoming tourists by purpose of visit, 2014 .....	171

## TABLES

Table 1.1 Selected macroeconomic indicators, 2010-15 .....	14
Table 1.2 Balance of payments, 2010-15.....	18
Table 1.3 Trade in services, 2010-14 .....	22
Table 2.1 Main trade-related laws and legislation in Turkey, December 2015 .....	27
Table 2.2 Turkey's preferential trade with the EU, 2011-14 .....	32
Table 2.3 Overview of Turkey's FTAs, December 2015.....	34

---

Table 2.4 Overview of new FTAs, 2011-15 .....	34
Table 2.5 Overview of Turkey's investment incentive schemes.....	41
Table 2.6 Overview of fixed capital investments under the incentive schemes, 2011-July 2015 .....	42
Table 2.7 Overview of Technology Development Zones, 2011-14 .....	43
Table 2.8 Overview of Free Zones, 2011-14.....	44
Table 3.1 Structure of MFN tariffs in Turkey, 2011-15 .....	51
Table 3.2 Tariff lines where applied tariff rates exceed bound tariff rates, 2015.....	52
Table 3.3 Turkey's applied MFN tariff summary, 2015 .....	53
Table 3.4 Summary analysis of the Turkish preferential tariffs, 2015 .....	56
Table 3.5 Turkey's TRQs on industrial products, 2015.....	57
Table 3.6 Key features of concessional entry schemes, 2015 .....	58
Table 3.7 VAT rates.....	59
Table 3.8 Price list for tobacco and alcoholic beverage products, 2015 .....	60
Table 3.9 SCT revenue, 2011-14.....	60
Table 3.10 SCT as applied to petroleum products, 2015.....	61
Table 3.11 SCT as applied to motor vehicles, aircraft and vessels 2015.....	61
Table 3.12 SCT on alcoholic beverages, 2015.....	63
Table 3.13 SCT duties on tobacco products, 2015 .....	64
Table 3.14 SCT duties on durable consumer goods .....	64
Table 3.15 Import prohibitions, 2015.....	65
Table 3.16 Imports requiring a licence, 2015 .....	67
Table 3.17 Turkey's main laws and regulations on technical regulations and standards, 2015 .....	71
Table 3.18 SPS laws and regulations, 2011-15 .....	77
Table 3.19 Export prohibitions, 2015 .....	83
Table 3.20 Exports requiring a licence, 2015.....	84
Table 3.21 Export support programmes, 2015.....	87
Table 3.22 Eximbank overview, credits, loans, and export credit insurance, 2011-14 .....	88
Table 3.23 Overview of main changes introduced by Turkey's new Commercial Code, enterprise and company law .....	90
Table 3.24 Turkey's business regulatory authorities, 2015 .....	91
Table 3.25 Overview of KOSGEB support for SMEs.....	92
Table 3.26 Key features of the State Aid Programmes .....	94
Table 3.27 Files concluded by the TCA, 2011-14.....	98
Table 3.28 Conclusion of anti-trust files, 2011-14 .....	98
Table 3.29 Examination of anti-competitive agreements under Article 4, 2011-14 .....	99
Table 3.30 Number of mergers/acquisitions/joint ventures/privatization decisions, 2011-14.....	99
Table 3.31 Results of mergers/acquisitions/joint ventures/privatization notifications, 2011-14 .....	99
Table 3.32 Negative clearance and exemption, 2011-14 .....	99
Table 3.33 Fines imposed by the TCA, 2011-14 .....	100

---

Table 3.34 Overview of State-owned enterprises key indicators, 2011-14.....	101
Table 3.35 List of majority-owned public enterprises in the Treasury and Privatization Portfolio as of 31 October 2015.....	102
Table 3.36 Overview of organizations in the privatization portfolio, 2015, by sector .....	104
Table 3.37 Significant privatization implementations, 2011-30 September 2015.....	105
Table 3.38 Main amendments to Turkey's procurement legislation, 2011-15.....	107
Table 3.39 Procurement values, 2010-14 .....	109
Table 3.40 Domestic preferences, 2010-14 .....	109
Table 3.41 Major procurement suppliers, 2010-14 .....	110
Table 3.42 Appeals to the Public Procurement Authority, 2010-14.....	111
Table 3.43 IP statistics, 2011-14.....	112
Table 3.44 Summary of Turkey's protection of intellectual property rights, 2015 .....	114
Table 3.45 Membership in international agreements, conventions and treaties, 2015 .....	117
Table 3.46 Applications for customs action to the Turkish Ministry of Customs and Trade via the central IPR system, 2011-14 .....	118
Table 4.1 Major crop production, 2010-14 .....	121
Table 4.2 Major animal production, 2010-14 .....	122
Table 4.3 Exports of agricultural products, 2010-14 .....	123
Table 4.4 Imports of agricultural products, 2010-14.....	124
Table 4.5 Autonomous tariff-rate quotas, 2011-15.....	125
Table 4.6 Turkey's TRQs, 2015 .....	125
Table 4.7 Turkey's Agricultural Support Programmes, 2015 <sup>a</sup> .....	127
Table 4.8 Main measures of agricultural support, 2011-14 .....	128
Table 4.9 Overview of the 2013-17 Strategic Plan.....	130
Table 4.10 Turkey's export subsidies, 2013, 2014, and 2015, as notified to the Committee on Subsidies and Countervailing Measures .....	131
Table 4.11 Overview of Laws on Agriculture.....	132
Table 4.12 Overview of the livestock sector, 2011-14.....	134
Table 4.13 List of eligible countries for the importation of bovine animals.....	134
Table 4.14 Livestock support programmes, 2015.....	135
Table 4.15 Sugar Authority operations, 2010-15.....	138
Table 4.16 Automotive imports requiring a licence, 2015 .....	142
Table 4.17 Incentives for investment in the automotive sector.....	142
Table 4.18 Financial sector in the economy, 2009-14 .....	146
Table 4.19 Banking sector - main indicators, 2012-14 .....	147
Table 4.20 Top 10 banks in Turkey by total assets, 2014.....	148
Table 4.21 Insurance sector - number of companies, 2012-14.....	149
Table 4.22 Main indicators – Borsa Istanbul .....	151
Table 4.23 Institutions in the securities market, 2014 .....	151
Table 4.24 Asset Management Companies .....	154
Table 4.25 Taxation of selected investment instruments in Turkey .....	154

Table 4.26 Overview of Turkey's health services, 2011-14 .....	155
Table 4.27 Structure of healthcare sector, 2011-14.....	157
Table 4.28 Turkey's main healthcare laws.....	158
Table 4.29 Investment incentives for certain healthcare subsectors.....	161
Table 4.30 Health tourism incentives for companies, 2015 .....	161
Table 4.31 Foreign patients receiving health services in Turkey, 2011-14.....	162
Table 4.32 Telecommunications indicators, 2011-14 .....	163
Table 4.33 Interconnection tariffs of fixed incumbent operator and mobile network operators in net values excluding taxes.....	166
Table 4.34 Main tourism indicators, 2011-14.....	169
Table 4.35 Overview of Turkey's tourism strategy.....	170
Table 4.36 Tourism investment incentives from the Turkish treasury, 2011-14 .....	174
Table 4.37 Energy support, 2011-15.....	174
Table 4.38 Profile of the major large retailers and restructuring in Turkey, 2008 .....	178
Table 4.39 Major retailers (number of stores), 2010-12.....	180
Table 4.40 Shopping malls (SMs) .....	180

### BOXES

Box 3.1 Government bodies and their area of activity on TBT matters .....	71
Box 4.1 Capital Markets Law (No. 6362 of 2012) .....	152

### APPENDIX TABLES

Table A1.1 Merchandise exports by product group, 2010-14.....	184
Table A1.2 Merchandise imports by product group, 2010-14 .....	186
Table A1.3 Merchandise exports by destination, 2010-14.....	187
Table A1.4 Merchandise imports by origin, 2010-14 .....	188
Table A2.1 Turkey's Involvement in Dispute Settlement Cases, 1 January 2012-1 December 2015.....	189
Table A2.2 Selected Notifications to the WTO, 9 November 2011-1 December 2015.....	191
Table A2.3 Foreign direct investment restrictions, 2015.....	195
Table A3.1 MFN tariff changes January 2012 to December 2015 .....	198
Table A3.2 New anti-dumping investigations initiated and measures imposed or terminated, 2012-15 .....	200
Table A3.3 Anti-dumping measures in force, September 2015 .....	202
Table A3.4 Safeguard investigations initiated and measures imposed or extended, 2012-15 .....	205
Table A3.5 Communiqués on Product Safety and Inspection, 2015.....	208
Table A3.6 IPR criminal penalties .....	210
Table A3.7 IPR civil remedies.....	212

---

**SUMMARY**

1. Turkey is an upper-middle-income country and the 17<sup>th</sup> largest economy in the world; with a GDP of US\$799 billion, or US\$10,390 per capita, in 2014. Since 2001, the economy grew every year except in 2009. However, since 2009, growth has fluctuated from 9.2% in 2010 to 2.1% in 2012. While real GDP growth was 4.2% in 2013, the economy slowed again to 2.9% in 2014, reflecting Turkey's vulnerability to capital inflows and contraction in agricultural output due to adverse weather conditions. Furthermore, a high current account deficit, although declining, has left the country exposed to external shocks in an environment of increased currency and financial market volatility coupled with high inflation since mid-2013. The recent geopolitical crisis in the region and the associated influx of refugees also pose challenges to sustained economic growth.

2. In expenditure terms, the main drivers of growth during the review period have been domestic consumption and exports; while in sectoral terms, manufacturing and financial services contributed most strongly. In the first half of 2015, industrial production, primarily in the automobile sector, consumption, and private investment were the main contributors to growth, while exports contributed negatively.

3. Trade is an important part of the economy: total trade in goods and services grew from the equivalent of 48% of GDP in 2010 to 60% in 2014; and, since 2010, exports increased by 38% to US\$157.7 billion in 2014 (current prices). The majority of Turkey's exports are manufactured goods, in particular textiles and clothing (18.5%), automotive products (11.1%), chemicals (5.8%) and iron and steel (6.8%). Exports of agricultural products accounted for 11.7% of total exports in 2014. Turkey's merchandise imports reached US\$242 billion in 2014; a 30% increase since 2010. The majority of Turkey's imports comprise raw materials and intermediate goods which feed into the production of higher value-added finished goods for export; the principal items being machinery and equipment (27%), mining (15%), chemicals (13.5%), and a broad range of consumer goods. Turkey continues to be a net exporter of services due to its significant surplus in travel services.

4. Turkey's trade policy in terms of preferential trade continues to be influenced by the EU and the provisions of its customs union with the EU, as Turkey negotiates and concludes FTAs in parallel with the EU. It is noted that many of Turkey's FTA partners are relatively small trade partners of Turkey. New FTAs concluded and entered into force during the review period were with Chile, Jordan, the Republic of Korea, Malaysia, and Mauritius. To date, Turkey's FTAs notified to the WTO only cover trade in goods, and not services or investment. However, the FTA with the Republic of Korea is broader in scope, as it includes commitments on investment and services, and Turkey has started to include deeper commitments and disciplines on TBT, SPS, intellectual property, competition, dispute settlement, and trade remedies as part of its FTA negotiations. Turkey has aligned its unilateral preference regime with that of the EU as well, and with few exceptions, offers GSP, GSP+, and Everything-But-Arms (EBA) arrangements to certain developing and least developed countries.

5. Turkey continues to recognize the importance of attracting foreign direct investment through its many programmes of incentives, schemes, and free zones. The main framework law for investment, the 2003 Foreign Direct Investment Law, continues to provide the main elements for investment such as national treatment, transfer of proceeds, etc., and has not undergone significant revision. However, there have not been any major changes to investment restrictions either and Turkey continues to impose restrictions in the broadcasting, aviation, maritime transport, port services, fishing, accounting, financial, mining, real-estate, electricity, and education sectors. Although the legal framework has not changed, investment schemes have been extended, deepened, and broadened over the period in order to encourage and target certain types of FDI in Turkey. They offer nine different types of incentive instruments, often depending on the amount of the investment and the investment region. In addition, Turkey's investment zones (Technology Development Zones, Organized Industrial Zones, and Free Zones) are designed to provide investor-friendly environments with attractive infrastructures for businesses.

6. In terms of tariff protection, Turkey's overall applied tariff average increased slightly during the period to 12.8% due to tariff increases in response to requests by domestic producers. Furthermore, Turkey has the scope to increase tariffs further because 50% of its tariff schedule is unbound (tariffs are bound for 100% of agricultural tariff lines and 34% of industrial tariff lines), and in many cases there is a significant gap between bound and applied rates. Also, there are

significant differences in the rates of agricultural versus industrial products, as average rates for agriculture are 49% and only 5.5% for industrial goods. Tariff protection remains particularly high, averaging over 80%, on meat, dairy, sugar and confectionary, and agricultural products.

7. Developments in the area of customs since the last review include: a new summary pre-arrival declaration form; development of a Single Window application (which currently includes 13 institutions); the launch of a "one-stop-shop" pilot project for terrestrial border posts; and the implementation of the Authorized Economic Operator (AEO) programme as a trade facilitating programme for AEO certified companies. As concerns trade facilitation, Turkey notified its Category A commitments under the Agreement on Trade Facilitation, designating all of Section I, Category A for full implementation upon entry into force, except for Article 7.9 relating to perishable goods.

8. Trade remedies continue to be an important policy tool for Turkey, as it is one of the WTO's main users of safeguard and anti-dumping measures. Since 2012, Turkey initiated four safeguard investigations and extended safeguard measures eight times. As for anti-dumping measures, Turkey ranks among the WTO's top ten users of these measures and activity has been high since 2012 with 25 investigations initiated and 14 measures imposed. There have been some amendments to Turkey's safeguard legislation during the review period impacting the investigation period.

9. Turkey continues to apply a number of taxes or other charges on imported and domestic products that affect consumption. These taxes include VAT, a strip-stamp tax, and a special consumption tax (SCT). Tobacco products and alcoholic beverages are particularly affected, being subject to both the strip-stamp tax and special consumption taxes; with raw tobacco also being subject to the Tobacco Fund levy. Other products impacted by the special consumption tax include petroleum products, motor vehicles, aircraft, vessels, and durable consumer goods. Together, VAT and SCT provide over half of government revenue.

10. During the review period, Turkey has continued its efforts to achieve harmonization with the EU in respect of aligning its technical legislation and SPS measures with its largest trading partner. Following the 2010 adoption of the main framework law on SPS (the Law on Veterinary Services, Plant Health, Food and Feed), Turkey has adopted and implemented many of the implementing regulations during the review period, thus, approximately 100 regulations have been put in place as secondary legislation. Regarding TBT matters, Turkey revised its regulations in 2012 to conform to the EU in the areas of CE marking, conformity assessment bodies, and notified bodies.

11. Both imports and exports are subject to a number of border measures in Turkey, including outright prohibitions, licensing, controls, and restrictions. Eleven categories of goods are subject to import licences and 26 require export licences. On the export side, Turkey adheres to international agreements for the prohibition or control of strategic goods and has provisions for export quality control checks of certain agricultural products.

12. State-owned enterprises (SOEs) continue to be involved in a number of important sectors of the Turkish economy including manufacturing, mining, oil and gas, agriculture, transport, and banking. The number of SOEs (36) has not changed significantly since the last review although there have been improvements made in terms of transparency and accountability. New provisions were put in place during the review period to require them to establish an internal control system and internal audit, and subject them to independent external audit. While Turkey continues with its privatization policy, there was an initial slowdown in privatizations during 2011-12, which increased to 15 companies privatized in 2013-14, mostly in the electricity distribution and power generation industries.

13. Turkey's Public Procurement Law (PPL) was amended several times during the review period, in particular to increase flexibility of decision-making when evaluating abnormally low tenders. Steps were also taken to move Turkey's public procurement to a fully electronic system. Turkey continues to allow the application of national preferences in procurement whereby a price advantage of 15% is offered to domestic suppliers, but a 2014 amendment made it compulsory for the procurement of medium- and high-technology industrial products. In 2014, public procurement in Turkey accounted for approximately 7% of GDP. Turkey has been an observer to the WTO Committee on Government Procurement since June 1996.

14. There have been some minor changes to the main IP laws and regulations in Turkey since its last review, with changes to the copyright law in respect of expropriation of works and fines. Turkey's statistics on the use of intellectual property indicates growth in the use of most forms of IP protection during the initial phase of the review period, but many have levelled off or even slightly declined at a later stage. In terms of enforcement, the number of applications for customs action increased significantly during 2011-14; and for IP judicial processes, the average length of court cases diminished over the same period.

15. Agriculture remains an important part of the Turkish economy, and Turkey is a major world producer of agricultural products, ranking 7<sup>th</sup> in the world. Turkey maintained a trade surplus in agricultural products of approximately US\$3 billion in 2014. Turkey has not notified its domestic support or export subsidy programmes to the WTO Committee on Agriculture during the review period, but based on other sources of information Turkey has introduced changes leading to the maintenance of relatively high supports, at least in comparison to other OECD countries, and payments based on agricultural output have increased, thus leading to distortions. Turkey maintains government enterprises or marketing boards for grains, sugar, meat, and alcohol and tobacco products which, depending on the product and board, play a role in Turkey's trade, production, or pricing of these products.

16. Over the past three decades, much of Turkey's economic development has been based on the country's large and diverse manufacturing base. Turkey's relatively low labour costs, well-trained workforce, and strategic location have helped build a strong manufacturing sector focused on medium- and high-value-added goods. In 2014, the industrial sector accounted for 17.8% of GDP, 76.7% of total goods exports and 20.5% of employment. Turkey's key industrial export sectors are automotives, textiles and clothing, chemicals, machinery, iron and steel, electronics, and jewellery. Small and medium-sized enterprises (SMEs) constitute a key part of the industrial sector in Turkey. Under the Tenth Development Plan, the Input Supply Strategy, and Turkey Vision 2023 the Government has set out multiple objectives for manufacturing, including increasing production of intermediate and finished goods in order to, *inter alia*, reduce the trade deficit.

17. While agriculture and manufacturing remain important parts of the Turkish economy, services continues to be the dominant and growing contributor to GDP, amounting to 65% of 2014 GDP. Well developed and important services sectors in Turkey include financial services, tourism, and telecommunications. The tourism sector was particularly important in terms of trade, contributing to the positive services trade balance, in particular due to significant surpluses in travel and transport services. The growth of Turkey's tourism sector has outpaced global tourism growth and Turkey ranked 6<sup>th</sup> in the world in terms of international tourist arrivals and 12<sup>th</sup> in terms of tourism receipts in 2014.

18. The contribution of financial and insurance activities to GDP has increased steadily since 2010 (in nominal terms) but it has actually declined as a percentage of GDP, from 4.5% of GDP in 2009, to 3.0% in 2014. In 2012, a new Capital Markets Law entered into force which transformed the legal and institutional framework of Turkey's capital markets. In 2013, Borsa Istanbul was established as a joint-stock company and merged the three existing exchanges, the Istanbul Stock Exchange, Istanbul Gold Exchange and Futures and Options Exchange. In the area of banking, on 1 January 2014 new regulations came into force applying the Basel III accord.

19. Turkey's healthcare system has undergone many changes in recent years which has improved its healthcare system, developed a private insurance market, and led to a growing health tourism sector. Turkey's healthcare expenditures reached TL 94.8 billion in 2014, or approximately 5.4% of GDP. Turkey's health tourism sector had significant growth during the period 2011-14, as the total number of foreign patients increased by over 200% while the number of patients in private healthcare establishments more than tripled. A number of incentives are offered to the health tourism sector to encourage its growth such as tax deductions, and reimbursement of costs related to marketing and advertising, and participation in fairs and conferences. Turkey has made amendments to some laws during the review period, in particular to the Healthcare Public-Private Partnerships (PPP) legislation to encourage investment in private healthcare and provide an alternative to public services usually provided by the State.

20. Distribution services are important to the Turkish economy with wholesale and retail trade contributing 12% to GDP in 2014. Retail sales volume growth was highest in 2011 at 8.3% but

slowed in subsequent years, reaching 1.3% in 2014; nevertheless total retail sales recorded US\$282 billion the same year. Turkey is considered the 7<sup>th</sup> largest retail market in Europe. Turkey has not undertaken any GATS commitments in distribution services. Foreign distributors are present but the supermarket segment is largely dominated by local shops, or *bakkals* (small shops of less than 50 m<sup>2</sup>).

21. Despite a difficult external environment with low growth in the EU and conflict in the Middle East region, Turkey's economy and trade continued to grow over the 2011-2015 period. Growth has been based on relatively low labour costs, good infrastructure, and proximity to the EU, its main trading partner. However, continued growth faces several challenges including the continuing conflict in Syria which may affect tourism and erosion of preferential margins into the EU, as well as the persistent current account deficit and relatively high inflation. Further growth depends on investment and Turkey has a comprehensive system of incentives, but their complexity, along with restrictions in some sectors, may reduce their effectiveness. Furthermore, government programmes in some sectors – particularly agriculture – distort trade and production while the low level of tariff bindings for non-agricultural goods and high applied tariffs for agricultural goods create uncertainty for those trading partners not covered by trade agreements.

## 1 ECONOMIC ENVIRONMENT

### 1.1 Recent Economic Developments

1.1. Turkey is an upper-middle-income country and the 17<sup>th</sup> largest economy in the world; with a GDP of TL 1,747 billion (US\$799 billion or US\$10,390 per capita) in 2014.<sup>1</sup> Since 2001, the economy grew every year with the exception of 2009. However, since 2009, growth has fluctuated from 9.2% in 2010 to 2.1% in 2012. While real GDP growth reached 4.2% in 2013, the economy slowed again to 2.9% in 2014, reflecting Turkey's vulnerability to capital inflows and contraction in agricultural output due to adverse weather conditions. Furthermore, a declining but still high current account deficit has left the country exposed to external shocks in an environment of increased currency and financial market volatility since mid-2013. The recent geopolitical crisis in the region and the associated influx of refugees also pose challenges to sustained growth for Turkey's economy.

1.2. In expenditure terms, the main drivers of growth during the review period have been domestic consumption and exports while in sectoral terms, manufacturing and financial services contributed most strongly (Table 1.1). In the first half of 2015, industrial production, primarily in the automobile sector, consumption, and private investment were the main contributors to growth, while exports contributed negatively.<sup>2</sup> Trade has remained an important part of the economy with total trade in goods and services growing from the equivalent of 48% of GDP in 2010 to 60% in 2014.

**Table 1.1 Selected macroeconomic indicators, 2010-15**

	2010	2011	2012	2013	2014	2014 (Jan- June)	2015 (Jan- June)
GDP at current prices (TL billion)	1,099	1,298	1,417	1,567	1,747	839	926
GDP at current prices (US\$ billion)	731	774	786	823	799	387	361
Real GDP (percentage change)	9.2	8.8	2.1	4.2	2.9	3.7	3.1
Nominal GDP per capita <sup>a</sup>	10,003	10,428	10,459	10,822	10,390	10,419	10,043
Population (million)	73.7	74.7	75.6	76.7	77.7	77.2 <sup>b</sup>	..
Unemployment rate	11.1	9.1	8.4	9.0	10.0	9.4	10.2
Inflation (CPI percentage change)	8.6	6.5	8.9	7.5	8.9	8.7	7.6
<b>National accounts</b>							
<b>% of GDP at current prices</b>							
Private consumption	71.7	71.2	70.2	70.8	68.9	68.9	69.8
Government consumption	14.3	13.9	14.8	15.1	15.3	14.8	15.1
Gross fixed capital formation	18.9	21.8	20.3	20.3	20.1	21.2	21.7
Change in stocks	0.6	1.7	-0.1	0.3	0.1	0.0	-2.1
Exports of goods and services	21.2	24.0	26.3	25.6	27.7	27.9	27.1
Imports of goods and services	26.8	32.6	31.5	32.2	32.2	32.7	31.5
<b>Percentage change at constant 1998 prices</b>							
Private consumption	6.7	7.7	-0.5	5.1	1.4	1.5	5.1
Government consumption	2.0	4.7	6.1	6.5	4.7	5.8	4.9
Gross fixed capital formation	30.5	18.0	-2.7	4.4	-1.3	-1.9	5.0
Exports of goods and services	3.4	7.9	16.3	-0.2	6.8	8.4	-1.6
Imports of goods and services	20.7	10.7	-0.4	9.0	-0.2	-1.8	2.7
<b>Public finance<sup>c</sup></b>							
Primary balance (% of GDP)	0.9	1.9	1.1	1.2	0.3	0.6 <sup>d</sup>	0.9 <sup>d</sup>
Overall balance (% of GDP)	-2.8	-0.8	-1.7	-1.4	-2.0	-0.6 <sup>d</sup>	0.0 <sup>d</sup>
General government gross debt (EU definition)	42.3	39.1	36.2	36.1	33.5	35.2	33.7
Non-financial public sector net debt	36.8	33.4	30.4	30.0	28.4	11.2	8.5

<sup>1</sup> The World Bank, "Turkey", online information. Viewed at: <http://www.worldbank.org/en/country/turkey/overview>.

<sup>2</sup> CBRT (2015), Financial Stability Report, May.

	2010	2011	2012	2013	2014	2014 (Jan-June)	2015 (Jan-June)
<b>External sector</b>							
TL/US\$ (annual average)	1.5	1.7	1.8	1.9	2.2	2.2	2.6
Real effective exchange rate (CPI basis, percentage change: (-) depreciation) <sup>e</sup>	9.4	-11.7	2.8	-1.5	-4.6	-9.9	3.0
Current account (% of GDP) <sup>f</sup>	-6.2	-9.7	-6.2	-7.9	-5.8	-6.3	-6.2
Exports of goods and services XGS (% of GDP) <sup>f</sup>	21.5	23.7	26.1	25.3	27.5	27.6	27.0
Imports of goods and services MGS (% of GDP) <sup>f</sup>	26.9	32.6	31.6	32.3	32.3	32.8	31.6
Total reserves (includes gold, current US\$ billion) <sup>g</sup>	86.0	88.3	119.2	131.0	127.3	132.6	119.9
Total reserves in months of imports	4.9	4.0	5.5	5.6	5.6	6.2	5.9
Gross external debt (US\$ million)	39.9	39.2	43.0	47.3	50.4	50.3	52.5
Inward FDI stock (% of GDP) <sup>g</sup>	25.8	17.7	24.2	18.2	22.3	42.5	45.0
Outward FDI stock (% of GDP) <sup>g</sup>	3.1	3.6	3.9	4.0	5.0	9.2	11.6

.. Not available.

a Data are provisional for 2014 (Jan-June) and 2015 (Jan-June).

b Mid-year (1 July 2014) population size, calculated using the results of the Address Based Population Registration System.

c Projection for 2014 figures.

d Preliminary data, provided by the authorities.

e Depreciation (-) and appreciation (+). As of September 2015 figures.

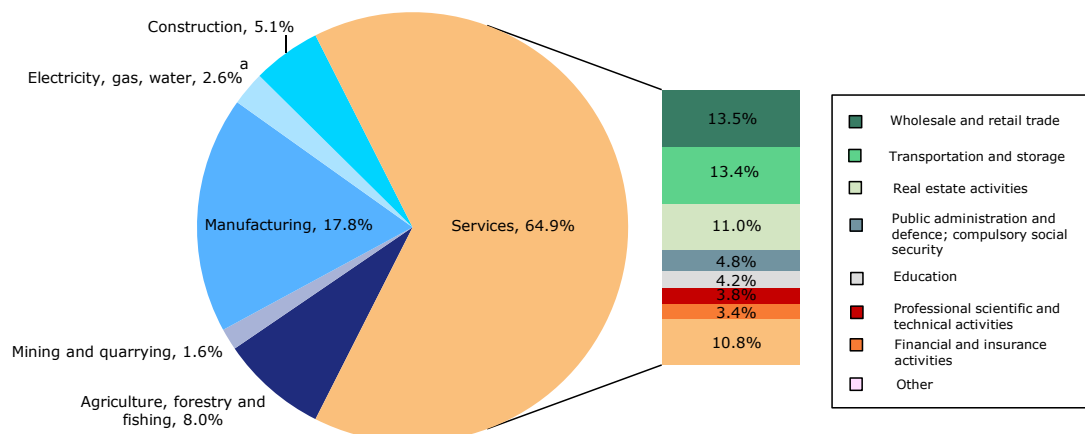
f Provisional for 2014 figures. As of August 2015 figures.

g As of August 2015.

Source: The Central Bank of the Republic of Turkey (CBRT) online information. Viewed at: <http://www.tcmb.gov.tr>; Turkish Statistical Institute (Turkstat) online information. Viewed at: <http://www.turkstat.gov.tr/Start.do>; Undersecretariat of Treasury. Viewed at: <http://www.treasury.gov.tr/en-US/MainPag>; IMF (2014), *Turkey – Staff Report for the 2014 Article IV Consultation*, IMF Country Report No. 14/329; IMF online information, 'International Financial Statistics'. Viewed at: <http://elibrary-data.imf.org/DataExplorer.aspx>; and World Bank's World Development Indicator database. Viewed at: <http://databank.worldbank.org/data/views/variableselection/selectvariables.aspx?source=world-development-indicators>.

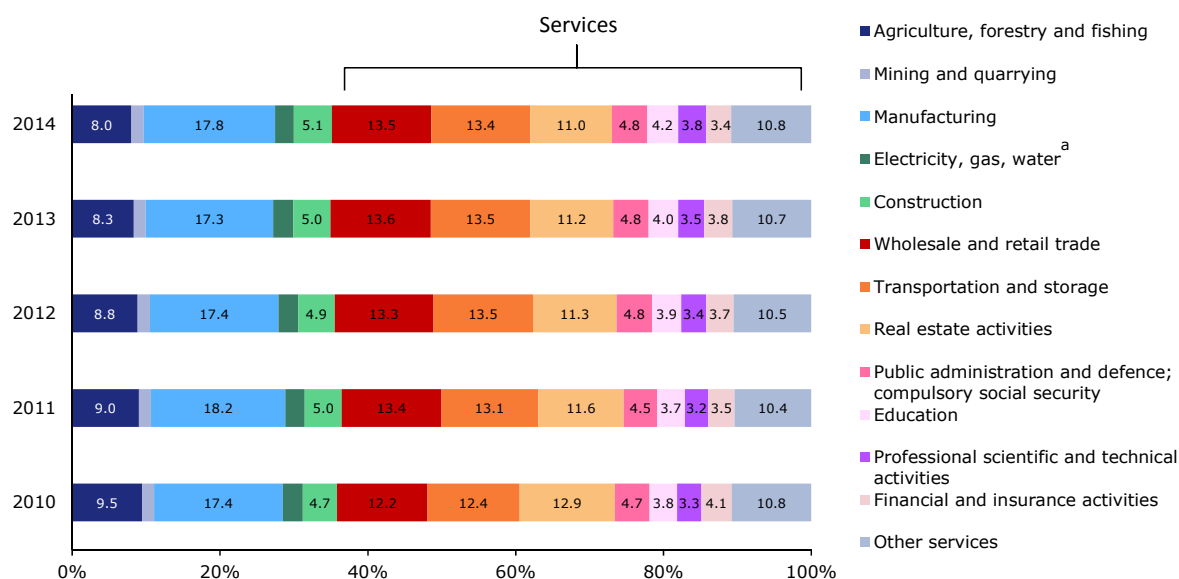
1.3. In terms of sectoral contributions to GDP, the share of manufacturing has remained fairly constant since 2010, at about 18%, while agriculture has continued to decline. Services sectors combined contributed about 65% – mostly from transport, storage, wholesale and retail trade, and real estate activities (Charts 1.1 and 1.2).

**Chart 1.1 Distribution of GDP by industry group at current basic prices, 2014**



a Refers to electricity, gas, steam and air conditioning supply; and water supply, sewerage, waste management and remediation activities.

Source: The Central Bank of the Republic of Turkey (CBRT) online information. Viewed at: <http://www.tcmb.gov.tr>.

**Chart 1.2 Distribution of GDP by industry group at current basic prices, 2010-14**

a Refers to electricity, gas, steam and air conditioning supply; and water supply, sewerage, waste management and remediation activities.

Source: The Central Bank of the Republic of Turkey (CBRT) online information. Viewed at: <http://www.tcmb.gov.tr>.

1.4. The annual average inflation rate in Turkey, as measured by the Consumer Price Index (CPI), remains high, at 8.9% in 2014 compared to the Government's target of 5% and the Central Bank's one week repo rate of 7.5% and the average cost of Central Bank funding of 8.1%. Inflation trended upwards in 2014 due to the effects of the depreciation of the Turkish lira (TL) since May 2013 as well as a surge in food prices, in particular for meat and other basic commodities because of a negative supply shock amid drought and unfavorable weather conditions. However, the plunge in international oil prices in late 2014 contributed to a decrease in inflation, which nevertheless remained above both the target rate and the average cost of CBRT funding for the first half of 2015.<sup>3</sup> To reduce the inflationary pressure due to high food prices, the Food and Agricultural Product Markets Monitoring and Evaluation Committee was established.<sup>4</sup>

1.5. Turkey's unemployment rate fluctuated during the review period but remained relatively high, close to 10%, although it had reached a low of 8.4% in 2012. As half of Turkey's population is under the age of 29, the labour market needs to absorb 1 million new entrants every year.

1.6. According to the IMF, Turkish banks are well capitalized, with an average loan-to-deposit ratio of 114% in 2014. Bank assets have grown over the review period, and were equivalent to 114% of Turkey's GDP; and the ratio of non-performing loans to total lending stood at 2.8% at end-Q2 2014. However, according to the authorities, one of the biggest risks in the banking sector is the rollover risk associated with increases in financing costs. The IMF noted that, in October 2014, Turkey was removed from the Financial Action Task Force's list of countries with strategic deficiencies in their anti-money laundering and combatting the financing of terrorism frameworks. This followed measures taken to criminalize terrorist financing and establishment of procedures to identify, freeze, and confiscate terrorist assets.<sup>5</sup>

1.7. According to the World Bank's Doing Business Report 2016, Turkey is ranked 55<sup>th</sup> out of 189 economies for ease of doing business, down from 51<sup>st</sup> place in 2015. While Turkey's overall ranking improved since 2013 at 71<sup>st</sup> place, there are some areas where Turkish businesses

<sup>3</sup> CBRT (2014), Annual Report, p. 33.

<sup>4</sup> CBRT (2015), Inflation Report 2015-IV, p. 6.

<sup>5</sup> IMF (2014), Turkey – Staff Report for the 2014 Article IV Consultation, 3 November, pp. 19 and 23.

continue to face serious constraints: starting a business, Turkey ranked 94<sup>th</sup> in 2016 (down from 88<sup>th</sup> in 2015) and resolving insolvency, Turkey ranked 124<sup>th</sup> in 2016 (down from 102 in 2015).<sup>6</sup>

1.8. Based on Turkey's long term vision for 2023, Turkey aims to be one of the top ten economies in the world, with a GDP of around US\$2 trillion; a GDP per capita of US\$25,000; and exports of US\$500 billion. In order to achieve these objectives, Turkey has developed several short- and medium- term plans. According to its Tenth Development Plan (2013-2018)<sup>7</sup> and Medium-Term Programme (2016-2018), the Government has set objectives to maintain economic growth; increase competitiveness; increase employment; ensure regional development; improve public finances and reduce the current account deficit (Section 2.2).

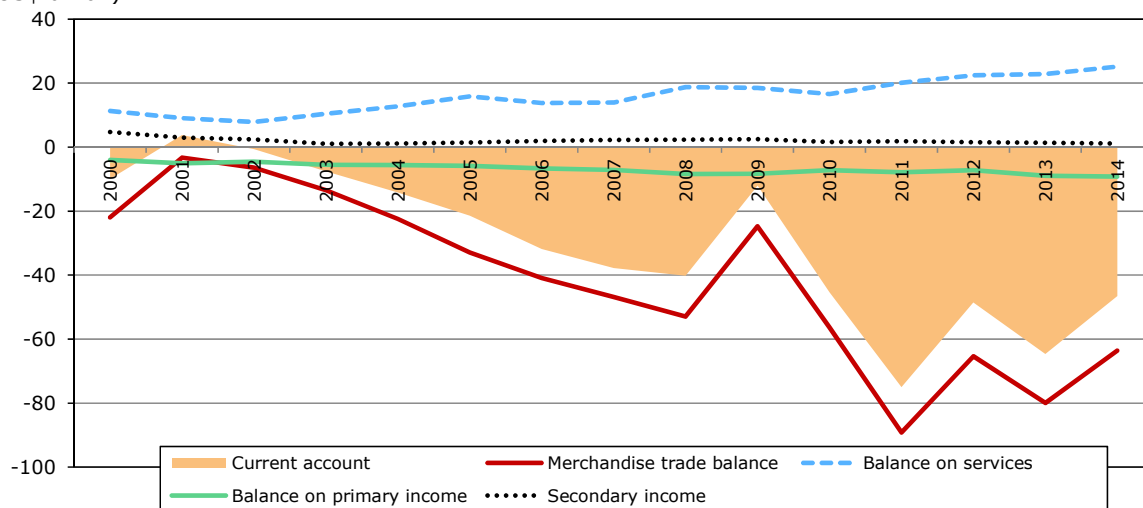
## 1.2 Balance of Payments

1.9. The most significant obstacle to the long-term health of Turkey's economy is the persistent current account deficit which reached 9.7% of GDP in 2011, (Chart 1.3). The current account deficit is fueled by a large foreign trade deficit arising from imports of intermediate goods coupled with high dependence on energy products<sup>8</sup> (Section 1.5) (Table 1.2).

1.10. Although the current account deficit deteriorated in 2013 due to the exceptionally high level of gold imports, the current account deficit excluding gold has continued to recover gradually. The deficit decreased by nearly 30% in 2014, from US\$65.0 billion in 2013 to US\$46.5 billion, primarily due to: lower oil prices, which drove down the cost of energy imports; a depreciating lira, which drove up Turkish exports; and macro prudential measures that were implemented in order to curb excessive credit growth. In 2014-15, 90% of the current account deficit was financed by long-term instruments and foreign direct investment (FDI). In the first nine months of 2015, the current account deficit continued to decline, driven primarily by an increase in gold exports and recovery in the energy balance, both of which helped improve the foreign trade balance.<sup>9</sup>

**Chart 1.3 Turkey's current account, 2000-14**

(US\$ billion)



Note: Provisional data for 2014.

Source: The Central Bank of the Republic of Turkey (CBRT) online information. Viewed at: <http://www.tcmb.gov.tr>.

<sup>6</sup> The World Bank (2016), *Doing Business Report*. Viewed at: <http://www.doingbusiness.org/data/exploreeconomies/turkey/~media/giawb/doing%20business/documents/profiles/country/TUR.pdf>.

<sup>7</sup> The Tenth Development Plan. Viewed at: [http://www.mod.gov.tr/Lists/DevelopmentPlans/Attachments/5/The%20Tenth%20Development%20Plan%20\(2014-2018\).pdf](http://www.mod.gov.tr/Lists/DevelopmentPlans/Attachments/5/The%20Tenth%20Development%20Plan%20(2014-2018).pdf).

<sup>8</sup> Energy imports constitute almost one quarter of total imports.

<sup>9</sup> CBRT (2015), *Balance of Payments Report 2015-I*.

**Table 1.2 Balance of payments, 2010-15**

(US\$ million)

	2010	2011	2012	2013	2014 <sup>a</sup>	2014 (Jan.- Sep.)	2015 (Jan.- Sep.)
Current account	-45,312	-75,008	-48,535	-64,658	-46,525	-31,517	-25,561
Goods	-56,325	-89,160	-65,367	-79,907	-63,584	-45,485	-37,198
Exports	120,992	142,392	161,948	161,789	168,926	127,166	113,825
Imports	177,317	231,552	227,315	241,696	232,510	172,651	151,023
of which:							
General merchandise (net)	-55,965	-84,480	-71,172	-68,334	-59,881	-44,648	-41,159
Non-monetary gold (net)	-453	-4,778	5,709	-11,779	-3,896	-1,005	3,900
Services	16,594	20,120	22,427	22,844	25,164	20,112	19,022
Credit	36,192	40,851	43,224	46,615	50,374	38,926	36,182
Debit	19,598	20,731	20,797	23,771	25,210	18,814	17,160
Primary income	-7,212	-7,855	-7,163	-8,986	-9,212	-6,961	-8,107
Credit	4,478	3,952	5,034	4,524	4,263	3,245	3,116
Debit	11,690	11,807	12,197	13,510	13,475	10,206	11,223
Compensation of employees	-123	-163	-215	-288	-882	-656	-774
Credit	45	42	40	42	36	27	27
Debit	168	205	255	330	918	683	801
Investment income	-7,089	-7,692	-6,948	-8,698	-8,330	-6,305	-7,333
Credit	4,433	3,910	4,994	4,482	4,227	3,218	3,089
Debit	11,522	11,602	11,942	13,180	12,557	9,523	10,422
Secondary income	1,631	1,887	1,568	1,391	1,107	817	722
General government	563	794	558	643	175	84	94
Other sectors	1,068	1,093	1,010	748	932	733	628
of which:							
Workers' remittances	948	1,045	975	877	838	680	551
Capital account	-51	-25	-58	-96	-70	-67	-6
Financial account	-45,131	-66,025	-48,247	-61,958	-43,191	-22,718	-12,124
Direct investment	-7,617	-13,806	-9,177	-8,830	-5,702	-5,097	-8,719
Portfolio investment	-16,083	-22,204	-41,012	-23,986	-20,104	-13,736	11,624
Other investment	-34,240	-28,202	-18,872	-39,053	-16,917	-6,790	-11,254
Reserve assets	12,809	-1,813	20,814	9,911	-468	2,905	-3,775
Net errors and omissions	232	9,008	346	2,796	3,404	8,866	13,443

a Provisional.

Note: As of August 2015 data.

Source: The Central Bank of the Republic of Turkey (CBRT) online information. Viewed at: <http://www.tcmb.gov.tr>.

1.11. In the period ahead, even though the weakening external demand is expected to limit export growth, the low international energy prices and the favorable developments in the terms of trade, alongside the continuing cautious monetary policy stance will contribute to the improvement in the current account. Thus, the decline in the current account deficit is projected to continue in 2015 as well.

1.12. The services account is the second most important determinant of the current account balance after foreign trade. Balance-of-payments data indicate that Turkey is mostly a net exporter of services, with a surplus that has been consistently growing since 2010 and reached US\$25 billion in 2014. The balance of travel services represents the bulk of receipts accounting for 97% of total net services exports.

1.13. Workers remittances, once an important source of foreign exchange for Turkey, at about US\$5 billion annually in the 1990s, has continued to steadily decline, reaching US\$838 million in 2014.

1.14. As a priority, the Government is trying to tackle the current account deficit by improving access to inputs for domestic production and increasing its exports. Under the coordination of the Ministry of Economy, Turkey's Input Supply Strategy (GITES) and its Action Plan (2013-15), which were officially established in 2012 aim to secure sustainable and more efficient access to the inputs that the manufacturing industry needs for production and therefore overcome some structural deficiencies in Turkish industrial production and introduce a long-term input supply.<sup>10</sup> In addition, programmes to reduce dependence on energy imports are included in the Tenth Development Plan. On the exports side, Turkey is trying to diversify its export markets and products by focusing on producing and promoting innovative and higher value-added products. According to its Export Strategy of Turkey for 2023, Turkey plans to have a share of 1.5% of world exports with an average increase of 12% of exports annually (Section 2.2).

### 1.3 Fiscal Policy

1.15. Turkey's fiscal policy aims to support economic stability, increase domestic savings, lower the current account deficit, curb inflation and boost the country's economic growth potential.<sup>11</sup> The overall fiscal position continued to improve during the review period, although public spending increased considerably in particular for education, health and pensions. The public sector primary balance remained in surplus during 2010-14 and the overall balance, although in deficit, was kept below 2% of GDP in the same period. As a consequence, net public sector debt, which stood at 28.9% of GDP in 2010, fell to 10.7% in 2014.

1.16. During the period under review, public sector borrowing has been controlled to support the downward trend in the public debt stock-to-GDP ratio by implementing a fiscal policy consistent with monetary and incomes policies. With the effect of increased confidence in the markets, interest rates declined, debt maturities were extended and the ratio of public interest expenditures to GDP decreased. General government balance-to-GDP, excluding privatization revenues and interest expenditures, turned into a surplus of 2.2% on average in 2007-12. According to its 2016-18 Medium-Term Programme, Turkey plans to continue to tighten its fiscal stance by curbing the public sector borrowing requirement and primary expenditures while preserving its positive public finances.<sup>12</sup>

1.17. Turkey continues to depend largely on debt-generating foreign capital inflows to make up for low domestic savings and to finance its current account deficit. High levels of foreign debt, particularly private-sector debt, puts pressure on the Turkish economy and leaves individual companies vulnerable to tighter global liquidity conditions and exchange-rate volatility. In 2014, the need for foreign borrowing was limited by subdued economic activity and a reduced current account deficit. Nevertheless, gross external debt rose to 50.4% of GDP in 2014 from 47.3% at the end of 2013, reflecting the impact of a weaker lira on nominal GDP in U.S. dollar terms. According to the authorities, the current account deficit is expected to decline in 2015 due to lower energy costs and lower domestic demand.

1.18. Despite relatively strong fiscal indicators, the structural deficit remains large, at about 3% of GDP in 2014. Non-discretionary central government primary spending remains about two-thirds of total expenditure. Between 2006 and 2013, central government primary spending has grown by 5.4% of GDP, more than the 3% of GDP decline in interest spending. Over this period, large revenues, mainly taxes on consumption and imports, have kept the budget balance from deteriorating. However, according to the IMF, this masks a widening structural deficit, as consumption and imports will have to decline when the economy rebalances towards exports and investment. This could limit fiscal policy space in a downturn, even with debt below 36% of GDP.<sup>13</sup>

<sup>10</sup> According to the authorities, in order to reduce the current account deficit permanently, in particular by lessening the dependency of energy imports, priority transformation programmes have been prepared under the Tenth Development Plan such as "Reducing Dependence on Imports" and "Energy Generation Based on Local Resources". Detailed action plans have also been determined and application studies are ongoing. *Official Gazette* No. 28508, published on 25 December 2012.

<sup>11</sup> Ministry of Development (2015), Medium-Term Programme (2016-18), p. 17. Viewed at: <http://www.kalkinma.gov.tr/Pages/content.aspx?List=28363ffa-6f2c-4400-86bc-ca5decdb5161&ID=12&Source=http%3A%2F%2Fwww%2Ekalkinma%2Egov%2Etr%2FPages%2FOrtaVadeliProgramlar%2Easpx&ContentTypeId=0x0100F586C93FC4CA2749A016DD998B6133D2>.

<sup>12</sup> Ministry of Development (2015), Medium-Term Programme (2016-2018).

<sup>13</sup> IMF (2014), Turkey – Staff Report for the 2014 Article IV Consultation, 3 November, p. 12.

#### 1.4 Monetary and Exchange Rate Policy

1.19. In order to contain the macro financial risks emerging from global imbalances, in 2010 the Central Bank of the Republic of Turkey (CBRT) changed its conventional monetary policy based on an inflation-targeting framework which had been successful in driving down annual consumer price inflation since 2001, to a multiple objective approach which uses a variety of policy instruments to monitor monetary policy and achieve price and financial stability. These instruments include *inter alia* short-term money market rates, reserve requirement ratios, the Reserve Option Mechanism (ROM) and the interest rate corridor.<sup>14</sup>

1.20. The record of the CBRT's multiple objective framework has been mixed. During periods of benign external conditions it helped reduce exchange rate, capital flow and credit growth volatility. However, it has not delivered low and stable inflation. The IMF has recommended that the CBRT continue to tighten monetary policy and to increase the policy interest rate to reach a positive real level, which should be sustained to bring both inflation and expectations to target.<sup>15</sup>

1.21. Due to domestic and global developments that affected risk perceptions at the end of 2013, the TL depreciated significantly and risk premiums increased. In order to contain the repercussions of these developments on inflation and macroeconomic stability, in January 2014 the CBRT sharply tightened the monetary stance and streamlined its operating framework. The CBRT decided to provide liquidity primarily from the one-week repo rate instead of the marginal funding rate and raised the one-week repo rate from 4.5% to 10%. Then, owing to an improvement in global liquidity conditions coupled with a decrease in risk premiums, the CBRT introduced measured rate cuts and maintained the yield curve almost flat by sustaining its cautious monetary policy. The policy interest rates were reduced by a total of 175 basis points in May-July 2014, to 8.25%, and by 75 basis points in January-February 2015, to 7.5%.<sup>16</sup>

1.22. Since 2001, the CBRT has been implementing a floating exchange rate regime. The foreign exchange rate is determined by supply and demand conditions in the market. The CBRT does not have a nominal or real exchange rate target under this regime. Nonetheless, to curb the risks to financial stability, the CBRT may respond to excessive appreciation or depreciation of the Turkish lira. Some of the instruments used are direct net FX purchases, export rediscount credits and ROM.<sup>17</sup>

1.23. With a view to limiting the effects of cumulative exchange rate movements recorded since early 2015 and volatilities in energy and food prices on inflation, the CBRT maintained a tight monetary policy stance.<sup>18</sup>

#### 1.5 Trade Performance

1.24. Turkey's economy is largely dependent on international trade; with a trade (goods and services)-to-GDP ratio of 58.2% on average over the period (2012-2014). In 2014, Turkey ranked 21<sup>st</sup> among world merchandise exporters (considering the EU member States as one and excluding intra-EU trade) and 15<sup>th</sup> among importers. In services trade, Turkey ranked 16<sup>th</sup> among exporters

<sup>14</sup> The interest rate corridor, which is delineated by overnight borrowing and lending rates, gives the CBRT flexibility to vary the cost of funding to the banking sector on a daily basis, allowing it to react quickly to capital inflows. The ROM which was introduced in 2011 allows banks to meet their lira reserve requirements with foreign exchange (up to 60%) or gold (up to 30%). Through the ROM, banks built up their foreign exchange liquidity buffers and accumulated around US\$50 billion. However, since the reserves accumulated through the ROM are not under the full control of the CBRT, the CBRT had to conduct foreign exchange selling auctions to stem depreciation pressures since banks did not release much foreign exchange from the ROM amid rising costs of domestic funding during the financial market turmoil in May 2013. OECD (2014), Turkey Economic Surveys.

<sup>15</sup> IMF (2014).

<sup>16</sup> CBRT (2014), Report on Monetary and Exchange Rate Policy for 2015.

<sup>17</sup> In January 2014, the CBRT directly intervened in the foreign exchange markets by selling FX. The FX deposits that the banks can borrow from the CBRT within their borrowing limits at the FX and Banknotes Markets was gradually lowered since October 2014 and the borrowing limits at these markets were raised by 130% to US\$50 billion as of 1 September 2015. FX deposit rates currently stand at 2.75% for the U.S. dollar and 1.25% for the euro.

<sup>18</sup> The Turkish lira has depreciated sharply against the U.S. dollar since mid-January 2015, falling to TL 2.50:US\$1 during the day on 10 February, compared with TL 2.32:US\$1 at end-December 2014 and TL 2.10:US\$1 at end-July 2014.

and 23<sup>rd</sup> among importers.<sup>19</sup> In 2013, Turkey ranked 46<sup>th</sup> out of 138 countries in the Enabling Trade Index 2014.<sup>20</sup>

1.25. Turkey's trade balance has not been in surplus since 2001, and the deficit continued to rise over the review period: in 2014 the deficit was the equivalent of 8% of GDP. However, under the balance of payments definition, the deficit for trade in goods decreased by nearly 30%, from US\$79.9 billion in 2013 to US\$63.6 billion in 2014 primarily due to lower oil prices which drove down the cost of energy imports and a depreciating lira which has made Turkish exports more competitive (Tables 1.1 and 1.2).

1.26. Turkey's merchandise trade is sensitive to movements in foreign exchange rates. Due to imports of fuels and energy products, and trade with Asian countries, Turkey's imports are mainly denominated in U.S. dollars. On the other hand, exports of manufactures to traditional markets, primarily in Europe, result in nearly 50% of Turkey's exports being settled in euros.

1.27. Since 2010, exports increased by 38% to US\$157.7 billion in 2014 (current prices). The majority of Turkey's exports are manufactured goods, in particular textiles and clothing (18.5%), automotive products (11.1%), chemicals (5.8%) and iron and steel (6.8%) (Table A1.1). Exports of agricultural products accounted for 11.7% of total exports in 2014 (Chart.1.4).

1.28. Turkey's merchandise imports reached US\$242 billion in 2014; representing a 30% increase since 2010. The majority of Turkey's imports comprise raw materials and intermediate goods which feed into the production of higher value-added finished goods for export; the principal items being machinery and transport equipment (27.2%), mining (15.2%), chemicals (13.5%), and a broad range of consumer goods (Table A1.2). In 2012, Turkish intermediate goods represented 61.3% of total imports and 51% of total exports with the majority being industrial supplies (primary and processed) and parts and accessories.<sup>21</sup>

1.29. Turkey continues to be a net exporter of services due to its significant surplus in travel services, particularly with the EU, which reached US\$24.4 billion in 2014; a 41% increase since 2010. Receipts from travel services were lower in the first nine months of 2015 (US\$21.1 billion) than the same period in 2014 (US\$23 billion). Despite an increase in the overall number of tourists visiting Turkey, the average spending per visitor decreased due to the rapid depreciation of the euro against the dollar, thereby causing total travel revenues to remain flat in the first half of 2015 compared to the same period last year.<sup>22</sup>

1.30. Other important services sectors with net exports are transport (US\$4.1 billion) and construction (US\$1 billion). Turkey continues to be a net importer of financial services; insurance and pension services; and other business services (Table 1.3).

1.31. The EU continues to be Turkey's largest trading partner, accounting for an average of 44% of total exports and an average of 37.5% of total imports since 2010. Within the EU, Germany continues to dominate with an almost 10% share of total EU trade followed by the United Kingdom, Italy, France and Spain. As a result of the eurozone crisis and the effect of the exchange rate depreciation of the euro against the dollar, the EU's overall share of Turkey's trade has slowly declined during the review period; prompting Turkey to diversify its export markets. However, in 2015, this trend is reversing as EU economies gradually recover (Chart 1.5).

1.32. Since 2010, Turkish exports have progressively increased to the Middle East, the Americas and CIS countries. In the Middle East, Iraq's share alone represents 7% of total Turkish exports in 2014, followed by the United Arab Emirates and Iran. While the overall share of Turkish exports to the Middle East grew since the last review, especially in 2012 (25.3%), the unrest and instability in

<sup>19</sup> WTO (2015), Trade Profiles, Turkey.

<sup>20</sup> According to the World Economic Forum's (WEF) Enabling Trade Index 2014, Turkey's environment for exporters and importers is characterized by good transport infrastructure (26<sup>th</sup>), in particular for air transport, well-developed logistics services (36<sup>th</sup>) and easy access to domestic markets (34<sup>th</sup>). Some of the challenges remain in access to target markets (80<sup>th</sup>), which remains more restricted than for most other economies, and in greater use of ICTs (76<sup>th</sup>), which could be achieved by putting more public services online.

<sup>21</sup> The World Economic Forum (2014), The Global Enabling Trade Report, Turkey, p. 302.

<sup>22</sup> CBRT (2015), Balance of Payments Report 2015-I, p. 3.

the region has led to a decline in exports for 2014-15. Exports to the United States have increased from a share of 3.3% in 2010 to 4% in 2014 (Table A1.3).

**Table 1.3 Trade in services, 2010-14**

(US\$ million)

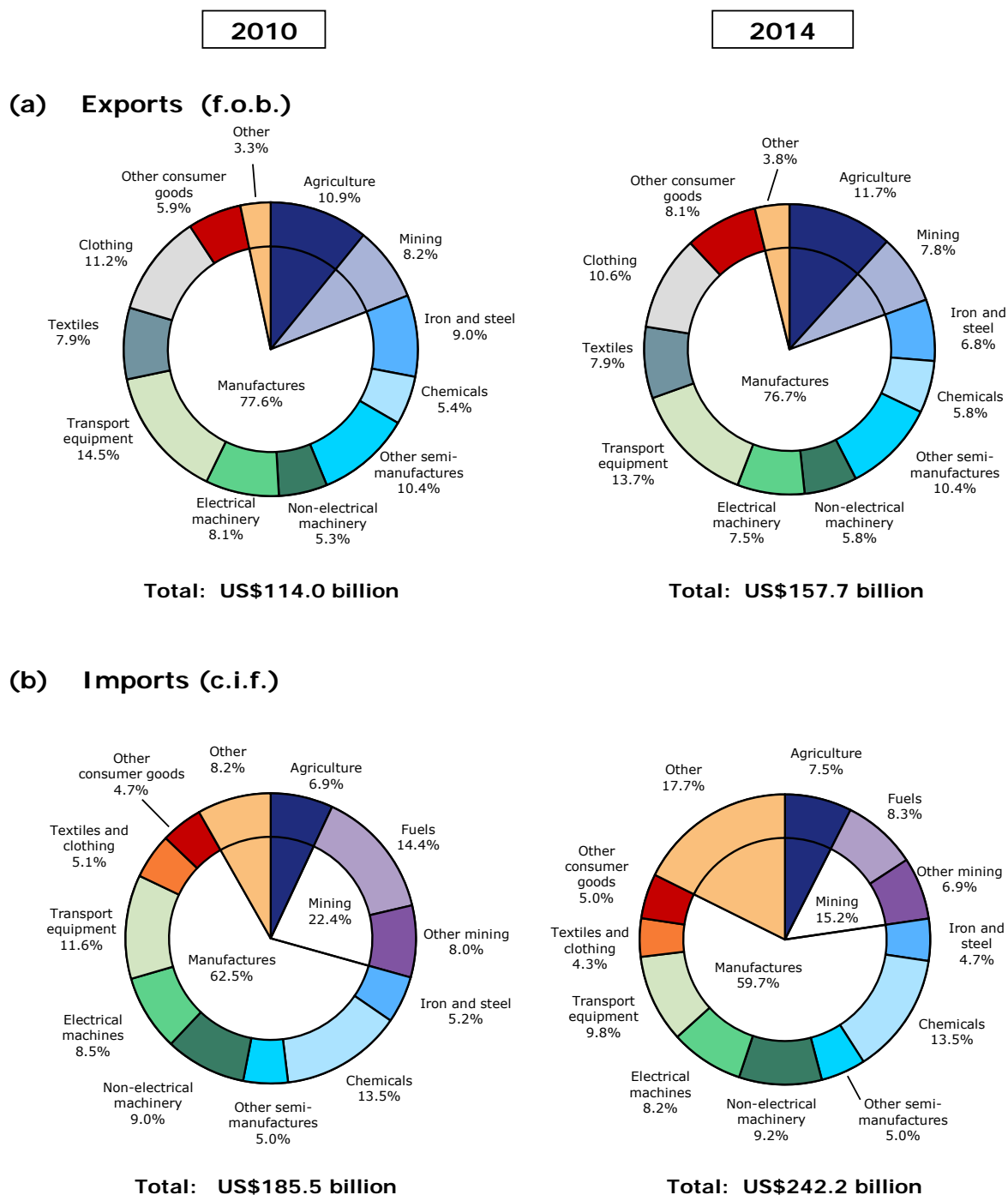
	2010	2011	2012	2013	2014
Services	16,594	20,120	22,427	22,844	25,164
Credit	36,192	40,851	43,224	46,615	50,374
Debit	19,598	20,731	20,797	23,771	25,210
Manufacturing services on physical inputs owned by others	0	63	60	97	72
Credit	0	88	99	142	132
Debit	0	25	39	45	60
Maintenance and repair services n.i.e.	0	-86	-136	-197	-254
Credit	0	37	51	41	38
Debit	0	123	187	238	292
Transport	1,340	2,401	3,698	3,309	4,134
Credit	9,418	11,030	12,639	13,177	14,322
Debit	8,078	8,629	8,941	9,868	10,188
Freight	-2,450	-2,709	-2,413	-3,162	-2,740
Credit	3,400	3,414	3,894	3,777	4,044
Debit	5,850	6,123	6,307	6,939	6,784
Other	3,790	5,110	6,111	6,471	6,874
Credit	6,018	7,616	8,745	9,400	10,278
Debit	2,228	2,506	2,634	2,929	3,404
Travel	17,391	20,171	21,251	23,180	24,480
Credit	22,585	25,054	25,345	27,997	29,552
Debit	5,194	4,883	4,094	4,817	5,072
Construction	859	838	1,029	675	1,084
Credit	859	838	1,029	675	1,084
Debit	0	0	0	0	0
Insurance and pension services	-541	-472	-428	-718	-521
Credit	721	832	863	1,000	1,167
Debit	1,262	1,304	1,291	1,718	1,688
Financial services	-234	-690	-642	-555	-1,079
Credit	490	531	534	779	824
Debit	724	1,221	1,176	1,334	1,903
Other business services	-1,428	-1,529	-1,724	-2,158	-2,017
Credit	245	198	260	396	344
Debit	1,673	1,727	1,984	2,554	2,361
Government goods and services n.i.e.	-869	-1,059	-965	-888	-1,498
Credit	483	505	752	798	826
Debit	1,352	1,564	1,717	1,686	2,324
Other services	76	483	284	99	763
Credit	1,391	1,738	1,652	1,610	2,085
Debit	1,315	1,255	1,368	1,511	1,322

Source: The Central Bank of the Republic of Turkey (CBRT) online information. Viewed at: <http://www.tcmb.gov.tr>.

1.33. During the review period, imports increased from Asia for cheaper raw materials and textiles and clothing, in particular from China. Imports from China accounted for 10.3% of total imports to Turkey in 2014. From the EU, Turkey imports primarily automotive parts and accessories; textiles and clothing; and chemicals. Turkey is a large importer from the Russian Federation, primarily of oil and gas, which accounted for 58.4% of Turkey's total energy imports in 2014 (Table A1.4).

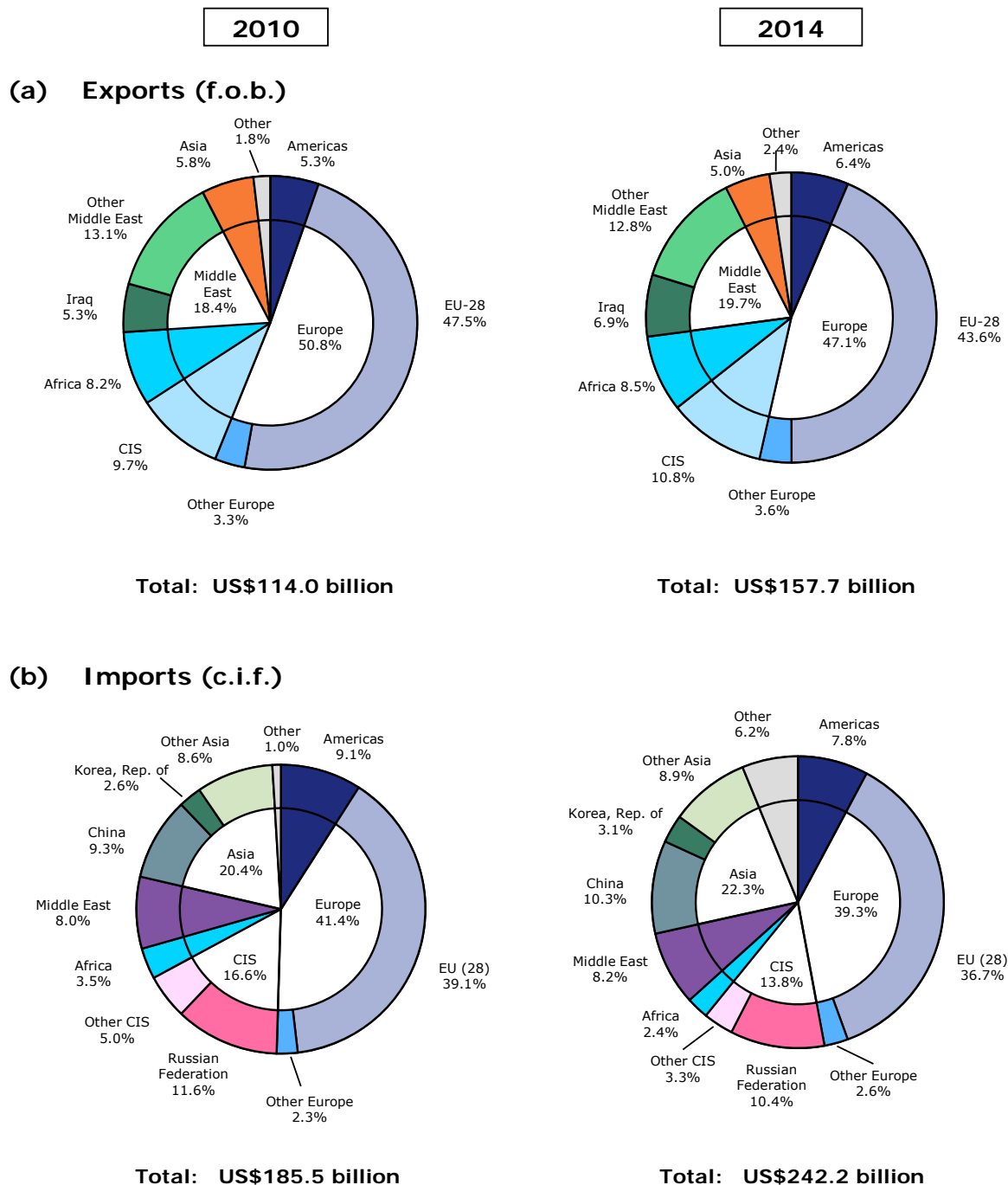
1.34. On a bilateral basis, in 2014, Turkey had a deficit with the EU (US\$20.4 billion), China (US\$22.1 billion), the Russian Federation (US\$19.3 billion) and the United States (US\$6.4 billion); but recorded a surplus with the United Arab Emirates (US\$1.4 billion).

Chart 1.4 Composition of merchandise trade, 2010 and 2014



Source: WTO Secretariat calculations based on UNSD, comtrade database (SITC Rev.3).

Chart 1.5 Direction of merchandise trade, 2010 and 2014



Source: WTO Secretariat calculations, based on UNSD, Comtrade database.

## 1.6 Foreign Direct Investment

1.35. Overall, Turkey remains a large FDI recipient, with a share of 1% of global investment inflows; reaching US\$12.7 billion in 2014. Turkey has attracted more than US\$144.5 billion in FDI inflows in the last 10 years (2005-14), more than ten times that of the previous ten years. However, since 2011, FDI inflows have been declining, which according to the authorities is a reflection of a lower appetite in global FDI in recent years as well as a decline in direct investment inflows from the EU due to the latter's debt and economic crisis.<sup>23</sup> However, in the January-September period of 2015, FDI inflows have reached US\$12.6 billion which is roughly equal to the

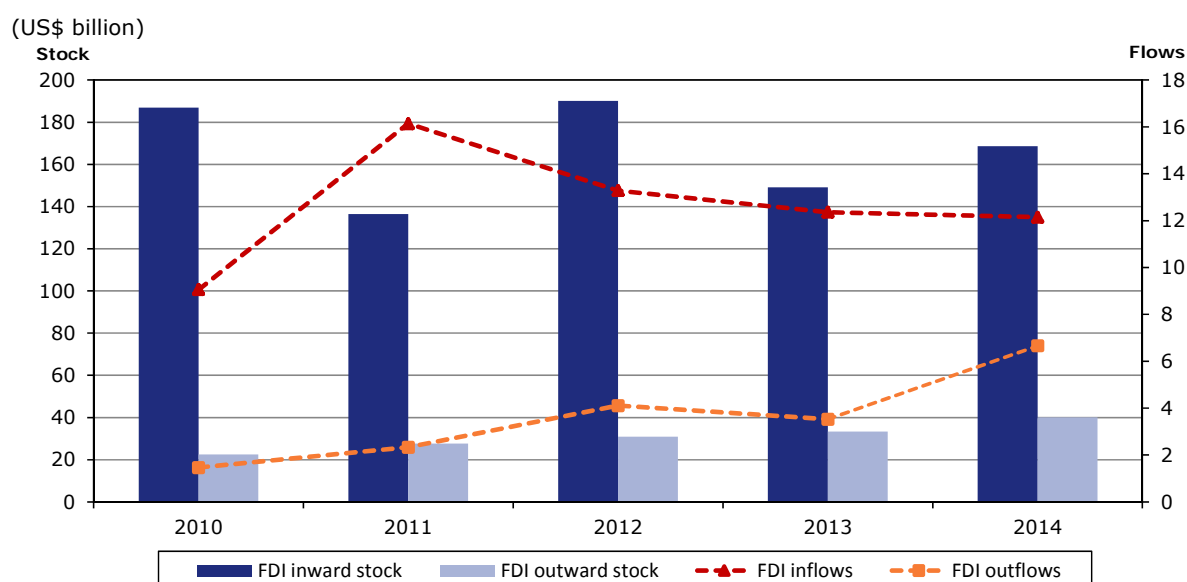
<sup>23</sup> CBRT (2015), *Balance of Payments Report 2015-I*, p. 4.

entire 2014 level of FDI. In 2014, outward FDI from Turkey jumped by 94% to US\$7 billion, driven mainly by equity outflows which rose by 59% to US\$4.9 billion.<sup>24</sup>

1.36. In U.S. dollar terms, the stock of FDI in Turkey has fallen by US\$18 billion between 2010 and 2014, from US\$181.2 billion in 2010 to US\$163.2 billion in 2014, while the stock of direct investment abroad by Turkish residents has risen by US\$16 billion from US\$24 billion in 2010 to US\$39.9 billion in 2014. Between 2010 and 2014, the share of European residents in the stock of FDI increased from 78.1% to 79.1%. The rest of FDI stock mostly belonged to residents from North America and the Middle East.

1.37. Historically, the finance and insurance, manufacturing and informatics sectors attracted the most FDI. In 2014, the top three recipient sectors were manufacturing (US\$2.89 billion), accounting for 33% of total FDI flows to Turkey; finance and insurance (US\$1.54 billion); and wholesale and retail trade (US\$1.17 billion). From 2013 to 2014, total FDI inflows rose by 31.1% in manufacturing and by 20.9% in wholesale and retail trade; investments fell by 55% in finance and insurance. Within the manufacturing sector, computers and electronic devices, and food, beverages and tobacco products were the leading subsectors in 2014 (Chart 1.6).

**Chart 1.6 Foreign Direct Investment, 2010-14**



Source: UNCTAD (2015), World Investment Report, Geneva; UNCTAD, UNCTAD STAT. Viewed at: <http://unctad.org/en/Pages/Statistics.aspx>; and The Central Bank of the Republic of Turkey (CBRT) online information. Viewed at: <http://www.tcmb.gov.tr>.

1.38. About 60% of companies with international capital operate in Istanbul, where most Turkish companies are based. Nearly all investment projects of foreign companies are in the Marmara region (which includes Istanbul), the Aegean region, the Mediterranean coast area and the area around Ankara. In 2014, European countries accounted for almost 74% of FDI inflows to Turkey, followed by Asia at 22%. The Netherlands, the United Kingdom, Azerbaijan, the Russian Federation and Germany are the countries with the highest FDI flows to Turkey in 2014. The United States accounted for 3.7% of FDI inflows to the country.<sup>25</sup> Turkey has become an important investor in the Central Asian region. In Azerbaijan, Turkish investors held the largest FDI stock, around US\$1.9 billion in 2014; they are the third largest group of developing-country investors in Central Asia as a whole.

<sup>24</sup> UNCTAD (2015), World Investment Report, Geneva.

<sup>25</sup> Turkey International Investors Association (YASED) (2014), Annual Report. Viewed at: <http://www.yased.org.tr/webportal/Turkish/Yayinlar/Documents/yased-2014-faaliyet-raporu.pdf>.

1.39. Turkey has several investment incentives and schemes to promote foreign investment. There are five principal incentive schemes with nine different incentive instruments, some restricted to certain regions in Turkey. In 2015, the Government introduced new investment incentives for companies which included, *inter alia*, additional tax breaks, more insurance premium supports, reduced input costs for industrial imports, and guarantees for business loans (Section 2.4.4). However, a number of investment restrictions for foreigners remain, varying by sector, size and type of investment (Section 2.4.3).

## 2 TRADE AND INVESTMENT REGIME

### 2.1 General Framework

2.1. Turkey's Government, as a parliamentary democratic republic, has shared powers among the legislature, executive, and judiciary. Pursuant to its third Constitution adopted in 1982, the executive powers are vested in the President and Prime Minister and Council of Ministers, the legislature is comprised of the Turkish Grand National Assembly (TGNA), and the judiciary is independent of the State. Laws are introduced, adopted, amended or appealed by the TGNA, which also has certain authority over the Council of Ministers so as to allow them to issue government decrees. On the executive side, the Council of Ministers has an important role in the formulation and implementation of internal and foreign policies of the State. The Constitution also recognizes basic human rights; various freedoms such as speech and movement; and that all individuals are treated equally before the law.

2.2. During the review period, no major developments have occurred in Turkey's overall framework except for changes to the judiciary and at the local level. In 2014, the number of municipalities in Turkey was reduced by more than half, from 2,947 to 1,396 as many municipalities were merged into district municipalities, thus greatly reducing the number of mayors and councillors. Also in 2014, a new law was passed to reform the judiciary by giving greater powers to the Minister of Justice over the Supreme Board of Judges and Prosecutors.<sup>1</sup> However, later in 2014, some of these reforms were overturned by the Constitutional Court.

2.3. Trade policy and trade-related laws are the responsibility of a variety of ministries, although since 2011 it is the Ministry of Economy that has the responsibility for foreign trade. Other government ministries or agencies such as those for: finance; food, agriculture, and livestock; customs; and health have responsibilities in their respective areas. There have not been any significant changes to most of the legislation relating to WTO matters during the review period (Table 2.1).

**Table 2.1 Main trade-related laws and legislation in Turkey, December 2015**

Law	Subject	Reference
Law on Customs Tariff	Import regime and customs duties	Law No. 474
Customs Law	Customs	Law No. 4458 of December 1999
Export Regime Decree	Export regime	Decree No. 7623 of 22 December 1995
Export Regulation	Export regulation	<i>Official Gazette</i> No. 26190 of 6 June 2006
Inward Processing Regime Decree	Inward processing regime	Communiqué No. 2006-12, <i>Official Gazette</i> No. 26382 of 20 December 2006
Export Controls of Prohibitions of Certain Chemicals	Export controls of certain chemicals	Communiqué No. 2002/12 and the communiqués amending it; Communiqué No. 2010/8; Communiqué No. 2011/2; Communiqué No. 2012/1;
Export Control of Dual-use and Sensitive Articles	Export controls	Communiqué No. 2003/12
Foreign Direct Investment Law	Investment	Law No. 4875 of 5 June 2003
The Law Relating to the Preparation and Implementation of the Technical Legislation on Products	TBT	Law No. 4703 of 11 July 2001
Law on Veterinary Services, Plant Health, Food and Feed	SPS	Law No. 5996 of 13 June 2010
Decree on Safeguard Measures for Imports	Safeguards	Decree No. 2004/7305
Decree on the Prevention of Unfair Competition on Imports	Trade remedies	Decree No. 13482/1999
Protection of Patent Rights Decree	Intellectual property	Law No. 551 of 1995

<sup>1</sup> Judicial Reform Act, 2014.

Law	Subject	Reference
Law on Intellectual and Artistic Works	Copyright	Law No. 5846 of 1951
The Act on the Protection of Competition	Competition	Law No. 4054 of 1994
Turkish Commercial Code	Business	Law No. 6102 of 2011
Foreign Trade Regulations Law	Foreign trade	Law No. 2976 of 1984
Law on Regulation of Electronic Commerce	E-commerce	Law No. 6563 of 2014

Source: Compiled by the WTO Secretariat from various sources and information provided by the authorities.

2.4. Regarding public-private sector consultation processes, Turkey receives input from NGOs and other interested stakeholders through communications to the ministries. However there is no overarching legal framework prescribing how the Government and private sector should consult. Turkey's WTO Coordination Council is used as a mechanism to interact with the private sector. The Council was established in 2002, soon after the initiation of the Doha Development Round, and its structure has been revised following government restructuring in 2011. The Council basically evaluates the stage of negotiations and serves as a platform to bolster public-private partnerships.

2.5. The Coordination Council for the Improvement of the Investment Environment (YOIKK) is one of the well-known public-private dialogue platforms that prioritize the needs of the private sector regarding investment regulations. Five private sector representative NGOs have been actively participating in the agenda-setting, solution and policy formation processes of the YOIKK Platform through ten technical committees.<sup>2</sup> As another example, the Assessment Board of the Inward Processing Regime consists of members from the Union of Chambers and Commodity Exchanges of Turkey, Turkish Exporters Assembly, and several ministries. Depending on the agenda of the board meetings, other governmental agencies and NGOs may be invited to express their opinions. Also, the Energy Market Regulatory Authority receives input from relevant market players and NGOs active in the energy market on the secondary legislation that is being proposed.

## 2.2 Trade Policy Objectives

2.6. Turkey's foreign trade policy has been shaped by many instruments for many years including the multilateral agreements of the WTO, bilateral and regional initiatives, and the customs union with the European Union. During the review period, Turkey has pursued numerous initiatives in all these areas including concluding new trade agreements, supporting WTO TFA negotiations, and aligning and adhering to more EU rules and regulations.

2.7. Turkey's economic and development policies, including trade objectives, are guided by its five- or seven-year Development Plans which were developed by the Ministry of Development or the State Planning Organization, and approved by the TGNA. During the review period, these policies were guided by the Ninth (2007-13) and Tenth (2014-18) Development Plans respectively. A Medium-Term Programme (2011-13), as established by a decree of the Undersecretariat of State Planning Organization also provided guidance on trade policy, as did the Turkish Industrial Strategy Document 2015-2018 which set out a number of objectives and plans for manufacturing and services generally, and for a number of specific economic sectors.

2.8. The Ninth Development Plan focused on five development axes – increasing competitiveness, increasing employment, strengthening human development and social solidarity, ensuring regional development, and increasing quality and effectiveness in public services. Under several of these axes, Turkey set priorities or supported many initiatives or programmes that were related to trade or trade policy, such as ensuring a shift to high-value-added production in industry and services. Turkey also put an emphasis on developing the necessary infrastructure to help the business and trade sectors.

2.9. Turkey's Tenth Development Plan continued to build on many of the priorities of the Ninth Plan with the long-term goals of improving the global position of Turkey, enhancing the welfare of its citizens, and moving Turkey into a higher position in global value chains.<sup>3</sup> To achieve its targets

<sup>2</sup> Council of Minister's Decision No. 2014/3. Detailed information is available on the website of the YOIKK Platform: <http://www.yoikk.gov.tr/>.

<sup>3</sup> The Tenth Development Plan, 2014-18, online information. Viewed at: [http://www.mod.gov.tr/Lists/RecentPublications/Attachments/75/The%20Tenth%20Development%20Plan%20\(2014-2018\).pdf](http://www.mod.gov.tr/Lists/RecentPublications/Attachments/75/The%20Tenth%20Development%20Plan%20(2014-2018).pdf).

and objectives, the Tenth Development Plan identified 25 priority programmes on which to focus its work; several of these priority areas have links with trade policy. The Programme for Reducing Import Dependency aims to reduce the foreign trade deficit by supporting domestic production and educating consumers about domestic goods. Pursuant to the Domestic-Resource-Based Energy Production Programme, Turkey will increase the share of domestic resources in primary energy production in order to alleviate Turkey's high import dependency on energy products. Further, to increase energy security, Turkey intends to increase electricity generation from domestic coal production. The Renewable Energy Sources (RES) Law No. 5346 provides purchasing guarantees to electricity produced from certain renewable resources at differentiated prices for a period of 10 years.

2.10. More specific trade-related policies implemented during the period include the Turkish Exports Strategy for 2023 and Input Supply Strategy.

2.11. The preparatory work for Turkey's Input Supply Strategy (GITES) and its Action Plan (2013-2015) commenced in 2010 but was officially established in 2012 by publication in the *Official Gazette*.<sup>4</sup> The Strategy addresses Turkey's import dependence on intermediate goods used in Turkish production and its subsequent impact on the current account deficit. It has been coordinated by a formal body, namely, the Ministry of Economy's Export Oriented Production Strategy Assessment Committee.<sup>5</sup> The members of the Committee were re-organized in 2011.<sup>6</sup>

2.12. The GITES 2013-15 Action Plan establishes 37 goals and 91 concrete actions.<sup>7</sup> Some examples of the goals include: reducing import dependence by encouraging investment in high-technology intermediate goods, promoting the use of domestic inputs, developing strategic approaches in public procurement, providing greater access to global supply chains for intermediate goods, and developing a recycling industry.

2.13. Through representatives in the relevant bodies/institutions, activities carried out in the previous three months and activities planned for the upcoming three months are reported to the Ministry of Economy during the three-year period of the Action Plan. Regular as well as spontaneous meetings are held for coordination. The Input Supply Strategy has led to various policy results, including:

- the introduction of "strategic investments" in the investment incentive scheme<sup>8</sup>;
- the removal of obligatory marker requirements for imported reference test fuels used in R&D and testing in the automotive industry<sup>9</sup>;
- the removal of the disadvantage in value added tax for pharmaceutical inputs compared to the final pharmaceutical products<sup>10</sup>;
- the formation and establishment of the National Recycling Strategy<sup>11</sup>;
- a change in the Regulation on the General Implementation of Value Added Tax (VAT) regarding the procedure for VAT redemption<sup>12</sup>;
- an addition to the Regulation for Turkish Investments Abroad in High Tech Firms with a strategic perspective for the supply of inputs<sup>13</sup>;
- a product-based project, in which specific firms are contacted to attract FDI in Turkey;
- the initiation of the work facilitating investments by fast track mechanisms under the umbrella of YOIKK.

<sup>4</sup> *Official Gazette* No. 28508 of 25 December 2012.

<sup>5</sup> *Official Gazette* No. 27579 of 12 May 2012.

<sup>6</sup> *Official Gazette* No. 28046 of 6 September 2011.

<sup>7</sup> High Planning Council, No. 2012/32, 21 December 2012. Viewed at: <http://www.resmigazete.gov.tr/eskiler/2012/12/20121225-28-1.pdf>.

<sup>8</sup> *Official Gazette* No. 28328 of 19 June 2012.

<sup>9</sup> *Official Gazette* No. 27937 of 17 May 2011.

<sup>10</sup> Council of Ministers Decision No. 2012/2931.

<sup>11</sup> *Official Gazette* No. 29221 of 30 December 2014.

<sup>12</sup> *Official Gazette* No. 28983 of 26 April 2014.

<sup>13</sup> *Official Gazette* No. 29239 of 17 January 2015.

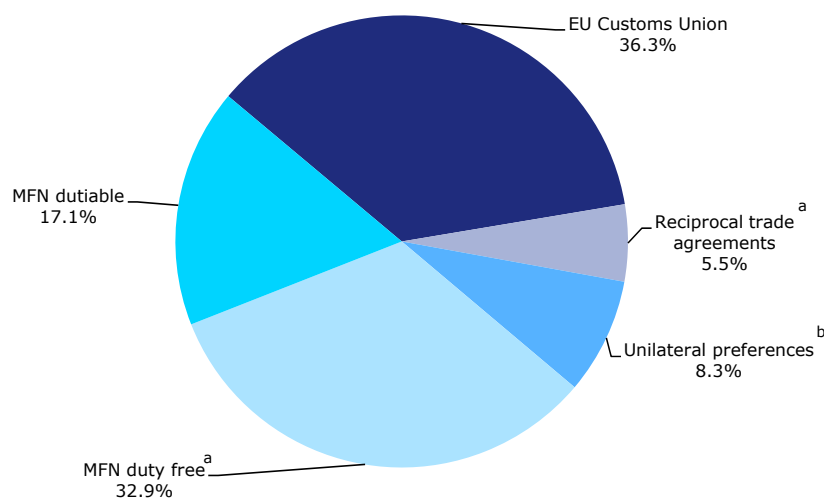
2.14. The Turkish Exports Strategy for 2023 was developed by the Ministry of Economy and Turkish Exporters Assembly (TIM) in 2012 to increase exports to a target level of US\$500 billion by 2023; this ambitious goal would mean that Turkish exports should increase 12% per year.<sup>14</sup> As a long-term strategy, both production and export components are envisioned whereby Turkey will establish a production plan towards improving export performance.

2.15. Moving production from low-technology to high-value and high-technology products, and export diversification are also part of the strategy. The specific goals or actions being undertaken as part of the plan include: carrying out projects on R&D and the development of international competitiveness in order to increase sectoral export capacity; increasing the number of nationals participating in international fairs; implementing sectoral and country-based diversification strategies in export composition; focusing trade activities on target markets; enhancing the export capacity of SMEs; increasing the number of global Turkish brands in the world; making Istanbul an international fashion, fair and trade centre; providing crucial inputs for exports; creating sectoral clusters for gaining competitiveness in international markets; improving the logistic facilities of Turkey; and developing new export finance tools.<sup>15</sup>

### 2.3 Trade Agreements and Arrangements

2.16. Turkey's imports face a variety of preferential tariff treatment based on its trade agreements and arrangements. The most important trade regime in terms of the amount of trade is its customs union<sup>16</sup> with the EU which accounted for 36% of 2014 imports. Further, 50% of import trade took place under WTO MFN, with 32.9% MFN duty-free.<sup>17</sup> A relatively small amount enters pursuant to Turkey's other free trade agreements, 5.5%, and a slightly larger amount, 8.3%, pursuant to unilateral preferences (i.e. GSP, GSP+, and EBA) (Chart 2.1).

**Chart 2.1 Imports by type of import regime, 2014**



a "Reciprocal trade agreements" cover trade benefiting from an RTA; and "MFN duty-free" covers all trade entering at MFN duty-free rates (based on 2015 tariff schedule).

b Unilateral preferences covering GSP, GSP+, and GSP for LDCs.

c EU Customs Union's figures are based on sum of agricultural goods and industrial goods.

Source: WTO Secretariat estimates, based on data provided by the authorities and International Trade Centre Trade Map database.

<sup>14</sup> High Planning Council, 13 June 2012.

<sup>15</sup> Ministry of Economy online information. Viewed at: [http://www.economy.gov.tr/portal/content/conn/UCM/path/Contribution%20Folders/web\\_en/Home/strategy2023.pdf](http://www.economy.gov.tr/portal/content/conn/UCM/path/Contribution%20Folders/web_en/Home/strategy2023.pdf).

<sup>16</sup> Including associated agreements, i.e. ECSC and agriculture.

<sup>17</sup> Reflects applied tariffs; only a small per cent of Turkey's WTO bindings are bound at zero.

### 2.3.1 Participation in the WTO

2.17. Turkey, as a contracting party to the GATT since 1951, has been a WTO Member since 1996 and participates in many aspects of the WTO's work. According to the authorities, Turkey has been committed to the WTO work and negotiations and fully supports liberalization at the multilateral level as part of its trade policy. During the review period, Turkey made proposals under the Doha negotiations, participated in WTO disputes, and has been involved in the regular work and Committees of the WTO. Furthermore, Turkey is a participant in the Information Technology Agreement (ITA) and is an observer to the Government Procurement Agreement (GPA) and Agreement on Trade in Civil Aircraft.

2.18. In terms of the Doha negotiations, Turkey has made four proposals during the review period, with three communications concentrated in the area of trade facilitation and one on intellectual property.<sup>18</sup> Furthermore, Turkey has submitted statements at the Ministerial Conferences during the review period that have been supportive of the Doha Round in which Turkey wanted to re-examine ways to deliver on subjects that were most mature and to foster breakthroughs in the Round. Turkey emphasized the importance of integrating into global markets and stood ready to engage seriously in the process.<sup>19</sup>

2.19. In the area of dispute settlement, Turkey has been active during the review period mainly as a third party to disputes. Turkey did not file any complaints, but was a respondent to one dispute on safeguards, and was a third party in 24 disputes (Table A2.1).

2.20. Turkey has a mixed compliance with its WTO notification obligations. Most notifications during the review period pertained to safeguard measures and other trade remedies (Table A2.2). However, notifications in some areas are still pending, including those in the area of agriculture.

### 2.3.2 Regional and preferential agreements

#### 2.3.2.1 Customs Union with the EU

2.21. Turkey's preferential trading relationship with the EU dates from 1963 when the parties agreed to establish a framework for the free movement of goods, services, labour, and capital. This relationship was deepened in 1973 with the Additional Protocol and in 1996 with the conclusion of the Customs Union.<sup>20</sup> Thus, customs duties, quantitative restrictions, and similar measures have been removed on industrial goods since 1996. It also contains provisions for the Common Customs Tariff, trade remedies, rules of origin, standards, customs matters, intellectual property, and competition.

2.22. Within the context of association relations between Turkey and the EU, the goods which fell under the auspices of the European Coal and Steel Community (ECSC) are not covered by the Ankara Agreement (1963) and the Customs Union (1996). Hence, preferential trade in coal and steel products has been governed by a separate FTA between Turkey and the ECSC which came into effect in 1996. However, as a legal entity the ECSC was terminated in 2002 and all the rights and obligations related to ECSC, including the aforementioned FTA, were taken over by the EU as the successor. Under this agreement all coal and steel trade between Turkey and the EU is duty-free.<sup>21</sup> It also contains provisions on rules of origin, trade remedies, dispute settlement, quantitative restrictions, and competition which pertain to trade in these products between the parties.

2.23. Basic agricultural products are also excluded except for those that have been subsequently negotiated in bilateral framework agreements. Preferential treatment in basic agricultural products trade between Turkey and the EU is governed by Decision No. 1/98 of the Turkey-EU Association Council, whose Annexes (Protocols 1 and 2) were amended by Decision No. 2/2006 of the

<sup>18</sup> WTO documents TN/C/W/60, 19 April 2011; TN/TF/W/176, 7 November 2011; TN/TF/W/178, 24 May 2012; and TN/TF/W/179, 4 June 2012.

<sup>19</sup> WTO documents WT/MIN(11)/ST/86, 15 December 2011; and WT/MIN(13)/ST/121, 17 February 2014.

<sup>20</sup> EU-Turkey Association Agreement, Association Council Decision No. 1/95.

<sup>21</sup> The Agreement covers 4 tariff lines of coal products in HS chapter 26, most of HS chapter 72, and 7 tariff lines of HS chapter 73.

Turkey-EU Association Council. For preferential trade of processed agricultural products, which are protected in the Community with *ad valorem* (for industrial components) and specific duties (for agricultural components), Turkey and the EU have abolished the *ad valorem* part foreseen for industrial processing towards each other in the context of the Customs Union, whereby they maintain their own duties for the agricultural component. In addition, with the Turkey-EU Association Council Decision No. 1/2007, the Parties have granted reciprocal concessions in certain processed agricultural products in the form of MFN duty exemption of the agricultural component within tariff quotas. Even though the Association Agreement and the Additional Protocol introduced the aim of free circulation of services, so far there have been no decisions or agreements concluded between the parties, thus the area of services is not within the scope of the Customs Union.

2.24. The EU remains Turkey's most important trading partner, with 44% of 2014 Turkish exports destined to EU markets, and the EU accounting for 37% of Turkish imports. The majority of Turkish imports with preferential access from the EU are industrial products with a relatively small amount of agricultural goods, i.e. US\$86.5 billion versus US\$1.7 billion in 2014. While nearly all industrial imports have preferential access, the opposite is true for agriculture, with approximately 59% of 2014 agricultural trade covered. (Table 2.2)

2.25. In 2014, the World Bank conducted an evaluation of the EU-Turkey Customs Union in which it found there were positive economic and trade benefits for both parties. The report highlighted that trade integration between the two parties has increased over the last two decades and provided greater benefits than a free trade agreement. But a changing global economy had shown the weaknesses in the customs union and the report recommended reforms in certain areas. In particular, the World Bank suggested widening the customs union to cover agriculture and services; reforms to address issues with road transport permits and the use of trade defence instruments by both parties; a functioning dispute settlement mechanism; alignment of trade agreements with third parties; and reducing the restrictiveness of EU visas for business travellers.<sup>22</sup>

2.26. Since 1999, further integration steps have been taken as Turkey became a candidate country for accession to the EU. As a candidate country, Turkey carried out reforms and the European Council of 2004 confirmed that Turkey fulfilled the prerequisites for opening accession negotiations. Accordingly, the Turkey-EU Intergovernmental Conference met for the first time in October 2005 whereby the accession process was officially initiated. Turkey's EU accession process is being conducted in 35 chapters in the context of the Negotiation Framework, and as of December 2015, 14 chapters were open and one chapter was temporarily closed; a further 14 chapters were blocked due to other reasons.

**Table 2.2 Turkey's preferential trade with the EU, 2011-14**

(US\$ million)

	2011	2012	2013	2014
<b>Agricultural goods<sup>a</sup></b>				
Preferential agricultural imports	1,580	1,774	1,744	1,701
Agricultural imports	3,425	3,003	2,913	2,885
% benefitting from the preferences	46.2	59.1	59.9	59.0
<b>Industrial goods<sup>b</sup></b>				
Preferential industrial imports	87,802	84,819	89,672	86,126
Industrial imports	87,802	84,819	89,672	86,126
% benefitting from the preferences	100	100	100	100

a The EU's classification for agricultural products (basic and processed agricultural products) is used.

b Industrial goods covered by the EU-Turkey Customs Union and the European Coal and Steel Community (ECSC) products covered by the ECSC-Turkey Free Trade Agreement.

Source: Information provided by the authorities.

<sup>22</sup> "Evaluation of the EU-Turkey Customs Union", World Bank, 28 March 2014. Viewed online at: <http://www.worldbank.org/content/dam/Worldbank/document/eca/turkey/tr-eu-customs-union-eng.pdf>.

### 2.3.2.2 Reciprocal trade agreements

2.27. Turkey has a long history of negotiating free trade agreements since its first FTA was negotiated with EFTA members in 1991. Since that time, Turkey has gradually negotiated other FTAs with a number of other countries or regions, but mostly with neighbouring European or Middle Eastern countries (Table 2.3). Since 2011, five new FTAs have entered into force with Chile, Jordan, the Republic of Korea, Malaysia, and Mauritius (Table 2.4).

2.28. There are currently 18 FTAs in force for Turkey, with a combined value of US\$13.3 billion of 2014 imports benefitting from these agreements, thus approximately 5.5% of Turkey's total imports. Many of Turkey's FTA partners are relatively small trade partners except for perhaps EFTA and the Republic of Korea, which still only accounted for 2% and 3% of total Turkish imports in 2014. Thus, of Turkey's top 10 sources of imports for 2014 (excluding the EU), only the Republic of Korea and Switzerland (through EFTA) had an FTA with Turkey. Turkey maintains a positive trade balance with most FTA partners, and a trade deficit with only four, however, the large trade deficit with the Republic of Korea contributes significantly to an overall trade deficit with FTA partners. The percentage of imports entering through the FTAs varies widely, from 2.8% (Montenegro) to 99.5% (Jordan) (Table 2.3).

2.29. As a result of the Turkey-EU Customs Union, Turkey's policy on FTAs emanates from this legal basis as it is to align its commercial policy, including preferential agreements with third countries, with EU commercial policy. As such, Turkey negotiates and concludes FTAs in parallel with the EU. To date, Turkey's FTAs, as notified to the WTO, only cover trade in goods, and not services and investment. This reflects Turkey's early policy on FTAs as reflected in EU and other FTAs at the time, which focused on trade in goods. Most of Turkey's FTAs therefore typically cover WTO subjects like GATS, investment, intellectual property, procurement, and competition by reference to WTO Agreements and do not contain any additional parameters or further market access.

2.30. Changes in EU policy as well as world trends for deeper, fuller, and more ambitious commitments in FTAs has had an impact on Turkey's FTA policy. Recently, with the concluded Republic of Korea FTA<sup>23</sup>, Turkey embarked on a new pathway for FTAs and has started to include commitments on investment and services, as well as deeper commitments and disciplines on TBT, SPS, intellectual property, competition, dispute settlement, and trade remedies, reflecting WTO plus commitments. Other FTAs in the pipeline also reflect this trend and will start to include these subjects as well. Furthermore, Turkey has initiated procedures to include services and investment, as well as some other subject matters, in concluded FTAs with Albania, Bosnia-Herzegovina, EFTA, and the former Yugoslav Republic of Macedonia.

2.31. During the review period, the FTA with Syria was suspended in 2011 when the Turkish Government took a decision to suspend it following the ongoing political situation in Syria. The Agreement was operational since its entry into force on 1 January 2007 until 14 December 2011.

2.32. Turkey continues to have an ambitious agenda on FTAs with a number of FTAs completed or under negotiation. As of December 2015, Turkey had completed FTA negotiations with the Faroe Islands, Ghana, Kosovo, Lebanon, Republic of Moldova, and Singapore. The ratification process was underway with all of these except Ghana and Singapore. There are a further twelve partners with which FTA negotiations are underway: Cameroon, Colombia, Democratic Republic of the Congo, Ecuador, Gulf Cooperation Council, Japan, Libya<sup>24</sup>, Mercosur, Mexico, Peru, Seychelles, and Ukraine. Turkey has also taken steps to commence negotiations with other ACP countries, Algeria, Canada, Central American countries, India, Indonesia, South Africa, Thailand, United States, and Viet Nam.

<sup>23</sup> Turkey has only notified the agreement pertaining to goods with the Republic of Korea to the WTO Committee on RTAs. The recently concluded agreements on services and investment from 26 February 2015 are pending ratification.

<sup>24</sup> In 2014, negotiations with Libya were stopped due to the ongoing situation in the country.

Table 2.3 Overview of Turkey's FTAs, December 2015

FTA partner	Entry into force	FTA imports 2014	Total imports 2014	% FTA imports	Total exports 2014	Trade Balance
Albania	1 May 2008	85.0	96.3	92.3	318.7	222.4
Bosnia-Herzegovina	1 July 2003	142.0	171.4	85.2	322.4	151.0
Chile	1 March 2011	87.2	363.3	24.6	198.6	-164.7
EFTA	1 April 1992	2,597.5	5,848.2	45.2	3,795.6	-2,052.4
Egypt	1 May 2007	1,030.2	1,490.0	70.9	3,300.9	1,811.3
Georgia	1 November 2008	192.0	232.6	83.8	1,444.3	1,211.7
Israel	1 May 1997	2,676.2	2,881.2	93.3	2,950.3	69.0
Jordan	1 March 2011	125.1	126.1	99.5	907.4	781.3
Rep. of Korea	1 May 2013	5,950.1	7,548.3	80.4	470.7	-7,077.6
TFYR of Macedonia	1 September 2000	65.4	79.2	84.2	348.2	269.0
Malaysia	1 August 2015	n.a.	1,161	n.a.	315.0	-846.0
Mauritius	1 June 2013	7.8	7.9	98.7	37.8	29.9
Montenegro	1 March 2010	0.2	7.4	2.8	34.9	27.6
Morocco	1 January 2006	122.4	639.8	22.1	1,406.8	767.0
Palestine	1 June 2005	2.4	2.5	96.0	91.0	88.5
Serbia	1 September 2010	172.9	273.9	65.3	782.6	508.7
Syria <sup>a</sup>	1 January 2007	n.a.	115.2	n.a.	1,802.6	1,687.4
Tunisia	1 July 2005	136.3	196.7	70.5	915.1	718.4

a The FTA with Syria was suspended in 2011.

n.a. Not applicable

Source: UNSD Comtrade database and information provided by the authorities.

Table 2.4 Overview of new FTAs, 2011-15

Trade agreement	Details
<b>Chile</b> Date of signature/Entry into force: Transition to full implementation: Main products excluded from liberalization:  Other measures:  Merchandise trade 2014: Exports Imports Of which are preferential: Of which are MFN duty-free: WTO document series	14 July 2009/1 March 2011 Tariffs to be phased out by 2017 Agricultural products will retain tariff protection for both Turkey and Chile, as well as a small number of chemical/plastics/rubber items.  Intellectual property, TBT, SPS, trade defence  US\$198.6 million US\$363.3 million US\$87.2 million US\$267 million WT/REG293
<b>Jordan</b> Date of signature/Entry into force: Transition to full implementation: Main products excluded from liberalization:  Other measures: Merchandise trade 2014: Exports Imports	1 December 2009/1 March 2011 Tariffs to be phased out by 2018 Tariff protection will remain in place for both Turkey and Jordan on a wide range of tariffs covering many HS chapters and sections; however both retain the majority of tariffs on agricultural products.  Competition, state monopolies  US\$907.4 million US\$126.1 million

Trade agreement	Details
Of which are preferential: Of which are MFN duty-free: WTO document series	US\$125.1 million US\$678,295 WT/REG294
<b>Republic of Korea</b> Date of signature/Entry into force:	1 August 2012/1 May 2013
Agreement on Investment, date of signature/entry into force:	26 February 2015/undergoing internal ratification process as of December 2015
Agreement on Trade in Services, date of signature/entry into force:	26 February 2015/ undergoing internal ratification process as of December 2015
Transition to full implementation:	Tariff elimination to take place over 10 years (2013-2023)
Main products excluded from liberalization:	Both Korea and Turkey will retain tariffs on approximately 9% of tariff lines, all pertaining to agricultural products, although Korea will retain some tariffs on chemical products as well.
Other measures:	Intellectual property, competition, trade and sustainable development
Merchandise trade 2014: Exports Imports Of which are preferential: Of which are MFN duty-free: WTO document series	US\$470.7 million US\$7.55 billion US\$5.95 billion US\$1.45 billion WT/REG339
	Agreements on services and investment not notified as not yet in force
<b>Malaysia</b> Date of signature/Entry into force: Transition to full implementation: Main products excluded from liberalization:	17 April 2014/1 August 2015 Tariffs to be phased out by 2023 In industrial products, Malaysia will retain its tariffs on six tariff lines, whereas Turkey will eliminate all its tariffs. In agricultural products, Turkey will retain its tariffs on its main agricultural products, while Malaysia will eliminate most of its tariffs throughout the transition period.
Other measures:	Rules of origin, customs procedures and cooperation, SPS, trade remedies, technical barriers to trade, economic and technical cooperation
Merchandise trade 2014: Exports Imports Of which are preferential: Of which are MFN duty-free: WTO document series	US\$315.0 million US\$1,161 million Not applicable Not available Not notified
<b>Mauritius</b> Date of signature/Entry into force: Transition to full implementation:	9 September 2011/1 April 2013 Mauritius to phase out tariffs by 2022, and Turkey by 2016; TRQs granted by Turkey on agricultural products to remain indefinitely
Main products excluded from liberalization:	Turkey will retain tariffs on mainly agricultural products while Mauritius will maintain tariffs over a wide range of HS sections.
Other measures:	Rules of origin
Merchandise trade 2014: Exports Imports Of which are preferential: Of which are MFN duty-free: WTO document series	US\$37.8 million US\$7.9 million US\$7.8 million US\$90,000 WT/REG341

Source: WTO Secretariat and information provided by the authorities.

### 2.3.2.3 Unilateral preferential regimes

2.33. Turkey, as part of its commitments pursuant to the Customs Union with the EU, has agreed to align itself with the autonomous customs regime of the EU. Thus, EU Regulation No. 978/2012/EU is the basis for Turkey's GSP scheme<sup>25</sup> in which it offers unilateral preferences in parallel to those of the EU. Further, Turkey includes additional incentives of the EU, i.e. GSP+ and Everything But Arms (EBA).

2.34. Turkey has been offering unilateral preferences under these programmes since 2001 but only on industrial products and on industrial components of the processed agricultural products. Coal and steel products pursuant to the ECSC agreement and agricultural products are not included. Rules of origin for beneficiary products are identical to those of the EU as outlined in the EU's Customs Code and Turkish customs legislation.<sup>26</sup>

2.35. In terms of country coverage, Turkey is also following the reforms to the GSP that the EU has taken, namely to focus preferences on countries most in need by removing high- and upper-middle-income countries and countries that benefit from other privileged arrangements. Thus, Turkey's beneficiaries have been reduced from 177 to 91 at present.<sup>27</sup> Turkey deviates slightly from EU country coverage by excluding Armenia: on Armenia's accession to the WTO, Turkey invoked Article XIII of the Marrakesh Agreement on the non-application of multilateral trade agreements.<sup>28</sup> Since the entry into force of the EU's new GSP regime, Turkey has reflected the restrictions made by the EU in the country coverage in its GSP scheme through the amendments in the import regimes of 2014 and 2015. Accordingly, since 2014 countries that were excluded from the EU's GSP regime are also not covered by Turkey's GSP scheme. As for the changes envisioned at the beginning of 2016 for certain South American countries, Turkey is undertaking the necessary evaluation and amendments, and plans to make the necessary changes through the import regime of 2016.

2.36. Turkey's unilateral preferential imports for 2014 amounted to 8.3% of total imports, with GSP imports being the largest contributor, accounting for 91% of unilateral imports or US\$18.2 billion. GSP+ imports are the smallest, accounting for 1% of unilateral imports, and EBA imports accounted for 8% of unilateral imports, or US\$1.6 billion.

### 2.3.3 Other agreements and arrangements

#### 2.3.3.1 Turkey-Iran Preferential Trade Agreement

2.37. The Turkey-Iran Preferential Trade Agreement was signed in January 2014 and came into force on 1 January 2015. The agreement provides for the reduction or elimination of tariffs, para-tariffs, and non-tariff barriers. It also contains provisions on MFN treatment, national treatment, rules of origin, anti-dumping and countervailing measures, safeguards, transparency, dispute settlement, exceptions, balance of payments, re-exports, TBT, and SPS matters. Pursuant to the specific commitments undertaken, Turkey has granted concessions to Iran on approximately 140 agricultural products while Iran has granted concessions to Turkey on approximately 125 industrial products. Because of the limited scope, Turkey does not consider it a reciprocal free trade agreement.

<sup>25</sup> Import Communiqué 2015/1, Turkish *Official Gazette*, 31 December 2014, No. 29222 bis 2.

<sup>26</sup> Ministerial Decree No. 2014/7064, Turkish *Official Gazette*, 31 December 2014, No. 29222 bis 4.

<sup>27</sup> Turkey's beneficiaries, as of 1 December 2015, for GSP are: Botswana, Cameroon, Columbia, Congo, Cook Islands, Indonesia, Fiji, Ivory Coast, Philippines, Ghana, Honduras, India, Iraq, Kenya, Kyrgyzstan, Micronesia, Marshall Islands, Namibia, Nigeria, Nicaragua, Nauru, Niue, Uzbekistan, Pakistan, Sri Lanka, Swaziland, Tajikistan, Turkmenistan, Tonga, Ukraine, and Viet Nam. GSP+ beneficiaries are: Bolivia, Cape Verde, Costa Rica, El Salvador, Georgia, Guatemala, Moldova, Mongolia, Panama, Paraguay, and Peru. LDC beneficiaries of EBA are: Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Rep., Chad, Comoros, Democratic Rep. of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Laos, Liberia, Lesotho, Madagascar, Malawi, Mali, Mauritania, Myanmar, Mozambique, Niger, Nepal, Rwanda, Samoa, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sudan, Tanzania, Timor-Leste, Togo, Tuvalu, Uganda, Vanuatu, Yemen, and Zambia.

<sup>28</sup> WTO document WT/L/501, 3 December 2002.

### 2.3.3.2 Economic Cooperation Organization (ECO)

2.38. As one of the founding members of the ECO in 1985, Turkey has been active with the other nine members<sup>29</sup> in promoting economic, technical, and cultural cooperation. One of several objectives of the ECO is to progressively remove trade barriers and promote intra-regional trade, including the removal of tariff and non-tariff barriers and developing a favourable investment regulatory framework. ECO's cooperation on trade and investment has included the ECO Trade Agreement (ECOTA), ECO Trade and Development Bank (ECOTDB), ECO Reinsurance Company, ECO Agreement on Promotion and Protection of Investment (APPI), ECO Chamber of Commerce and Industry (ECO-CCI), and cooperation on customs matters. As stated in the ECO Vision 2015, member States "are determined to move towards establishment of a free trade area in the ECO Region as a priority task" but unfortunately this goal has not been achieved so far.<sup>30</sup>

2.39. The ECOTA was signed in 2003 among Ministers of ECO members and came into force in April 2008 after its fifth ratification. As of October 2015, five ECO members participate in the ECOTA: Afghanistan, Iran, Pakistan, Tajikistan, and Turkey. The ECOTA will reduce tariffs to a maximum of 15% for 80% of goods traded over eight years. The agreement will become fully operational after Tajikistan ratifies the annexes of the agreement, and Iran and Tajikistan submit their concession lists.

2.40. In 2005, the ECO launched the ECO APPI to achieve common policy and action for attracting investment among ECO members. Turkey along with Afghanistan, Azerbaijan, and Iran has signed the APPI but it is not yet implemented as it awaits ratification and more signatories.

### 2.3.3.3 Developing-8 (D-8)

2.41. The D-8 group of developing countries<sup>31</sup> was established in 1997 to improve its members' position in the economy, enhance international participation, and diversify and create new trade opportunities. The members cooperate in a number of economic and industrial areas, including trade, agriculture, tourism, and transportation. In 2006, D-8 Ministers signed a Preferential Trade Agreement (PTA) among the member States which covers liberalization or elimination of tariffs, para-tariffs, and non-tariff barriers. The PTA also contains provisions on MFN treatment, rules of origin, anti-dumping and countervailing measures, safeguard measures, TBT, SPS, re-exports and shortages, balance of payments, transparency, dispute settlement, technical assistance, and general and security exceptions.

2.42. The tariff reduction modalities of the PTA require tariff reductions when tariff rates exceed 10% by requiring each member to cover 8% of these lines and reduce tariffs to three bands, i.e. from above 25% down to 25%, from between 15-25% to 15%, and from between 10-15% to 10%. The PTA provides for the immediate elimination of para-tariffs and non-tariff barriers; LDC members have longer time frames to reduce or eliminate tariffs.

2.43. The PTA entered into force in August 2011 for Turkey and, in 2014, Turkey, along with five other members, submitted revised lists of offers. Pursuant to a meeting of the Supervisory Committee of the PTA in March 2013, a new date was set as 1 August 2013 for the first reduction instalment under the PTA. But since internal procedures of the contracting members are yet to be completed, the Agreement has not come into effect. The Agreement will become fully operational after these procedures are completed.

### 2.3.3.4 Organization of Islamic Cooperation (OIC)

2.44. Under the provisions of the Organization of Islamic Cooperation's (OIC) Trade Preferential System (TPS), Turkey is one of twelve OIC members<sup>32</sup> to have completed, signed, and ratified the legal instruments and submitted lists of tariff concessions. The TPS provides for reciprocal

<sup>29</sup> Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan.

<sup>30</sup> ECO Statistical Report 2014, "ECO Trade", Economic Cooperation Organization, April 2014. Viewed at: <http://www.ecosecretariat.org/in2.htm>.

<sup>31</sup> Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan, and Turkey.

<sup>32</sup> Bahrain, Bangladesh, Jordan, Kuwait, Malaysia, Morocco, Oman, Pakistan, Qatar, Saudi Arabia, Turkey and UAE.

preferential tariff access by providing a margin of preference on current MFN rates of duty. It also has provisions for the removal of para-tariffs (i.e. border charges and fees), elimination of non-tariff barriers, establishment of rules of origin, and matters related to trade remedies.

2.45. The tariff preferences apply to goods covering 7% of each contracting member's total HS lines with tariff rates above 10%. In accordance with the Agreement, tariffs above 25 % will be reduced to 25%; tariffs above 15% and up to 25% will be reduced to 15%; and tariffs above 10% and up to 15% will be reduced to 10%. As of November 2014, TPS-OIC is ready to become fully operational, since 12 OIC members have completed the signature and ratification of three legal instruments of the Agreement and submitted their tariff concessions lists. Currently, countries are updating their concession lists. Once the concessions lists are updated, the Trade Negotiation Committee will convene to announce the effective date of the Agreement.

#### **2.3.3.5 Black Sea Economic Cooperation (BSEC)**

2.46. Turkey, as one of twelve members of the BSEC<sup>33</sup>, is engaged with other members on a number of multilateral political and economic initiatives. The BSEC members cooperate in many areas including trade and economic development, whereby Ministers declare initiatives and action plans are established. In 1997 a declaration to launch a free trade area was made. Although this initiative has not been implemented, establishing a free trade area among interested members still remains as a long-term objective. In the last several years, in trade and economic spheres, the BSEC has launched initiatives for cooperation on electronic commerce, trade facilitation, visas for business travellers, trade and investment facilitation/investment cooperation, single window system notifications and information exchange, and harmonization of customs procedures. These initiatives are under development within their respective working groups.

### **2.4 Investment Regime**

#### **2.4.1 Overview and framework**

2.47. Turkey has recognized the importance of attracting foreign direct investment (FDI) for its economic growth and has put in place a number of schemes and initiatives, as well as a framework for further encouraging FDI. FDI in Turkey is concentrated in the services sector, in particular the finance and insurance subsectors, followed by the manufacturing sector, where food, beverages and tobacco are the most significant. In recent years, the energy sector has become more prominent, following the manufacturing sector.

2.48. There are several elements that provide the framework for foreign investment in Turkey. These have generally been in existence for many years and have not undergone substantial changes during the review period. However, Turkey continues to actively promote and encourage FDI, and as a result several developments have occurred in the area of investment promotion (Section 2.4.5).

2.49. Turkey's main investment law, the Foreign Direct Investment Law No. 4875, provides the main legal framework for investment in Turkey.<sup>34</sup> The main provisions of the law align with international norms and provide for national treatment, free transfer of proceeds, dispute settlement, compensation in the case of expropriation or nationalization, employment of expatriates, and the submission of statistical information. The national treatment provisions provide that foreign investors are free to make investments in Turkey and that these investors shall be subject to equal treatment with domestic investors.

2.50. The real estate acquisition of companies with foreign capital used to be regulated according to Article 3/d of the Law on Real Estate Acquisition, which was annulled by a decision of the Constitutional Court on 11 March 2008 (No. 2008/79). After this annulment, there was an amendment made by the Law No. 6302 of 3 May 2012<sup>35</sup> regarding Article 36 of the Land Registry

<sup>33</sup> Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Republic of Moldova, Romania, Russian Federation, Serbia, Turkey, and Ukraine.

<sup>34</sup> Law No. 4875, *Official Gazette* No. 25141 of 16 June 2003.

<sup>35</sup> Law No. 6302 of 3 May 2012, *Official Gazette* No. 28296 of 18 May 2012.

Law<sup>36</sup>, which became the only provision for the real estate acquisition of companies with foreign capital.

2.51. As of December 2015, Turkey also has 76 bilateral investment agreements, known as reciprocal promotion and protection of investment agreements (or BITs – bilateral investment treaties) that also form part of the investment framework.<sup>37</sup> Turkey has pursued investment agreements in order to provide a framework that benefits foreign investors by reducing risks. Turkey's BITs include provisions on transfer of profits, fair and equitable treatment, expropriation, national treatment and most favoured treatment principles, and an investor-state dispute settlement provision which includes an international arbitration mechanism. Turkey has a model BIT that it keeps up to date by observing developments in international investment agreements and arbitration cases. In this context, Turkey updates its model BIT provisions where it considers necessary to ensure the conformity of its investment regime with its investment partners, especially with regard to its accession process to the EU.

2.52. Turkey's FTA's are also increasingly including provisions on investment (see Section 2.3.2.2). In this regard, Turkey has signed an Investment Agreement under the Framework Agreement Establishing a Free Trade Area between Turkey and Korea, which is the first of this kind for Turkey. Investment provisions in this agreement, and FTAs that are currently under negotiation, have a broader scope compared to BITs. Market access commitments with regard to investments and trade related investment measure provisions are in the scope of Turkey's investment commitments under FTAs.

#### 2.4.2 Investment policy

2.53. In 2001 Turkey established the Coordination Council for the Improvement of the Investment Environment (YOIKK) as the main entity for investment policy. It was initiated to improve Turkey's competitiveness in attracting FDI. Since its inception, it has worked to rationalize investment regulations, remove administrative obstacles, and develop policies to increase the attractiveness of Turkey's investment environment. YOIKK is comprised of government (i.e. several Ministry undersecretaries) and non-government entities (i.e. five business associations), which contribute to the work of 10 technical committees<sup>38</sup>, and a steering committee chaired by the Undersecretary of the Ministry of the Economy.

2.54. In 2012, pursuant to a Council of Ministers' decision, YOIKK's structure and activities were renewed in line with the needs and priorities of the private sector. The Ministry of Justice; Ministry of Transport, Maritime Affairs and Communication; and Ministry of Energy and Natural Resources were among the new members added to the YOIKK platform.

2.55. Each year YOIKK prepares an action plan in order to focus its work. The action plans focus on issues such as identifying priorities in employment incentives, the secured transactions system, land allocation for investment, spatial planning, regulations in the railway market, stamp tax, R&D incentives, corporate taxation, capital transfers, export procedures, inward processing permits, single window, intellectual property, and credit guarantees.

2.56. In this context, the Development of Business and Investment Environment Programme is being implemented. In order to reduce uncertainties faced by investors and to foster investments, this programme focuses on problems that are of the highest priority and aims to improve existing mechanisms. This programme has four components: improvement of bureaucratic processes, improvement in legal processes, facilitation of investment site provisions, and improvement of governance of the business and investment environment at the regional level.

<sup>36</sup> Law No. 2644.

<sup>37</sup> Bilateral investment agreements are currently in force with: Afghanistan, Albania, Argentina, Australia, Austria, Azerbaijan, Bangladesh, Belarus, Belgium-Luxembourg, Bosnia and Herzegovina, Bulgaria, China, Croatia, Cuba, Czech Republic, Denmark, Egypt, Estonia, Ethiopia, Finland, France, Georgia, Germany, Greece, Hungary, India, Indonesia, Iran, Israel, Italy, Japan, Jordan, Kazakhstan, Kuwait, Kyrgyz Republic, Latvia, Lebanon, Libya, Lithuania, TFYR of Macedonia, Malaysia, Malta, Republic of Moldova, Mongolia, Morocco, Netherlands, Oman, Pakistan, Philippines, Poland, Portugal, Qatar, Romania, Russian Federation, Saudi Arabia, Senegal, Serbia, Singapore, Slovakia, Slovenia, Republic of Korea, Spain, Sweden, Switzerland, Syria, Tajikistan, Thailand, Tunisia, Turkmenistan, Ukraine, United Arab Emirates, United States, United Kingdom, Uzbekistan, and Yemen.

<sup>38</sup> Council of Minister's Decision No. 2014/3.

### 2.4.3 Investment restrictions

2.57. Restrictions remain on investment in twelve sectors (Table A2.3). The restrictions take many forms but often set a minimum or maximum foreign participation level or require permissions or licences to operate. There has not been any significant liberalization of investment restrictions during the review period.

### 2.4.4 Investment incentives

2.58. In April 2015, the Prime Minister announced some regulatory amendments, and in this framework, there were amendments related to the Decree No. 2012/3305 on State Incentives for Investments. Firstly, favourable support rates and terms of the programme were announced for investments starting before 31 December 2014, and this deadline was extended for one more year until 31 December 2015. Secondly, high-technology investments were added to the priority investments list. Lastly, the benefits from tax deduction support measures during the investment period were increased while the total benefit was kept the same. This programme builds on the investment incentive scheme from 2012 to provide additional benefits to certain investments, especially those in advanced technologies.

2.59. In June 2012 Turkey created its new investment incentive system to increase FDI, reduce regional development disparities, encourage strategic investments with high R&D content, and boost production and employment.<sup>39</sup> Companies interested in receiving investment incentives submit applications to the Ministry of Economy for consideration under the various incentive schemes and receive an investment incentive certificate upon approval. Pursuant to the Foreign Direct Investment Law, companies established in Turkey by Turkish or foreign nationals, as well as branches of companies based in other countries, are eligible to benefit from the support of the Investment Incentive Programme on equal terms with domestic companies.

#### 2.4.4.1 Investment schemes

2.60. Since 2012, Turkey has had five main schemes as part of the Investment Incentive Programme offering nine different incentive instruments, some restricted to certain regions in Turkey (Table 2.5). The benefits are often dependent on the amount of the investment. The customs duty exemption pertains to imported machinery and equipment within the scope of the investment encouragement certificate. The incentive certificate is issued for each investment project separately, so the company would benefit from the customs duty exemption only for a specific project. For the tax deduction, this pertains to reduced income or corporate tax rates until the value reaches the amount of the investment. Interest support is financial support provided by the Ministry of Economy to cover a portion of the interest/profit share regarding the loan. Companies may not benefit from more than one scheme for the same investment as each incentive certificate is issued with respect to one incentive scheme.

2.61. Turkey's investment incentives are targeted based on sets of criteria, i.e. region, amount, etc. but the Priority Investment Incentive Scheme and Large-Scale Investment Incentives Scheme are selective to certain industries, generally involving higher value and high-technology goods, and have minimum investment amount criteria. Pursuant to Turkey's specific priorities, to receive Region V support regardless of location, incentives for power generation are offered subject to certain conditions of Turkey's Ministry of Energy and Natural Resources.<sup>40</sup> Thus, many of these programmes have linkages to Turkey's overall strategy to encourage higher value-added production in Turkey and thereby reduce the reliance on similar imported products.

<sup>39</sup> Council of Minister's Decree No. 2012/3305 on Government Subsidies for Investments of 15 June 2012.

<sup>40</sup> Invest in Turkey online information. Viewed at: <http://www.invest.gov.tr/en-US/investmentguide/investorguide/Pages/Incentives.aspx>.

**Table 2.5 Overview of Turkey's investment incentive schemes**

Scheme	Overview	Main benefits
General Investment Incentive Scheme	General scheme for a minimal fixed investment of TL 1 million in Regions I and II, and 500 thousand TL in Regions III, IV, V, and VI.	VAT exemption, customs duty exemption, and income tax withholding support only for Region VI.
Regional Investment Incentive Scheme	Supports different sectors, depending on the potential in different regions. Level of support and length dependent on the region. Fixed investment levels are defined separately for each sector and each region, the lowest amount being TL 1 million in regions I and II, and TL 500 thousand in the remaining regions.	VAT exemption; customs duty exemption; income tax withholding support only for Region VI; tax deduction; social security premium support (employer's share); social security premium support (employee's share) only for Region VI; interest support for regions III, IV, V or VI; and land allocation.
Priority Investment Incentive Scheme	Applies to the following sectors, treated as Region VI regardless of where located: tourism, mining, defence, railroad and maritime transport, nursery and schools, test facilities, R&D projects, electricity from coal or waste heat, motorized land vehicles under certain parameters, energy efficiency in manufacturing, LNG and storage facilities, fairgrounds, carbon fibre, high-technology products, and mining exploration.	VAT exemption; customs duty exemption; income tax withholding support only for Region VI; tax deduction; social security premium support (employer's share); social security premium support (employee's share) only for Region VI; interest support for Regions III, IV, V or VI if part of the regional scheme; and land allocation.
Large Scale Investment Incentive Scheme	There are 12 sectors eligible for this scheme based on a minimum investment amount varying by sector (TL 50 to 1,000 million): refined petroleum products, chemicals, harbours and harbour services, automotive, railway and trams, transit pipelines, electronics, high precision medical or optical equipment, pharmaceuticals, aircraft and space vehicles, machinery, and integrated metal production.	VAT exemption; customs duty exemption; income tax withholding support only for Region VI; tax deduction; social security premium support (employer's share); social security premium support (employee's share) only for Region VI; and land allocation.
Strategic Investment Incentive Scheme	Aims to support production of intermediate and final products with a high import dependence of 50% or more, and high-tech and high-value-added investments. Contingent on a minimum investment of TL 50 million, minimum of 40% value added, and that the goods have a US\$50 million import amount in the last year.	VAT exemption; customs duty exemption; income tax withholding support only for Region VI; tax deduction; social security premium support (employer's share); social security premium support (employee's share) only for Region VI; interest support for Regions III, IV, V or VI if part of the regional scheme; land allocation; and VAT refund for fixed investments of at least TL 500 million.

Source: Turkey's Ministry of Economy.

2.62. The investment schemes all have varying amounts of usage each year based on the projects that are approved with an investment certificate. While foreign investment money has been part of all schemes, it has been mostly in respect of large-scale investment projects, especially in 2015, for a large project in the energy sector. Foreign capital has varied a lot under each scheme and by year. The General and Regional Investment Incentive Schemes were the most used schemes during the period 2011-15 (Table 2.6).

**Table 2.6 Overview of fixed capital investments under the incentive schemes, 2011-July 2015**

(TL million)

	2011	2012	2013	2014	2015 <sup>a</sup>
<b>General Investment Incentive Scheme</b>					
- Foreign investment	6,645	2,754	4,277	2,768	2,101
- Domestic capital	27,136	19,772	30,604	20,106	14,433
<b>Regional Investment Incentive Scheme</b>					
- Foreign investment	1,492	4,210	8,601	6,400	1,947
- Domestic capital	12,659	22,206	31,871	28,412	11,749
<b>Large Scale Investment Incentive Scheme</b>					
- Foreign investment	350	1,425	1,885	2,378	23,374
- Domestic capital	4,154	883	12,747	2,806	1,236
<b>Strategic Investment Incentive Scheme</b>					
- Foreign investment	0	0	0	0	1,851
- Domestic capital	0	11,626	6,450	754	211

a Data until July 2015.

Source: Turkey's Ministry of Economy.

#### 2.4.4.2 Investment zones

2.63. Turkey maintains three types of zones that provide additional incentives or provisions to attract foreign investors: Technology Development Zones (TDZs), Organized Industrial Zones (OIZs), and Free Zones (FZ).<sup>41</sup> TDZs, OIZs and FZs are under the responsibility of the DG for Science and Technology of the Ministry of Science, Industry, and Technology; DG for Industrial Regions of the Ministry of Science, Industry, and Technology; and the Ministry of Economy, respectively. Each type of zone has particular provisions that give advantages to firms or investors. If a company is also participating in the investment scheme process, the benefits accorded under the scheme may be adjusted if it is also a beneficiary under OIZs or TDZs.

##### 2.4.4.2.1 Technology Development Zones

2.64. Technology Development Zones are zones specialized in developing the high technology sector in Turkey by supporting and encouraging R&D activities. Established by law in 2001 as sites integrating academic, economic, and other structures at certain universities, advanced technology institutes, R&D centres or institutes, or technoparks to promote innovation and high-tech investments.<sup>42</sup> There were 48 TDZs in operation in Turkey as of September 2015. Some of the main objectives of TDZs are to: develop innovative products and production methods, enhance quality and standards, decrease production costs, develop and commercialize technical know-how, support entrepreneurship, and create investment opportunities in technology-intensive areas. In 2011, amendments were made to the law; these amendments formed a basis for the subsequent Technology Development Zones Implementation Regulation<sup>43</sup>, which has provisions and principles relating to the establishment and operation of TDZs, and activities in TDZs.<sup>44</sup>

2.65. The benefits for companies establishing in TDZs are: exemption from income, VAT, and corporate taxes for software development until 2024; exemption from all taxes for R&D and support staff until 2024; production of the R&D product in the zone if deemed suitable; and payment of 50% of the employer's social security payments by the Ministry until 2025. The Ministry of Science, Industry, and Technology provides grants, and the Ministry of Finance provides the tax exemptions to companies in TDZs. In 2014, grants totalling TL 27.7 million were supplied to companies in TDZs by the Ministry of Science, Industry, and Technology; and TL 803.4 million in tax exemptions was provided to the companies in TDZs by the Ministry of Finance.

<sup>41</sup> Invest in Turkey online information. Viewed at: <http://www.invest.gov.tr/en-US/investmentguide/investorsguide/Pages/SpecialInvestmentZones.aspx>.

<sup>42</sup> Law No. 4691 of 6 July 2001 and Implementing Regulation of 2 January 2004.

<sup>43</sup> Official Gazette No. 28939 of 12 March 2014.

<sup>44</sup> Law No. 6170 of 2 March 2011.

2.66. The use of TDZs has grown steadily throughout the period with growth in the number of companies, foreign companies, zones established, and exports. Tax breaks or incentives for TDZs are significant with personal income tax and VAT rebates being the largest, accounting for over TL 500 million in 2014. In 2014, exports from TDZs amounted to US\$100 million (Table 2.7).

**Table 2.7 Overview of Technology Development Zones, 2011-14**

	2011	2012	2013	2014
Number of TDZs established in operation at the end of the year	31	34	39	43
Number of companies operating in TDZs	1,800	2,174	2,569	2,956
Number of foreign companies operating in TDZs	66	70	112	126
<b>Tax exemptions<sup>a</sup> (TL million)</b>				
VAT	120.7	203.9	169.8	271.4
Corporate tax	97.5	137.7	134.5	170.9
Personal income tax	100.5	151.3	617.4	296.9
Social security tax	23.0	32.1	62.5	60.6
Loan amounts	30	33.9	31.8	27.7
<b>Trade</b>				
Total exports (annually; US\$ million)	449	282	285	100
Total exports (cumulative; US\$ billion)	1.38	1.66	1.94	2.04

a Represents foregone revenue.

Source: Ministry of Science, Industry, and Technology, online information. Viewed at: <http://sagm.sanayi.gov.tr/userfiles/file/TGB%20g%C3%BCncel%20d%C3%B6k%C3%BCmanlar/%C4%B0statistiki%20Veriler%2026082015.pdf>; and [http://sagm.sanayi.gov.tr/userfiles/file/tgb%20yeni/PerformansEndeksi\\_2013.docx](http://sagm.sanayi.gov.tr/userfiles/file/tgb%20yeni/PerformansEndeksi_2013.docx).

#### 2.4.4.2.2 Organized Industrial Zones

2.67. Turkey's OIZs were established by law in 2000 to provide an investor-friendly environment with established infrastructure for businesses, as well as allow for planned development in different regions.<sup>45</sup> The law was amended in 2012 to regulate the administrative boards of OIZs. Pursuant to a 2012 Council of Ministers Decision, additional incentives were provided for OIZs, in particular a land allocation bonus and additional regional investment promotion incentives.<sup>46</sup> The zones are established in different areas pursuant to approval of the Ministry of Science, Industry, and Technology, which also provides credit funds and guarantees to firms for the establishment, construction, and operation of OIZs. As of 2013, interest rates for the credit were 1%, 2%, or 3% based on the region, grace period, and repayment period.

2.68. Each zone has regulations for its operations, including a structure for its management, i.e. an enterprising committee, board of directors, and directorate, as well as provisions for its infrastructure (e.g. water, electricity, air quality, gas, and communication network). Depending on the type of zone, certain activities are not allowed such as refining, nuclear power generation, cement manufacturing, petrochemical complexes, and integrated sugar factories. Advantages for companies establishing in OIZs include VAT exemption for land acquisitions, 5-year exemption from real estate duties, low infrastructure costs, exemption from environmental taxes, and exemption from certain municipality taxes. There are currently 213 OIZs in operation, with the largest concentration in the Marmara region; more OIZs are in the planning phase.

#### 2.4.4.2.3 Free Zones

2.69. Free Zones have been in place in Turkey since 1985 to encourage investment and export-oriented production, pursuant to the Law on Free Zones.<sup>47</sup> FZs are considered outside the customs territory of Turkey and cater to export-oriented investments as goods are not subject to customs rules upon importation into the zones. There are currently 19 FZs operating in Turkey adjacent to ports near its major export markets. In addition to the exemption from customs

<sup>45</sup> Law No. 4562 of 12 April 2000, *Official Gazette* No. 24025 and Implementing Regulation, *Official Gazette* No. 27327, 28 August 2009.

<sup>46</sup> Decision No. 2012/3305.

<sup>47</sup> Law No. 3218 of 6 June 1985, *Official Gazette*, 15 June 1985, No. 18785.

control, including duties, FZs have exemptions for corporate income tax for manufacturing companies, for VAT and for consumption taxes, and no restrictions on the transfer of profits. There is also an exemption for income taxes on employee salaries for companies that export at least 85% of the f.o.b. value of goods produced in FZs.

2.70. There have been no major changes to the FZ regime in Turkey during the review period. During 2011-14, the annual trade volume of FZs remained relatively flat, with US\$22.6 billion in trade volume in 2011, climbing to US\$23.2 billion in 2013, then falling slightly to US\$22.4 billion in 2014<sup>48</sup> (Table 2.8). Thus, trade through FZs was approximately 10% of Turkey's 2014 imports. Trade inflows into the FZs are mainly from the EU, with 35% of total 2014 inflows, and outflows are mainly to the Turkish market, 37% of 2014 outflows, thus the zones have a significant import processing component.<sup>49</sup> The vast majority of zone activity is for the industrial sector although certain service activities such as banking and logistics also take place in FZs. Purchasing and selling are the main business activity, followed by production in zones.<sup>50</sup>

**Table 2.8 Overview of Free Zones, 2011-14**

(US\$ million)

	2011	2012	2013	2014
Total trade volume	22,646	23,053	23,240	22,432
Sales to third countries	6,924	7,071	7,701	7,958
Sales to Turkey	5,800,743	5,753,556	5,161,974	4,683,242
Employment	54,022	55,938	57,010	61,505
Total number of companies	2,444	2,407	2,269	2,140
Total number of foreign companies	474	494	495	496

Source: Information provided by the authorities.

#### 2.4.5 Investment promotion

2.71. The Investment Support and Promotion Agency of Turkey (ISPAT) under the Prime Ministry is the agency responsible for investment promotion in Turkey. It promotes Turkey's investment opportunities at the national, regional, and local levels to companies worldwide and provides assistance and information. ISPAT is specifically involved in providing market information and analysis, assessing conditions, aiding with site selection, getting licences and work permits, finding partnerships, and negotiating with government institutions. It provides a one-stop shop for interested foreign investors to set up their business in Turkey.

2.72. ISPAT was established in 2006 in order to encourage and increase the number of investments in Turkey for economic development.<sup>51</sup> It is an incorporated legal entity with administrative and financial autonomy. It is headed by a president and its main administrative body is the Consultancy Board, chaired by the Prime Minister and comprised of ministers appointed by the Prime Minister and representatives from the private sector. The Board has not met in the last four years. ISPAT funding comes from three sources: incomes from services, appropriations from the general budget, and aid funds and donations. However, very little, if any, is generated from services.

2.73. The law establishing ISPAT was amended with several changes in 2011.<sup>52</sup> These involved mainly changes to its organizational structure, in particular the creation of two new major service units – the Department of Collaboration with Development Agencies and Department of Public-Private Sector Collaboration, as well as defining the duties and mandate of these units and the qualifications necessary for the president, i.e. level of education and professional knowledge and experience.

<sup>48</sup> Ministry of Economy, online information. Viewed at: <http://www.ekonomi.gov.tr/portal/content/conn/UCM/uuid/dDocName:EK-070996>.

<sup>49</sup> Ministry of Economy, online information. Viewed at: <http://www.ekonomi.gov.tr/portal/content/conn/UCM/uuid/dDocName:EK-070994>.

<sup>50</sup> Ministry of Economy, online information. Viewed at: <http://www.ekonomi.gov.tr/portal/content/conn/UCM/uuid/dDocName:EK-070998>.

<sup>51</sup> Law No. 5523 of 2006, *Official Gazette*, 4 July 2006, No. 26218.

<sup>52</sup> Law No. 644 of 2011, *Official Gazette*, 4 July 2011, No. 27984.

### 3 TRADE POLICIES AND PRACTICES BY MEASURE

#### 3.1 Measures Directly Affecting Imports

##### 3.1.1 Customs procedures and requirements

3.1. Customs procedures largely fall under the responsibility of the Ministry of Customs and Trade.<sup>1</sup> The Customs Law No. 4458 (as amended), together with its Regulations, constitutes the basic legal framework for customs matters.<sup>2</sup> Over the review period the Customs Law and its regulations have been amended several times. These amendments include, *inter alia*, changes to the calculation method for administrative fines, simplified destruction procedures for IPR infringing goods, bonded warehouse provisions, and laboratory analysis sampling procedures.<sup>3</sup>

3.2. As reported in Turkey's previous review, the format of the Turkish customs declaration is aligned with the single administrative document (SAD) used for customs procedures in the EU. BİLGE (a computer software package) carries out real-time customs formalities. The use of the BİLGE system is obligatory and it covers all aspects of customs formalities. In addition, the cooperation between the Ministry of Customs and Trade and other institutions is to be developed through the BİLGE system. For example, the Single Window Project, which enables traders to submit regulatory documents at a single location and/or single entity, has been ongoing since 2014. The documents required by customs administrations are receivable electronically through BİLGE. Currently, 13 institutions are interconnected through the Single Window Project.

3.3. As from 1 January 2012, a new summary pre-arrival declaration is in operation in Turkey. Information about the goods and transport vehicle should be submitted electronically before arrival at the customs office with the purpose of conducting a risk analysis of the cargo entering into the customs territory of Turkey for safety and security reasons. Except for cargo passing in transit, without any stops, through the territorial waters or airspace of the Turkish customs territory, the entry summary declaration is required for all goods brought into the Turkish customs territory.

3.4. Deadlines for lodging summary declarations are determined according to the means of transport, as follows:

- For maritime transportation:
  - (a) At least twenty-four hours before loading the goods onto the vessel in the port of departure for far ports (other than ports of the Black Sea and the Mediterranean) for goods carried in containers;
  - (b) For bulk and packed goods loaded in far ports, at least four hours before arrival at the first port of entry in the Turkish Customs Territory;
  - (c) For goods carried between foreign country ports of the Black Sea and the Mediterranean and ports of the Turkish Customs Territory, at least two hours before arrival at the first port.
- For airway transportation:
  - (a) For short-distance (less than four hours) flights, not later than the moment of take-off of the aircraft;
  - (b) For long-distance (longer than four hours) flights, at least four hours before the landing of the aircraft at the first airport within the Turkish Customs Territory.
- For railroad transportation, at least two hours before arrival at the entry customs office; and
- For road transport, at least one hour before arrival at the entry customs office, and if this is not possible, within one hour following the arrival of the vehicle at the entry customs office.

3.5. Summary declarations should be lodged by the person who brings the goods, or who assumes the responsibility of carriage of the goods, into the customs territory of Turkey. Without

<sup>1</sup> The website of the Ministry may be viewed (in Turkish only) at: <http://www.gtb.gov.tr>.

<sup>2</sup> The Customs Law, with amendments up to 2011 may be viewed in English at: [http://www.wipo.int/wipolex/en/text.jsp?file\\_id=314871](http://www.wipo.int/wipolex/en/text.jsp?file_id=314871).

<sup>3</sup> Regulations amending the Customs Regulations were issued in the following *Official Gazettes* (OGs): OG 28250 of 31.03.2012; OG 28321 of 12.06.2012; OG 28473 of 20.11.2012; OG 28524 of 10.01.2013; OG 28552 of 07.02.2013; OG 28609 of 05.04.2013; OG 28648 of 15.05.2013; OG 28675 of 12.06.2013; OG 28727 of 03.08.2013; OG 28828 (bis) of 21.11.2013; OG 29006 of 21.05.2014; OG 29193 of 02.12.2014; OG 29253 of 31.01.2015; OG 29271 of 18.02.2015; OG 29294 of 13.03.2015; and OG 29354 of 13.05.2015.

prejudice to the obligations of such persons, the summary declaration may be lodged by a person acting on their behalf or by a third party, who can submit the goods to the authorized customs office or who can ensure the submission of the goods. The summary declaration must include the information prescribed in Annex No. 10 of the Turkish Customs Regulation (i.e. tariff code (4 digits) and tax number) and it must be drafted according to the explanatory notes regarding the filling in of this form.

3.6. Turkey is ranked in 62<sup>nd</sup> place out of 189 economies in the World Bank's Doing Business Report 2016 subcategory on "trading across borders". According to the Report, Turkey requires 13 import documents and the average time to import at the border is 3 days with a cost of border compliance of US\$655.<sup>4</sup> Following the World Bank's 2015 ranking process, an internal study was performed in May 2015 by the Ministry of Customs and Trade. According to the study, the average time to import, the number of documents required, and the cost of importing were all less than what the Bank had reported in 2015 for Turkey. According to the authorities, the following may explain the major discrepancies between the World Bank data and the data obtained by the Ministry: data providers may not have had adequate proficiency in responding to the detailed questionnaires covering the entire import/export process; there were no participants from the relevant Customs offices amongst the data providers; and the data issued by the World Bank are generally deemed accurate without verification. The customs declaration, invoice, bill of lading, value declaration form, and compliance certificate are the required documents for importation according to the authorities.

3.7. The time taken to process import declarations has not changed over the review period according to the authorities, thus it reflects the previously reported information that import clearance is normally completed within 24 hours, provided all the required documentation is in order, irrespective of the mode of transport. However, the average processing time for exports decreased from 4 hours 44 minutes to 2 hours 47 minutes over the period 2012-14 owing to the widespread utilization of the blue line by firms after its first implementation in 2011. The processing time of exports completed within the first minute increased from 57% to 66% in the same period.

3.8. Turkey conducts risk analysis for both import and export operations through the Risk Analysis Programme integrated into the BILGE System. Various risk criteria identified in the system are determined with the purpose of improving the procedures and preventing overload in the customs units by providing selectivity. Pursuant to risk assessment, goods may be subject to physical inspection. Data on the percentage of goods physically inspected was not available.

3.9. Pest risk analyses (PRA) are conducted on the basis of the WTO and other related organizations' procedures. The European and Mediterranean Plant Protection Organization (EPPO) programme on PRA and other documents are used for assessment, and the International Plant Protection Convention (IPPC) standards are taken into consideration. If a plant and/or plant product is imported from any country for the first time, it is subject to the PRA process. After PRA assessment, the import requirements are determined for that commodity. In accordance with Article 13 of the Plant Quarantine Regulation, when plants, plant products and other substances that are intended to be imported are contaminated with any harmful organisms that are not present in the Annex-1 and Annex-2 lists and also with those that are not known to be present in Turkey, those products are not permitted for importation and a harmful risk analysis is carried out. Quarantine measures shall be taken until the harmful risk analysis is concluded, and if they are found to be posing a risk, they are not permitted for importation.

3.10. As set out in the Customs Law, economic operators may request advance assessments – Binding Tariff Information (BTI) – for the determination of import and export taxes, the calculation of duty drawback and import-export payments within the context of Turkey's agricultural policy, or for the use of certificates providing tariff or origin information submitted for the purpose of customs clearance. The assessments are issued by the Ministry of Customs and Trade as well as authorized customs directorates and may be valid for six years, provided the information submitted by the applicant is accurate and complete, and the declared goods correspond exactly to the BTI. Assessments may cease to be valid in the event of nomenclature changes. In this event, the holder of the BTI is notified.

---

<sup>4</sup> World Bank Doing Business 2016, online information. Viewed at: <http://www.doingbusiness.org/data/exploreeconomies/turkey#trading-across-borders>.

3.11. According to Article 5.1 of the General Communiqué on Customs<sup>5</sup>, BTIs shall be issued free of charge. However, other expenses incurred by Customs, particularly when chemical analysis or expertise on goods is requested, or when goods are definitively returned back to the applicant, shall be paid by the applicant. In parallel to the regulations of the EU, binding origin information (BOI) is offered by Turkey, as set out in Article 9 of the Customs Law. The procedures for BOIs are similar to those for BTIs, however, a BOI is valid for only three years.

3.12. Since 2012, Customs' amendments to import procedures have largely related to issuing new procedures on release for free circulation of certain goods (namely: furniture; carpets; cigarette and other lighters; motor land vehicles; fodder; leather and leather goods and footwear; float glass; liquid petroleum gas (LPG); crude oil and fuel oil; solvents and certain petroleum products; batteries and accumulators; radio and telecommunications terminal equipment; textiles and wearing apparels and accessories; ozone depleting substances; and certain goods brought into Turkey by land and railway (this latter procedure was later repealed). New procedures were also issued for products of animal/vegetable origin when they enter the Turkish Customs territory.

3.13. The use of customs brokers is not compulsory, any natural or legal person with a tax number may import goods. Importers/customs brokers are responsible for removing imported merchandise from customs.

3.14. Merchandise arriving by road, railway or air transport should be removed within 20 days. For imports via maritime transport, the requirement is 45 days; failure to do so may result in confiscation and disposal at auction. Deadlines may be extended for 30 days at the request of the importer; this incurs a supplementary fee of 1% of the value of the shipment. As noted in Turkey's previous review, since 2009 special registration requirements have applied for importers of textiles and clothing, for monitoring purposes. In order to obtain the certification necessary to import these goods, information must be furnished on the exporting company's contact details, size, sales (including to other export destinations) and international quality certificates.<sup>6</sup>

3.15. Certain goods may only be imported through specialized customs offices. The purpose of these customs practices are to make the customs offices more disciplined; improve customs procedures for certain goods and channel these goods to specialized customs offices; ensure that standards are met; and make effective controls on tariffs, valuation, and origin matters. For example, motor vehicles, tractors, motorcycles and their spare parts and accessories must be cleared at the Yesilkoy, Gebze, Izmit, Izmir, Mersin, Derince or Giresun customs directorates; for producers of motor vehicles, Mudanya, Gemlik, Esenboğa or Adana customs directorates are also authorized; textile products must pass through customs directorates at Aksaray, Ankara, AHL Kargo, Europe Free Zone, Denizli, G.Antep, G.Antep Airport, Gemlik, Giresun, Halkalı, Iskenderun, Izmir, Kayseri, Mersin, or Trakya; fertilizers must be imported through customs administrations at Antalya, Bandırma, Gemlik, Kapıkule, Tekirdağ, Iskenderun, Ambarlı, Haydarpaşa, Aliağa, Dikili, Izmir, Derince, Mersin, Samsun, Ünye, Ankara, Mardin, or Yumurtalık Ser. Böl; and some solvents and petrochemical products must be cleared at the Ankara, Mersin, Adana, Ereğli Region of Karadeniz, Erenköy, Beylikdüzü Akaryakıt, Izmir, Aliağa, Tekirdağ, Bursa, Gemlik, or G.Antep customs directorates. Goods for the food sector must be cleared at Ankara, Aliağa, Izmir, Adana, Bursa, Gemlik, G.Antep, Tekirdağ, or Körfez Petrochemistry Directorate.

3.16. Any person may appeal decisions regarding customs duties, fines and administrative measures to a superior authority or to the same authority that took the customs decision if no superior authority exists. For tax issues, the final decisions of a regional directorate or the Ministry of Customs and Trade may be challenged in the tax courts.<sup>7</sup> In 2012, 2013, 2014 and 2015 (as of October), 14, 9, 42 and 13 BTIs, respectively, have been cancelled upon appeal.

3.17. Turkey is a member of the World Customs Organization (WCO). Turkey is a contracting party to the WCO's Istanbul Convention on temporary admission<sup>8</sup>, as well as the WCO's

<sup>5</sup> *Official Gazette* No. 26815 of 13 March 2008.

<sup>6</sup> The product coverage of this measure is contained in Turkey's previous review, WTO document WT/TPR/S/259/Rev.1, 7 March 2012, Table AIII.1.

<sup>7</sup> This right of appeal is governed by Title XII (Articles 242-1 and 243-1) of the Customs Law.

<sup>8</sup> The Istanbul Convention on Temporary Admission (26 June 1990) combines all existing conventions on temporary admission and provides simplified and harmonized procedures and standardized model customs documents for the temporary importation of goods. It entered into force on 27 November 1993.

International Convention on the Simplification and Harmonization of Customs Procedures (as amended) (the WCO Kyoto Convention). However, it has not accepted any of the Kyoto Convention's specific annexes or chapters.<sup>9</sup> Furthermore, Turkey has negotiated Bilateral Agreements on Mutual Assistance on Customs and Trade with 64 trading partners; not all have been implemented at this time. During the review period, agreements with 10 of these partners were negotiated, and one has been implemented as of November 2015.<sup>10</sup>

### 3.1.2 Trade facilitation

3.18. In July 2014, Turkey notified the WTO of its Category A commitments under the Agreement on Trade Facilitation. It has designated all of the provisions contained in Section I of the Agreement under Category A for full implementation upon the Agreement's entry into force, except for Article 7.9 relating to perishable goods.<sup>11</sup>

3.19. In order to facilitate trade at Turkey's terrestrial border posts, the Ministry of Customs and Trade has launched a "one stop shop" pilot project at the Bulgaria-Turkey land border gate at Kapikule. According to the authorities, this aims to reduce customs processing delays through coordinated and synchronized implementation of all procedures relating to the provision of customs services to passengers, vehicles and drivers carrying cargo.

3.20. A similar pilot project is due to be implemented at the Georgia-Turkey land border gate of Sarp, before being extended to other relevant border gates. In accordance with the Agreement between the Government of the Republic of Turkey and the Government of Georgia on the Joint Use of the Land Customs Crossing Points of "Sarp – Sarpi" Cildir/Aktas – Kartsakhi" and "Posof/Türkgözü – Akhaltsikhe", the parties have completed all internal procedures for entry into force of the Agreement and all related protocols, namely on cooperation and alignment of the procedures for the movement of passenger, vehicles and goods and working hours at the land customs crossing points of "Sarp – Sarpi", "Cildir/Aktaş – Kartsakhi" and "Posof/Turkgozu – Akhaltsikhe"; on details for electronic data exchange regarding the international movement of passengers, vehicles and goods; and the technical provision document on the data exchange system.

3.21. The Agreement basically aims to render joint services at land customs crossing points of the abovementioned border crossing points with a view to ensuring the facilitation of international traffic of passengers, vehicles and goods. This project also aims to avoid the duplication of identical customs procedures. For example, declarations regarding the passengers, vehicles and goods shall only be made in the country of exit, and the country of entry shall take these declarations as a basis. The general information regarding the vehicles and goods lodged at the border customs office of the country of exit shall be forwarded electronically to the country of entry, where its authenticity shall be verified. Technical studies on the exchange of data between the two countries have been continuing and the implementation of the project at the border crossing point of "Sarp – Sarpi" is to be implemented in 2016.

3.22. Turkey launched an Authorized Economic Operator (AEO) programme in January 2013. The programme's aim is to facilitate the foreign trade operations of its traders by reducing required lead times and costs as well as enhancing security by encouraging best practices throughout the supply chain. In order to obtain an AEO certificate, companies must, *inter alia*, prove that they have traceable documentation, are financially solvent, practice the necessary safety and security measures, and are established in Turkey and have been in operation for at least three years.<sup>12</sup> Applications by companies are made to the regional customs and trade directorates with which they work. If in order and appropriate, they are sent to the Ministry of Customs and Trade for assessment and an audit process follows. AEO certificates are valid indefinitely although companies are subject to periodic checks. Certificate holders benefit from several privileges, the

<sup>9</sup> WCO online information. Viewed at: <http://www.wcoomd.org/en/about-us/legal-instruments/~media/1BC68A39AE20468D94920118C750D0B2.ashx>.

<sup>10</sup> Agreements completed with Bangladesh, Chile, China (revised), India, Libya, Mexico, Montenegro, Palestine, Kingdom of Saudi Arabia, and Yemen. The agreement with Chile has been implemented.

<sup>11</sup> WTO document WT/PCTF/N/TUR/1, 16 July 2014.

<sup>12</sup> As noted by the authorities, companies have to fill out a self-assessment questionnaire before applying for AEO status. This questionnaire contains 108 questions on topics such as: how records are kept; internal control procedures; customs compliance; safety and security of premises and cargo units; safety and security of goods; supply chain security; and personnel security.

main ones being the right of local clearance, authorized consignor status and authorized consignee status. Local clearance means that all the necessary customs transactions and controls (for exports since 2013 and for imports since the beginning of 2015) may be executed at the company's facilities. Having authorized consignor status allows authorized shipping companies to transit their clients' shipments for export without visiting a customs office.<sup>13</sup> Authorized consignee status allows shipping companies to complete customs transit transactions for imports at their own facilities or the facilities of companies who hold the right of local clearance. For both authorized consignors and consignees, all necessary controls and sealing activities are also executed at the shipping company's facility or facilities. Other benefits extended to AEO certificate holders are: the use of lump-sum or partial guarantees; the right to self-issue A.TR movement certificates and EUR.MED invoice declarations; the ability to submit incomplete declarations and documentation; reduced data requirements for summary declarations; green line facilitation; and fewer documentary and physical controls as well as control priority.

### 3.1.3 Customs valuation

3.23. There have been no changes over the review period to Turkey's basic provisions on customs valuation; these are set out in the Customs Law No. 4458, Articles 23 to 31. The primary basis for customs value is the transaction value. The transaction values used are the c.i.f. values by Turkish customs.

3.24. The hierarchy of alternate valuation methods follows the sequential order laid down in the WTO Agreement on Implementation of Article VII of the GATT 1994 (the Agreement). The Interpretative Notes to the Agreement are incorporated in Turkey's legislation through the Customs Law No. 4458 and Articles 43 through 57, and Annexes 8 and 9, of the Customs Regulation.

3.25. Simplified procedures are available, at the request of the importer, to determine the customs value of perishable goods.<sup>14</sup> Turkey implements the provisions of the Decision on the Treatment of Interest Charges in the Customs Value of Goods through Article 28(c) and Article 28, paragraph 2 of the Customs Law and Article 52 of the Customs Regulation. The Decision on the Valuation of Carrier Media Bearing Software for Data-Processing Equipment has been included in the Customs Law (Article 29) and the Customs Regulation (Article 54). Turkey has applied these decisions since 1994, i.e. when the law on the Implementation of GATT Article VII entered into force.<sup>15</sup>

### 3.1.4 Rules of origin

3.26. The basic legal provisions of Turkey's non-preferential rules of origin are set out in the Customs Law No. 4458, Articles 17 to 21. Pursuant to the Customs Union Decision, Turkey has been applying the same rules of origin as the EU to third countries since 1 January 1996. Non-preferential rules of origin in Turkish legislation regulate the trade policy measures including surveillance and safeguard measures, quotas, anti-dumping duties, etc. against third countries beyond the preferential regime. They are applied to the countries that have not signed any preferential trade agreements with Turkey. The necessary document for proof of origin is the certificate of origin annexed to the Turkish Customs Regulation.

3.27. Turkey's preferential agreements (see Section 2) set out preferential rules of origin; these are normally based on a wholly obtained or substantial transformation criterion, with scope for cumulation. Turkey has been part of the Pan-European Origin Cumulation System since 1 January 1999. The arrangement allows the use of any material from any country within the zone (EU, EFTA and Turkey) to produce a good, while retaining preferential origin. This diagonal cumulation system has been extended to the following euro-Mediterranean countries: Albania; Algeria; Bosnia and Herzegovina; Egypt; the Faroe Islands; Israel; Jordan; Kosovo; Lebanon; Macedonia; Montenegro; Morocco; Palestine; Serbia; Syria (currently suspended); and Tunisia. However, for diagonal cumulation among these parties to be possible, rules of origin need to be identical, and this is being gradually operationalized through the incorporation of the Euro-Med

<sup>13</sup> Shipping companies must have a minimum of 500 transit declarations annually.

<sup>14</sup> Article 45 of the Implementing Regulation of Customs Law No. 4458.

<sup>15</sup> *Official Gazette* No. 21847 of 12 February 1994.

origin protocol into the FTAs between them.<sup>16</sup> For Turkey, the Euro-Med origin protocol has entered into force through its FTAs with: Egypt; Israel; Jordan; Morocco; Syria; and Tunisia. Proof of origin must be supplied (MC EUR.1 and invoice declaration) and in some cases the MC EUR-MED and/or the EUR-MED invoice declaration.<sup>17</sup>

3.28. As noted in Section 2.3.2.3, Turkey offers unilateral preferences (GSP, GSP+ and EBA) in parallel to those of the EU; rules of origin are identical to those of the EU.

### 3.1.5 Tariffs

#### 3.1.5.1 Applied MFN duties

3.29. Turkey's tariff is based on the 2012 Harmonized Commodity Description and Coding System (HS) and comprises 16,515 tariff lines at the 12-digit level.<sup>18</sup> The first six digits reflect the HS nomenclature, the 7<sup>th</sup> and 8<sup>th</sup> digits correspond to the combined nomenclature of the EU, the 9<sup>th</sup> and 10<sup>th</sup> digits are used to display sub-headings created for taxation and the 11<sup>th</sup> and 12<sup>th</sup> digits are there for data collection purposes. In 2014, the customs duties collected by the Turkish Customs Administration constituted 2.3% of total government tax revenue.

3.30. As reported in Turkey's previous review, Law No. 474 on the Customs Tariff Schedule allows the Government to increase the applied MFN rates when these are deemed insufficient to provide "adequate" protection to domestic industries.<sup>19</sup> The Law sets the so-called statutory tariff, which is different from the applied MFN tariff adopted annually by the Council of Ministers. Under the Law, the Government may replace applied MFN rates by 150% of the corresponding rates of the statutory tariff to ensure higher protection to local industries. However, according to the authorities, the statutory tariff is only applied for tariff lines that are unbound in the WTO framework or fall outside of the scope of the Customs Union Decision (see Section 2). For bound tariff lines or lines covered by the Customs Union, any increases in the applied MFN rate are capped by Turkey's commitment levels.<sup>20</sup>

3.31. Turkey's tariff consists mainly of *ad valorem* rates, which apply to 98.3% of tariff lines. Specific, compound, mixed and variable duties affect 275 tariff lines at the 12-digit level. Specific duties are levied on certain alcoholic beverages, salt and cinematographic films. Mixed duties apply to items such as carpets, glass and glassware products, and watches. The compound duties affect mainly processed agricultural products such as yoghurt, bread, pastry and pasta. Variable duties apply to items such as dairy spreads, sugar confectionary, and chocolate. As reported in Turkey's previous review, the compound and variable duties are linked to the implementation of Turkey's customs union commitments with the EU, where the Turkish lira equivalents of the components expressed in euros are to be paid into the Mass Housing Fund.

3.32. Turkey's simple average applied tariff rate has increased slightly over the review period, from 12.2% in 2011 to 12.8% in 2015 (Table 3.1). This is mainly due to tariff rate increases (see Table A3.1) and higher AVEs due to lower import unit prices. Turkey raised the rates of certain customs duties in response to requests from domestic producers.

<sup>16</sup> The Euro-Med origin protocol was approved at the Euro-Med Trade Ministerial Meeting in Palermo on 7 July 2003.

<sup>17</sup> Swiss Confederation Federal Customs Administration online information. Viewed at: [http://www.ezv.admin.ch/pdf\\_linker.php?doc=Wegleitung\\_zu\\_Pan\\_Euro\\_Med&lang=en](http://www.ezv.admin.ch/pdf_linker.php?doc=Wegleitung_zu_Pan_Euro_Med&lang=en).

<sup>18</sup> At the time of Turkey's previous review, the 2011 tariff schedule was based on the HS07 nomenclature consisting of 16,448 tariff lines (at the 12-digit tariff line level).

<sup>19</sup> Law No. 474, published in the *Official Gazette* of 25 May 1964 and amended by Law No. 4217, published in the *Official Gazette* of 8 December 1996.

<sup>20</sup> WTO document WT/TPR/S/259/Rev.1, 7 March 2012.

Table 3.1 Structure of MFN tariffs in Turkey, 2011-15

		MFN applied		Final bound <sup>a</sup>
		2011	2015	
1.	Bound tariff lines (% of all tariff lines)	n.a.	n.a.	50.4
2.	Simple average tariff rate	12.2	12.8	37.5
	Agricultural products (WTO definition)	47.9	49.0	72.1
	Non-agricultural products (WTO definition)	5.0	5.5	17.6
	Agriculture, hunting, forestry and fishing (ISIC 1)	26.0	27.1	46.2
	Mining and quarrying (ISIC 2)	0.2	0.2	9.3
	Manufacturing (ISIC 3)	11.6	12.1	36.8
3.	Duty-free tariff lines (% of all tariff lines)	23.2	23.5	2.8
4.	Simple average rate of dutiable lines only	15.9	16.8	39.8
5.	Tariff quotas (% of all tariff lines)	..	..	0.0
6.	Non- <i>ad valorem</i> tariffs (% of all tariff lines)	1.7	1.7	0.2
7.	Non- <i>ad valorem</i> tariffs with no AVEs (% of all tariff lines)	0.3	0.2	0.2
8.	Domestic tariff peaks (% of all tariff lines) <sup>b</sup>	9.1	9.0	3.7
9.	International tariff peaks (% of all tariff lines) <sup>c</sup>	14.6	16.1	32.7
10.	Overall standard deviation of applied rates	27.1	27.6	44.7
11.	Nuisance applied rates (% of all tariff lines) <sup>d</sup>	6.7	5.5	0.04

.. Not available.

n.a. Not applicable.

a Calculations for final bound rates are taken from the CTS database.

The final bound schedule is based on HS02 nomenclature and consists of 12,407 tariff lines, of which 6,255 are bound (at 8-digit tariff line level).

b Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.

c International tariff peaks are defined as those exceeding 15%.

d Nuisance rates are those greater than zero, but less than or equal to 2%.

Note: 2011 tariff schedule is based on HS07 nomenclature consisting of 16,448 tariff lines (at 12-digit tariff line level). 2015 tariff schedule is based on HS12 nomenclature consisting of 16,515 tariff lines (at 12-digit tariff line level). Suspension List (V) and Civil Aircraft (VI) are not taken into account in calculations. Calculations include AVEs provided by the authorities for non-*ad valorem* rates. In case of unavailability of AVEs, the *ad valorem* part is used for compound and mixed duty rates.

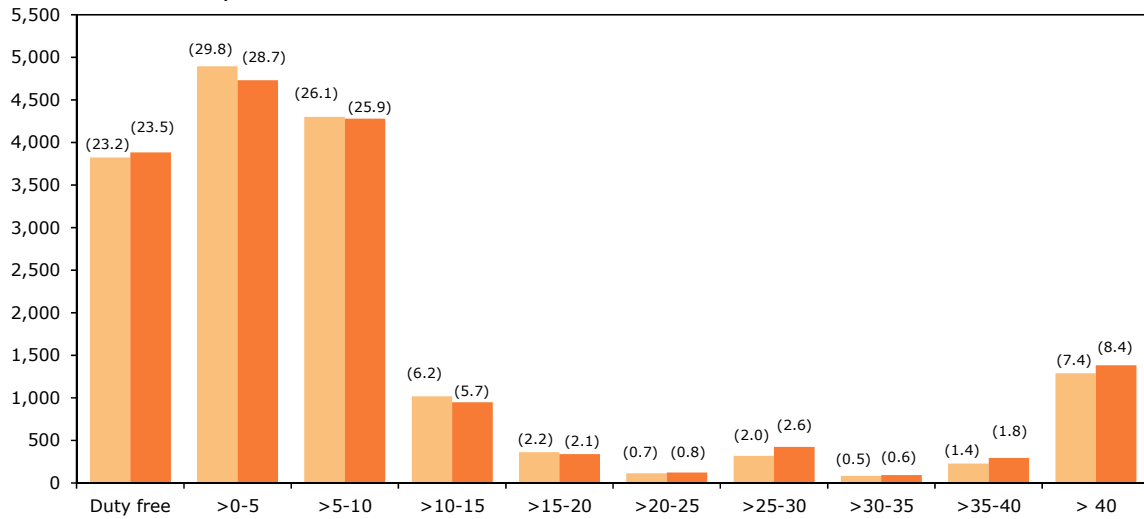
Source: WTO Secretariat calculations, based on data provided by the authorities and WTO CTS database.

3.33. Duty-free items account for 23.5% of all tariff lines and nearly 80% of tariffs are under 10%; 7.8% of tariff lines are over 80% (Chart 3.1).

3.34. A full comparison between Turkey's bound and applied rates was not possible due to nomenclature differences (Turkey's bound commitment schedule is in the HS 2002 nomenclature, while its applied tariff schedule is based on the HS 2012 nomenclature). Nevertheless, it appears that for 47 tariff lines, the applied MFN rates exceed bound rates (Table 3.2). However, this is likely underestimated because 5% of tariff lines could not be compared due to nomenclature differences.

**Chart 3.1 Distribution of MFN tariff rates, 2011 and 2015**

(Number of tariff lines)



Note: Figures in parentheses denote the share of total lines. Including AVEs for non-*ad valorem* rates, as available. In case of unavailability of AVEs, the *ad valorem* part is used for compound and mixed duty rates. No rates are available for 0.1% for 2011 and 2015.

Source: WTO Secretariat calculations, based on data provided by the authorities.

**Table 3.2 Tariff lines where applied tariff rates exceed bound tariff rates, 2015**

	2015 applied tariff rates (%)	Bound tariff rates (%)
<b>HS 2938 Glycosides, natural or reproduced by synthesis, and their salts, ethers, esters and other derivatives</b>		
293810000011	6.5	5.0
293810000012	6.5	5.0
<b>HS 2941 Antibiotics; Streptomycins and their derivatives</b>		
294120300000	5.3	0.0
<b>HS 3701 Photographic plates and film in the flat, sensitized, unexposed; for X-ray</b>		
370110000000	6.5	0.0
<b>HS 5607 Twine, cordage, ropes and cables; binder or baler twine</b>		
560721000011	12.0	10.0
560721000019	12.0	10.0
<b>HS 5911 Textile products and articles, for technical uses</b>		
591110000000	5.3	5.0
591131110000	5.8	5.0
591131190011	5.8	5.0
591131190012	5.8	5.0
591132110000	5.8	5.0
591132190000	5.8	5.0
591140000000	6.0	5.0
591190100011	6.0	5.0
591190100019	6.0	5.0
591190900011	6.0	5.0
591190900012	6.0	5.0
591190900019	6.0	5.0
<b>HS 7202 Ferro-alloys</b>		
720221000011	5.7	0.0
720221000012	5.7	0.0
720229100000	5.7	0.0
720229900000	5.7	0.0
<b>HS 8104 Magnesium and articles thereof, including waste and scrap</b>		
810411000000	5.3	5.0
<b>HS 8482 Ball or roller bearings</b>		
848210100011	8.0	5.0
848210100012	8.0	5.0

	2015 applied tariff rates (%)	Bound tariff rates (%)
848210900011	8.0	5.0
848210900012	8.0	5.0
848210900013	8.0	5.0
848220000000	8.0	5.0
848230000000	8.0	5.0
848240000000	8.0	5.0
848250000000	8.0	5.0
848280000000	8.0	5.0
848291100000	8.0	5.0
848291900011	7.7	5.0
848291900012	7.7	5.0
848291900019	7.7	5.0
848299000011	8.0	5.0
848299000012	8.0	5.0
848299000019	8.0	5.0
<b>HS 8528 Monitors and projectors, not incorporating television reception apparatus</b>		
852873000000	2.0	0.0
<b>HS 8540 Thermionic, cold cathode or photo-cathode valves and tubes</b>		
854011000000	14.0	10.0
<b>HS 8706 Chassis fitted with engines, for the motor vehicles of headings 87.01 to 87.05</b>		
870600110011	19.0	10.0
870600110012	19.0	10.0
<b>HS 9011 Compound optical microscopes, including those for photomicrography, cinephotomicrography or microprojection</b>		
901180000011	6.7	5.0
901180000019	6.7	5.0
<b>HS 9022 Apparatus based on the use of X-rays</b>		
902230000000	2.1	0.0

Source: WTO Secretariat calculations, based on data provided by the authorities and the WTO CTS database.

3.35. Turkey's implementation of the Customs Union Decision, and thus the EU common external tariff on industrial products, yields a marked difference between tariff protection afforded to the agricultural sector versus manufacturing industries. For agricultural products the simple average applied rate was 49.1% in 2014 (WTO definition) compared to non-agricultural products (5.5%). Furthermore, the high standard deviation for agricultural products (51.1) shows a higher variability among tariff rates as well as higher protection (Table 3.3 and Chart 3.2). The highest tariff rates of 225% apply to 76 tariff lines, namely fresh, chilled, or frozen meat and edible offal of bovine animals; swine; sheep; goats; horses; asses; and mules or hinnies.

**Table 3.3 Turkey's applied MFN tariff summary, 2015**

	No. of lines	Simple average (%)	Tariff range (%)	SD <sup>a</sup>	Share of duty-free lines (%)	Share of non- <i>ad valorem</i> tariffs (%)
<b>Total</b>	16,515	12.8	0 - 225	27.6	23.5	1.7
<b>HS 01-24</b>	3,122	49.5	0 - 225	47.8	9.7	6.4
<b>HS 25-97</b>	13,393	4.3	0 - 40	4.2	26.7	0.6
<b>By WTO category</b>						
<b>WTO agricultural products</b>	2,794	49.0	0 - 225	51.1	13.7	7.7
Animals and products thereof	421	104.3	0 - 225	69.7	7.1	0.0
Dairy products	178	125.1	9 - 180	50.5	0.0	14.6
Fruit, vegetables, and plants	739	36.4	0 - 145.8	24.6	8.5	1.6
Coffee, tea, and cocoa and cocoa preparations	54	27.7	0 - 145	34.9	5.6	48.1
Cereals and preparations	324	37.4	0 - 130	28.7	9.3	27.5
Oils seeds, fats, oil and their products	259	20.1	0 - 50	16.3	15.8	0.8

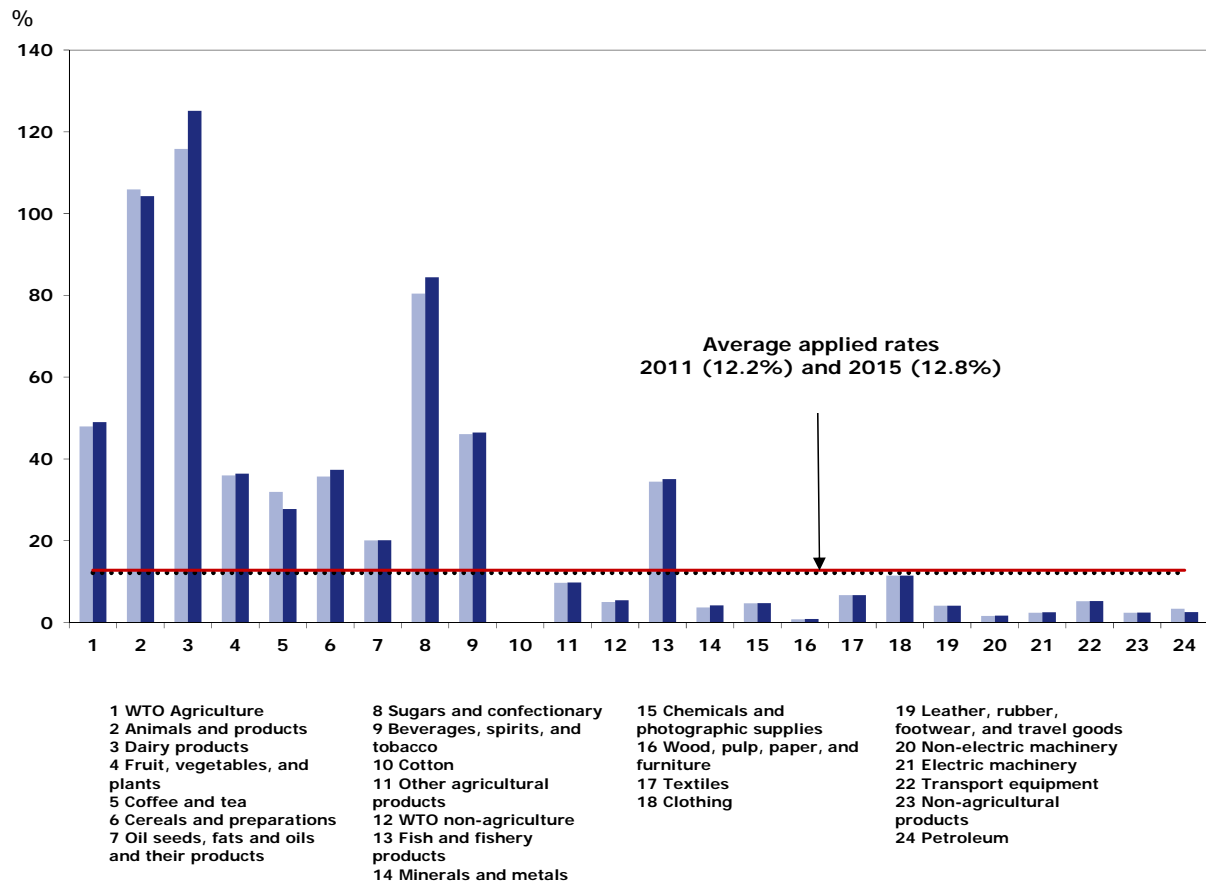
	No. of lines	Simple average (%)	Tariff range (%)	SD <sup>a</sup>	Share of duty-free lines (%)	Share of non- <i>ad valorem</i> tariffs (%)
Sugars and confectionary	65	84.5	0 - 135	47.9	3.1	36.9
Beverages, spirits and tobacco	334	46.5	0 - 74.9	27.1	18.0	6.3
Cotton	13	0.0	0 - 0	0.0	100.0	0.0
Other agricultural products, n.e.s.	407	9.8	0 - 75	12.9	34.9	3.7
<b>WTO non-agricultural products</b>	13,721	5.5	0 - 81.9	8.0	25.5	0.4
Fish and fishery products	524	35.1	0 - 81.9	17.6	7.3	0.0
Minerals and metals	2,657	4.2	0 - 40	6.1	38.0	0.8
Chemicals and photographic supplies	3,118	4.7	0 - 19.4	2.5	19.7	0.2
Wood, pulp, paper and furniture	792	0.9	0 - 10.5	2.0	80.9	0.0
Textiles	1,749	6.7	0 - 12	2.4	2.0	0.3
Clothing	601	11.5	6.3 - 12	1.4	0.0	0.0
Leather, rubber, footwear and travel goods	453	4.2	0 - 17	4.2	23.0	0.0
Non-electric machinery	1,432	1.7	0 - 9.7	1.4	30.4	0.0
Electric machinery	847	2.5	0 - 14	2.7	29.8	0.0
Transport equipment	420	5.3	0 - 22	4.8	12.6	0.0
Non-agricultural products, n.e.s.	1,014	2.4	0 - 14	1.9	27.6	2.8
Petroleum	114	2.6	0 - 4.7	1.8	32.5	0.0
<b>By ISIC sector<sup>b</sup></b>						
ISIC 1 - Agriculture, hunting and fishing	916	27.1	0 - 150	32.5	28.1	0.0
ISIC 2 - Mining and quarrying	182	0.2	0 - 11.7	1.1	93.4	2.2
ISIC 3 - Manufacturing	15,416	12.1	0 - 225	27.1	22.4	1.8

a Standard deviation.

b International Standard Industrial Classification (Rev.2). Electricity, gas and water are excluded (1 tariff line).

Note: 2015 tariff schedule is based on HS12 nomenclature consisting of 16,515 tariff lines (at 12-digit tariff line level). Calculations include AVEs provided by the authorities for non-*ad valorem* rates. In case of unavailability of AVEs, the *ad valorem* part is used for compound rates.

Source: WTO Secretariat calculations, based on data provided by the authorities.

**Chart 3.2 Average tariff rates, by WTO product category, 2011 and 2015**

Note: Calculations include AVEs, as available, provided by the authorities.

Source: WTO calculations, based on IDB data provided by the authorities.

### 3.1.5.2 WTO bound duties

3.36. As a result of the Uruguay Round, Turkey bound 50.4% of its tariff lines; the final bound schedule is based on the HS02 nomenclature and contains bindings for 100% of agricultural tariff lines and 33.5% of tariff lines for industrial products.<sup>21</sup> The simple average bound tariff rate on agricultural products (WTO definition) is 72.1%, while on non-agricultural products it is 17.6% (Table 3.1). As noted in Turkey's previous review, significant differences between bound and applied rates leave Turkey some flexibility to increase its MFN duties on a number of agricultural goods. The gap between bound and applied duties on industrial products, combined with a relatively low incidence of tariff bindings, provides significant scope for Turkey to increase its duties on non-agricultural products within the WTO framework.

### 3.1.5.3 Preferential tariffs

3.37. In line with its commitments under the Customs Union Decision, Turkey has aligned its preferences to third countries with the EU trade regime (including its GSP scheme). This has led to progressive liberalization of all or virtually all tariffs on industrial products (WTO non-agriculture) and selective liberalization of certain agricultural commodities and processed agricultural products (WTO agriculture). The only trading partner benefitting from significantly more liberal market access in agriculture is Bosnia-Herzegovina (Table 3.4).

<sup>21</sup> As noted in Turkey's previous review, the incidence of tariff bindings in non-agricultural sectors is not uniform. While Turkey has bound more than 60% of the tariff lines for machinery, precision equipment, chemicals, transport equipment and plastics and rubber, no tariff lines are bound for products falling within HS chapters 26, 36, 60, 64, 67, 75, 78, 83, 89, 93 and 97. WTO document WT/TPR/S/259/Rev.1, 7 March 2012, Section III.1.ii.

**Table 3.4 Summary analysis of the Turkish preferential tariffs, 2015**

(%)

	Total		WTO agriculture		WTO non-agriculture	
	Average (%)	Duty-free rates (%) <sup>a</sup>	Average (%)	Duty-free rates (%) <sup>a</sup>	Average (%)	Duty-free rates (%) <sup>a</sup>
MFN	12.8	23.5	49.0	13.7	5.5	25.5
Albania	9.3	82.9	48.2	16.7	1.3	96.4
Bosnia-Herzegovina	1.0	99.3	5.7	96.0	0.0	100.0
Chile	8.9	83.7	46.4	20.9	1.3	96.5
Egypt	9.0	82.6	49.0	14.5	0.9	96.4
EFTA	7.7	86.5	46.2	20.2	0.0	100.0
EU	8.7	83.5	46.3	20.0	1.2	96.5
Georgia	9.2	83.5	47.7	19.8	1.3	96.5
Iran	12.3	24.1	46.7	17.0	5.3	25.5
Israel	9.3	82.7	48.7	15.6	1.3	96.4
Jordan	9.6	80.5	49.0	14.2	1.6	94.0
Kosovo	9.4	82.7	48.9	15.3	1.3	96.4
Macedonia (FYR)	9.4	82.8	48.8	16.0	1.3	96.4
Mauritius	9.4	81.6	48.9	15.3	1.4	95.1
Montenegro	9.4	82.5	49.0	14.1	1.3	96.5
Morocco	9.4	82.7	48.9	15.2	1.3	96.4
Palestine	9.4	82.7	48.9	15.2	1.3	96.4
Korea, Republic of	8.9	66.9	43.6	20.5	2.0	76.3
Serbia	9.4	82.5	49.0	14.1	1.3	96.4
Tunisia	9.4	82.5	49.0	14.1	1.3	96.4
GSP programmes						
GSP	10.5	55.7	46.2	16.5	3.3	63.7
GSP+	9.2	81.0	45.4	25.7	1.8	92.2
EBA	9.2	81.7	45.3	26.8	1.8	92.9

a Duty-free lines as a percentage of total tariff lines.

b Non-*ad valorem* tariff lines as a percentage of total tariff lines.

Note: 2015 tariff schedule is based on HS12 nomenclature consisting of 16,515 tariff lines (at 12-digit tariff line level).

Calculations include AVEs provided by the authorities for non-*ad valorem* rates.

In case of unavailability of AVEs, the *ad valorem* part is used for compound rates

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.38. In order to benefit from preferential rates of customs duty during customs clearance, EUR.1 or EUR.MED movement certificates are required from imports from non-EU countries with which Turkey has free-trade agreements, and from EU member States for imports of agricultural goods, and coal and steel products.

#### 3.1.5.4 Other duties and charges (ODCs)

3.39. For all tariff line items in its Goods Schedule, Turkey has bound "other charges and duties" (Article II.1(b) of the GATT) at non-zero rates for all items except those marked "free". As noted in Turkey's previous review the possible ODCs could amount to 15% of the customs duty as a "municipality share", in addition to taxes of 4% for goods arriving by maritime transport (transportation infrastructure fee) or 3% by road, rail or air transport.<sup>22</sup>

3.40. Turkey continues to apply a Mass Housing Fund (MHF) levy on imported fish and fish products falling within HS Chapters 2, 3, 15, 16, and 23. The levy is differentiated according to the source of imports (the EU, EFTA member States and other countries). It ranges from zero to 35%

<sup>22</sup> WTO document WT/TPR/S/259/Rev.1, 7 March 2012.

*ad valorem*. Turkey has not bound its tariffs for fish, but imports from EFTA member States enter free from import duty and the MHF levy under the Turkey-EFTA Free Trade Agreement.

### 3.1.5.5 Tariff-rate quotas

3.41. Turkey does not have any WTO TRQs bound in its WTO Schedule of tariff commitments. However, it does have a number of TRQs or quotas; these can be categorized as autonomous TRQs, TRQs pursuant to FTAs, and quotas applied to non-WTO Members.<sup>23</sup> In 2015, TRQs were applied on over 1,800 tariff lines, mainly agricultural products (see Section 4.1 for the discussion on agricultural TRQs and TRQ administration). There were, however, ten industrial tariff lines of HS chapters 29, 38, 39, 84, 85, and 94 whereby autonomous quotas were in place.<sup>24</sup> These TRQs provide for a zero rate of duty, for a limited quantity of the product, to industrialists or importers based on the production capacity or past performance methods of allocation (Table 3.5).

**Table 3.5 Turkey's TRQs on industrial products, 2015**

HS 2-digit	Product description	No. of tariff lines (12-digit level)	In-quota rate		Out-of-quota rate		Volume	No. of countries covered by TRQs (Range)
			Average (%)	Range (%)	Average (%)	Range (%)		
29	Organic chemicals	4	0	0	4.25	2-6.5	230,000; 65,000; 67,000; 75,000 (tons)	All countries
38	Miscellaneous chemical products	2	0	0	5.7	0-6.5	40,000 (tons)	All countries
39	Plastics and articles thereof	2	0	0	4.7	3-6.5	10,000-20,000 (tons)	All countries
84	Nuclear reactors, boilers, machinery and mechanical appliances, parts thereof	1	0	0	2.2	2.2	450,000 (pieces)	All countries
85 94	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles(85) or furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included, illuminated signs, illuminated nameplates and the like; prefabricated buildings	1	0	0	4.7-5	4.7-5	40,000,000 (pieces)	All countries

Source: WTO Secretariat estimates, based on Market Access Map, International Trade Centre, 2014. Viewed at: [www.intracen.org/marketanalysis](http://www.intracen.org/marketanalysis), and information provided by the authorities.

<sup>23</sup> Certain textile products of Belarus and the Democratic People's Republic of Korea were subject to quotas.

<sup>24</sup> The specific products include: certain chemicals, electric lamps and light fittings, refrigerator compressors, and parts for television cameras.

### 3.1.5.6 Tariff exemptions

3.42. Turkey maintains various tariff exemptions under different laws, programmes, or schemes (Table 3.6). In addition, exemptions are available under Turkey's investment incentive schemes (Section 2.4.4.1) and with respect to its special zones (Section 2.4.4.2).

**Table 3.6 Key features of concessional entry schemes, 2015**

Scheme	Eligibility	Incentives
Inward processing regime	(a) Conditional exemptions for imports (suspension scheme): any exporter	Intended for goods to be re-exported; suspension of duty and VAT on raw materials, auxiliary materials, semi-finished and finished products, packaging materials
	(b) Use of equivalent goods: any exporter	Suspension of customs duties and VAT on imported inputs after export of compensating products
	(c) Repayment of duties collected on imports: any exporter	Refund of customs duty and VAT paid on imported inputs, after export of goods with imported inputs, based on drawback method.
NATO	North Atlantic Treaty Organization	0% on all imports
Defence	Ministry of National Defence or public institutions on behalf of the Ministry	0% on all imports
Donations	State administrations; certain items to be used mainly for the public interest, approved by relevant ministries	n.a.
	Imported vehicles which are produced specifically for disabled persons: disabled persons, foundations established with the purpose of helping disabled persons, associations authorized by the competent authorities and governmental agencies.	n.a.
Financial leasing	Vessels, air carriers, medical equipment and high-tech products	Total or partial relief from import duties up to the date the leasing contract is over; VAT reductions
	Movable and unmovable property	Suspension of all customs duties and exemption of duties, charges, and fees for the leasing contract up to the date the leasing contract is over.
Temporary imports	Any importer; certain commercial or personal items	Temporary or partial relief from import duties on temporary use in Turkey from 6 to 12 months without any change except normal depreciation due to their use

n.a. Not applicable.

Source: Compiled by the WTO Secretariat and information provided by the authorities.

### 3.1.5.7 Fees and charges for services rendered

3.43. There have been no changes over the review period to fees and charges for customs services rendered. All shipments requiring formal clearance by the Turkish customs authorities are subject to a bill of lading fee of US\$100 per customs declaration and a stamp duty of TL 60.50 for 2015. Additionally, various charges are levied for printed documents used by the customs administration. Customs clearance outside of normal working hours incurs additional charges. The fee for overtime is set at TL 7.48 per hour for export transactions and TL 17.95 per hour for all other operations.<sup>25</sup> Costs for analyses or examinations carried out in customs laboratories or outsourced units are borne by declarants.<sup>26</sup>

<sup>25</sup> According to Article 3.1 of Communiqué No. 74, customs personnel receive an allowance for overtime work and work carried out on official holidays. Based on Article 122.1.a of the Council of Ministers' Decision

### 3.1.6 Other charges affecting imports

#### 3.1.6.1 Value Added Tax

3.44. In 2014, VAT revenue accounted for 29% of total government tax revenue; 62.8% of total VAT revenue fell on imports and 37.2% on domestically produced goods and services. On imports, the VAT is calculated on the import price, inclusive of customs duties and special consumption tax (SCT), if applicable. The general rate of VAT is 18% (unchanged since 2001), with reduced rates of 8% and 1% applying to a few specific products (Table 3.7).<sup>27</sup> Since 2011, there have been two changes to the VAT: a reduction from the general rate to 8% for the supply of materials for pharmacy products (2012) and from 2013, the use of the 1% VAT rate on houses of up to 150m<sup>2</sup> has been limited to non-luxury dwellings.<sup>28</sup>

**Table 3.7 VAT rates**

Rate	Products
18%	General rate
8%	Basic foodstuffs, pharmaceuticals imported with permission and a licence granted by the Ministry of Health; baby food; blood products; vaccines; textile and leather products; raw materials for pharmacy products; books and similar publications, services provided in private care homes and rest homes, accommodation services offered by hotels, motels, pensions and holiday villages, contact lenses, spectacle lenses for glasses, certain excavators and knitting machines.
1%	Journals; newspapers; certain agricultural products such as raw cotton and dried hazelnuts; houses with a net area of up to 150m <sup>2</sup> ; funeral services; used passenger cars; and most financial-leasing transactions.
Exemptions	Transaction effected by banks and insurance companies; goods imported in accordance with an investment incentive certificate; exported goods and services; goods in transit; goods purchased by tourists; mobile telephone roaming services provided in Turkey for non-resident customers, where a reciprocity condition exists; deliveries of goods and services purchased by persons/entities engaged in petroleum exploration or related to production, construction, maintenance and repair of marine, air and rail vehicles and also floating dry-docks and their equipment; deliveries of goods/services to foreign diplomatic personnel in Turkey; and most deliveries made and services provided by military factories and shipyards.

Source: EIU online information. Viewed at: <http://www.eiu.com>; Ministry of Finance online information. Viewed at: <http://www.gep.gov.tr/Pro/Dyn.aspx?prmts=1>; and information provided by the authorities.

#### 3.1.6.2 Strip stamps for alcoholic beverages and tobacco products

3.45. Turkey has implemented a strip-stamp requirement for alcoholic beverages and tobacco products since 2007. Exemptions to this requirement apply to alcoholic beverages of 5 cl or less and wine during the aging process. The stamp contains a code to be applied to each product. As noted in Turkey's previous review, for imported goods the codified label may be affixed (i) at

No. 2009/15481, the allowance is TL 5 per hour for export transactions and TL 12 for other transactions. Trucks carrying Turkish licence plates are charged an overtime fee of TL 12 per truck for export transactions and TL 19 for other transactions (Article 122.1.b). The fee is also charged to trucks with foreign licence plates taking goods into Turkey. However, depending on the time of the transaction and the mutuality principle, the fee may not be collected from trucks with foreign licence plates transiting through Turkey.

<sup>26</sup> Customs Act No. 4458, Article 66, subparagraph 4, amended by Act of 18 June 2009 and Act No. 5911. Payments for laboratory analyses and examinations are recorded as revenue in a fund entitled Working Capital regarding the Fees Charged for the Analyses Conducted at Customs Laboratories and the Goods Disposed under the Customs Legislation; operating expenses for tools, materials, supplies, software, training and the like are charged against this fund. Laboratory analysis fees were published in the Customs Regulations of 7 October 2009, Enclosure 24.

<sup>27</sup> According to Article 28 of the Value Added Tax Law, the VAT rate is 10%. However, the Council of Ministers is authorized to quadruple this rate and decrease it to 1%. In addition, the Council of Ministers can decide to apply different tax rates for different goods and services in wholesale and retail trade within the scope of this Article. The last time that the Council of Ministers exercised this authority was in 2007 (Council of Ministers Decree No. 13033/2007).

<sup>28</sup> Economist Intelligence Unit online information. Viewed at: [www.eiu.com](http://www.eiu.com). As noted by the EIU, luxury residences built in certain metropolitan areas (municipalities with populations over 750,000 residents) as specified in the Metropolitan Municipality Law 5216 of 2004 are subject to VAT rates based on the land's tax value per m<sup>2</sup>: 8% VAT if the land tax value per m<sup>2</sup> is between TL 500 and TL 999; and 18% if the land tax value per m<sup>2</sup> is over TL 1,000.

production sites abroad before the products are shipped to Turkey; (ii) in customs areas for alcoholic beverages and tobacco products in Turkey; or (iii) at facilities operated by an authorized company in the provinces of Istanbul, Izmir, or Mersin. The price of the strip stamps is the same for imported and domestically produced goods, except for beer, where the price difference is due to the cost of the stamp paper.<sup>29</sup> The tax has provided for the equalization of code/coded label/tax stamp prices for domestic and imported tobacco and alcoholic beverage products, thus eliminating the price discrimination of unit prices for tobacco and alcoholic beverage products as of 10 June 2015 (Table 3.8). Additionally, with the new tender requirements, the bandrole/coded label provisions have been completely abolished in the authorized company's facilities in Istanbul, Izmir and Mersin. On the other hand, it can be applied to tax stamps (banderole) or coded labels for production abroad before products are shipped to Turkey and also in free zones and bonded warehouses.

**Table 3.8 Price list for tobacco and alcoholic beverage products, 2015**

Product	Price
Tobacco banderole (TL/'000) (for domestic products)	10.15
Tobacco banderole (TL/'000) (for imported products)	10.15
Alcohol banderole (TL/'000) (for domestic products)	58.19
Alcohol banderole (TL/'000) (for imported products)	58.19
Beer code (TL/'000)	3.23
Coded label (TL/'000)	3.23

Source: Information provided by the authorities.

### 3.1.6.3 Special Consumption Tax

3.46. The Special Consumption Tax (SCT) is levied on imports and domestic production of: petroleum products<sup>30</sup>; motor vehicles, aircraft and vessels; alcoholic beverages; tobacco; and durable consumer goods. With respect to imports, it is primarily collected when goods are cleared through Customs, and for domestically produced goods, when these are delivered to the customers. In 2014, SCT revenue accounted for 25.8% of total government tax revenue. The majority of the revenue is from petroleum products, followed by tobacco, and then alcoholic beverages (Table 3.9).

**Table 3.9 SCT revenue, 2011-14**

(TL)

	2011	2012	2013	2014
Petroleum products	33,572,623	35,934,622	45,158,151	45,628,139
Alcoholic beverages	3,856,415	4,642,864	5,196,165	5,888,632
Tobacco	15,850,168	19,975,803	21,326,764	23,024,332
Durable consumer products	2,057,748	2,057,748	2,916,325	3,392,471

Source: Information provided by the authorities.

#### 3.1.6.3.1 SCT on petroleum products

3.47. Since 2011, SCT rates on most petroleum products have been increased, except for fuel oils, liquefied natural gas (LNG) not used as fuel oil in motor vehicles, and a few zero-rated items. Additionally, the SCT now also applies to petroleum ethers (from which other residues were removed by sulphuric acid), anthracene, certain blended biodiesels, other saturated acyclic hydrocarbons, ethyl benzene and paraffin with an oil content not exceeding 0.75% by weight (Table 3.10).

<sup>29</sup> WTO document WT/TPR/S/259/Rev.1, 7 March 2012.

<sup>30</sup> SCT is not applied on petroleum products during the importation phase, but is applied during the delivery phase.

**Table 3.10 SCT as applied to petroleum products, 2015**

Product description	Tax rate TL
Naphtha; aviation spirit, jet fuel, various petroleum gases and other gaseous hydrocarbons; petroleum coke and bitumen and bituminous mixtures	0
Gasoline	from 2.1500/litre to 2.2985/litre
Diesel	from 1.2345/litre to 1.3045/litre
Fuel oils	from 0.2240/litre to 0.4760/litre
LNG	from 0.0230/standard M <sup>3</sup> to 0.8599/standard M <sup>3</sup>
Liquefied propane, butane	1.4940/kg
LPG	1.2100/kg to 1.5780/kg
Natural gas	from 0.0230/standard M <sup>3</sup> to 0.8599/standard M <sup>3</sup>
Propane and butane (in gaseous state)	1.4940/kg
Auto and fuel biodiesel	1.1209/litre
Benzene, Toluene, Xsilene, solvent naphtha, anthracene, natural gas condensates, white spirits, certain blended biodiesel, heptane, heptane, other saturated acyclic hydrocarbons, pentane, methyl tertiary butyl ether; anti-knock preparations, oxidation inhibitors, gum inhibitors, viscosity improvers, anti-corrosive preparations and other prepared additives for mineral oils or other liquids used for the same purpose as mineral oils	2.2985/kg
Certain blended biodiesel	1.3007/kg
Composite solvents and thinners to remove paint or varnish	0.7390/kg
Lubricating and other oils	1,3007/kg
Paraffin (with oil content not exceeding 0.75% by weight)	1.3007/kg
Gas oil	0.9367/litre
Lubricating preparations	1.3007/kg

Source: Information provided by the authorities.

### 3.1.6.3.2 SCT on motor vehicles, aircraft, and vessels

3.48. All SCT rates on motor vehicles, aircraft and vessels are *ad valorem*, and range from 1% to 145%. The highest rates apply to motor vehicles with a high cylinder capacity. Since Turkey's last review, SCT rates have been increased on certain motor vehicles (Table 3.11); the United States has expressed concern that this tax has had a disproportionate effect on its automobile exports.<sup>31</sup>

**Table 3.11 SCT as applied to motor vehicles, aircraft and vessels 2015**

Product description	Tax rate 2015 (%)
Tractors for semi-trailers	4
Motor vehicles for transport of 10 persons and more (including driver)	
- Autobus	1
- Midibus	4
- Minibus	9
Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading No. 87.02), including station wagons and racing cars <sup>a</sup>	
- Those with maximum load capacity of 850 kg or less, and with piston displacement of less than 2,000 cc;	15 <sup>c</sup>
- Those with maximum load capacity of more than 850 kg, and with piston displacement of less than 2,800 cc;	15 <sup>c</sup>
- Only those with electric motor;	10
- Of a cylinder capacity not exceeding 3,200 cm <sup>3</sup> , having 9 seats including driver;	15 <sup>c</sup>
- Of a cylinder capacity not exceeding 3,200 cm <sup>3</sup> , having 9 seats including driver (only those with electric motor)	10
Others	
- Of a cylinder capacity not exceeding 1,600 cm <sup>3</sup>	45 <sup>c</sup>

<sup>31</sup> USTR 2015 Foreign Trade Barriers report. Viewed at: [http://www.sice.oas.org/ctyindex/USA/USTR\\_Reports/2015/NTE/2015%20NTE%20on%20FTB.pdf](http://www.sice.oas.org/ctyindex/USA/USTR_Reports/2015/NTE/2015%20NTE%20on%20FTB.pdf).

Product description	Tax rate 2015 (%)
- Of a cylinder capacity exceeding 1,600 cm <sup>3</sup> but not exceeding 2,000 cm <sup>3</sup>	90 <sup>c</sup>
- Of a cylinder capacity exceeding 2,000 cm <sup>3</sup>	145 <sup>c</sup>
- Only those with electric motor	
- Of a motor power not exceeding 85 kW	3
- Of a motor power exceeding 85 kW but not exceeding 120 kW	7
- Of a motor power exceeding 120 kW	15
Vehicles specially designed for traveling on snow, vehicles with compression ignition, internal combustion reciprocating piston engine (diesel and semi-diesel) or vehicles with spark-ignition internal combustion reciprocating piston engine	6.7
Others	
- Golf cars similar vehicles	6.7
Motor vehicles for the transport of goods <sup>b</sup>	
- Of cylinder capacity not exceeding 3,000 cm <sup>3</sup>	10
- Of cylinder capacity exceeding 3,000 cm <sup>3</sup> but not exceeding 4,000 cm <sup>3</sup>	52
- Of cylinder capacity exceeding 4,000 cm <sup>3</sup>	75
Only those with electric motor	
- Of a motor power not exceeding 85 kW	10
- Of a motor power exceeding 85 kW but not exceeding 120 kW	52
- Of a motor power exceeding 120 kW	75
Of load limit under 620 kg and having box truck	
- Only those with electric motor	10
- Others	10
Others	
- Only those with electric motor	4
- Others	4
Special purpose motor vehicles, other than those principally designed for the transport of persons or goods (for example, breakdown lorries, fire fighting vehicles, concrete-mixer lorries, road sweeper lorries, spraying lorries, mobile workshops, mobile radiological units) (excluding fire fighting vehicles)	4
Those only subject to recording and registration, excluding fire fighting vehicles	
Works trucks, self-propelled, not fitted with lifting or handling equipment, of the type used in factories, warehouses, dock areas or airports for short distance transport of goods; tractors of the type used on railway; the components and parts of these vehicles	4
Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with or without side-cars; side cars (except side cars) (except only those with electric motor)	
- Of a cylinder capacity not exceeding 250 cm <sup>3</sup>	8
- Of a cylinder capacity exceeding 250 cm <sup>3</sup>	37
Others (only those with electric motor)	
- Of a motor power not exceeding 20 kW	3
- Of a motor power exceeding 20 kW	37
Other aircraft (for example, helicopters, aeroplanes); spacecraft (including satellites) and spacecraft launch vehicles and vehicles under orbit (only helicopters and aeroplanes) (except military aircrafts, special helicopters and aeroplanes for pesticide and fire extinguishing use)	0.5
Cruise ships not exceeding 18 gross tonnage	6.7
Passenger ships and cruise ships	6.7
Yachts and other vessels for pleasure or sports; rowing boats and canoes (except inflatable, rowing boats, and canoes not exceeding 100 kg)	8

- a Only passenger cars, station wagons, racing cars, off-road vehicles, etc. (including cash-carrying vehicles), motorhomes, and motor vehicles that run on electricity, gas, solar energy etc. Except for motor vehicles such as ambulances, prisoner vehicles, funeral vehicles, fire department lead-vehicles that are manufactured for special purposes; compression-ignition piston engine (diesel and semi-diesel) and spark-ignition piston combustion vehicles that have been designed to be driven on snow, others (golf cars etc.).

Of motor vehicles (except all wheel-driven passenger cars, station wagons, race cars and off-road vehicles) of less than 3.5 tonnes weight, which are used for carriage of goods, and the passenger capacity (passenger capacity is calculated by multiplying the number of passengers, including the driver, by 70 kg; when making this calculation, the fixed appliance for mounting of seats will be taken into consideration as if they were the seats) of which is less than 50% of the maximum load capacity (the total load weight, including the driver and the passengers, that a vehicle can safely carry).

- b Those only subject to recording and registration.  
Those with maximum load capacity of 4,700 kilograms or less, and with other seats by the driver or those with side windows other than that of the driver (except trucks without box and with piston displacement of 3,200 cc or less).
- c Indicates items which have been subject to SCT rate increases since 2011.

Source: Information provided by the authorities.

### 3.1.6.3.3 SCT on alcoholic beverages

3.49. SCT rates applying to alcoholic beverages have been significantly increased over the review period, by between 31% and 52%. This follows a similar trend to that reported in Turkey's previous review. All alcoholic beverages are subject to specific rates, except for beer where the tax rate is the higher of 63% or TL 0.8966 per litre (Table 3.12).

**Table 3.12 SCT on alcoholic beverages, 2015**

Product description	Tax rate (%)	Tax rate (specific amount in TL per lt.)
Cola soda pops	25	-
Beers produced from malt	63	0.8966
Wine of fresh grapes (including fortified wines); grape must (other than that of heading No. 20.09) (except 2204.10 sparkling wine and 2204.30 other grape musts)	0	4.8419
Sparkling wines	0	32.7229
Vermouth and other wines of fresh grapes (flavoured with plants or aromatic substances) (except 2205.10.10.00.00, 2205.10.90.00.12)	0	44.8965
Vermouth and other wines of fresh grapes whose alcoholic strength by volume is 18% or less	0	35.6556
Other fermented drinks (such as apple wine, pear wine, honey wine), mixed fermented drinks not in any other part of the tariff, and blends of fermented drinks with non-alcoholic drinks	0	4.8419
Vermouth and other wines of fresh grapes whose alcoholic strength by volume is 22% or less	0	131.0502
Other alcoholic drinks with any degree of alcohol content, which are produced with denatured ethyl alcohol or by alcohol that is obtained by distillation (except for denatured ethyl alcohol of any degree)	0	131.0502
Undenatured ethyl alcohol of less than 80%; distilled alcoholic drinks, liqueurs and other alcoholic drinks (2208.90.91; 2208.90.99) except for undenatured ethyl alcohol of less than 80% (except 2208.20, 2208.50, 2208.60, 2208.70 and 2208.90)	0	131.0502
Grape wine or alcoholic drinks that are obtained by distilling grape marcs	0	131.0502
Gin and Geneva	0	116.5453
Vodka (except 2208.60.91.00.00, 2208.60.99.00.00)	0	116.5453
Undenatured ethyl alcohol of less than 80%; distilled alcoholic drinks, liqueurs and other alcoholic drinks: those in containers of less than 2 litres (with alcohol content of more than 45.4%)	0	131.0502
Undenatured ethyl alcohol of less than 80%; distilled alcoholic drinks, liqueurs and other alcoholic drinks: those in containers of more than 2 litres (with alcohol content of more than 45.4%)	0	131.0502
Liqueurs	0	131.0502
Undenatured ethyl alcohol of less than 80%; distilled alcoholic drinks, liqueurs and other alcoholic drinks: Others (except 2208.90.48.00.11 and 2208.90.71.00.11)	0	131.0502
Raki (in containers of 2 litres or less)	0	113.6338
Raki (in containers of more than 2 litres)	0	113.6338

Note: For SCT rates applying in 2011, see WT/TPR/S/259/Rev.1, 7 March 2012.

Source: Information provided by the authorities.

### 3.1.6.3.4 SCT on tobacco products

3.50. Revenue from the SCT levied on tobacco products is channelled into the Tobacco Fund. Since 2011, SCT *ad valorem* rates have risen either by 4.5% or 25% depending on the item. The duty is calculated on an *ad valorem* basis with a specific tax floor; the *ad valorem* tax is then compared with minimum specific tax amount, and the higher one is applied by adding the specific tax amount (Table 3.13).

**Table 3.13 SCT duties on tobacco products, 2015**

Product description	Tax rate (%)	Minimum specific tax amount (TL)	Specific tax amount (TL)
Cigars that contain tobacco; Cheroots; Cigarillos; Cigars, cheroots, cigarillos made of ingredients deemed as a tobacco	40	0.2103	0.1968
Cigarettes that contain tobacco; Cigarettes made of ingredients deemed as a tobacco; Smoking tobacco (whether or not containing tobacco substitutes in any proportion) (except 2403.10.10.00.19 and 2403.10.90.00.19); Snuff and chewing tobacco	65.25	0.2103	0.1968
Others (in immediate packing of a net content not exceeding 500g); Others (in immediate packing of a net content exceeding 500g)	65.25	0.0549	0.1968

Source: Information provided by the authorities.

### 3.1.6.3.5 SCT on durable consumer goods

3.51. The SCT on durable consumer goods is levied at *ad valorem* rates of 3%, 6.7%, 20% and 25% depending on the item. During the review period, most pearls, and precious and semi precious stones were removed from the list of products subject to the tax on 11 September 2014<sup>32</sup> (Table 3.14).

**Table 3.14 SCT duties on durable consumer goods**

Product description	Tax rate (%)
Electric accumulators	3
Shaving foam, cream and soap; air conditioning machines; refrigerators; freezers and heat pumps; water heaters; washing and drying machines; dishwashers; vacuum cleaner; home use electro-mechanical apparatus; shaving machines; various electrical items (i.e. space and water-heating apparatus; hairdressing apparatus; hand dryers; smoothing irons); sound and video recording apparatus; video tapes; disks for laser reading; digital multilayer disks (DVDs); digital non-multilayer disks; radio receiver sets; certain radio broadcasting receiver sets; radios with clocks; monitors and projectors; reception apparatus for television	6.7
Caviar and substitutes; perfumes and toilet waters; beauty, makeup; skin/nail/haircare preparations; shaving and bath preparations; personal deodorants; room deodorizers; certain leathers, furs and imitation furs and products thereof; printed material sold in plastic bags (i.e. brochures, pamphlets, newspapers); certain tableware and kitchenware from glass ceramics; various items containing/made of lead crystal; manicure and pedicure sets/tools; gold and silver-plated cutlery; portable receivers for calling, alerting and paging; various types of transmitter sets with receivers; microphones; loudspeakers; headphones and earphones; certain amplifiers; TV cameras; digital cameras and video camera recorders; remote control apparatus; pocket radio cassette players; sound recording and reproducing apparatus; various radio broadcasting receiver sets; remote control devices; certain watchbands; revolvers, pistols and other firearms/similar devices; video game consoles and machines; articles for funfair, table or parlour games; and worked ivory, bone, tortoiseshell, horn, antlers, coral, mother-of pearl and other animal carving material and articles of these materials	20
Cellular transmitter telephone sets with receiver	25

Source: Information provided by the authorities.

<sup>32</sup> HS Codes 71.01, 71.02, 71.03, 71.04.90.00.00.19, 71.05, and 71.06.

### 3.1.6.4 Other taxes and charges

3.52. Imported raw tobacco is subject to a Tobacco Fund levy of US\$900 per tonne. A Banking and Insurance Transaction Tax (BITT) is levied at 5% on certain operations such as interest income and commissions. A stamp tax is applied to a range of legal documents i.e. contracts, agreements, financial statements, payroll (the stamp tax base varies according to the document type). A motor vehicle tax is payable by motor vehicle owners, with rates varying according to the vehicle type. Owners of buildings and land are subject to a real estate tax which is a percentage of the value of the land. The building tax rate is 0.1% for residences and 0.2% for all other buildings. The land tax rate is in general 0.1%, but for parcels it is 0.3%. These rates can be applied with a 100% increase within municipality boundaries and in adjacent areas. The importation of goods on a credit basis is subject to a Resource Utilization Support Fund (RUSF) levy of 3% of the loan amount granted or c.i.f. value of goods. As the loan term gets extended, this rate may fall as low as 0%. Since October 2011, RUSF is applied as 6% on credit based imports. In Article 1 of the Cabinet Decision on RUSF<sup>33</sup>, a rate of 0% was determined for imported goods in the list attached to the Cabinet Decision. Other provisions on payment methods such as acceptance credit, letter of credit, and cash against goods imports were also included. Communications services are taxed at rates ranging from 5 to 25%.<sup>34</sup> For gambling services, the rate of tax on games of chance is 5% in pari-mutuel betting based on sports competitions, 7% in horse-racing, and 10% in other games of chance.<sup>35</sup>

### 3.1.7 Import prohibitions, restrictions, and licensing

#### 3.1.7.1 Import prohibitions

3.53. Turkey prohibits the importation of ten broad product categories (Table 3.15). Turkey justifies these restrictions under the general exceptions and security exceptions provided by GATT Articles XX and XXI, i.e. the necessity to protect public morals or human, animal or plant life or health; compliance with domestic legislation or international obligations; or for reasons of national security. Imports may also be restricted pursuant to Annex-3 of the Plant Quarantine Regulation.

**Table 3.15 Import prohibitions, 2015**

Description	Invocation of WTO Article	Domestic/international
Narcotics, hashish and prepared opium (2 items) <sup>a</sup>	Health, IA <sup>b</sup> (Article XX:b, h)	Law No. 2313 on the Control of Narcotics, and the International Agreement on Narcotics Goods (1961)
Ozone depleting substances (4 items) <sup>a, c</sup>	Environment (Article XX:b, d)	Copenhagen and Beijing Amendment to Montreal Protocol on Substances that Deplete the Ozone Layer, Import Regime Communiqué No. 2015/1
Colouring matter (1 item)	Health (Article XX:b)	Law No. 1593 on the Protection of Public Health; Regulation on Special Conditions of Foodstuffs and Supplies and Objects Concerning Public Health; Import Regime Communiqué No. 2007/15 Add II (List)
Scheduled chemical weapons in I and II of the Convention (4 items) <sup>c</sup>	Environment (Article XX:b, d)	The Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and their Destruction; Import Regime Communiqué No. 2015/1
Measurement instruments not conforming to Turkish legal norms (non-metric or double standard) (6 items)	Compliance with domestic law (Article XX:d)	Law No. 3516 on Standards and Accords

<sup>33</sup> Cabinet Decision No. 2015/7511 of 8 April 2015.

<sup>34</sup> Ministry of Finance online information. Viewed at: <http://www.gep.gov.tr/tmp/Gep1.pdf>.

<sup>35</sup> Article 6 (4) of Law No. 5602.

Description	Invocation of WTO Article	Domestic/international
Arms and ammunition, propellant powders, prepared explosives, fuses, caps igniters detonators <sup>a</sup> (3 items)	Security (Article XXI:b(i),(ii))	Law on Firearms (No. 6136 of 1953); Import Regime Communiqué No. 2011/2 <sup>d</sup>
Gambling instruments (except for specified tourism purposes) <sup>a</sup> (1 item)	Public morals (Article XX:a)	Law No. 1072 on Gambling Instruments like Roulette, Tilt, and Pinball
Products making illegal use of a trade mark (all industrial products)	Compliance with domestic law; IA <sup>b</sup> (Article XX:d,h)	Paris Convention 1883 annexed to the Law of 1930 on Accession to 1925 Hague Agreement on International Industrial Property (1925); Statutory Decree No. 556 on the Protection of Trademarks; Customs Law (No. 4458 of 1999)
Soil, leaf, stem, straw, and natural manure used for agricultural purposes (excluding turf and perlites cultivated in culture environment)	Public morals (Article XX:a)	Regulation on Agricultural Quarantine
Spawn of silk-worm	Health (Article XX:b)	
..	..	Law No. 859 on Cultivation and Sale of Silk-worm and Silk-worm Spawn

.. Not available.

a Prohibited except when imported by authorized government bodies

b IA: Undertaken in pursuance of obligations under intergovernmental commodity agreements.

c Imports prohibited only from non-members of the international agreements.

d Following an amendment to related legislation, private companies are also authorized to import products within the scope of Import Regime Communiqué No. 2011/2.

Source: WTO Secretariat, based on information provided by the authorities.

### 3.1.7.2 Import restrictions and licensing

3.54. Various goods are subject to import licensing, *inter alia*, to enforce compliance with international conventions, and for national security or public/worker safety (Table 3.16). There are no restrictions on the importers eligible to apply for import licences. In all cases the licensing requirements apply to goods imported from all countries, except for certain fertilizers imported from the EU (see below).

3.55. Since Turkey's previous review, the EU has been exempt from import licensing requirements applied to certain fertilizers. Additionally, import licensing requirements have been removed on a wide range of household machines, telecommunications, television, photographic and broadcasting apparatus; motor vehicles, bicycles, carriages for babies and disabled persons; medical apparatus; hydro shower systems and exercising apparatus which were in place to ensure adequate after-sale services and to ensure imports conform with the national telecommunications network.

3.56. Over the review period the EU has posed questions to Turkey in the WTO Committee on Import Licensing about its notification circulated in February 2014<sup>36</sup>, and has asked for clarification on the purpose of its licensing requirement on sugar substitutes as well as on certain licensing requirements which were not included in its recent notification, namely: its regime for old second-hand renovated goods; its surveillance licence regime on imports of certain products; and its certificate of conformity regime for supplying non-fuel petroleum products from domestic and foreign sources.<sup>37</sup> Turkey has responded in writing to these questions.<sup>38</sup>

<sup>36</sup> WTO document G/LIC/N/3/TUR/13.

<sup>37</sup> WTO documents G/LIC/Q/TUR/7, 3 April 2014 and G/LIC/Q/TUR/9, 3 March 2015.

<sup>38</sup> WTO documents G/LIC/Q/TUR/8, 31 October 2014 and G/LIC/Q/TUR/10, 27 April 2015.

Table 3.16 Imports requiring a licence, 2015

Description (legal basis and number of tariff lines affected)	Requirements and rationale
Radioactivity-related items: including various ores, chemical elements and containers for transporting radioactive materials ( <i>Import Communiqué 15/1, Official Gazette (OG) 31.12.2014, No. 29222bis</i> )	Imports only permitted with the approval of the Turkish Atomic Energy Authority. Reason: to ensure patient security against the probable harmful effects of radioactivity.
Certain sugar substitutes ( <i>Import Communiqué 15/1, OG 31.12.2014, No. 29222bis</i> )	Requirement for an eligibility certificate issued by the Turkish Sugar Authority. Imports of some of these products are controlled by the Ministry of Food, Agriculture and Livestock. Provided that the Turkish Sugar Authority sends an official letter of conformity to the Ministry of Food, Agriculture and Livestock (MFAL); MFAL performs food safety controls. Letter of conformity is not required for the sugar imported under inward processing regime.
Energy sector: Electricity and natural gas  Petroleum and LPG	Imports are only allowed by companies licensed by the Energy Market Regulatory Authority (EMRA) in order to ensure effective operations in market activities and to comply with relevant legislation. Imports are only allowed by companies licensed by EMRA in order to prevent the unorthodox use of those items out of purpose and to ensure fuel quality.
Maps and hydrographical maps of all kinds and digital maps and map information recorded on magnetic or optical data ( <i>Import Communiqué 15/1, OG 31.12.2014, No. 29222bis</i> )	Approval required from the Commandership of Maritime Forces for the importation of sea maps and from the Ministry of National Defence, the General Commandership of Cartography for other items. Reason: to provide correct information to the public.
Various motor vehicles and trailers ( <i>Import Communiqué 15/1, OG 31.12.2014, No. 29222bis.</i> )	Approval required from the Ministry of Science Industry and Technology. Reason: to ensure the suitability of imported vehicles for highways.
Civil aircraft-related items ( <i>Import Communiqué 15/1, OG 31.12.2014, No. 29222bis</i> )	Approval required from the Ministry of Transportation, General Directorate of Civil Aviation. Reason: to prevent the use of imported goods in areas other than civil aviation.
Various armaments, including technical ammonium nitrate; propellant powders; prepared explosives; certain fuses and detonators; fireworks and other pyrotechnic items; knives; binoculars, monoculars and telescopic sights for fitting to arms; lasers; various firearms and munitions. ( <i>Import Communiqué 15/1, OG 31.12.2014, No. 29222bis</i> )	Approval required from the General Directorate of Security within the Ministry of Interior. Reason: to protect national security and public safety.
Various chemical and other substances which could affect worker health (including benzole, toluole, solvent naptha, light crude oils which distil at a certain temperature; white spirit, hexane, o-xylene, m-xylene, p-xylene, mixed xylene isomers; various solvents and thinners). ( <i>Import Communiqué 15/1, OG 31.12.2014, No. 29222bis</i> )	Approval required from the Institute of Workers' Health and Labour Security within the Ministry of Labour and Social Security. Reason: protect workers' health from the harmful effects of these goods.
Banknotes and related items, papers of securities; papers for printing cheque books, share certificates, bonds and other capital market instruments; and capital market instruments printed abroad. ( <i>Import Communiqué 15/1, OG 31.12.2014, No. 29222bis</i> )	Approval required either from the Central Bank of Turkey (for the importation of banknotes and securities papers (with certain exclusions)) or the Board of Capital Markets (for papers for printing: cheque books, share certificates, bonds and other capital market instruments as well as capital market instruments printed abroad). Reason: to ensure confidence for the persons in the capital markets.

Description (legal basis and number of tariff lines affected)	Requirements and rationale
Fertilizers ( <i>Import Communiqué 15/1, OG 31.12.2014, No. 29222bis</i> )	Approval required from the Ministry of Food, Agriculture and Livestock. Reason: to properly manage resources used in agricultural production that may cause damage to the health or lifecycle of plants, animals or humans when they are treated without control.
Endangered species of wild fauna and flora ( <i>Foreign Trade Communiqué 2011/1, OG 27.02.2011, No. 27859bis</i> )	A Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) document issued by the Ministry of Food, Agriculture and Livestock or the Ministry of Environment and Urbanization is required for importation.

Source: WTO document G/LIC/N/3/TUR/14, 28 September 2015 and information provided by the authorities.

### 3.1.8 Contingency measures

#### 3.1.8.1 Anti-dumping and countervailing measures

3.57. There have been no changes to Turkey's laws and implementing regulations on anti-dumping and countervailing measures over the review period. These are: Law No. 4412/1999 on the Prevention of Unfair Competition in Imports; Decree No. 13482/1999 on the Prevention of Unfair Competition in Imports, amended by Decree No. 9840/2005; and the Regulation on the Prevention of Unfair Competition in Imports, amended in 2002 and 2006.

3.58. As reported in Turkey's previous review, the Directorate General of Imports of the Ministry of Economy is in charge of preliminary examination upon complaint or it may initiate proceedings ex officio.<sup>39</sup> One anti-dumping investigation has been initiated ex officio with respect to the United States on cotton. Should the Directorate General of Imports conclude that an investigation is justified, it will formalize a recommendation to this effect to the Board of Evaluation of Unfair Competition in Importation which, if it concurs, will authorize the Directorate General to carry out the investigation.<sup>40</sup> The Board may make proposals in the course of an investigation, evaluate the results, and submit decisions on the imposition of provisional and/or definitive measures to the State Minister in charge of foreign trade affairs for approval. Provisional measures may be imposed no earlier than 60 days from the initiation of an investigation, and their duration is limited to four months (extendable to six months in certain circumstances). Definitive measures remain in force for five years from the date of imposition or from the conclusion of the most recent review covering both dumping and injury.<sup>41</sup>

3.59. Turkey remains a significant user of the anti-dumping instrument. Over the period 1995 to 2014, it was ranked in 10<sup>th</sup> place among WTO Members in terms of the number of anti-dumping investigations initiated and in 7<sup>th</sup> place in terms of the number of anti-dumping measures imposed. Most of these measures affected tariff lines in HS Sections VII (plastics and rubber and articles thereof), XI (textiles and textile articles), and XV (base metals and articles thereof).<sup>42</sup> As of September 2015, Turkey had anti-dumping measures in force against 23 WTO Members. China was subject to the most numerous measures, followed by Indonesia, Chinese Taipei, India, Malaysia, Thailand, and Viet Nam. Over the review period, several existing anti-dumping measures have been extended (Table A3.2). Various measures in place include anti-circumvention measures.

<sup>39</sup> A complaint made "by or on behalf of the domestic industry" must fulfil the requirements laid down in Article 5.4 of the WTO Anti-dumping Agreement. Examinations must be completed within 45 days, and decisions to initiate an investigation must be published in the *Official Gazette*. The Turkish authorities may decide to initiate an investigation ex officio if the affected industry is fragmented with an exceptionally large number of producers, provided sufficient evidence exists to indicate dumping, injury, and a causal link.

<sup>40</sup> The Board is headed by the Director General or the Deputy-Director General of Imports and comprises representatives from the Ministry of Food, Agriculture and Livestock; the Ministry of Science, Industry and Technology; the Ministry of Development; the Ministry of Customs and Trade; the Union of Chambers and Commodity Exchanges of Turkey; the Union of Chambers of Agriculture; and the relevant head of department in the Directorate General of Imports. The Directorate General acts as the secretariat of the Board.

<sup>41</sup> WTO document WT/TPR/S/259/Rev.1, 7 March 2012.

<sup>42</sup> WTO statistics on anti-dumping. Viewed at: [https://www.wto.org/english/tratop\\_e/adp\\_e/adp\\_e.htm](https://www.wto.org/english/tratop_e/adp_e/adp_e.htm).

3.60. Over the review period, there has been considerable anti-dumping activity. Since the beginning of 2012, 25 new investigations have been initiated and 14 new measures have been imposed; many of these have affected more than one WTO Member (Table A3.2). Additionally, various existing anti-dumping measures have been extended (Table A3.3). Since 2012, a concern has been raised by the United States in a meeting of the Committee on Anti-Dumping Practices about Turkey's investigation on cotton.<sup>43</sup>

3.61. Turkey continues to impose countervailing duties on PET films originating in India (originally imposed on 22 March 2009). These duties range from 4.25% to 21.61%.<sup>44</sup> Recently, a countervailing investigation has been initiated on 15 May 2015 regarding seamless tubes, pipes and hollow profiles of iron (other than cast iron) or steel (HS 7304) products originating from China.

### 3.1.8.2 Safeguard measures

3.62. Turkey's legal framework for the imposition of safeguard measures consists of Decree No. 2004/7305<sup>45</sup>, amended by Decree No. 2007/12850<sup>46</sup> and the Regulation on Safeguard Measures for Imports, as revised in 2011 and 2013.<sup>47</sup> The 2013 amendment extends the investigation period of a safeguard measure in two respects. Firstly, following the announcement of the initiation of an investigation a 40-day, rather than 30-day, period is allowed for interested parties to submit their views in writing, provide information, and apply to be heard orally. Secondly, while the investigation period remains the same (9 months), this period can now be extended for six months in exceptional circumstances (rather than two). With respect to the duration and review of safeguard measures, the 2013 amendment clarifies that a new investigation to extend the duration of a safeguard measure may be initiated either upon application or ex officio.<sup>48</sup>

3.63. As reported in Turkey's previous review, the authority to propose, apply and monitor safeguard measures rests with the Ministry of Economy. The Board for the Evaluation of Safeguard Measures for Imports decides, *inter alia*, whether to initiate an investigation and whether to adopt, review, extend, modify or abolish any provisional or definitive safeguard measures. It also determines the form, extent and duration of such measures. The duration of a safeguard measure, including any provisional measure, may not exceed four years unless the measure is extended. The total period of application of a safeguard measure must not exceed ten years.<sup>49</sup>

3.64. Turkey has been the third biggest user of safeguard measures since the WTO's inception, initiating 21 safeguard investigations over the period 1 January 1995 to 30 April 2015 and taking 14 safeguard actions over the same period.<sup>50</sup>

3.65. Since the beginning of 2012, Turkey has launched five safeguard investigations. At mid-October 2015, two of these were still ongoing, definitive safeguard measures had been imposed on another two, and one investigation was completed with no definitive measure imposed. Existing safeguard measures were extended in eight cases; and of these, one expired in 2014 (footwear) and two expired in 2015 (matches and motorcycles) (Table A3.4). On 31 December 2012, ahead of schedule, Turkey terminated the safeguard measure on cotton yarn. The main exporters of the products subject to safeguard measures are Pakistan (polyethylene terephthalate); Republic of Korea, Spain and Belgium (terephthalic acid); China (travel goods, handbags and similar

<sup>43</sup> WTO document G/ADP/M/48, 6 August 2015.

<sup>44</sup> WTO document G/SCM/N/281/TUR, 16 March 2015.

<sup>45</sup> Decree No. 2004/7305 published in the *Official Gazette* No. 25476 of 29 May 2004.

<sup>46</sup> Decree No. 2007/12850 published in the *Official Gazette* No. 26721 of 5 December 2007.

<sup>47</sup> Regulation on Safeguard Measures for Imports published in the *Official Gazette* No. 254486 on 8 June 2004, revised by the Regulation on Amendment of the Regulation on Safeguard Measures for Imports (*Official Gazette* No. 27961 of 11 June 2011 and *Official Gazette* No. 28836 of 29 November 2013). As reported in Turkey's previous review, the 2011 amendment extends the scope of safeguard measures to imports of parts of components of a product subject to a safeguard measure, or parts or components incorporating the value added to be safeguarded by the imposed measure.

<sup>48</sup> WTO document G/SG/N/1/TUR/3/Suppl.2, 17 December 2013 (amendment to regulation) and G/SG/N/1/TUR/3, 16 July 2004 (original text of regulation).

<sup>49</sup> WTO document WT/TPR/S/259/Rev.1, 7 March 2012.

<sup>50</sup> Over the same period India took 19 and Indonesia 16. WTO online information. Viewed at: [https://www.wto.org/english/tratop\\_e/safeg\\_e/SG-MeasuresByRepMember.pdf](https://www.wto.org/english/tratop_e/safeg_e/SG-MeasuresByRepMember.pdf).

containers; spectacle frames; and certain electrical appliances); and Republic of Korea (wallpapers and similar wallcoverings).

3.66. Over the review period, Turkey has responded to questions posed by India in the WTO Committee on Safeguards regarding certain aspects of determination of serious injury in the context of Turkey's notifications on polyethylene terephthalate and certain types of cotton yarn.<sup>51</sup> More recently concerns have also been raised about Turkey's safeguard investigations or measures on polyethylene terephthalate; printing, writing and copying paper; terephthalic acid; wallpaper and similar wallcoverings; and, transmission apparatus incorporating reception apparatus (cellular) portable telephone.<sup>52</sup>

3.67. In June 2013, Turkey notified the WTO of its proposed suspension of equivalent concessions on walnuts from Ukraine in response to Ukraine's increased duties on motor cars.<sup>53</sup> Following a later decision by Ukraine to liberalize these safeguard measures, Turkey also decided to liberalize its proposed suspension of concessions on walnuts.<sup>54</sup>

### 3.1.9 Standards and other technical requirements

#### 3.1.9.1 Developments

3.68. During the review period Turkey has continued to focus on harmonizing its technical legislation with that of the EU, a process that has been ongoing for more than a decade within the framework of the Turkey–EU Association Council Decision No. 1/95 that established the customs union. This undertaking requires that technical barriers to trade arising from different regulatory practices on goods be eliminated. Harmonization is a process and it is expected to continue as long as new legislation of the EU is prepared. Prior to this harmonization effort, Turkey was implementing national technical regulations mostly based on international standards.

3.69. Turkey's main law on technical regulations is the Law Relating to the Preparation and Implementation of the Technical Legislation on Products. However, the Ministerial Decree on the Regime Regarding Technical Regulations is the main legislation on technical regulations and product safety for the products subject to foreign trade and it was amended in 2013.<sup>55</sup> Those amendments were not significant and they were to further integrate regulations on product safety and provide greater transparency.

#### 3.1.9.2 Policy and framework

3.70. The Ministry of Economy has the overall responsibility for coordinating technical regulations in Turkey. It is responsible for harmonizing Turkey's horizontal technical legislation with that of the EU, with a particular emphasis on the area of product safety. Turkey's horizontal technical legislation, as prepared by the Ministry of Economy, includes:

- the Law Relating to the Preparation and Implementation of the Technical Legislation on Products (Law No. 4703);
- the Regulation Relating to Market Surveillance and the Inspection of Products;
- the Regulation on the Notification of Technical Legislation and Standards between Turkey and the European Union;
- the Regulation on Mutual Recognition in the Non-Harmonized Area;
- the Regulation on CE Marking; and
- the Regulation on Conformity Assessment Bodies and Notified Bodies.

3.71. On the other hand, in the area of product safety, the General Product Safety Directive is to be harmonized by the Ministry of Economy and Ministry of Customs and Trade after a revision of Law No. 4703. Other ministries and authorities also have a role in TBT matters in Turkey (Box 1).

<sup>51</sup> WTO documents G/SG/Q2/TUR/6/Rev.1, 11 May 2012 and G/SG/Q2/TUR/6, 4 May 2012.

<sup>52</sup> WTO document G/SG/M/46, 24 March 2015 and WTO document G/SG/M/47, 1 September 2015.

<sup>53</sup> WTO document G/L/1028 and G/SG/N/12/TUR/4, 12 June 2013.

<sup>54</sup> WTO document G/L/1028/Suppl.1 and G/SG/N/12/TUR/4/Suppl.1, 4 August 2014.

<sup>55</sup> Decree No. 2013/4284.

**Box 3.1 Government bodies and their area of activity on TBT matters**

Ministry of Science, Industry and Technology	Lifts, machinery, electronics, motor vehicles, explosives for civil use, hot water boilers
Ministry of Food, Agriculture and Livestock	Agricultural products, feed, fertilizers
Ministry of Health	Medical devices and cosmetics
Ministry of Environment and Urbanization	Solid fuels and construction products
Ministry of Transport, Maritime Affairs and Communications	Recreational crafts, marine equipment
Ministry of Customs and Trade	Toys, detergents, chemical products, furniture, lighters, stationery
Ministry of Labour and Social Security	Personal protective equipment
Tobacco and Alcohol Market Regulatory Authority	Alcoholic beverages
Energy Market Regulatory Authority	Fuels
Information and Communication Technologies Authority	Radio and telecommunications terminal equipment

Source: Information provided by the authorities.

3.72. The Ministerial Decree on the Regime Regarding Technical Regulations ensures uniformity of implementation, coordination, follow-up, notification, and transparency of technical regulations for foreign trade. Regulations, communiqués, and the instructions given to the related authorities by the Ministry of Economy concerning foreign trade are published pursuant to this Decree.

3.73. The main laws or regulations on standards have been in place since 2002 and have not generally undergone significant revision since that time (Table 3.17). Turkey's communiqués are numerous, with many being issued in 2015, and each one regulates different product groups. They aim to ensure that imported products comply with the requirements of protecting human health and safety, animal or plant life or health, the consumer, or the environment. Those communiqués remain in force for one year and every year in December they are republished by the public authorities (Table A3.5).

**Table 3.17 Turkey's main laws and regulations on technical regulations and standards, 2015**

Subject	Overview	Reference
The Preparation and implementation of the technical legislation on products	Basic law on technical regulations	Law No. 4703 of 11 July 2001
Regime Regarding Technical regulations	Basic law on technical regulations, including amendments	Law No. 2013/4284
CE marking	Specifies the conformity assessment modules for the methods of affixing the CE marking to the products, and the procedures and principles for its use	<i>Official Gazette</i> of 23 February 2012
Conformity assessment bodies and notified bodies	Sets out minimum qualifications, operational rules and procedures and notification to the relevant parties of the conformity assessment bodies which examine and certify the conformity of a product to the relevant technical legislation by means of conformity assessment	<i>Official Gazette</i> of 23 February 2012
Market surveillance of goods	Sets out the principles and procedures for surveillance and inspection of the conformity of a product with the requirements related to safety at the stage of placing it on the market and measures to be taken after surveillance and inspection	Regulation No. 2001/3529, <i>Official Gazette</i> No. 24643 of 17 January 2002
Exchange of information on technical legislation on goods and standards between Turkey and the European Union	Provides an information exchange between Turkey and the European Union on technical legislation and standards	OJ 3 April 2002, <i>Official Gazette</i> No. 24715 of 3 April 2002

Subject	Overview	Reference
Mutual recognition in the non-harmonized area	Lays down the rules and procedures to be followed when taking decisions that may hinder the free movement of goods which are in the non-harmonized area and lawfully manufactured or put into free circulation in a Member State of the European Union; and the rules on the drafting and screening of the national technical legislation in the non-harmonized area and inserting of the mutual recognition clause into this legislation	<i>Official Gazette of</i> 23 February 2012
Procedures and principles regarding the domestic and international trade of alcohol and alcoholic drinks	Provisions for the trade of alcohol and alcoholic drinks	<i>Official Gazette No. 28732</i> of 11 August 2013

Source: Ministry of Economy, online information. Viewed at: [http://www.economy.gov.tr/portal/faces/oracle/webcenter/portalapp/pages/content/htmlViewer.jspx?contentId=UCM%23dDocName%3AEK-175590&parentPage=urun&contentType=General%20Rules%20and%20Procedures%20on%20Technical%20Regulations%20and%20Standards&countryName=&\\_afLoop=2384957025096754&\\_afWindowMode=0&\\_afWindowId=a372itc7m\\_200#!%40%40%3FcountryName%3D%26\\_afWindowId%3Da372itc7m\\_200%26\\_afLoop%3D2384957025096754%26contentId%3DUCM%2523dDocName%253AEK-175590%26parentPage%3Durun%26contentType%3DGeneral%2BRules%2Band%2BProcedures%2Bon%2BTechnical%2BRegulations%2Band%2BStandards%26\\_afWindowMode%3D0%26\\_adf.ctrl-state%3Da372itc7m\\_254](http://www.economy.gov.tr/portal/faces/oracle/webcenter/portalapp/pages/content/htmlViewer.jspx?contentId=UCM%23dDocName%3AEK-175590&parentPage=urun&contentType=General%20Rules%20and%20Procedures%20on%20Technical%20Regulations%20and%20Standards&countryName=&_afLoop=2384957025096754&_afWindowMode=0&_afWindowId=a372itc7m_200#!%40%40%3FcountryName%3D%26_afWindowId%3Da372itc7m_200%26_afLoop%3D2384957025096754%26contentId%3DUCM%2523dDocName%253AEK-175590%26parentPage%3Durun%26contentType%3DGeneral%2BRules%2Band%2BProcedures%2Bon%2BTechnical%2BRegulations%2Band%2BStandards%26_afWindowMode%3D0%26_adf.ctrl-state%3Da372itc7m_254), and information provided by the authorities.

3.74. Turkey prepares technical regulations based on international standards in non-harmonized areas and includes a mutual recognition clause in the legislation which maintains free circulation of goods between Turkey and the EU. In the non-harmonized areas, where there is no common EU technical legislation that regulates the common market, the rights and obligations of economic operators supplying goods to the EU market from Turkey stem from the Customs Union. The Commission interpretative communication No. 2003/C 265/02 makes it clear that the member State must allow the placement of a good in the market if it was lawfully manufactured or marketed in another member State or in Turkey. Turkey has been a member of the notification mechanism since harmonization of Directive 83/189/EEC (replaced previous Directive 98/34/EC). This Regulation covers the principles and procedures for notification of technical legislation and standards to the EU and for the transmission of the notifications received from the EU to the public authorities.

### 3.1.9.3 Alignment with the EU

3.75. At the horizontal level, Turkey has maintained legislation since 2002 to align itself with EU legislation.<sup>56</sup> Pursuant to changes by the EU in 2008, Turkey revised its regulations in 2012 to conform in the areas of CE marking, conformity assessment bodies, and notified bodies.

3.76. Further, the relevant Turkish authorities have aligned the sector-specific EU directives into Turkish laws and regulations, including around 250 technical regulations. Also, other EU directives were adopted pursuant to Decision No. 2/97 of 1997, covering products such as radio and telecommunication terminal equipment, batteries and accumulators, toys, personal protective equipment, construction products, medical devices, gas appliances, civil explosives, and lifts.

3.77. According to EU Directive No. 98/34/EC, member States have to notify each other and the European Commission on draft texts of national technical legislation in non-harmonized areas. This Directive was incorporated into the Turkish legal system in 2002, and since 2004 Turkey has participated in this notification system. Since that time, Turkey has notified 58 national laws to the Commission as being non-harmonized. Since the repeal of Directive 98/34/EC by Directive (EU) 2015/1535, Turkey is still reviewing this directive to see if legislative changes are required or not.

3.78. In terms of dialogue, a technical working group was established under the Customs Union Joint Committee in 2004, which serves as a platform for the parties to discuss and look for

<sup>56</sup> Law No. 4703.

mutually agreed solutions to issues concerning the technical legislation on products. The working party meets twice a year.

#### **3.1.9.4 Controls at the border**

3.79. Turkey's import control system has been continually modified since 2004 with the aim of achieving harmonization with the EU technical legislation. Thus, the Ministerial Decree on the Regime Regarding Technical Regulations and related legislation have been continuously updated to allow for the relevant EU legislation to be implemented in Turkey. Depending on the rate of this transposition process, the relevant Turkish authorities have started to carry out import checks for certain product groups under the new system of rules.

3.80. The import control system of Turkey relies on product-specific communiques for the rules, conditions, and required documents for products to be imported into Turkey. The product-specific communiques are published annually.

3.81. In 2011, Turkey started pilot implementation of a risk-based trade control system, TAREKS, to carry out safety checks on imported and exported goods on the basis of risk. Consequently, since January 2012, conformity assessment of certain imported goods (toys, medical devices, telecommunication products, personal protective equipment, batteries and accumulators, construction products, and shoes) and as of August 2012, transactions related to cotton controls have been taken under the scope of TAREKS. Finally, since 15 February 2013 conformity assessment of certain imported goods such as machinery, lifts, pressure vessels, electrical equipment, gas appliances and also some industrial raw materials have been incorporated in TAREKS.

3.82. TAREKS introduces a new risk assessment understanding and emphasizes the control of "risky" products while leaving behind the era of checking each product at each arrival at customs. TAREKS reduces bureaucratic procedures as well as the number of documents to be submitted during the control process and replaces the paper documentation. It also contributes to effective traceability and market surveillance schemes.

3.83. Quality checks for agricultural products are also part of the control process pursuant to Communiqué No. 2015/21 on Commercial Quality Controls on Certain Agricultural Produce at Export and Import Stage. In accordance with the Communiqué No. 2012/25, cotton is also subject to commercial quality controls at export and import stages and in the domestic market as well. See Section 3.2.4.2 for details on the export quality control of agricultural products.

#### **3.1.9.5 Quality infrastructure**

3.84. Turkey has gradually been aligning its quality infrastructure with that of the EU since 1996. This includes alignment of standardization, accreditation, conformity assessment, certification, calibration and metrology. The Turkish Standards Institute, TSE, is the main national standards body that has been active in this area since the 1950s. TSE is a full member of the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC), the European Committee for Standardization (CEN), and the European Committee for Electrotechnical Standardization (CENELEC).

3.85. In terms of accreditation, the Turkish Accreditation Agency (TURKAK) is Turkey's accreditation body and provides an accreditation system equivalent to that of the EU and in compliance with internationally recognized principles. To enhance international cooperation, TURKAK has seven multilateral agreements for the recognition of its accreditation activities. The success of TURKAK has contributed to the assignment of notified bodies and as of today there are 35 Turkish notified bodies under 14 new approach directives, covering such items as lifts, machinery, medical devices and construction products, etc. There is also a technical assessment body under the Construction Products Regulation.

3.86. In the conformity assessment area, Turkey's Conformity Assessment Association (UDDer) was established in 2006 as an umbrella organization for conformity assessment bodies in Turkey. It has 87 members representing different stakeholders. UDDer's main roles are to support development of conformity assessment in Turkey, conduct studies to make conformity assessment

activities recognized in domestic and international markets, and ensure coordination between public and private bodies.

3.87. Turkey's National Metrology Institute (UME) is involved in scientific metrology whereas the Ministry of Science, Industry and Technology is the responsible authority for legal metrology. Turkey has signed MRAs (mutual recognition arrangements) with approximately 40 countries and international organizations on metrology. Turkey has a regulation on measurement instruments that transposes the EU Directive on measurement instruments (2004/22/EC), thus all measurement instruments under the scope of this regulation should bear the CE marking in the Turkish market.

#### 3.1.9.6 Market surveillance

3.88. In Turkey, all products, whether imported or domestically produced, are subject to market surveillance activities carried out by ten public authorities. The Ministry of Economy is the coordinating body for market surveillance at the national level and it has two mechanisms – the Market Surveillance Coordination Board (MSCB) and the Market Surveillance and Product Safety Assessment Board to carry out surveillance duties.

3.89. The MSCB ensures coordination among MSAs for the effectiveness of market surveillance activities, proposes solutions to the problems faced by MSAs regarding market surveillance, and takes advisory decisions on market surveillance when necessary. MSCB is comprised of market surveillance authorities; NGOs and private sector associations participate as observers to its meetings. The Market Surveillance and Product Safety Assessment Board was established in 2011 in order to define the main goals and strategies for implementation of activities in this area and to take high-level decisions. In a recent meeting, the Assessment Board adopted Turkey's National Market Surveillance Strategy for 2015–17, to provide direction on improving the market surveillance system in Turkey.

3.90. The Regulation on Market Surveillance provides the legal framework for market surveillance activities in Turkey.<sup>57</sup> In June 2013, the Regulation amending the current one was published in the *Official Gazette*. With the amendment, responsibilities and powers of market surveillance authorities are strengthened, the announcement procedures for unsafe products are clearly set, and the procedures of communication with the producers/distributors about the measures already taken or to be taken are included in the Regulation. With these amendments some provisions of the Regulation 765/2008 regarding market surveillance are transposed into the Turkish legal order.

3.91. In order to improve the reporting of information about unsafe or non-compliant products, the Ministry of Economy established the National Market Surveillance Information System (PGDBİS) in July 2013.<sup>58</sup> Thus, market surveillance authorities are now required to regularly notify surveillance activities to this single Market Surveillance Information System, which is available only to market surveillance authorities in Turkey.

#### 3.1.9.7 WTO and Bilateral Agreements

3.92. Turkey's DG Product Safety and Inspections under the Ministry of Economy acts as the national TBT Enquiry Point for technical regulations and conformity assessment procedures and coordinates Turkey's TBT notifications to the WTO. Each public authority, in their area of responsibility, assesses the draft legislation to determine whether a notification is necessary. Between May 2012 and December 2015 Turkey made 65 notifications. One issue, concerning alcohol and alcoholic beverages, was raised as a specific trade concern by other Members.<sup>59,60</sup>

3.93. As of July 2015, Turkey signed technical cooperation agreements on technical regulations, standardization, conformity assessment, metrology and accreditation with China, Ukraine, Lebanon, Bulgaria, Iran, Azerbaijan and Israel. Turkey's policy is to sign technical cooperation

<sup>57</sup> Regulation No. 2001/3529, *Official Gazette* No. 24643 of 17 January 2002.

<sup>58</sup> *Official Gazette* No. 28720 of 27 July 2013.

<sup>59</sup> WTO documents G/TBT/N/TUR/41 and G/TBT/N/TUR/42, 6 August 2013; G/TBT/N/TUR 41/Add.1 and G/TBT/N/TUR/42/Add.1, 29 August 2013; and G/TBT/N/TUR/41/Add.2, 25 March 2014.

<sup>60</sup> WTO TBT Information Management System online database.

agreements with countries that play an important role in Turkey's exports with the aim of removing technical barriers to trade for unhindered market access. Turkey has also initiated negotiations with Iraq, the Kyrgyz Republic, and the Russian Federation in this regard.

3.94. In July 2011 Turkey and EFTA member countries concluded a protocol on Mutual Recognition of Conformity Assessment of Products (Protocol E) aimed at facilitating free circulation of goods between Turkey and EFTA by mutually recognizing their conformity assessment bodies. The Protocol covers all harmonized product sectors traded between EFTA states and Turkey and to sectors covered by the EC-Swiss MRA. Under the Protocol, the parties mutually accept the conformity assessment procedures carried out by conformity assessment bodies notified or accepted under the EEA Agreement, the EC-Swiss MRA, or the EC-Turkey Customs Union.

3.95. Also in Turkey's recently concluded FTAs and ongoing FTAs the policy of Turkey is to include a specific chapter on TBT that may include provisions that go beyond WTO TBT commitments. These provisions involve deeper cooperation, coordination and transparency mechanisms; especially regarding conformity assessment procedures, market surveillance, transparency of technical legislation, and mutual recognition commitments in specific sectors.

### **3.1.10 Sanitary and phytosanitary requirements**

#### **3.1.10.1 Overview and alignment with the EU**

3.96. Similar to the changes that have occurred for TBT, Turkey has been focusing on harmonizing its SPS legislation with that of the EU during the review period. The Turkish legislation is partially aligned with the acquis under this chapter. In order to achieve full and efficient implementation of the acquis, Turkey continues with further legislative alignment. Turkey's Strategy for Transposition and Implementation of the Acquis Communautaire in Chapter 12 - Food Safety, Veterinary and Phytosanitary Policy into National Legislation, in particular its Annex I, contains detailed legislative measures to be taken.

3.97. Turkey has transposed and implemented some of the EU legislation covered under Chapter 12. The remaining EU legislation will be transposed and implemented progressively in line with the schedule given in the strategy before accession. On the other hand, provisions which address only EU member States are scheduled to be transposed and implemented upon membership.

3.98. These provisions include importation requirements related to measures for third countries, such as the use of third country lists, Commission decisions related to third countries, EFSA decisions and safeguard measures. Regarding the general principles of Regulation (EC) No. 178/2002, Turkey has already put into place the necessary rules through the Law No. 5996 on Veterinary Services, Plant Health, Food and Feed. Safeguard measures adopted on the basis of the aforementioned Regulation (EC) No. 178/2002 are expected to be directly applied by the Ministry of Food, Agriculture and Livestock (MFAL) upon accession to the EU.

3.99. Within the scope of harmonization of SPS matters with the EU, the legislation aligned by the MFAL is as follows:

- Regulation on the Control of Foot-and-Mouth Disease, in accordance with Council Directive No. 2003/85/EEC;
- Regulation on Notifiable Animal Diseases and Notification of Them, in accordance with laying down the codes for the notification of animal diseases pursuant to Council Directive 82/894/EEC and with EU Commission Decision No. 2005/176/EC;
- Regulation on Prevention and Fight against Avian Influenza, in accordance with Council Directive No. 2005/94/EC of 20 December 2005 and repealing Directive 92/40/EEC;
- Regulation on Prevention and Fight against Newcastle Disease, in accordance with EU Council Directive No. 92/66/EEC;
- Regulation on Health Conditions of Aquatic Animals and Prevention and Fight against Aquatic Animal Diseases, in accordance with EU Council Directive on animal health

requirements for aquaculture animals and products thereof, and on the prevention and control of certain diseases in aquatic animals No. 2006/88/EC of 24 October 2006 and with Commission Decision No. 2008/946/EC of 12 December 2008;

- Regulation on Identification, Registration and Monitoring of Bovine Animals, in accordance with Council Regulation No. 1760/2000/EC, Commission Regulation No. 494/98/EC, Commission Regulation No.1082/2003/EC, Commission Regulation No.911/2004/EC and Commission Decision No. 2006/28/EC;
- Regulation on Identification, Registration and Traceability of Ovine Animals, in accordance with the Regulation establishing a system for the identification and registration of ovine and caprine animals and amending Regulation (EC) No. 1782/2003 and Directives 92/102/EEC and 64/432/EEC No. 21/2004/EC and with the Regulation as regards the minimum level of checks to be carried out in relation to the identification and registration of ovine and caprine animals No. 1505/2006/EC;
- Regulation on Protection and Welfare of Animals to be used for Experimental and Scientific Purposes, in accordance with the provisions of the EU Directive on the protection of animals used for scientific purposes No. 2010/63/EC;
- Regulation on Struggle with Brucellosis, in accordance with EU Council Directive No. 64/432/EEC and EU Council Directive establishing the Community criteria for national plans for the accelerated eradication of brucellosis, tuberculosis and enzootic leukosis in cattle No. 78/52/EEC and with the EU Council Directive that "Executes Financial Measures in the Community for Eradication of Brucellosis in sheep and goats" and "Animal Health Issues that affect Intra-Community Trade of sheep and goats" No. 91/68/EEC;
- Regulation on Bovine Tuberculosis, in accordance with EU Council Directive No. 64/432/EEC and with EU Council Directive establishing the Community criteria for national plans for the accelerated eradication of brucellosis, tuberculosis and enzootic leukosis in cattle No. 78/52/EEC;
- Regulation on General Provisions Concerning Welfare of Farm Animals, in accordance with EU Council Directive concerning the protection of animals kept for farming purposes No. 98/58/EC;
- Regulation on Minimum Standards Regarding Protection of Laying Hens, in accordance with EU Council Directive laying down minimum standards for the protection of laying hens No. 1999/74/EC and with EU Council Directive on the registration of establishments keeping laying hens No. 2002/4; and
- Regulation on Minimum Standards for the Protection of Calves, in accordance with Council Directive 2008/119/EC laying down minimum standards for the protection of calves.

### 3.1.10.2 Legal overview

3.100. In 2010 Turkey enacted legislation to update many SPS provisions pursuant to Law No. 5996 on Veterinary Services, Plant Health, Food and Feed (2010). This law forms the main framework for SPS matters in Turkey. Thus, following its implementation, many of the regulations implementing this law were put into force during the review period (Table 3.18). Under the Law No. 5996, more than 100 regulations have been prepared as secondary legislation.

3.101. The Law on Veterinary Services, Plant Health, Food and Feed is a comprehensive law setting out provisions on food and feed; plant health; and animal health, welfare, and zootechnics. The main elements of the law provide for the control of contagious diseases, identification and registration of animals, animal welfare, veterinary health product approval, control of harmful organisms, food and feed safety, food codex, labelling and traceability, hygiene for food establishments, official controls, and penal provisions.

3.102. Recent developments in the SPS regulatory environment include the regulation on the import and transit of certain live animals; this regulation determines the principles and procedures regarding preparation of the animal health conditions to be implemented in the import and transit of certain live ungulate animals and lists of permitted countries.<sup>61</sup> The Communiqué on Rules Regarding the Transshipment of Consignments of Products at Entry Veterinary Border Inspection Point provides for the minimum and maximum periods and the information to be given by the person responsible for shipment regarding the transfer at the veterinary border control point for products intended to be imported into the country or to another country.<sup>62</sup>

3.103. If there is no EU equivalent legislation, SPS-related measures are developed in accordance with the standards, recommendations and guidelines determined by standard setting organizations which are recognized by the WTO.

**Table 3.18 SPS laws and regulations, 2011-15**

Title	Reference
Law on Veterinary Services, Plant Health, Food and Feed	Law No. 5996 of 13 June 2010
Regulation on Registration of Plant Protection Products	<i>Official Gazette</i> No. 27885 of 25 March 2011
Regulation on Retail, Wholesale and Storage of Plant Protection Products	<i>Official Gazette</i> No. 27870 of 10 March 2011
Regulation on Agricultural Control Equipment and Machinery	<i>Official Gazette</i> No. 27893 of 2 April 2011
Regulation on the Control of Plant Protection Products	<i>Official Gazette</i> No. 27939 of 20 May 2011
Regulation on Classification, Packaging and Labelling of Plant Production Products	<i>Official Gazette</i> No. 27885 of 25 March 2011
Regulation on Principles and Procedures Concerning Facilities Producing Plant Protection Products	<i>Official Gazette</i> No. 27986 of 6 July 2011
Regulation on Pre-Notification and Veterinary Controls at the Entrance of Animals and Animal Products to the Country Regulation Governing the Organization of Veterinary Controls at the Entrance of Products to the Country	<i>Official Gazette</i> No. 28145 of 17 December 2011
Regulation on Animals and Products Subject to Veterinary Certificate at the Entrance to the Country	<i>Official Gazette</i> No. 28149 of 21 December 2011
Regulation on Measures to be Taken for Monitoring Certain Substances and the Residues thereof in Live Animals and Animal Products	<i>Official Gazette</i> No. 28145 of 17 December 2011
Regulation on Special Rules Regarding Official Control of Animal Food	<i>Official Gazette</i> No. 28145 of 17 December 2011
Regulation on Registration of Establishments Producing of and utilising Good Manufacturing Practice for Materials and Articles Intended to Come into Contact with Food	<i>Official Gazette</i> No. 28373 of 3 August 2012
Regulation on Agricultural Quarantine	<i>Official Gazette</i> No. 28131 of 3 December 2011
Regulation on Official Control of Plant Origin Food and Feed Import	<i>Official Gazette</i> No. 28145 of 17 December 2011

<sup>61</sup> Regulation on the Determination of Animal Health Rules for the Importation and Transit of Certain Live Ungulate Animals, *Official Gazette* No. 29481 of 20 September 2015.

<sup>62</sup> Communiqué on Rules Regarding the Transshipment of Consignments of Products at Entry Veterinary Border Inspection Point, *Official Gazette* No. 29480 of 19 September 2015.

Title	Reference
Regulation on Issuing of Health Certificates for Food and Feed Subject to Export and Procedures to be Followed Concerning Export Products Returning to the Country	<i>Official Gazette</i> No. 28123 of 25 November 2011
Regulation on Subjecting Wooden Package Materials to Heat Treatment Process and their Marking	<i>Official Gazette</i> No. 28132 of 4 December 2011
Regulation on Inspector of Agricultural Quarantine	<i>Official Gazette</i> No. 27912 of 21 April 2011
Regulation on Fumigation of Agricultural Quarantine	<i>Official Gazette</i> No. 27969 of 19 June 2011
Regulation on Feed Hygiene	<i>Official Gazette</i> No. 28155 of 27 December 2011
Regulation on the Placing on the Market and Use of Feed	<i>Official Gazette</i> No. 28155 of 27 December 2011
Regulation on Sampling and Analysis Methods for Official Control of Feed	<i>Official Gazette</i> No. 28155 of 27 December 2011
Regulation on Feed Additives for Use in Animal Nutrition	<i>Official Gazette</i> No. 28711 of 18 July 2013
Regulation Amending Regulation on Feed Hygiene	<i>Official Gazette</i> No. 28519 of 5 January 2013
Regulation Amending Regulation on the Placing on the Market and Use of Feed	<i>Official Gazette</i> No. 28741 of 20 August 2013
Directive on Undesirable Substances in Animal Feed	<i>Official Gazette</i> No. 28977 of 19 April 2014
Regulation Amending the Regulation on Live Animals and Products Thereof Subject to Veterinary Controls at the Entry into the Country	<i>Official Gazette</i> No.29459 of 28 August2015
Regulation on the Determination of Animal Health Rules for the Importation and Transit of Certain Live Ungulate Animals	<i>Official Gazette</i> No.29481 of 20 September 2015
Communiqué on Rules Regarding the Transhipment of Consignments of Products at Entry Veterinary Border Inspection Point	<i>Official Gazette</i> No.29480 of 19 September 2015

Source: Ministry of Food, Agriculture, and Livestock online information. Viewed at: <http://www.tarim.gov.tr/GKGM/Menu/82/Other-Legislations>.

### 3.1.10.3 Framework

3.104. In Turkey, all SPS matters are under the auspices of the General Directorate of Food and Control of the Ministry of Food, Agriculture, and Livestock since restructuring occurred in 2011. Thus matters relating to plant health, animal health and welfare, and food and feed safety are all undertaken by the same directorate under the same Ministry. Prior to 2011, animal health and welfare and food safety were undertaken by the General Directorate of Protection and Control, Ministry of Agriculture and Rural Affairs.

3.105. The duties of the Directorate include providing safe food and feed, determining traceability at each stage of the process, registering producers of food and making controls, determining audit principles for feed and feed additives, identifying animals and controlling their movement, determining health conditions for foreign trade, taking measures to protect consumers and public health, and determining the principles for the certification of laboratories. The Directorate also performs risk assessment for all SPS matters.

3.106. The General Directorate of Food and Control is also the WTO enquiry point for issues related to the Agreement on Sanitary and Phytosanitary Measures. During the period 1 January 2012 to mid-November 2015, Turkey made 64 notifications (including addenda, a corrigendum, and two emergency notifications) to the WTO Committee on Sanitary and Phytosanitary Measures. One issue, on requirements for importing sheep meat, was raised several times as a specific trade concern. This matter was first raised in the SPS Committee in October 2012 and resolved in March 2015. According to the authorities, the matter arose due to Turkey's veterinary health certificates having to be aligned with recommendations of the OIE and those of the European Union. After the adoption of the Law on Veterinary Services, Plant Health, Food and Feed, Turkey prepared model health certificates for beef, bovine meat and livestock and fishery products in accordance with the Law and sent them to their trading partners.

3.107. During the review period, as regards to plant health, Turkey has been in the process of implementing a national plant health programme and improving plant quarantine and plant passport activities. Activities regarding animal health have focused on the identification and registration of animals and tracking their movements. For food and feed safety, developments have occurred on the Turkish Food Codex and registration of food and feed establishments. The national plant health programme covers surveillance of pest and diseases across the country via risk-based surveys and focuses on promotion of integrated pest management. Pest management activities are carried out according to the integrated pest management principles including early warning systems and biologic control. Pesticide residue controls in some crops before harvest is also carried out. Establishment of pest-free areas, eradication activities, training of farmers, and issuing plant health certificates are also other main components of the national plant health programme. Registration and approval of food establishments and food safety criteria are regulated by related legislation.

3.108. Turkey is a member of the Codex Alimentarius Commission, and the World Organization for Animal Health (OIE), and a contracting party to the International Plant Protection Convention (IPPC). Turkey also collaborates with a number of regional or global partners in the area of SPS; these include the European Food Safety Authority (EFSA), Food and Agricultural Organization of the UN (FAO), the European Medicines Agency (EMA), and the European and Mediterranean Plant Protection Organization.

3.109. As a member of IPPC, Turkey conducts all plant health activities in line with these standards. Further, Turkey is a member of the European and Mediterranean Plant Protection Organization (EPPO), a regional plant health organization under IPPC, and thus has a role in technical panels and working groups of EPPO.

3.110. EFSA has a role in Turkey's pre-accession programme in order to increase preparedness of the competent bodies which are active in the fields relating to the work carried out by EFSA. Within the scope of pre-accession programme, there will be closer cooperation and data exchange between IPA countries, member States and EFSA; improved capacity and transfer of knowledge on methodologies used by EFSA, in particular on risk assessment and risk communication, data collection and crisis handling; and increased awareness of EFSA's activities in IPA countries.

#### **3.1.10.4 Biosafety**

3.111. In 2010 as part of its reform process to align its SPS laws with the EU, Turkey enacted its new Biosafety Law<sup>63</sup> which regulates the approvals of agricultural biotechnology products in Turkey.<sup>64</sup> The law provides for a Biosafety Board to review and approve biotechnology products before they can enter the Turkish market; the Biosafety Board was established in 2011. Following applications made by either gene owners or importers for genetically modified organisms and products thereof, the Biosafety Board forms scientific committees and makes its decisions on a scientific basis reflected in the scientific risk assessment and socio-economic evaluation. With respect to alignment with the EU and the Customs Union, EU-approved biotech products are not necessarily approved by the Biosafety Board. For the transit of these GM products, permission of MFAL is required.

<sup>63</sup> WTO document G/SPS/N/TUR/8, 18 January 2010.

<sup>64</sup> Law No. 5977 of 18 March 2010.

## 3.2 Measures Directly Affecting Exports

### 3.2.1 Export procedures and requirements

#### 3.2.1.1 Procedures

3.112. In Turkey, export procedures are contained in Turkey's Customs Law from 1999<sup>65</sup>, as well as other relevant decrees such as the export regulations.<sup>66</sup> No major changes to these rules have occurred during the review period. Before commencing the procedures for exportation, an entity (person or legal entity) must become a member of an association of exporters, or exporters union.<sup>67</sup> The export declaration must be prepared and approved by the exporters association as the first step before being presented to the customs authorities, thus these associations take part in the export processing work flow (see Section 3.2.4.1 for the role of the exporters associations and the Turkish Exporters Assembly).

3.113. Goods in free circulation in Turkey can be exported following formalities that include complying with export policy measures and filing the export declaration with the customs authorities. The exporter needs to provide the HS code of the exports as well as other information needed in the declaration such as country of destination, origin, delivery method, etc.<sup>68</sup> Other types of documentation or certificates may be required depending on the good, for example a phytosanitary certificate in the case of certain agricultural goods. The main types of exports as elaborated by the export regulation are: registered export, pre-licensed export, exports by consignment, barter trade, exports to free zones, transit trade, exports without returns, and exports through leasing.

3.114. Turkey's single window initiative, which is currently being developed, is also being used for export processing.<sup>69</sup> (See section 3.1.1). The Single Window Project, which enables traders to submit regulatory documents at a single location and/or single entity, has been in operation since 2014, with gradual implementation. The project is planned for completion in 2016. The documents required from exporters associations and the customs administration are taken electronically through the BİLGE system. As of December 2015, 13 institutions were included in the system.<sup>70</sup>

3.115. Turkey has two main export regulations: the inward processing regime and the outward processing regime. Statistics on their use have not been made publically available by the Government.

#### 3.2.1.2 Inward processing regime

3.116. Turkey's Inward Processing Regime is designed to allow raw materials and inputs to be imported without the payment of customs duties and other taxes if they are used or incorporated into exported products.<sup>71</sup> There are two kinds of inward processing types: suspension and drawback. Under suspension, imported products can be temporarily imported under a security bond if re-exported and incorporated in the exported product. As concerns drawback, if goods were in free circulation and exported, import duties collected upon free circulation are returned when the resulting products are exported.

<sup>65</sup> Law No. 4458 of 27 October 1999.

<sup>66</sup> Export Regulation, *Official Gazette* No. 26190 of 6 June 2006.

<sup>67</sup> Ministry of Economy, online information. Viewed at:

<http://www.ekonomi.gov.tr/portal/content/conn/UCM/path/Contribution%20Folders/web/%C4%B0hracat/%C4%B0hracat%20Yol%20Haritas%C4%B1/ekler/D%C4%B1%C5%9F%20Ticaret%20S%C3%BCre%C3%A7leri.pdf?live>.

<sup>68</sup> For the full list of items required in the declaration. Viewed at: <http://www.tim.org.tr/en/export-guide-required-documents.html>.

<sup>69</sup> Circular No. 2012/6.

<sup>70</sup> The Sugar Authority; Borsa Istanbul (for gold transactions); EMRA, General Directorate of Eti Mine Works; TurkStat; Tobacco and Alcohol Market Regulatory Authority; Ministry of Transportation, Maritime and Communication (DG of Civil Aviation); Ministry of Interior (Turkish National Police); Ministry of Health Sağlık Bakanlığı (Pharmaceuticals and Medical Devices Institution); Ministry of Environment and Urban Development; Ministry of Labour and Social Security; Ministry of Food, Agriculture and Livestock; and the Ministry of Economy.

<sup>71</sup> Inward Processing Regime Communiqué No. 2006-12, *Official Gazette* No. 26382 of 20 December 2006.

3.117. During the review period there were two inward processing regime circulars issued pertaining to agricultural products and textile, clothing, and leather goods.<sup>72</sup> Both circulars provide a framework for the procedures of the system.

### 3.2.1.3 Outward processing regime

3.118. The Outward Processing Regime allows goods in free circulation to be exported temporarily from the customs territory of Turkey in order to undergo further processing operations such as repair.<sup>73</sup> Goods may receive total or partial relief from import duties pursuant to the outward processing regime. Duties are calculated based on the difference in duties of the exported product and the imported product that underwent further processing. The regime also allows for an exchange system, whereby the imported product can be replaced by a replacement product provided that it is of the same tariff classification and of the same quality and characteristics.

### 3.2.2 Export taxes, charges, and levies

3.119. Turkey currently applies export taxes on goods and they have been maintained during the review period. Turkey applies export taxes on raw skins (at a rate of US\$0.5 per kg), shelled hazelnuts (US\$0.04 per kg), and hazelnuts (in shell) (US\$0.08 per kg). The revenue from these taxes is channelled into the Support and Price Stabilization Fund. Further, VAT is not charged on exports. Exports are exempt from the stamp duty tax that is applied to documents. There are no other duties or charges applied to exports.

### 3.2.3 Export prohibitions, restrictions, and licensing

#### 3.2.3.1 Export of strategic goods

3.120. Turkey has several laws and regulations, or adheres to international agreements, that prohibit or control the export of strategic goods, meaning goods that can be used to produce or deliver weapons of mass destruction or other defence-related goods. They include nuclear, chemical, and biological weapons, as well as dual-use goods. Depending on the type of good, the Ministry of Defence, Ministry of Economy, or the Turkish Atomic Energy Authority serve as the relevant ministries for the export control of strategic goods.

3.121. Turkey has export controls or prohibitions on certain chemicals pursuant to the Chemical Weapons Convention.<sup>74</sup> Amendments were made in 2010, 2011 and 2012: Communiqué No. 2010/8, Communiqué No. 2011/2 and Communiqué No. 2012/1 amending Communiqué No. 2002/12. The amendments have introduced several minor modifications to the export control framework. These include updating of the annexes with newly added chemicals or HS code changes to existing chemicals. These annexes have also been revised following the accession of new countries to the Convention.

3.122. In accordance with its commitments under the agreements and arrangements of non-proliferation and export control regimes; as a member, Turkey has established and has been running an export control system, which functions through the concerted efforts and responsibilities of the various government institutions. This export control system is aligned with the EU system.

3.123. In terms of the export control of sensitive and dual-use goods, Turkey has maintained legislation on this since 2003.<sup>75</sup> It follows the Wassenaar Arrangement for dual-use goods and the Australia Group's chemical weapon's precursors list. Exporters of items on either list must first gain permission to export from the Istanbul Minerals and Metals Exporters' Union based on an end use certificate from the importer. Although there are no requirements in the national export control legislation concerning goods in transit, Turkey applies controls as part of its overall approach on those goods on the basis of international obligations such as UN Sanction Resolutions.

<sup>72</sup> Circular No. 2011-1 of 12 December 2011 and Circular No. 2015-2 of 13 May 2015.

<sup>73</sup> Decision 2007/11864, *Official Gazette* No. 26484 of 4 May 2007.

<sup>74</sup> Communiqué No. 2002/12, *Official Gazette* No. 24986 of 7 January 2003.

<sup>75</sup> Communiqué 2003/12, *Official Gazette* No. 25304 of 12 February 2003.

3.124. The export of nuclear and nuclear dual-use goods is also controlled in Turkey by the Turkish Atomic Energy Authority (TAEA) pursuant to the Nuclear Exports Regulation. Exporters need to obtain permission to export from the TAEA after presentation of an end-use certificate and statement of undertaking indicating that the product will not be used for nuclear weapons or explosives.

### 3.2.3.2 Export quality control

3.125. Turkey has provisions for the export quality control of certain agricultural goods pursuant to the Communiqué on Product Safety and Inspection No. (2015/21).<sup>76</sup> This regulation applies to fresh fruits and vegetables, dried agricultural products, edible oils, pulses, chicken eggs, and honey and has been implemented to promote high-quality production, prevent import rejection of goods, protect the image of Turkish products in world markets, and improve the competitiveness of the exported products. Products are expected to adhere to specific standards with respect to commercial quality measures upon exportation and importation. The Communiqué lays down principles and procedures regarding risk-based inspections of these products with respect to quality compliance with the commercial quality standards at the export and import stage. The inspections are done by inspectors in line with the above-mentioned Communiqué. The companies are charged a fee in accordance with the tariff, designated and updated by the Ministry of Economy's Circulating Capital Enterprise Board in Quality Controls of Certain Agricultural Produces. The fees collected are transferred to the account of the Ministry of Economy's Central Directorate of Circulating Capital.

### 3.2.3.3 Export prohibitions

3.126. The list of products prohibited from export from Turkey remains largely unchanged since the last review (Table 3.19). Turkey prohibits the export of these 13 categories of products for environmental, health, or cultural reasons. Pursuant to Turkey's customs union with the EU, provisions contained therein allow Turkey to prohibit or restrict exports or goods in transit on the grounds of public morality, public policy or public security; the protection of health and life of humans, animals or plants; the protection of national treasures possessing artistic, historic or archaeological value; or the protection of industrial and commercial property.<sup>77</sup>

3.127. Turkey fully complies with the provisions of CITES. The Ministry of Economy issued a revised Communiqué (Export 2014/1) on Exports of Substances that Deplete the Ozone Layer for banning and restricting the exportation of substances that deplete the ozone layer in accordance with the Montreal Protocol and the Vienna Convention.

3.128. Turkey maintains legislation on export quotas and export tariff rate quotas, including their administration.<sup>78</sup> However, these provisions have not been used during the review period and Turkey currently does not have quotas or TRQs on exports.

3.129. Turkey applies all UN trade sanctions. With respect to EU trade sanctions, Turkey may or may not apply them, as they are not binding on Turkey.

---

<sup>76</sup> Communiqué 2015/21.

<sup>77</sup> Decision No. 1/95 of the EC-Turkey Association Council on implementing the final phase of the Customs Union.

<sup>78</sup> Decree No. 95/7616 of 25 December 1995, *Official Gazette* No. 22510 of 31 December 1995; and Decision of 25 January 1995, *Official Gazette* No. 22791 of 18 October 1996.

Table 3.19 Export prohibitions, 2015

Description of item	Invocation of WTO Article	Domestic/international law
All game and wild animals (except species on the list of "exports requiring a licence"), alive or meat and/or pieces and garments thereof (Ch. 1 and 2) <sup>a</sup>	Environment (Article XX:g)	Decision of the Council of Ministers (No. 234 of 8 March 1990)
Natural flower bulbs (1 item)	Environment (Article XX:g)	Export Regime Decree (No. 7623 of 22 December 1995)
CITES	Environment (Article XX:g)	Export Communiqué 2014/1
Tobacco seeds and tobacco seedlings	..	Implementing Regulation on Methods and Essentials Concerning Tobacco Production and Processing and Internal and External Trade ( <i>Official Gazette</i> dated 10/07/2010, numbered 27637) based on the Law No. 4733, dated 09/01/2002 (amended by Law No. 5752 dated 15/04/2008)
Dates "Phoenix the ophrasti crenter" (1 item)	Environment (Article XX:g)	Export Regime Decree (No. 7623 of 22 December 1995)
Indian hemp (1 item) <sup>a</sup>	Health (Article XX:b)	Law on the Controls of Narcotics (No. 2313 of 24 June 1933)
Pterocarya carpinifolia (1 item)	Environment (Article XX:g)	Export Regime Decree (No. 7623 of 22 December 1995)
Liquidamber orientalis (1 item)	Environment (Article XX:g)	Export Regime Decree (No. 7623 of 22 December 1995)
Plants of olive, fig (except species certificated domestically that are registered and published in the National Species List), hazelnut, pistachio, and grapevine (sultanas seedless)	Environment (Article XX:g)	Export Regime Decree (No. 7623 of 22 December 1995)
Walnut, mulberry, cherry, pear, plum, badger, ash, elm, and lime in logs, in timber, in plank, and in sketch (Ch. 44) <sup>a</sup>	Environment (Article XX:g)	Decision of the Council of Ministers (No. 8186 of 24 April 1974)
Wood	Environment (Article XX:g)	Export Regime Decree (No. 7623 of 22 December 1995)
Antiques and archaeological works (1 item) <sup>a</sup>	National treasures (Article XX:f)	Law on Ancient Works of Art (No. 2863 of 21 July 1983)
Sahlep (powder and of all sorts)	..	Export Regime Decree (No. 7623 of 22 December 1995)

.. Not available.

a Export prohibited in 1993.

Source: Information provided by the authorities.

### 3.2.3.4 Export licensing

3.130. Turkey requires export licences on 26 categories of goods, many of which relate to agriculture, as required by the Ministry of Food, Agriculture and Livestock (Table 3.20). Turkey requires export licences for a variety of reasons, including for monitoring and regulation. In the case of sugar, production is strictly controlled by quota for sales to the domestic market, thus sugar produced above this level can be exported but licences are required to monitor sugar over quota production and help measure domestic demand. Turkey's export licensing requirements also apply to exports to the EU and FTA partner countries.

**Table 3.20 Exports requiring a licence, 2015**

Description of items	Authority responsible	Legal basis
Opium and poppy heads	Ministry of Health	Law No. 2313 of 24 June 1933
Narcotic drugs, psychotropic substances, precursors and chemicals under international control	Ministry of Health	Law No. 2313 of 24 June 1933; Single Convention on Narcotic Drugs of 1961 as amended by the 1972 Protocol; 1971 Convention on Psychotropic Substances; and 1988 UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances
Raw diamonds	Under secretariat of Treasury	Decree No. 2006/11115 of 31 October 2006
Products subject to Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal	Ministry of Forestry and Water Affairs	Decree No. 94/5419 of 7 March 1994
Living or non-living boars, wolves, jackals, foxes, martens, badgers, snakes, turtles, lizards, and identifiable parts of and clothing produced from them	Ministry of Forestry and Water Affairs	Decree No. 645 regarding the Organization and Functions of the Ministry of Forestry and Water Affairs
Fertilizers (excluding chemical fertilizers)	Ministry of Food, Agriculture and Livestock	Decrees No. 2/1771 of 27 December 1924 and No. 6/4090 of 19 December 1964; Communiqué No. 96/31 dated 19 September 1996
Seeds (except forest-tree seeds)	Ministry of Food, Agriculture and Livestock	Law No. 5553 of 31 October 2006, and Communiqué No. 96/31 of 19 September 1996
Fishing products subject to "prohibition derived from the principles of fishery" (including leeches)	Ministry of Food, Agriculture and Livestock	Law No. 1380 of 22 March 1971 (as amended by Law No. 3288 of 28 May 1986); Regulation on Fisheries Products published in Official Journal No. 22223 dated 10 March 1995
Racehorses	Ministry of Food, Agriculture and Livestock	Law No. 5996 on Veterinary Services, Plant Health, Food and Feed
Feeds covered by the Feed Law	Ministry of Food, Agriculture and Livestock	Law No. 5996 on Veterinary Services, Plant Health, Food and Feed ( <a href="http://www.tarim.gov.tr/Belgeler/ENG/Legislation/law_veterinary">http://www.tarim.gov.tr/Belgeler/ENG/Legislation/law_veterinary</a> )
Pharmaceuticals for veterinary purposes	Ministry of Food, Agriculture and Livestock	Law No. 5996 on Veterinary Services, Plant Health, Food and Feed
Export of natural flower bulbs subject to quota or any other kind of restriction	Ministry of Food, Agriculture and Livestock	Decree No. 95/7623 of 22 December 1995
Live animals kept for stud	Ministry of Food, Agriculture and Livestock	Law No. 5996 on Veterinary Services, Plant Health, Food and Feed
Natural mushrooms (only exports to EU countries)	Ministry of Food, Agriculture and Livestock	Decree No. 95/7623 of 22 December 1995
Live tuna fish ( <i>Thynus thynnus</i> )	Ministry of Food, Agriculture and Livestock	Decree No. 95/7623 of 22 December 1995 Implementation Notice No. 48 of 2015 on Bluefin Tuna Fisheries, Transportation, Farming, Export and Import
Materials within the context of Munitions List of Wassenaar Arrangement	Ministry of National Defence	Law No. 5201 of 3 July 2004
Sugar	The Turkish Sugar Authority	Decree No. 2007/9 of 17 August 2007

Description of items	Authority responsible	Legal basis
Technology and equipment used for nuclear purposes	Turkish Atomic Energy Authority	Regulation No. 26642 of 13 September 2007
Goods covered by the Missile Technology Controlling Regime	Ministry of National Defence	Decree No. 5201 of 29 June 2004
Tobacco leaf and tobacco refuse	Tobacco and Alcohol Market Regulatory Authority	Law No. 4733 of 9 January 2002
Implements of war that are subject to control, military exploders and spare parts and related technologies	Ministry of National Defence	Law No. 5201 of 2 July 2007
Forest-tree seeds and other breeding materials	Ministry of Forestry and Water Affairs	Decree No. 645 regarding the Organization and Functions of the Ministry of Forestry and Water Affairs
Olive tree sapling (species certificated domestically which are registered and published in the National Species List)	Ministry of Food, Agriculture and Livestock	Export Regime Decree (No. 7623 of 22 December 1995)
Explosive materials within the context of Regulatory Statute 87/12028	Ministry of Internal Affairs	Law No. 6551 of 18 May 1955, Regulatory Statute 87/12028 and 2001/2443
Angora goats	Ministry of Food, Agriculture and Livestock	Law on the Amelioration of Animals (No. 4631 of 10 March 2001)
Gray Cattle, East Anatolian Red Cattle, South Anatolian Red, Native Yellow Cattle, Native Black Cattle, Zavot Cattle, Abaza Goat, Akkeçi Goat, Tiftik (Coloured Angora) Goat, Osmanlı Goat, Honamlı Goat, İspir Goat, Kaçkar Goat, Norduz Goat, Malta Goat, Acıpayam Sheep, Bandırma Sheep, Dağlıç Sheep, Eşme Kıvırcık Sheep, South Karaman Sheep, Hamdani Sheep*, Hasak Sheep, Hasmer Sheep, Herik Sheep, Karagül Sheep, Karakaşan Sheep, Karakaş Sheep, Karya Sheep, Koçeri Sheep, Malya Sheep, Pırlak Sheep, Pırıt Sheep, Ramlıç Sheep, Tahirova Sheep, Tuj Sheep, Türkgeldi Sheep, Zom Sheep, Çine Çaparı Sheep, Denizli Chicken, Gerze Chicken, Hacı Kadın Chicken, Sultan Chicken, Kangal Shepherd Dog*, Akbaş	Ministry of Food, Agriculture and Livestock	Law on Veterinary Services, Plant Health, Food and Feed, 2010 - Regulation on Utilization and Export of the Native Domestic Animal Genetic Resources, 2012

Description of items	Authority responsible	Legal basis
Shepherd Dog*, Kars Shepherd Dog*, Çatal Burun Hunting Dog*, Zağar Dog*, Ankara Cat*, Van Cat*, Ankara Rabbit, Kafkas Honeybee, Bursa Beyazı Silkworm line, Bursa Beyazı Alaca Silkworm line, Hatay Sarısı Silkworm line, Canik Horse, Hınısın Kolu Kısası Horse, Malakan Horse, Uzunyayla Horse, Çukurova Horse, Ege Midillisi, Çamardı Kulası Horse, Karakaçan Donkey, Merzifon Donkey (55 items not allowed to export except for research)		

Source: Information provided by the authorities.

### 3.2.4 Export support and promotion

3.131. Turkey has been actively promoting its exports and has developed the Turkish Exports Strategy for 2023 in order to increase exports to a target level (see Section 2.2). There are general provisions in the strategy related to export promotion or support in order to increase the competitiveness of the services and manufacturing sectors to gain access to foreign markets.

#### 3.2.4.1 Export promotion organizations

3.132. There is no state agency or funding for export promotion in Turkey. In Turkey the NGOs or private sector play the largest role in export promotion activities. Three main organizations have key roles in export promotion – Chambers of commerce, the Foreign Economic Relations Board of Turkey (DEİK), and the Turkish Exporters Assembly (TIM).

3.133. DEİK is Turkey's non-profit institution responsible for leading foreign economic relations, in particular foreign trade. DEİK's structure was modified in 2014<sup>79</sup>, as it was more empowered and given responsibility for "managing the foreign economic relations of the Turkish private sector".<sup>80</sup> It is funded by voluntary private sector companies and founding institutions including some exporters associations, chambers of commerce, and some business associations. In terms of export promotion, DEİK produces studies and helps businesses build competences, but does not have any specific export promotion programmes. The mission of DEİK is to work for the better integration of Turkey into the global marketplace. To complete this mission, it works through bilateral business councils. The number of business councils operating under the umbrella of DEİK reached 130 in October 2015.

3.134. TIM is the highest body of Turkish exporting firms, acting as the umbrella organization for approximately 60 exporter unions or associations. Its major role is to ensure coordination between the public and private organizations, exporters, and decision-makers, but it is involved in many export activities such as lobbying, coordinating trade fairs, and preparing studies and analyses. TIM is funded by revenue from the Exporters Associations. TIM and the Exporters Associations are professional organizations comprised of and governed by exporting companies. TIM provides services to more than 71,000 exporter firms and their unions, consisting of 13 general secretariats.

<sup>79</sup> Law No. 6552 of 11 September 2014.

<sup>80</sup> DEİK, 2015-16 Corporate Catalogue.

3.135. Turkey's various chambers of commerce and unions of chambers are also heavily involved in export promotion activities.

### 3.2.4.2 Export support programmes

3.136. Turkey's Ministry of Economy has a number of government support programmes which are intended for all companies operating in commercial or industrial bases (Table 3.21). These programmes provide certain types of support to exporters. (See Sections 3.3.1 and 3.3.2 for SME supports, and business incentives and subsidies, which may also support exports). In addition, each year the Ministry of Economy provides a list of target and priority countries for export.<sup>81</sup>

**Table 3.21 Export support programmes, 2015**

Programme/subject	Reference
Export refunds for agricultural products	Decision No. 2015/1, Resolution No. 2014-6
Support for brand and advertising activities	Circular No. 2010-6 and 2014-3
State aid for technical consulting services	Circular No. 2012-3
Foreign exchange earning support for trade in services	Notification No. 2012-4

Source: Ministry of Economy and Ihracti Gelistirme Merkezi(IGEME).

### 3.2.5 Export finance, insurance, guarantees

3.137. Turk Eximbank is a state-owned bank and is also the sole official export credit agency in Turkey. Established by law in 1987, its operations and principles were further clarified by a Council of Ministers' Resolution at the same year. This Resolution was revised in line with the new Turkish Commercial Code (TCC), the Banking Legislation, and global financial and economic developments that have occurred since the establishment of the Bank. The new Resolution entered into force in 2013 with the inclusion of additional provisions on scope, finances, and organs. In particular, the Resolution provides for the establishment of a new General Assembly according to the new Turkish Commercial Code; the provision of insurance to overseas affiliates of Turkish exporters; financial support to trademark, patent, and technology acquisition; and engagement in reinsurance and all types of capital market and derivative financial transactions. The objectives of the Bank are to enhance exports, diversify exported goods and services, access of new markets for exported goods, increase exporters' share in international trade, encourage entrepreneurship, support exporters and overseas contractors to increase their competitiveness, and support overseas investments and production and sales of export-oriented capital goods.

3.138. Turk Eximbank has three main areas of operation — providing short-, medium- and long-term cash and non-cash credits; international loans/guarantees for the financing of exports or overseas projects of Turkish companies; and export credit insurance to protect against commercial and political risks. More recently it began offering a domestic credit insurance instrument to cover the whole receivables of exporters.<sup>82</sup> During the review period, each of these lines of operation exhibited significant growth. Overall, Turk Eximbank has increased its support during the review period as the bank's assets almost tripled (Table 3.22).

<sup>81</sup> For 2014-15, target countries are: Algeria, Brazil, China, India, Iran, Iraq, Japan, Kazakhstan, Republic of Korea, Libya, Nigeria, Poland, Romania, Russian Federation, Saudi Arabia, Ukraine, and the United States. Priority countries are: Angola, Argentina, Azerbaijan, Bangladesh, Bulgaria, Canada, Chile, Colombia, Ethiopia, Egypt, Germany, Georgia, Ghana, Indonesia, Kuwait, Malaysia, Mexico, Oman, Peru, Qatar, Singapore, South Africa, Tanzania, Thailand, Turkmenistan, UAE, United Kingdom, and Viet Nam. Ministry of Economy online information. Viewed at: [http://www.ekonomi.gov.tr/portal/faces/oracle/webcenter/portalapp/pages/content/htmlViewer.jspx?contentId=UCM%23dDocName%3AEK-167294&parentPage=ihracat&contentTitle=2014-2015%20D%C3%B6nemi&countryName=&\\_afLoop=476152577141028&\\_afWindowMode=0&\\_afWindowId=1p5ir2wkz\\_219#1%40%40%3FcountryName%3D%26\\_afWindowId%3D1p5ir2wkz\\_219%26\\_afLoop%3D476152577141028%26contentId%3DUCM%2523dDocName%253AEK-167294%26parentPage%3Dihracat%26contentTitle%3D2014-2015%2BD%25C3%25B6nemi%26\\_afWindowMode%3D0%26\\_adf.ctrl-state%3D1p5ir2wkz\\_294](http://www.ekonomi.gov.tr/portal/faces/oracle/webcenter/portalapp/pages/content/htmlViewer.jspx?contentId=UCM%23dDocName%3AEK-167294&parentPage=ihracat&contentTitle=2014-2015%20D%C3%B6nemi&countryName=&_afLoop=476152577141028&_afWindowMode=0&_afWindowId=1p5ir2wkz_219#1%40%40%3FcountryName%3D%26_afWindowId%3D1p5ir2wkz_219%26_afLoop%3D476152577141028%26contentId%3DUCM%2523dDocName%253AEK-167294%26parentPage%3Dihracat%26contentTitle%3D2014-2015%2BD%25C3%25B6nemi%26_afWindowMode%3D0%26_adf.ctrl-state%3D1p5ir2wkz_294).

<sup>82</sup> As of the end of 2014, 42 companies had benefitted and the bank had insured shipments of US\$860 million. Turk Eximbank, 2014 Annual Report, online information. Viewed at: <http://www.eximbank.gov.tr/En/files/aboutUs/annual2014.pdf>.

**Table 3.22 Eximbank overview, credits, loans, and export credit insurance, 2011-14**

	2011	2012	2013	2014
Total financial support (US\$ billion)	12.4	22.1	28.1	31.1
As a percentage of Turkey's exports	9.2	14.5	18.5	19.7
Total assets (US\$ billion)	5.0	8.7	11.7	14.5
Credits (short-, medium-, and long-term domestic credits) (US\$ billion)	6.7	15.1	19.7	20.1
International loans (US\$ million)	37	39	3	98
Short-term Export Credit Insurance Programme (US\$ billion)	5.8	6.9	8.3	10.1
Medium and Long-term Export Credit Insurance Programme (US\$ million)	0	0	3	8

Source: Turk Eximbank, online information. Viewed at: <https://www.eximbank.gov.tr/EN,1293/statistics.html>.

3.139. Turk Eximbank provides its services to all companies residing in Turkey and conducting either merchandise or services trade. In addition to servicing Turkish exporters, the Bank also provides services to contractors and investors operating abroad, as well as international transport and tourism operators. The Bank does not discriminate between sectors of business operation, but does give special consideration to companies located in Turkey's priority investment regions (see Section 2.4.4.1). These companies are provided with privileges for credit applications, they benefit from the Preshipment Export Credit Programme for Priority Development Areas with lowest interest rates, and intermediary banks are required to extend at least 5% of their credit limit to companies in these areas.

3.140. Providing export credits has been the main business of Turk Eximbank for many years. Short-term export credits are the most popular product of the Bank and accounted for US\$18.5 billion in 2014 (concentrated for exports destined to the EU market and in the iron and steel (19% share) sector). Of this amount, about 80% is made through the export and foreign exchange earning services' rediscount credits extended by the Central Bank of Turkey. The Rediscount Credit programme, which requires an export commitment, aims at providing support to Turkish manufacturers, exporters and manufacturer-exporters with a maturity of up to 240 days in the pre-shipment base. Promissory notes issued by exporters on behalf of Turk Eximbank, which have the avail of banks possessing a short-term letter of guarantee limit with Turk Eximbank, are discounted under this limit. This programme covers export transactions based on cash against documents and irrevocable letters of credit. Export receivables with a maturity of up to 240 days discounted by the Central Bank of Turkey and up to 360 days are discounted from Turk Eximbank's own sources on LIBOR+spread, where the spread is determined by Turk Eximbank. Export and foreign exchange earning services' rediscount credits are provided to companies through intermediary banks in Turkish Lira based on export or foreign exchange earning services' receivable documents converted from the foreign currency. Re-payments are then made to the Central Bank in foreign currency which helps increase the Central Bank's foreign currency reserves and decrease the current account deficit. In view of the significant demand for this type of product, the Central Bank raised the rediscount limit to the Eximbank to US\$14 billion in October 2014, and again to US\$15 billion in January 2015. Furthermore, provisions were made to the programme so that companies operating in free zones and making sales outside Turkey could benefit. The programme was also extended to tourism, health, consulting, software, shipping, and engineering services.

3.141. Turk Eximbank's international loans or credits section underwent a comprehensive revision in 2014 to accelerate and restructure the International Credit Programmes (previously "Country Credits") applied as buyer's credit by Turk Eximbank since 1989. Functional classification was launched based on project credits and financing trade, and International Project Credits and International Trade Funding Directorates were established. Under the International Project Credits, credit lines are extended under sovereign guarantee to correspondent banks and financial institutions in various countries. Turk Eximbank provides financial support to the projects undertaken by Turkish contractors through its credit and/or guarantee programs. Interest rates are established between the parties concerned in compliance with the OECD Consensus. Under the International Trade Finance Programme, Turk Eximbank provides financial support under commercial terms for goods exported by Turkish firms. Additionally, the Bank's product range was

expanded through two new sub-programmes developed for the International Trade Finance Credit. The Export Receivables Discounting Programme (previously Policy/Letter of Credit Discount Programme) was put in place to increase the forward-sale opportunities of Turkish companies and to meet their post-shipment financing needs. Under the other programme, buyer's credit has been extended to importers residing in foreign countries and requesting to import goods from Turkey through the overseas branches, affiliates or correspondent banks of domestic banks. In 2014, international loans reached a 15-year high of US\$98 million, a level not achieved since 1999. Furthermore, a cumulative total of US\$2.4 billion in international credits has been extended to 23 countries since 1989.

3.142. One of Turk Eximbank's main areas of activity since 1989 has been export credit insurance programmes under which export receivables are insured against commercial and political risks. Like most other officially supported export credit agencies, only political risks are considered under the guarantee of the state, whereas losses due to commercial risks are indemnified by Turk Eximbank from its own sources. The most commonly used programme is the Short-Term Export Credit Insurance Programme, and within the scope of this programme, all shipments to be made by an exporter during the one-year policy period, and with payments deferred up to 360 days, are insured. Turk Eximbank has been extending cover to companies in 238 countries since April 2012.

### 3.3 Measures Affecting Production and Trade

#### 3.3.1 Business framework

3.143. Turkey ranked 55<sup>th</sup> out of 189 countries in the World Bank's "Ease of Doing Business 2016" index; it dropped four places in rank compared to 2015.<sup>83</sup> In terms of the sub-category rank for starting a business, Turkey ranked 94<sup>th</sup>, as there are eight steps to be taken in establishing a business enterprise and it takes 7.5 days to do so. The costs, as a percentage of per capita income, are also significant at 16%. With respect to the revised rankings from the previous year, Turkey fell six places in rank for starting a business. However, according to the authorities, starting a business takes less time in practice than stated in the Ease of Doing Business index because the methodological assumption does not take into account the steps that can be completed simultaneously. It was pointed out by the authorities that there has been no change in regulations and business procedures compared to the previous year.

3.144. Land purchases by foreign businesses remain restricted pursuant to the Land Registry Law.<sup>84</sup> A maximum of 30 hectares of land can be acquired by foreigners for business purposes, and foreigners buying land without construction must submit plans to build on the land to the relevant Ministry within two years of purchase. However, there are exceptions for businesses operating in certain sectors or regions pursuant to the Petrol Law, the Tourism Encouragement Law, and the Industrial Regions Law.<sup>85</sup> Setting up operations in the special investment zones also gives certain advantages for land acquisition (see Section 2.4.4).

3.145. In 2015 Turkey passed new legislation on the Regulation of Retail Trade.<sup>86</sup> The new legislation aims to simplify the procedures for opening a retail business, provide efficient and sustainable competition conditions, protect consumers, provide balanced growth and development, and regulate the activities of retail businesses. For many of these businesses, the law imposes new regulations, as they were previously unregulated. The law envisages the establishment of a retail information system for businesses to make applications and provide an exchange of information with the relevant Ministries or authorities. Other provisions include regulations on claims or premiums, discounts and promotional sales, and continuous discount sales. For shopping malls, the law requires that at least 0.5% of the total sales area be allocated to social and cultural activities, at least 5% allocated to trades and craftsmen, and at least 0.3% of the total sales area dedicated to those who conduct rare businesses (i.e. traditional crafts which may be forgotten). Supermarkets, chain stores, dealers, and authorized private businesses where fast-moving

<sup>83</sup> World Bank, online information. Viewed at: <http://www.doingbusiness.org/data/exploreeconomies/turkey>. 2015 rankings were revised with 2016 Report.

<sup>84</sup> Law No. 2644.

<sup>85</sup> Law No. 8659 dated 7 March 1954; Law No. 17635 dated 12 March 1982; and Law No. 24645 dated 9 January 2002.

<sup>86</sup> Law No. 6585, *Official Gazette* No. 29251 of 29 January 2015.

consumer goods are sold, are required to have at least 1% of shelf space allocated to local products.

### 3.3.1.1 Commercial Code

3.146. Turkey's Commercial Code (TCC) is the main law governing business in Turkey. In 2011 Turkey passed legislation for its new commercial code, which came into force as of 1 July 2012 to replace the outdated code that had been in place for over 50 years.<sup>87</sup> The goals of the new commercial code are to adhere to international standards; foster private equity and public offering activities; improve transparency; and align Turkey's business environment with that of the EU. The main changes resulting from the new commercial code are numerous and touch many business aspects (Table 3.23).

3.147. The TCC has six main chapters covering enterprise law, company law, securities law, transportation law, maritime commercial law, and insurance law. Under the enterprise chapter, the reforms were aimed at harmonizing the TCC with EU law. The main changes were with respect to new accounting principles and agency contract. The provisions on company law provide for the establishment of five types of companies: joint-stock, limited liability, commandite<sup>88</sup>, collective, and cooperative. The main changes to this section include reforms for joint-stock companies, boards of directors and decision-making, and division of power.

3.148. Since its entry into force in 2012, a number of provisions of the commercial code have been amended or postponed. These changes have been minor and have not significantly changed the provisions of the 2011 law.

**Table 3.23 Overview of main changes introduced by Turkey's new Commercial Code, enterprise and company law**

Provision	Changes
Sharehold structure	Allows the establishment of joint stock companies or limited liability companies with a single shareholder
Board of directors	The board of directors can be comprised of a single person instead of at least three members Legal entities may be appointed as board members Board members do not have to also be shareholders
Registered capital system	Non-public companies can now participate in a registered capital system
Intellectual property rights	Intellectual property rights may be contributed as capital-in-kind if they have transferable qualifications
Ultra-vires	Ultra-vires was abolished thus companies can conduct transactions outside their articles of association
Accounting principles for enterprises	Accounting systems of Turkish enterprises to be in conformity with Turkish accounting standards
Commercial registry	Establishment of an electronic registry system
Business name	Rules regarding business names have been reformed to increase transparency and reliability
Statutory audit	Certain companies are now subject to statutory audit
Unfair competition	Defines unfair competition and makes linkages to competition law
Agency contract	Unauthorized agency rules have changed to more easily require fulfilment of the agreement, and rights to agency fees have been strengthened
Delegation of power	Detailed regime for the delegation of management powers

Source: Invest in Turkey online information. Viewed at: <http://www.invest.gov.tr/en-US/investmentguide/investorsguide/Pages/EstablishingABusinessInTR.aspx>; KMPG online information. Viewed at: <https://www.kpmg.com/TR/en/IssuesAndInsights/ArticlesPublications/New-Turkish-Commercial-Code/publications/Documents/Latest-Amendments-in-the-new-TCC.pdf>; and DEIK, "The New Turkish Code of Commerce, Rules Regarding the Corporations in a Nutshell".

### 3.3.1.2 Regulatory bodies

3.149. Turkey has an open economy and has taken many initiatives to encourage investment and promote the activities of the private sector. However, at the same time it maintains a number of

<sup>87</sup> Law No. 6102 of 13 January 2011.

<sup>88</sup> Mixed liability company whereby shareholders can either have limited or unlimited liability.

regulatory or supervisory authorities that regulate certain sectors of the economy. Many of these entities are involved in regulating or monitoring market activities (Table 3.24).

**Table 3.24 Turkey's business regulatory authorities, 2015**

Authority	Sector	Overview
Competition Authority	All sectors	Aims to maximize economic efficiency by promoting competition in the marketplace
Energy Market Regulatory Authority	Energy	Regulates and supervises the energy market to provide a sound, transparent and competitive market
Banking Regulation and Supervision Agency	Finance	Protects the rights and benefits of depositors and promotes trust and stability in financial markets
Capital Markets Board	Securities	Protects the rights and benefits of investors in capital markets
Information and Communication Technologies Authority	ICT	Regulation, supervision, authorization, and reconciliation for the telecommunications and postal sector
Tobacco and Alcohol Market Regulatory Authority	Tobacco, tobacco products, alcohol, and alcoholic beverages	Responsible for regulating and supervising tobacco, tobacco products, alcohol and alcoholic beverages markets
Privatization Administration	All sectors under state control	Responsible for coordinating the privatization process in Turkey
Public Procurement Authority	Government procurement	Establishes principles and procedures for procurement by public authorities
Sugar Authority	Sugar	Responsible for sugar production, pricing, and marketing
The Radio and Television Supreme Council	Radio and television	Regulating and supervising radio and TV operations including through licences and authorizations
Public Oversight, Accounting and Auditing Standards Authority	All	Develops accounting and auditing standards for Turkey

Source: Compiled by the WTO Secretariat from Invest in Turkey website, online information. Viewed at: <http://www.invest.gov.tr/en-US/investmentguide/investorsguide/Pages/BusinessEnvironment.aspx> and other sources.

### 3.3.1.3 SMEs

3.150. Small and medium-sized enterprises (SMEs) are an important part of the Turkish economy, accounting for 99.8% of total enterprises, 75.8% of employment, and 54.2% of value added at factor cost. They are also important to Turkey's trade, accounting for 37.8% of Turkish imports and 56.5% of exports in 2014. In the export sector, SMEs trade was concentrated in the industrial sector with apparel, metals, and textiles being the predominant products. For imports, SMEs imports were concentrated in chemicals and chemical products, metals, and machinery and equipment.<sup>89</sup>

3.151. Turkey's SMEs are supported by the Small and Medium Enterprises Development Organization (KOSGEB), a Turkish public organization, that aims to increase SMEs' share in the economy and help them develop their businesses. Originally established by law in 1990, to support SME manufacturing, KOSGEB's mandate was expanded in 2009 to cover other sectors.<sup>90</sup> Thus, today it covers specified sectors pursuant to the Council of Ministers' decision.<sup>91</sup> SMEs may benefit from the programmes of KOSGEB if they meet the SME definition of enterprises, regardless of legal form, that employ fewer than 250 staff and that have either a turnover or balance sheet total of

<sup>89</sup> Turkish Statistical Institute, online information. Viewed at: <http://www.turkstat.gov.tr/PreHaberBultenleri.do?id=18521>.

<sup>90</sup> Law No. 3624 of 12 April 1990, *Official Gazette* No. 20498 of 20 April 1990, and Council of Ministers' Decision of 18 September 2009, Decision No. 2009/15431.

<sup>91</sup> Council of Ministers' Decision, "Decision About Determining Sectoral And Regional Priorities Which Small And Medium Sized Enterprises Will Benefit From Services And Supports Given By KOSGEB", Decision No. 2009/15431, *Official Gazette* No. 27353 of 18 September 2009.

under TL 40 million. This definition was amended in 2012 to include firms that have a turnover or balance sheet total not exceeding TL 40 million.<sup>92</sup>

3.152. KOSGEB has a number of programmes to support SMEs that are guided by its support regulations (Table 3.25).<sup>93</sup> These take the form of direct grants and reimbursements. KOSGEB also provides loans and subsidized services such as financing and laboratory fees. In 2014, KOSGEB had a budget of TL 557,854 million allocated by the Government, of which approximately 65% is provided in support programmes for SMEs. The largest part of KOSGEB's support budget goes towards non-recourse support, followed by credit interest support, and support with repayment. For example, in 2014 KOSGEB expended TL 286,221 million for non-recourse support programmes.<sup>94</sup>

3.153. In looking ahead, the SME Strategy and Action Plan for 2015-18 provides for five strategic areas:

- Improving the competitiveness level of SMEs and ensuring their growth,
- Enhancing the internationalization level of SMEs by improving their export capacity,
- Taking into consideration SMEs' needs while improving the business and investment environment,
- Improving the R&D and innovation capacity of SMEs, and
- Facilitating access of SMEs to finance.

3.154. In addition, the National Entrepreneurship Strategy and Action Plan of Turkey (2015-2018) was prepared by KOSGEB. The plan consists of 6 strategic targets:

- Developing an entrepreneur-friendly regulatory framework,
- Supporting innovative entrepreneurship,
- Developing a sustainable support system for priority thematic areas and general areas such as women's entrepreneurship, young entrepreneurs, eco entrepreneurship, social entrepreneurship, and global entrepreneurship; and ensuring their execution,
- Improving the culture of entrepreneurship,
- Intensifying entrepreneurship training on an organized and universal education basis and developing a consultancy system oriented towards entrepreneurs, and
- Expediting entrepreneurs' access to finance.

**Table 3.25 Overview of KOSGEB support for SMEs**

Programme	Purpose	Maximum support (TL)
SME Project Support Programme	To support specific project costs as specified by the business	150,000 (grant)
Thematic Project Support Programme	To encourage SMEs to produce more projects to build their businesses and help professional organizations produce more projects	150,000 (grant)
Cooperating-Leaguings Support Programme	To bring together SMEs and generate common solutions for common problems by cooperation or mentoring	300,000 (grant), 700,000 (reimbursable)  For Joint Manufacturing-Directed Projects at Medium-High and High Technology Areas:  300,000 (grant), 1,200,000 (reimbursable)

<sup>92</sup> Amendment decision, *Official Gazette* No. 28457 of 4 November 2012.

<sup>93</sup> *Official Gazette* No. 27612 of 15 June 2010.

<sup>94</sup> Information provided by the authorities.

Programme	Purpose	Maximum support (TL)
R&D, Innovation, and Industrial Application Support Programme	To support SMEs possessing new ideas and innovations	Ranges from 5,000 to 500,000 depending on the type of support 768,000 (grant), 800,000 (reimbursable)
General Support Programme	To enable low-capacity SMEs to prepare projects, especially those in KOSGEB target areas, so that they can take advantage of KOSGEB supports	Ranges from 10,000 to 50,000 depending on the type of support 270,000 (grant)
Entrepreneur Support Programme	Developing and disseminating entrepreneurship	For establishment of a business: 3,000 for enterprise establishment support, 15,000 for establishment period, 12,000 for operational cost support, and 70,000 for fixed asset investment  For business improvement centre: 100,000 for operational support, and 750,000 for establishment
Emerging Enterprises Market Support Programme	Help SMEs to grow by enabling them to participate in the Borsa Istanbul	Ranges from 10,000 to 60,000 depending on the type of support 100,000 (grant)
Loan interest support programme	Procuring financial support by KOSGEB for SME financing	Gives an enlarged mission to KOSGEB to work with private banks and also domestic branches of foreign private banks, in addition to public banks. The upper limit of the loan interest rate support for investment, working capital and export has been increased to 300,000 TL/SME  Credit pay-back period (loan re-payment period) increased up to 48 months  Loan interest support programmes are not implemented permanently
Laboratory support	Compensation for laboratory fees	n.a.

n.a. Not applicable.

Source: KOSGEB online information. Viewed at: <http://www.kosgeb.gov.tr/Pages/UI/Default.aspx>.

### 3.3.2 Incentives, state aid, and subsidies

3.155. At present there is no sole Ministry in Turkey responsible for incentives and subsidies. Rather, each Ministry has its own programmes pursuant to their mandates. Thus, the Ministry of

Food, Agriculture and Livestock is involved for agricultural subsidies, the Ministry of Economy for investment incentives and export support, KOSGEB for SME support, and the Ministry of Science, Industry and Technology for research and development aid. State aid policy in Turkey is guided by WTO rules and EU requirements pursuant to the Customs Union.

3.156. As a result of Turkey's ongoing accession negotiations to the EU, in particular the negotiations on competition policy, Turkey is moving towards adopting a state aid law that would include: general conditions; recovery; rules of authorization, monitoring, and implementation of state aids; and establishment of an independent state aid authority with powers to oversee state aid rules from bilateral agreements.

3.157. Thus, in 2010 Turkey enacted legislation on the Monitoring and Control of State Aids.<sup>95</sup> This legislation provides for the establishment of a Board for the Monitoring and Supervision of State Aids under the Undersecretariat of the Treasury of Turkey. This Board will have the power to authorize state aid schemes and individual aid grants, as well as the authority to recover unlawfully granted aid. However this law is not yet operational, as the secondary legislation has not been enacted yet. The legislation has been delayed twice, the latest until end of 2015; afterwards if the legislation is passed, it would enter into force by the end of 2016.

3.158. Turkey's incentives or support given for investment is covered in Section 2.4.4, those for manufacturing in Section 4.2, for exports in Section 3.2.4, and for SMEs, Section 3.3.1.3. Thus, only the remaining support or state aids are discussed here. Turkey maintains 11 broad state aid programmes supporting a number of areas (Table 3.26).

**Table 3.26 Key features of the State Aid Programmes**

Programme	Aim and beneficiaries	Support	Implementing institutions	Additional information
Research and development projects	<ul style="list-style-type: none"> <li>- Developing the SMEs and entrepreneurs possessing new ideas and inventions</li> <li>- Supporting techno-promoters who have technological ideas,</li> <li>- Disseminating R&amp;D awareness throughout the SMEs and expanding R&amp;D capacity</li> <li>- Enhancing actual R&amp;D support</li> <li>- Supporting innovative activities</li> <li>- Need for support mechanism for the commercialization and the industrial application of the R&amp;D and innovation project's output</li> </ul>	SME Project Support Programme R&D, Innovation and Industrial Practice Support Programme Detailed info: <a href="http://kosgeb.gov.tr/Pages/UI/Destekler.aspx?ref=18">http://kosgeb.gov.tr/Pages/UI/Destekler.aspx?ref=18</a>	KOSGEB	The necessary allowances are provided from the budget of KOSGEB. There are no support programme-based budgets
Environmental protection activities	<ul style="list-style-type: none"> <li>- Encouraging the SMEs to produce more projects to build their businesses up and the professional organizations to produce more projects to improve the small and medium-sized enterprises</li> <li>- By taking the priorities indicated in macro strategy records into consideration, meeting the needs in designated thematic fields</li> <li>- Ensuring SMEs conform to the international legislations and priorities</li> </ul>	- Thematic Project Support Programme  Detailed info: <a href="http://kosgeb.gov.tr/Pages/UI/Destekler.aspx?ref=13">http://kosgeb.gov.tr/Pages/UI/Destekler.aspx?ref=13</a>	KOSGEB	The necessary allowances are provided from the budget of KOSGEB. There are no support programme-based budgets
Participation in international trade fairs and exhibitions	To increase participation in fairs abroad; companies, sectoral foreign trade companies, producers/manufacturers organizations	50% of participation fees (in the case of national participation); 50% of the rental cost of empty stand, and 50% of transportation costs (in the case of individual participation)	Exporters' Unions	Communique 2009/5 Decision No. 2014/4, Communique 2010/5

<sup>95</sup> Law No. 6015, *Official Gazette* No. 27738 of 23 October 2010.

Programme	Aim and beneficiaries	Support	Implementing institutions	Additional information
Certification Aid	To support expenses of SMEs during certification of quality assurance, environmental management systems, and CE marking	Certification Expenses (%50)	Exporters' Unions	Circular No. 2014-8
Operating stores abroad	To promote companies operating stores abroad; companies, and sectoral foreign trade companies	50% of the advertisement, rent, office inventory and decoration expenditures of companies operating a store abroad	Exporters' Unions	
Market Research and Market Access Aid	To create new export markets and increase our share in traditional markets;  Companies and Institution of Collaborations (Exporter Unions, Chamber Of Commerce, Organized Industrial Zones, Sectoral Associations, Sectoral Foreign Trade Companies)	-Market Research Trips (70%) -Buying Market Research Reports (60%) -Financial and Legal Due Diligence Cost for Mergers and Acquisitions (60%) -Participating Sectoral Trade Missions Abroad (50%) -Membership of B2B Websites (70%)	Ministry of Economy	Circular No. 2011-1
Aid For Improving International Competitiveness	To improve clustering approach and support training programmes;  Companies and Institution of Collaborations (Exporter Unions, Chamber Of Commerce, Organized Industrial Zones, Sectoral Associations, Sectoral Foreign Trade Companies)	-Training Programmes Organized by Training Bodies (70%)  -Project-Based Common Activities Organized by Institution of Collaborations (Need Analysis of the SMEs and the Cluster; Project-Based Training and/or Consultancy Programmes; Project-Based International Marketing and Buying Missions; Supporting Employment Costs for Project Staff)(75%)	Ministry of Economy	Circular No. 2010-8
Encouraging designers	To promote activities of designer companies abroad	50% of consultancy fees, rental fees, advertisement, certification expenses and fees for the registration of trade marks	Exporters Unions and Ministry of Economy	Circular No. 2008-2
Technical consultancy activities abroad	To encourage technical consultancy companies to operate abroad	At least 50% of rental fees, advertisement, market research projects, participation fees for fairs, conferences, exhibitions, training programmes, and professional competitions	Ministry of Economy	
Promoting Turkish trademarks and improving the image of Turkish goods (TURQUALITY®)	This accreditation mechanism aims at facilitating family-companies' institutionalization efforts via bringing major consultancy companies together with exporters.	Consultancy companies are accredited by the Ministry of Economy and these companies provide valuable insights for exporters to adopt best practices in their branding and marketing efforts.	Exporters Unions and Ministry of Economy	Communique No.2006/4
General activities	- Enabling also low-capacity SMEs to prepare projects and those in sectors which KOSGEB had recently taken into its target range, to take advantage of KOSGEB supports - Enabling SMEs to produce high quality and efficient goods/services - Revising actual KOSGEB supports to enable more SMEs to take advantage of these supports in a widespread manner - Encouraging the general enterprise development activities of the SMEs in order to increase their competitiveness power and level	- Domestic Fairs Support - Foreign Business Travel Supports - Promotion Support - Matching Support - Support for Employment of Qualified Staff - Consultancy Support - Training Support - Energy Efficiency Support - Design Support - Industrial Property Rights  Detailed info: <a href="http://kosgeb.gov.tr/Pages/UI/Destekler.aspx?ref=16">http://kosgeb.gov.tr/Pages/UI/Destekler.aspx?ref=16</a>	KOSGEB	

Programme	Aim and beneficiaries	Support	Implementing institutions	Additional information
	- Improving the promoting and marketing activities of the SMEs in order to expand their domestic and international market shares			

- a The fair must be organized at least three years in advance, a minimum of 100 companies is required (25 of which must be foreign), and a fair cannot be supported more than twice.

Source: Information provided by the authorities.

### 3.3.2.1 TURQUALITY®

3.159. Turkey's TURQUALITY® is its national branding programme designed to facilitate and support Turkish brands in international markets. It has been in operation since 2004 at the initiative of the Ministry of Economy, TIM, and the Istanbul Textile and Apparel Exporters Association (ITKIB).<sup>96</sup> There have been no changes to the laws or regulations for TURQUALITY® during the review period. Its main objectives are to support companies in their brand-building efforts, undertake public relations activities abroad, create awareness on internationally accepted values like quality, help companies with brand positioning, and act as an incubator for selected Turkish brands.<sup>97</sup> TURQUALITY® is a state-supported branding entity in which the state pays 50% of company expenses for TURQUALITY® support services for branding and entering international markets. There are two main programmes: the branding and TURQUALITY® programmes.

3.160. At the end of 2013 there were 105 brands, with 50 companies participating. In order to receive support, companies must file an application, which includes a detailed development roadmap or study with the input of an accredited consulting firm. The application is then considered by the Ministry of Economy for approval. The state funds 75% of the development roadmap, and 50% of the following expenses: patents, promotional materials, office rent, office set-up costs, certification, showcase and showroom rent, franchise fees, consulting fees, and staffing costs. The maximum amount of support, and number of years that it is supported, depends on the type of expense and whether it is for the branding or TURQUALITY® programme.

### 3.3.2.2 WTO notifications on subsidies

3.161. During the review period Turkey has made two notifications pursuant to Article XVI:1 of GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures to the Committee on Subsidies and Countervailing Measures.<sup>98</sup> Both of these notifications cover agricultural export subsidy programmes, Turk Eximbank programmes, and the investment incentive programmes. However, energy support was included in the 2014 notification but not in the 2015 notification because the support provided by Law No. 5084 of 29 January 2004 on Encouragement of Investments and Employment and certain other laws was valid until December 2012; the law is no longer in force.

## 3.3.3 Competition policy and price controls

### 3.3.3.1 Price controls

3.162. With the exception of electricity, natural gas, pharmaceuticals, telecommunications, and transport, prices are determined by the market. The authority responsible for price controls depends on the product:

- the Energy Market Regulatory Authority is responsible for approving transmission and distribution tariffs, the wholesale price of TETAS (Turkey Electricity Trading Company), and retail sales to "non-eligible" consumers. The Authority is also responsible for approving retail, transmission, storage, and city distribution tariffs for natural gas;

<sup>96</sup> Communiqué No. 2006/4, *Official Gazette* No. 26177 of 24 May 2006 and Notification 2009/14.

<sup>97</sup> TURQUALITY® online information. Viewed at: <http://www.turquality.com/about-us>.

<sup>98</sup> WTO documents G/SCM/N/220/TUR, G/SCM/N/253/TUR/Suppl.1, and G/SCM/N/253/TUR/Suppl.2.

- the Information and Communications Technologies Authority, as the telecoms regulator, regulates or approves services provided by operators<sup>99</sup>;
- the Ministry of Health uses a reference price system to determine prices of pharmaceuticals using the lowest wholesale prices in some EU member States as the reference. Currently, the reference prices are converted into Turkish Lira at a fixed rate of TL 2.0787 to the euro.<sup>100</sup>

### 3.3.3.2 Competition policy

3.163. The Law on the Protection of Competition No. 4054 of 1994 remains the principal legal basis for the promotion and enforcement of competition in goods and services markets. The Turkish Competition Authority (TCA), led by a seven-member competition board, has been responsible for the implementation and enforcement of the law since 1997. Since 2012, the decisions of the competition board can be appealed before the Ankara Administrative Court, as court of first instance, and no longer before the Court of State.

3.164. Secondary legislation, mainly in the form of regulations, is prepared by the TCA and issued by the Board.

3.165. Turkey's competition legislation addresses three principal types of behaviour: anti-competitive agreements, concerted practices, and decisions; abuse of dominant position; and mergers and acquisitions distorting the competitive structure of the market. Agreements that distort, restrict or prevent competition are in principle prohibited, unless the competition board grants an exemption (individual or block exemption). The board may also grant negative clearance, thereby confirming that an agreement, decision, practice or proposed merger or acquisition transaction is not deemed contrary to the competition rules. Any practice affecting the Turkish market is within the scope of the law, including agreements concluded outside Turkey (the effects doctrine).

3.166. The TCA has published several guidelines designed to align its practices with the EU. These include guidelines published in: 2011 (Guidelines on Undertakings Concerned, Turnover and Ancillary Restraints in Mergers and Acquisitions, and Guidelines on Remedies that are Acceptable by the TCA in Merger/Acquisition Transactions); 2013 (Guidelines on Leniency Process; Guidelines on Horizontal Cooperation Agreements, Guidelines on Horizontal Mergers, Guidelines on Non-Horizontal Mergers, Guidelines on the concept of 'Control', and Guidelines on the General Principles of Exemption); and 2014 (Guidelines on the Assessment of Exclusionary Abusive Conduct by Dominant Undertakings).

3.167. In addition, the TCA has published a number of communiqués aimed at enhancing its effectiveness. These include: a 2012 Communiqué on the Application Procedure for Infringements of Competition which provides a list of information required from complainants and aims to avoid the misuse of complaint rights by undertakings or consumers; the Block Exemption Communiqué on Specialization Agreements (2013); and the Communiqué on The Procedures and Principles to be Pursued in Pre-Notifications and Authorization Applications to be Filed with the Competition Authority in Order for Acquisitions via Privatization to Become Legally Valid (2013).<sup>101</sup>

3.168. The TCA has tended to focus its activities on the following sectors: transportation, chemical products, food and beverages, telecommunication, construction services and supplies, and the financial sector. In its annual reports, the agency usually states that cooperation mechanisms are needed between the law-maker and the public authorities responsible for the regulation of these sectors to discuss the measures that need to be taken in relation to those sectors that are

<sup>99</sup> Information and Communication Technologies Authority online information. Viewed at: <http://www.btk.gov.tr/en-US/>.

<sup>100</sup> Tokgöz T (2014), *The Turkish Pharma Market*, Presentation by Turgut Tokgöz, Secretary General to CPhI Worldwide 2014. Viewed at: <https://prezi.com/cnbs28xrddtd/the-turkish-pharma-market/> and information provided by the authorities.

<sup>101</sup> Regulations, Communiqués, and Guidelines issued by the TCA under the Law on the Protection of Competition are available online at: <http://www.rekabet.gov.tr/en-US/Communique-List/Communique-List>.

constantly the subject of competition violations or complaints, despite the investigations conducted by the TCA and the measures taken as a result of these.<sup>102</sup>

3.169. While the number of final decisions adopted by the TCA showed a significant increase between 2010 and 2012, this was followed by a decrease of 33% in 2013 (Table 3.27) due to the drop in merger and acquisition notifications resulting from an amendment to the merger notification rules: for example, the Turkish turnover threshold for notifications was raised from TL 5 million to TL 30 million. The decrease in final decisions is also due to the power granted to the TCA in 2013 to disregard complaints that are not related to competition legislation.

**Table 3.27 Files concluded by the TCA, 2011-14**

Year	Infringement of competition	Exemption/negative clearance	Mergers/acquisitions/joint ventures/privatization	Total
2011	283	54	253	590
2012	303	50	303	656
2013	191	58	213	462
2014	163	59	215	437

Source: OECD documents DAF/COMP/AR(2012)8, 31 May 2012; DAF/COMP/AR(2013)18, 6 June 2013; DAF/COMP/AR(2014)8, 4 June 2014; annual report on competition policy in Turkey (2014).

3.170. Cases involving infringement of competition are investigated under Article 4 (on anti-competitive agreements) and Article 6 (on abuse of dominant position) of the Law on Protection of Competition. These cases make up a large proportion of total investigations carried out by the TCA (Tables 3.28 and 3.29). According to the TCA, investigations into cartels has been an important activity with 10 decisions issued in 2014<sup>103</sup> and five in 2013, which included one in the banking sector where the TCA found that 12 banks had engaged in anti-competitive practices by jointly setting interest rates and fees for various services (deposits, loans and credit cards) and resulted in fines that exceeded the total of all fines previously applied by the TCA.<sup>104</sup>

3.171. Under the Regulation for Leniency and the Regulation on Fines introduced in February 2009, undertakings and individuals found to have participated in a cartel can settle their case by acknowledging their involvement in the cartel and their participation in the enquiry. In return, they may be entitled to a reduced fine or, under certain stringent conditions, no fine at all.<sup>105</sup> The authorities consider the "leniency policy" to be an efficient implementation tool for detection and investigation of cartels since the penalties for breaching competition law can be quite severe. This programme has been used several times during the period under review, including in 2012, in the powder sodium sulphate case where the Competition Board decided that SODAS' application for leniency should be accepted, as a result of which the undertaking's fine was reduced by one third and the fine imposed on its employees was reduced by half.<sup>106</sup>

**Table 3.28 Conclusion of anti-trust files, 2011-14**

Year	Files involving Anti-competitive Agreement (Article 4)	Files involving Abuse of Dominance (Article 6)	Files involving both Article 4 and Article 6	Total
2011	158	95	30	283
2012	168	108	27	303
2013	117	57	17	191
2014	91	48	24	163

Source: OECD documents DAF/COMP/AR(2012)8, 31 May 2012; DAF/COMP/AR(2013)18, 6 June 2013; DAF/COMP/AR(2014)8, 4 June 2014; annual report on competition policy in Turkey (2014).

<sup>102</sup> Turkish Competition Authority (2015), *Annual Report on Competition Policy Developments in Turkey 2014*, pp. 3, 4. Viewed at: <http://www.rekabet.gov.tr/en-US/Annual-Report-List>.

<sup>103</sup> Turkish Competition Authority (2015), *Annual Report on Competition Policy Developments in Turkey 2014*, p. 4. Viewed at: <http://www.rekabet.gov.tr/en-US/Annual-Report-List>.

<sup>104</sup> OECD (2014), *Annual Report on Competition Policy Developments in Turkey – 2013*, DAF/COMP/AR(2014)8, p. 5.

<sup>105</sup> Regulation on Fines to Apply in Cases of Agreements, Concerted Practices and Decisions Limiting Competition, and Abuse of Dominant Position, and Regulation on Active Cooperation for Detecting Cartels. Viewed at: <http://www.rekabet.gov.tr/en-US/Regulation-List>.

<sup>106</sup> OECD (2013), *Annual Report on Competition Policy Developments in Turkey – 2012*, DAF/COMP/AR(2013)18, pp. 6, 7.

**Table 3.29 Examination of anti-competitive agreements under Article 4, 2011-14**

Year	Horizontal Agreements	Vertical Restraints	Files involving both Horizontal Agreements and Vertical Restraints	Total
2011	108	75	5	188
2012	121	67	6	194
2013	67	63	4	134
2014	65	48	2	115

Source: OECD documents DAF/COMP/AR(2012)8, 31 May 2012; DAF/COMP/AR(2013)18, 6 June 2013; DAF/COMP/AR(2014)8, 4 June 2014; annual report on competition policy in Turkey (2014).

3.172. In addition to anti-trust work, a substantial share of the TCA's activity is devoted to merger investigations (Table 3.30). However, the Agency nearly always clears mergers and acquisitions. Thus, during the period under review, no merger or acquisition was blocked although four transactions were cleared under conditions (Table 3.31).

**Table 3.30 Number of mergers/acquisitions/joint ventures/privatization decisions, 2011-14**

Year	Merger	Acquisition	Joint Venture	Privatization	Total
2011	3	168	68	14	253
2012	1	190	91	21	303
2013	1	125	68	19	213
2014	4	130	63	18	215

Source: OECD documents DAF/COMP/AR(2012)8, 31 May 2012; DAF/COMP/AR(2013)18, 6 June 2013; DAF/COMP/AR(2014)8, 4 June 2014; annual report on competition policy in Turkey (2014).

**Table 3.31 Results of mergers/acquisitions/joint ventures/privatization notifications, 2011-14**

Year	Cleared	Cleared under conditions	Blocked	Out of scope (not satisfying thresholds)
2011	191	4	0	58
2012	262	0	0	41
2013	162	0	0	51
2014	169	3	0	43

Source: OECD documents DAF/COMP/AR(2012)8, 31 May 2012; DAF/COMP/AR(2013)18, 6 June 2013; DAF/COMP/AR(2014)8, 4 June 2014; annual report on competition policy in Turkey (2014).

3.173. The TCA can also issue negative clearances and exemptions which deem an activity or agreement is not in contravention of the Law or is covered by one of the block exemptions issued by the Agency (Table 3.32).

**Table 3.32 Negative clearance and exemption, 2011-14**

		2011	2012	2013	2014
<b>Applications granted negative clearance</b>		<b>9</b>	<b>12</b>	<b>10</b>	<b>14</b>
Exemption Files	Cases including Agreements granted individual exemption	21	20	27	30
	Cases including Agreements covered by Block Exemption	6	3	9	4
	Cases including Agreements granted Conditional Individual Exemption	6	8	4	7
	Cases including Agreements denied Exemption	8	5	4	2
	Withdrawal of Exemption	-	-	-	-
	Cases including Agreements where individual and Block Exemption were examined jointly	3	1	3	-

Source: OECD documents DAF/COMP/AR(2012)8, 31 May 2012; DAF/COMP/AR(2013)18, 6 June 2013; DAF/COMP/AR(2014) 8, 4 June 2014; annual report on competition policy in Turkey (2014).

3.174. In some cases the fines imposed by the TCA can be relatively large, particularly in 2013 in the anti-trust case in the financial sector referred to above (Table 3.33).

**Table 3.33 Fines imposed by the TCA, 2011-14**

(TL)

	Year	Total	Anti-trust	Mergers/ Acquisitions	Exemption/ Negative Clearance
Fines related to substance	2011	459,508,920	459,508,920		
	2012	60,411,864	60,411,864		
	2013	1,187,220,597	1,187,220,597		
	2014	468,233,986	468,233,986		
Fines imposed on executives	2011	20,718	20,718		
	2012				
	2013				
	2014				
False or misleading information in an application	2011				
	2012				
	2013	352,664			352,664
	2014				
False or misleading information produced during inspection	2011	12,327	12,327		
	2012	76,129	76,129		
	2013				
	2014				
Finalizing a transaction without permission/ failure to notify	2011	1,698		1,698	
	2012	119,057		119,057	
	2013	242,813		242,813	
	2014	30,452		30,452	
Opposition to inspection	2011	859,518	859,518		
	2012				
	2013	15,540,501	15,540,501		
	2014				

Note: The table does not reflect fines imposed after annulation by the Council of State or the High Administrative Court of decisions of the Competition Board.

Source: OECD documents DAF/COMP/AR(2012)8, 31 May 2012; DAF/COMP/AR(2013)18, 6 June 2013; DAF/COMP/AR(2014) 8, 4 June 2014; annual report on competition policy in Turkey (2014).

3.175. Competition advocacy reflects competition agencies' role as a consultant to the Government and to sector regulatory agencies concerning legislation and regulations that affect competition policy. This mission is considered to be a priority by the TCA. Sector enquiries are also regarded as important tools for competition advocacy. Such enquiries have, for example, been carried out in the distribution of pharmaceuticals sector. In 2013, the TCA also published a report entitled "Public Interventions from a Competition Policy Perspective" which analysed the reasons behind such interventions and the risks they involve. In 2014, the authority also sent, to all relevant stakeholders, its sixth competition letter, entitled "The Relationship between Competition Policy and Non-governmental Organizations/Associations of Undertakings". In 2014, it also published its third competition report on the topic of "Competition Law and Small Medium-Size Enterprises". This report aimed at both educating and informing the SMEs about the competition law as SMEs are believed to be one of the important stakeholders in improving the competition culture in Turkey.

3.176. As undertakings increasingly engage in cross-border deals affecting several countries, Turkey has cooperated with competition authorities outside its jurisdiction. It has also been supportive of greater multilateral cooperation through the International Competition Network (ICN), the UNCTAD Intergovernmental Group of Experts on Competition Policy, and the OECD Competition Committee.

### 3.3.4 State trading, state-owned enterprises, and privatization

#### 3.3.4.1 State Trading Enterprises

3.177. Turkey continues to notify the Turkish Red Crescent (TRCS) as the only state-trading entity pursuant to the provisions of Article XXVII:4(a) and the Understanding on the Implementation of Article XVII. The last full notification was made in 2012 and enumerates 7 HS 12-digit tariff lines pertaining to chemicals or medicines used to fight against malaria and syphilis. Pursuant to the exclusive rights granted to this non-profit aid organization, TRCS is the sole

importer of these products. During the period covered by the notification, 2010-11, only potassium iodide was imported, amounting to 18,000 and 20,000 kg in 2010 and 2011, respectively.<sup>107</sup>

### 3.3.4.2 State-owned enterprises (SOEs)

3.178. The Turkish Decree Law on State-Owned Enterprises<sup>108</sup> dates from 1984 and sets up the formation of state-owned enterprises and their subsidiaries, their economic needs and productivity, and the specific provisions granted to them.<sup>109</sup> In 2009 a Communiqué was issued regarding the notification, reporting and monitoring of SOEs in order to increase transparency and accountability.<sup>110</sup> It became mandatory for SOEs to establish an internal control system<sup>111</sup> and internal audit unit<sup>112</sup> with reference to the Annual General Investment and Financing Programmes.<sup>113</sup> According to the 2015 Annual General Investment and Financing Programme, SOEs have to establish an internal control system by the end of 2016. In addition, SOEs were subject to independent external audit starting from 2015 according to a Cabinet Decree<sup>114</sup> prepared with reference to the Turkish Commercial Code.<sup>115</sup>

3.179. The Directorate General of State-Owned Enterprises under the Undersecretariat of the Treasury has the role of oversight of SOEs. Its main role is to exercise ownership functions on behalf of the state, monitor that their activities are in accordance with laws and regulations, contribute to policy development for SOEs, and provide for the efficient functioning of SOEs. They also have a role in consolidating and monitoring the financial and non-financial data of the SOEs. Between 2011-14, SOEs exhibited significant growth in income and assets of 46% and 27% respectively. Profitability initially increased during this period but then decreased, in particular in 2014 when it turned negative. The decrease in profitability mainly stems from the accounting rules related to the privatization process.<sup>116</sup> The number of employees of SOEs fell by 7.5% over the period. Thus, SOEs have become more efficient users of state resources over the period (Table 3.34).

**Table 3.34 Overview of State-owned enterprises key indicators, 2011-14**

	2011	2012	2013	2014 <sup>a</sup>
Gross income	77,586	96,391	103,487	112,905
Total assets	96,203	107,824	119,566	121,845
Rate of return on equity	0.03	0.05	0.08	-0.03
Per capita operating profit	0.02	0.03	0.06	-0.02
Number of employees (persons)	117,976	115,847	112,833	109,173
Budget transfers to SOEs	7,008	6,621	7,320 <sup>b</sup>	8,775
Payments to the state budget by SOEs	3,578	3,139 <sup>b</sup>	6,207	8,307
Profitability	3,185	4,595	8,147	-1,125

a Provisional.

b Revised.

Source: Directorate General of State-Owned Enterprises, State-Owned Enterprises Annual Report 2013, online information. Viewed at: <https://www.hazine.gov.tr/tr-TR/Rapor-Sunum-Sayfasi?mid=615&cid=27&nm=300#> and information provided by the authorities.

3.180. Turkish public enterprises are required to report annually to the Directorate General of State-Owned Enterprises. Each year a decree is enacted by the Government on the financing and

<sup>107</sup> WTO document G/STR/N/14/TUR, 15 June 2012.

<sup>108</sup> The companies subject to Decree Law No. 233 are called SOEs.

<sup>109</sup> Decree Law No. 233 of 8 June 1984. Legislation of Turkey website, online information. Viewed at: <http://www.mevzuat.gov.tr/Metin.Aspx?MevzuatKod=4.5.233&MevzuatIliski=0&sourceXmlSearch=>.

<sup>110</sup> Official Journal No. 27261 of 17 June 2009.

<sup>111</sup> Official Journal No. 27379 (Repeated) of 17 October 2009.

<sup>112</sup> Official Journal No. 28815 of 8 November 2013.

<sup>113</sup> Cabinet Decree prepared according to the Decree Law No. 233.

<sup>114</sup> Official Journal No. 28537 of 23 January 2013.

<sup>115</sup> Law No. 6102.

<sup>116</sup> Normally, when a private company sells its fixed assets, fixed assets are excluded from the balance sheet and the revenue from this transaction is transferred to bank accounts of the company. However, when a part of an SOE is privatized, the related fixed asset values are excluded from the balance sheet and since the revenue is transferred to Privatization Fund in place of the accounts of SOEs, SOEs record extra ordinary loss because of this transaction.

budget of SOEs. As of the end of October 2015, there were a total of 36 majority-owned companies in the Treasury and Privatization portfolio. The largest SOEs were companies operating in industry, in particular mining, energy, and transport (Table 3.35).

**Table 3.35 List of majority-owned public enterprises in the Treasury and Privatization Portfolio as of 31 October 2015**

Enterprise	Sector	% Public ownership
<b>A. Treasury portfolio</b>		
<b>1. State-owned enterprises</b>		
<b>State economic enterprises</b>		
MKEK (Makina ve Kimya Endüstrisi Kurumu) (Machinery and Chemical Industries)	Manufacturing	100%
DMO (Devlet Malzeme Ofisi Genel Müdürlüğü) (State Supply Office)	Manufacturing	100%
TTK (Türkiye Taşkömürü Kurumu) (Turkish Hard Coal Enterprise)	Mining	100%
TKİ (Türkiye Kömür İşletmeleri Kurumu Genel Müdürlüğü) (Turkish Coal Enterprises)	Mining	100%
Eti Maden İşletmeleri Genel Müdürlüğü (Directorate General of Eti Mine Works)	Mining	100%
EUAS (Elektrik Üretim Anonim Şirketi) (Electricity Generation Company)	Energy	100%
TEİAS (Türkiye Elektrik İletim A.Ş.) (Turkish Electricity Transmission Company)	Energy	100%
TETAS (Türkiye Elektrik Ticaret ve Taahhüt A.Ş.) (Turkish Electricity Trading and Contracting Company)	Energy	100%
BOTAS (Boru Hatları ile Petrol Taşıma A.Ş.) (Petroleum Pipeline Corporation)	Oil and natural gas	100%
TPAO (Türkiye Petrolleri Anonim Ortaklığı) (Turkish Petroleum Corporation)	Oil and natural gas	100%
TMO (Toprak Mahsülleri Ofisi) (Turkish Grain Board)	Agriculture and livestock	100%
CAYKUR (Çay İşletmeleri Genel Müdürlüğü) (Directorate General of Tea Enterprises)	Agriculture and livestock	100%
TIGEM (Tarım İşletmeleri Genel Müdürlüğü) (Directorate General of Agricultural Enterprises)	Agriculture and livestock	100%
ESK (Et ve Süt Kurumu Genel Müdürlüğü) Meat and Milk Board	Agriculture and livestock	100%
TCDD (T.C. Devlet Demiryolları İşletmesi Genel Müdürlüğü) (Turkish State Railways)	Transport	100%
<b>Public economic institutions</b>		
DHMI (Devlet Hava Meydanları İşletmesi Genel Müdürlüğü) (Directorate General of State Airports Authority)	Transport	100%
KEGM (Kıyı Emniyeti Genel Müdürlüğü) (Directorate General of Coastal Safety)	Transport	100%
<b>2. Majority public-owned banks having a special law</b>		
T.C. Ziraat Bankası A.Ş. (Ziraat Bank)	Banking	100%
Eximbank (Türkiye İhracat Kredi Bankası A.Ş.) (Export Credit Bank of Turkey)	Banking	100%
T. Kalkınma Bankası A.Ş. (Development Bank of Turkey)	Banking	99.08%
Tasfiye Halinde T. Emlak Bankası A.Ş.	Banking	99.99%
Türkiye Cumhuriyet Merkez Bankası (Central Bank of the Republic of Turkey)	Banking	55.12%
<b>3. Other enterprises having a special law</b>		
TURKSAT (TÜRKSAT Uydu Haberleşme Kablo TV ve İşletme A.Ş.) (Turkish Satellite Communication and Cable Operation)	Telecommunications	100%
TRT (Türkiye Radyo-Televizyon Kurumu) (Turkey Radio-Television Corporation)	Broadcasting	100%
AOC (Atatürk Orman Çiftliği Müdürlüğü) (Ataturk Forest Farm)	Food production	100%
PTT (Posta ve Telgraf Teşkilatı A.Ş.) (Post and Telegraph Organization)	Post and telecommunications	100%

Enterprise	Sector	% Public ownership
<b>B. Privatization Portfolio</b>		
<b>Corporations within the context and programme of privatization</b>		
T. Halk Bankası A.Ş. (Halkbank)	Banking	51.11%
Sumer Holding (Textiles)	Manufacturing	100%
Doğusan Boru Sanayii ve Ticaret A.Ş. (Pipe Industry and Trade)	Manufacturing	56.09%
KBI (Tasfiye Halinde Karadeniz Bakır İşletmeleri A.Ş.) (Copper Industries)	Mining	99.99%
TEMSAN (Türkiye Elektromekanik Sanayi A.Ş.) (Turkey Electro-Mechanical Industry Directorate)	Manufacturing	100%
TEDAS (Türkiye Elektrik Dağıtım A.Ş.) (Turkey Electrical Distribution)	Energy	100%
ADUAS (Ankara Doğal Elektrik Üretim ve Ticaret A.Ş.) (Ankara Electric Enterprises)	Energy	100%
tta Gayrimenkul A.Ş. Genel Müdürlüğü (tta Real Estate Inc.)	Agriculture	100%
TSFAS (Türkiye Şeker Fabrikaları A.Ş.) (Turkey Sugar Factories Inc.)	Agriculture	100%
TDI (Türkiye Denizcilik İşletmeleri A.Ş.) (Turkey Shipping Enterprises)	Transport	100%

Source: Republic of Turkey, Undersecretariat of Treasury online information. Viewed at: <https://www.hazine.gov.tr/tr-TR/Mevzuat-Sunum-Sayfasi?mid=351&cid=33&nm=298#> and information provided by the authorities.

### 3.3.4.3 Privatization

3.181. Turkey began its privatization process in the 1980s with a framework that continued until 1994 when the Law on Privatization was enacted.<sup>117</sup> This 1994 law continues to be the main framework in Turkey for the privatization of public enterprises and no major amendments to the law have occurred during the review period.

3.182. The law provides the framework, including the establishments (known as organizations) to be placed under the scope of privatization; the creation of the Privatization High Council and Privatization Administration and their duties related to the law; the establishment of a privatization fund; methods of privatization including value assessment and tender methods; and the transfer of personnel in the organizations including their possible job loss compensation. The Law has a specific provision with respect to privatization involving the sale or transfer of real estate for foreign persons or legal entities.

3.183. Privatization methods, pursuant to the law, are provided by sale, lease, grant of operational rights; establishment of property rights other than ownership; and a profit-sharing model and other legally defined methods depending on the nature of the business. Foreign investors may participate in the bidding in accordance with the Foreign Direct Investment Law No. 4875 enacted on 5 June 2003. In addition to the privatization of strategic sectors, the law provides for the privatization of public services to be achieved through the granting of operational rights subject to a separate law put in place for such services. The privatization law also provides for sales to foreigners through sales to foreign investors and international offerings. Foreign investors in real estate sales are subject to the Land Registry Law No. 2644. There is no legal limit on sales of SOEs to foreigners.

3.184. The overarching goals of Turkey's privatization law are to improve productivity in the economy and reduce public expenditure. Privatization is also seen to promote the development of capital markets and reallocate resources towards new investments. So far the total income from privatization was US\$66.91 billion for the period 1986-September 2015.<sup>118</sup>

3.185. Two hundred and four organizations have been completely privatized as of September 2015. Since 1985, the privatization portfolio has mainly included real estate organizations and

<sup>117</sup> Law No. 4046. Republic of Turkey Privatization Administration website, online information. Viewed at: [http://www.oib.gov.tr/baskanlik/yasa\\_eng.htm](http://www.oib.gov.tr/baskanlik/yasa_eng.htm).

<sup>118</sup> Republic of Turkey Privatization Administration website, online information. Viewed at: [http://www.oib.gov.tr/program/uygulamalar/yillara\\_gore.htm](http://www.oib.gov.tr/program/uygulamalar/yillara_gore.htm).

state shares in companies, followed by establishments.<sup>119</sup> As of 30 September 2015, the privatization portfolio included 22 companies in the privatization scope and programme. The privatization portfolio of 12 organizations accounts for over 50% of the public shares. In addition, the privatization portfolio includes 623 real estate holdings, 49 plants, 2 ports, 8 toll motorways and 2 bridges with lottery licence rights (Table 3.36).

**Table 3.36 Overview of organizations in the privatization portfolio, 2015, by sector**

Sector	Organizations
Toll motorways	Edirne-Istanbul-Ankara Pozanti-Tarsus-Mersin, Tarsus-Adana-Gaziantep, Toprakkale-İskenderun, İzmir-Çeşme, İzmir-Aydın Gaziantep-Sanlıurfa, İzmir, Ankara Peripheral Motorways and Boğaziçi, Fatih Sultan Mehmet Bridges
Energy	Ankara Doğal Elektrik Üretim ve Ticaret A.Ş.a, Kayseri ve Civarı Elektrik T.A.Ş., Hamitabat Elektrik Üretim A.Ş., Türkiye Elektrik Dağıtım A.Ş.1, Türkiye Elektromekanik Sanayi A.Ş. (TEMSAN), Elektrik Üretim A.Ş. of Power Generation Plants
Banking	T.Halk Bankası A.Ş.a (51% shares)
Construction	Doğusan Boru Sanayi ve Ticaret A.Ş.
Ports	İzmir Port, Fenerbahçe-Kalamış Marina
Sugar processing	Kayseri Şeker Fabrikası A.Ş. (11.7% minority share), Türkiye Şeker Fabrikaları A.Ş.a (25 sugar factories and other manufacturing institutions)
Textile, leather, ceramics, carpet	Sümer Holding A.Ş.a (comprises various factories and institutions)
Maritime	T. Denizcilik İşletmeleri <sup>a</sup> (Port and maritime services)
Copper	KBI-Karadeniz Bakır İşletmeleri A.Ş.a (under liquidation)
Airline	THY-Türk Hava Yolları A.Ş.a (49% of minority shares)
Chemicals	Hidrojen Peroksit Sanayi ve Tic. A.Ş. (28.2% of minority shares)
Telecommunication	Türk Telekomünikasyon A.Ş.a (30% of minority shares)
Lottery	Milli Piyango (National Lottery)
Real Estate Projects	Various real estate of government institutions
Plant and other assets	Rivers Run Plants (52)

a Some of the shares of these companies have already been privatized.

Source: Republic of Turkey Privatization Administration website, online information. Viewed at: [http://www.oib.gov.tr/program/uygulamalar/privatization\\_in\\_turkey.htm](http://www.oib.gov.tr/program/uygulamalar/privatization_in_turkey.htm) and [http://www.oib.gov.tr/portfoy/portfolio\\_general.htm](http://www.oib.gov.tr/portfoy/portfolio_general.htm), and information provided by the authorities.

3.186. During the review period, the number of privatizations has increased, with only a few organizations privatized in 2011-12, and over 15 during 2013-14. Most of these privatizations have been in the electricity distribution and power generation industries (Table 3.37). Furthermore, a number of organizations have been in the privatization portfolio for a long time without being privatized due to economic, social, and political reasons.

<sup>119</sup> Republic of Turkey Privatization Administration website, online information. Viewed at: [http://www.oib.gov.tr/program/uygulamalar/privatization\\_in\\_turkey.htm](http://www.oib.gov.tr/program/uygulamalar/privatization_in_turkey.htm).

Table 3.37 Significant privatization implementations, 2011-30 September 2015

Name of the privatized companies	Area of activity	Date of privatization	Total (notional) market value of the company, on the basis of its privatization price (US\$ million)	Percentage of equity sold to the new controlling investor	Percentage of equity issued on or already in the stock market	Percentage of the equity still owned by the Government
Trakya Elec. Distribution	Electricity Distribution	2011	575	100%		
İskenderun Sea Port	Port Operation	2011	372	Transfer of Operating Rights		
Petkim Holding	Petrochemicals	2012	169	11%		
Halkbank	Banking	2012	2,520	23.92%	24.98%	51.1%
Baskent Natural gas Distr.	Natural gas distribution of Ankara and its vicinity	2013	1,162	100%		
Hamitabat Natural gas fired Power Generation Plant	Power Generation	2013	105	100%		
Akdeniz Elect. Dist	Electricity Distribution	2013	546	100%		
Boğaziçi Elect. Distribution	Electricity Distribution	2013	1,960	100%		
Gediz Elect. Distribution	Electricity Distribution	2013	1,231	100%		
Aras Elect. Distribution	Electricity Distribution	2013	129	100%		
Dicle Elect. Distribution	Electricity Distribution	2013	387	100%		
Vangölü Elect. Distr.	Electricity Distribution	2013	118	100%		
AYEDAS, Elect. Distr. Anatolian side of Istanbul	Electricity Distribution	2013	1,227	100%		
Toroslar Elec. Distr.	Electricity Distribution	2013	1,725	100%		
Seyitömer Coal fired power gen.	Power Generation	2013	2,248	Asset sale for the plant and Transfer of Operating Rights for the coal mine.		
Kangal Coal fired power gen.	Power Generation	2013	985	100%		
Various small river on run power gen.	Power Generation	2013	195	Transfer of Operating Rights		
Various real estate of Min. of Finance	Real Estate	2013	407			
Port of Salıpazari	Cruise Port Operation	2014	702	Transfer of Operating Rights		
Yatağan Coal fired power gen.	Power Generation	2014	1,091	100%		

Name of the privatized companies	Area of activity	Date of privatization	Total (notional) market value of the company, on the basis of its privatization price (US\$ million)	Percentage of equity sold to the new controlling investor	Percentage of equity issued on or already in the stock market	Percentage of the equity still owned by the Government
Çatalağzı Coal fired power gen.	Power Generation	2014	350	100%		
Kemerköy, Yeniköy Coal fired power gen.	Power Generation	2014	2,671	100%		

Source: Information provided by the authorities.

### 3.3.5 Government procurement

#### 3.3.5.1 Basic legal framework

3.187. Public procurement in Turkey is governed by the Public Procurement Law (PPL)<sup>120</sup> and the Public Procurement Contracts Law (PPCL)<sup>121</sup>, which were adopted in 2002 and entered into force in 2003. They cover procurement undertaken at the central government and sub-central levels. The laws have been supplemented by the Regulation on Implementation of Services Procurements; Regulation on Implementation of Goods Procurements; Regulation on Implementation of Works Procurements; Regulation on Implementation of Consultancy Services Procurements; Regulation on Implementation of Electronic Procurement; Regulation on Administrative Applications against Procurements; Regulation on Framework Agreements; and Regulations on Inspection and Acceptance (Works, Services, Goods, Consultancy Services).

3.188. Since its entry into force, the PPL has been amended several times. A significant and extensive amendment was adopted in October 2008, to align Turkey's public procurement legislation with the EU *acquis*<sup>122</sup>, and the latest amendment dates from April 2015. The main changes to the procurement legislation during 2011-15 include amendments to Law Nos. 6359, 6504, 6518, and 6552 that amended the provisions of Public Procurement Law and Public Procurement Contracts Law (Table 3.38). The new amendments have increased the flexibility of decision-making in the evaluation of abnormally low tenders. Furthermore, the obligation to register with the Electronic Public Procurement Platform (EPPP) is a significant step in reaching a fully electronic procurement system.

<sup>120</sup> Law No. 4734.

<sup>121</sup> Law No. 4735.

<sup>122</sup> See WTO document WT/TPR/S/259, para. 109.

Table 3.38 Main amendments to Turkey's procurement legislation, 2011-15

Law and date of amendment	Before amendment	After amendment
Law No. 6518, <i>Official Gazette</i> No. 28918 of 19 February 2014	Before rejecting abnormally low tenders, the contracting entity shall request explanation from the related tenderers.	<p><b>Evaluation of abnormally low tenders:</b> According to Article 38 of PPL, the Public Procurement Authority is entitled to set limit values and enquiry criteria in order to identify and evaluate abnormally low tenders and to determine economically most advantageous tender in accordance with the type, characteristics and estimated cost of the subject matter of the procurement and the procedure; to conclude a procurement procedure without requiring the explanation provided for in this article; also in case of procurement of services and works of which the estimated costs are up to half of the threshold values provided for in Article 8 of PPL, to make regulations regarding the rejection of tenders which are below the limit values without requiring explanation provided for in this article. Also, tender commission shall use the regulations for the implementation of this article.</p> <p>The Public Procurement Authority determined 3 different rules regarding the evaluation of abnormally low tenders. In this regard, provided that it is stated in prequalification notice and document:</p> <p>(1) Before rejecting abnormally low tenders, the contracting entity shall request explanation from the related tenderers; or</p> <p>(2) The contracting authority may conclude a procurement procedure without requiring an explanation; or</p> <p>(3) The contracting authority may decide to reject tenders which are below the limit values without requiring an explanation.</p>
Amended in Regulation on Implementation of Works Procurements: <i>Official Gazette</i> No. 29023 of 7 June 2014	There was not such a registration requirement to EPPP.	<p><b>Provision of procurement and pre-qualification documents:</b> It is compulsory that procurement and pre-qualification documents be purchased from the contracting authority or downloaded from EPPP by using an e-signature. The fee for the document shall not be paid when it is downloaded from EPPP by using e-signature.</p> <p>According to the new regulations, it is mandatory for domestic tenderers to be registered to the EPPP and to be willing to participate in the pre-qualification or tender proceedings.</p> <p>Also, prequalification and tender documents may be reviewed free of charge at EPPP and the address of the administration specified in the notice.</p> <p><b>Work experience certificates:</b> It is mandatory that work experience certificates be registered into the EPPP</p>
	There was not such a requirement.	

Law and date of amendment	Before amendment	After amendment
Law No. 6518, <i>Official Gazette</i> No. 28918 of 19 February 2014	There was not such a different performance bond regime regarding abnormally low tenders.	<b>Performance bond for abnormally low tenders:</b> In order to ensure that the commitment is performed in accordance with the provisions of the contract and procurement documents, a performance bond calculated at 6% of the contract value shall be received from the successful tenderer prior to signing of the contract. On the other hand, in case the bid price of the successful tenderer is below the limit value determining an abnormally low tender, the Public Procurement Authority may make regulations regarding the performance bond to be received from this tenderer provided that it is not less than 6% and not more than 15% of the estimated cost. It is determined as 9% by the Public Procurement Authority in the Implementation Regulation. In other words, if an abnormally low tender is determined as the economically most advantageous tender, a performance bond shall be received as an amount equal to 9% of the estimated value.
Law No. 6518, <i>Official Gazette</i> No. 28918 of 19 February 2014	There was not such a regulation.	<b>Joint procurement:</b> A single procurement procedure may be held by implementing the procedures stated in PPL for the purpose of meeting common needs of two or more contracting authorities regarding goods and services and maintenance and repair.
Law No. 6518, <i>Official Gazette</i> No. 28918 of 19 February 2014	Contracting authorities may insert some provisions to the tender documents with regard to a price advantage of up to 15% that would apply to domestic tenderers who offer products which are accepted as domestic products.	<b>Domestic Tenderers:</b> It is mandatory to provide a price advantage up to 15% in favour of tenderers offering domestic products in procurement of goods which are listed as medium- and high-technology industry products.
Law No. 4734, <i>Official Gazette</i> No. 29319 of 7 April 2015	Goods and service purchases of Directorate General of Turkish Radio-Television Corporation from The Anatolian News Agency were within the scope of PPL.	<b>New exemption:</b> New exemption was added to Article 2 regarding the procurement of goods and services by the Directorate General of Turkish Radio-Television Corporation from The Anatolian News Agency with regard to any kind of programme, news, production and publication.
Law No. 4735, <i>Official Gazette</i> No. 29335 of 23 April 2015	There was not such a regulation.	<b>Contracts:</b> Liabilities regarding occupational health and safety were added to the matters that must be covered in the public procurement contracts.
Law No. 6359, <i>Official Gazette</i> No. 28463 of 10 November 2012	In the former version, court order or contracting authority decision was not required for prohibition.	<b>Prohibition rule:</b> Those who are temporarily or permanently prohibited by a contracting authority or court order from participating in public procurements pursuant to provisions of this Law or other laws cannot participate in any procurement, directly or indirectly or as a sub-contractor, either on their own account or on behalf of others.
Law No. 6504, <i>Official Gazette</i> No. 28835 of 28 November 2013	There was not such a regulation.	<b>Scope of direct procurement:</b> The method of direct procurement may be applied in periods of: election of the president by the public, holding referendums of laws regarding the constitutional amendments, general and by-elections of parliament, general and by-elections of local administration and neighbourhood mukhtar, procurement of watermarked voting paper and watermarked voting envelope paper, procurement of services regarding voting paper printing, voting envelope production and procurement of all kinds of election materials for mentioned elections and any overseas election spending for the need of Supreme Election Board, and procurement of voting paper printing service by the chairmanships of Provincial Election Boards.
Law No. 6552, <i>Official Gazette</i> No. 29116 of 19 September 2014	There was not such an exemption.	<b>New exemption:</b> Procurement of goods, services and works to be realized in 2014 and 2015 within the scope of G-20 Presidency, which Turkey will undertake for the year of 2015, is not subject to the PPL.

Source: Public Procurement Agency online information. Viewed at: <http://www.ihale.gov.tr/Mevzuat.aspx> and information provided by the authorities.

3.189. In addition to the above-mentioned laws and regulations, there are specific procurement rules for procuring entities governed by public law. Special laws regarding procurement by enterprises that carry out activities in the energy, water, transportation, and telecommunications sectors are pending. With respect to SOEs, according to PPL, any institution, organization, association, enterprise, or corporation in which more than half of the capital, directly or indirectly, together or separately, is owned by those within the scope of PPL, follows the rules of PPL.

3.190. Exemptions to the procurement law are also granted to the relevant ministries for matters related to defence, security, or intelligence. Certain sectors or areas such as utilities, prisons, schools, state railways, air transport, and research and development activities are also not covered by PPL. However, there is no institution in which purchases are totally outside of the scope of PPL. Furthermore, an exemption does not cover all public procurements of certain sectors or areas, but it covers only some specific purchases. Goods, services and works procurement, which are decided by the relevant Ministry to be related to defence, security or intelligence, can be completely outside the scope of PPL. Moreover, procurement of goods and services, including offsets, for the purposes of innovation, naturalization, and technology transfer are outside the scope. An implementation regulation regarding this exemption was adopted by the Ministry of Science, Industry and Technology.

### 3.3.5.2 Procurement market and statistics

3.191. In 2014, public procurement in Turkey accounted for approximately 7% of GDP. Most procurement is through PPL, and although direct procurement has been significant, it has fallen during the period of review to 6.5% of total procurements in 2014. On average, exemptions and exclusions account for less than 10% of procurements (Table 3.39). Approximately half of the annual amount procured is open to foreign suppliers. Over the period 2011-14, the percentage subject to a price advantage to domestic suppliers ranged from 29 to 42% of the amount open to foreign suppliers (Table 3.40). The vast majority of procurement is from Turkish suppliers, averaging over 97% during the period. The next largest suppliers are the EU and U.S., which accounted for 0.9% and 0.1% of 2014 procurement levels, respectively (Table 3.41).

**Table 3.39 Procurement values, 2010-14**

Year	PPL		Direct procurement		Exemption		Exclusion		Total amount of public procurement	
	Amount of contract (1,000 TL)	%	Amount of contract (1,000 TL)	%	Amount of contract (1,000 TL)	%	Amount of contract (1,000 TL)	%	Amount of contract (1,000 TL)	%
2010	54,291,186	78.1	5,866,929	8.4	9,352,169	13.5	-	-	69,510,284	100
2011	62,958,815	68.6	16,912,958	18.4	11,870,195	12.9	29,438	0.03	91,771,406	100
2012	76,634,709	81.2	10,554,256	11.2	7,121,725	7.5	88,033	0.09	94,398,722	100
2013	89,237,530	84.6	6,433,774	6.1	9,273,471	8.7	619,325	0.59	105,504,100	100
2014	97,420,824	85.8	7,419,983	6.5	8,393,401	7.4	206,708	0.23	113,494,916	100

Source: Information provided by the authorities.

**Table 3.40 Domestic preferences, 2010-14**

Year	Open to foreign suppliers (1,000 TL)	Price advantage for domestic suppliers in procurements open for foreign suppliers (1,000 TL)	%
2010	36,118,855	7,629,614	21.1
2011	38,540,528	13,175,547	34.2
2012	49,330,467	20,569,063	41.7
2013	56,327,860	21,265,178	37.8
2014	68,416,378	19,912,863	29.1

Source: Information provided by the authorities.

**Table 3.41 Major procurement suppliers, 2010-14**

Year	Turkey		EU		U.S.		Other	
	Amount of contract (TL 1,000)	%	Amount of contract (TL 1,000)	%	Amount of contract (TL 1,000)	%	Amount of contract (TL 1,000)	%
2010	62,497,212	98.2	793,000	1.3	103,029	0.16	250,114	0.4
2011	71,004,795	94.9	3,495,440	4.7	140,937	0.19	217,276	0.3
2012	81,514,069	97.2	1,051,825	1.3	59,713	0.08	1,218,589	1.5
2013	97,014,878	97.9	1,310,054	1.3	55,421	0.06	689,973	0.7
2014	104,359,989	98.4	975,251	0.9	64,973	0.06	674,717	0.6

Source: Information provided by the authorities.

### 3.3.5.3 Institutional framework

3.192. Public procurement falls within the authority of the Ministry of Finance, which is responsible for core policy making, and a dedicated procurement authority, the Public Procurement Agency (PPA). The State Supply Office (DMO), an affiliate organization of the Ministry of Finance, acts as a central purchasing body. However, public organizations are not obliged to purchase from DMO.

3.193. An EBRD country assessment dating from 2010 describes the PPA as organizationally and financially independent.<sup>123</sup> It is comprised of the Presidency and its office and the Public Procurement Board, as well as service units.<sup>124</sup> The latter is the decision organ of the PPA and consists of nine members appointed for a period of four years by the Council of Ministers upon the proposal of the Ministry of Finance. The PPA prepares, develops and guides the implementation of all the legislation concerning the PPL and Public Procurement Contracts Law; provides training on procurement legislation; gathers information related to the contracts and tender proceedings; compiles and publishes statistics related to quantity, price and other issues; keeps records of those who are prohibited from participating in tenders; determines the principles and procedures concerning the establishment and operation of the Electronic Public Procurement Platform as well as the use of electronic means during the procurement process; provides opinions to contracting authorities about public procurements; regulates the principles and procedures with regard to tender notices; publishes the Public Procurement Bulletin in printed or electronic media; and prepares standard procurement documents to be issued for the implementation of PPL.

3.194. The PPA may provide proposals to the Council of Ministers with respect to reciprocity in cases where it is established that domestic tenderers are prevented from participating in procurement proceedings in foreign countries. This is to ensure that the relevant measures can be taken if necessary; however, this provision has not been used thus far.

### 3.3.5.4 Domestic review

3.195. Suppliers who feel that they have suffered a loss of right or damage due to unlawful procedures or actions within the tendering process may file a complaint to the contracting entity and then an appeal to the PPA. Furthermore, all decisions of the PPA can be challenged before the courts. This enforcement mechanism is designed to be simple and the application fees required by the PPL are not intended to be prohibitive. Tenderers have the right to seek remedial action, and the Administrative Jurisdiction Procedural Law provides for their right to seek compensation.

3.196. There are no statistics on the number of complaints submitted to contracting authorities. However, the number of appeals submitted to the Public Procurement Authority is approximately 4% of public procurement contracts per year (Table 3.42).

<sup>123</sup> EBRD online information. Viewed at: <http://ppl-report.ebrd.com/>.

<sup>124</sup> Public Procurement Agency online information. Viewed at: [http://www.ihale.gov.tr/teskilat\\_semasi-58-2.html](http://www.ihale.gov.tr/teskilat_semasi-58-2.html).

**Table 3.42 Appeals to the Public Procurement Authority, 2010-14**

Year	Number of complaints	Percentage of public contracts subject to complaints
2010	4,281	3.2
2011	4,670	3.8
2012	5,282	4.4
2013	5,093	4.4
2014	3,942	3.9

Source: Information provided by the authorities.

### 3.3.5.5 National preferences

3.197. There are two different kinds of national preferences that are currently allowed by the PPL. First, if the value of the contract in question is below the threshold (for goods and services if the estimated cost is no more than TL 923,721 for contracting entities included in the general or annexed budget; TL 1,539,538 for other covered contracting entities; and for works, TL 33,870,025) a procuring entity may confine the participation of procurement proceedings solely to domestic suppliers or contractors.

3.198. Secondly, regardless of the value of the contract, whether below or above the threshold, in procurement of service and works, up to a 15% price advantage may be granted for all domestic tenderers, and in procurement of goods, up to a 15% price advantage may be granted for tenderers who offer domestic products, as determined by the Ministry of Science, Industry and Technology and other relevant institutions. However, this provision is not applicable for the domestic tenderers who participate in the tender proceedings by forming joint ventures with foreign tenderers. The percentage of price advantage is determined solely by the contracting entity or by a related Ministry contracting entity within the range of 0 to 15%.

3.199. The price of a tender submitted by a domestic supplier or contractor is calculated by adding a percentage of the tender price to the bid price of a foreign tenderer, and this adjusted price is used during the evaluation process.

3.200. The application of both above-mentioned types of national preferences is not mandatory; it is an option which the contracting entity may utilize, but it is not obliged to do so. However, in February 2014, the 'omnibus' law amended various aspects of Turkish public procurement legislation and introduced restrictive measures that make the previously optional domestic price advantage of up to 15 % compulsory for 'medium and high-technology industrial products'. These industrial products will be determined by the PPA with the input of the Ministry of Industry each year in January but generally cover medical devices and pharmaceutical products.

### 3.3.5.6 Participation in international agreements covering government procurement

3.201. Turkey has been participating as an observer in the WTO Committee on Government Procurement since June 1996.<sup>125</sup> Turkey has not concluded any regional trade agreements with government procurement chapters providing market access rights to foreign suppliers.

### 3.3.6 Intellectual property rights

3.202. The main institutions responsible for intellectual property matters in Turkey remain the Directorate General of Copyrights in the Ministry of Culture and Tourism (for copyright and related rights)<sup>126</sup>; the Turkish Patent Institute (TPI) for patents, trademarks, geographical indications, designs and chip topographies; and the Ministry of Food Agriculture and Livestock for plant

<sup>125</sup> WTO document GPA/M/2, 23 July 1996.

<sup>126</sup> The Directorate General of Copyrights' website. Viewed at: <http://www.telifhaklari.gov.tr/ana/default.asp#>.

breeders' rights.<sup>127</sup> The Intellectual and Industrial Property Coordination Board convenes twice per year to develop IPR strategies and improve coordination among its participating institutions.<sup>128</sup>

3.203. Turkey has instituted a number of strategies during the review period that have had an impact on IP policy. The National Intellectual and Industrial Property Strategy paper provides an overall strategy for the sector for 2015-18.<sup>129</sup> It has four main goals: legislation and practice in line with Turkey's need to improve intellectual property rights with effective implementation; ensuring adequate human and institutional capacity for the judicial, customs and law enforcement services actively involved in protecting intellectual property rights; to improve the effectiveness of the mechanisms for commercialization, market perception, and infrastructure in developing intellectual property rights; and increase public awareness about the intellectual property rights system, with the target of becoming an information- and knowledge-based society.

3.204. A Working Group on identifying national policies for geographical indications (GIs) was established. There were five goals for the strategy: developing a policy in parallel to the developments of national and international legislation and administrative developments; developing and improving the capacity for scientific geographical indicators; effective protection of GIs in all sectors of society and raising awareness; creation of a functioning and effective control system for the preparation of the application, improving the quality of applications; and to improve the effectiveness of marketing, increasing the value added of GIs.<sup>130</sup>

3.205. With respect to genetic resources, traditional knowledge and traditional cultural expressions, Turkey is preparing a roadmap for these areas. Additionally, a Design Strategy Document and Action Plan were adopted by the High Planning Council in 2014.

3.206. WIPO and TPI statistics indicate growth in the use of most forms of IP protection during the initial phase of the review period, but many have levelled off or even slightly declined at a later stage of the review period. There were increases in most types of IP applications in 2011, followed by modest growth or decline during 2012-14. There was a steady increase in the filing of patents over the period, which can be attributed to the patent incentive systems (see paragraph below).<sup>131</sup> However, the number of patents granted climbed during the period, but then declined in 2014 due to a decline in the number of patents granted to foreign right holders. The number of trademark applications generally declined during the period, but the number of trademarks registered climbed significantly. Overall, many factors have contributed to this general increase in the various types of applications but the main factor can be attributed to the overall growth in the Turkish economy (Table 3.43).

**Table 3.43 IP statistics, 2011-14**

	2011	2012	2013	2014
Patents				
Applications	10,241	11,599	12,053	12,394
Domestic	4,087	4,543	4,528	4,875
Foreign	6,154	7,056	7,525	7,519
Granted	6,539	7,816	8,925	8,530
Domestic	847	1,025	1,244	1,251
Foreign	5,692	6,791	7,681	7,279
Utility models	3,244	3,788	3,541	3,568

<sup>127</sup> The Turkish Patent Institute's website. Viewed at: <http://www.tpe.gov.tr/TurkPatentEnstitusu/?lang=eng>.

<sup>128</sup> The Board is composed of high-level representatives from the ministries of Justice, Interior, Health, Food, Agriculture and Livestock, Customs and Trade, and Economy; the Deputy Undersecretary of the Ministry of Development; the Director-General of Copyright and Cinema; the President of the Turkish Patent Institute; TUBITAK; and the EU Secretariat General.

<sup>129</sup> Turkish Patent Institute (2014), *National Strategy Intellectual Property, 2015-18*, November (Turkish). Viewed at: <http://www.tpe.gov.tr/TurkPatentEnstitusu/resources/temp/6B44E6D2-7071-4F37-9FF4-BFC28C19C76A.pdf>.

<sup>130</sup> Turkish Patent Institute (2014), *National Strategy Paper on Geographical Indications, 2015-18*, November (Turkish). Viewed at: <http://www.tpe.gov.tr/TurkPatentEnstitusu/resources/temp/5D1DDECD-C004-4175-86B4-1BA236F79059.pdf>.

<sup>131</sup> Turkish Patent Institute, *Annual Report 2014*. Viewed at: <http://www.tpe.gov.tr/TurkPatentEnstitusu/resources/temp/0110BDF0-35CC-448F-A254-100173740F76.pdf>.

	2011	2012	2013	2014
Applications				
Domestic	3,175	3,725	3,453	3,477
Foreign	69	63	88	91
Granted	1,976	2,299	2,037	2,551
Domestic	1,948	2,245	1,997	2,474
Foreign	28	54	40	77
Trademarks				
Applications	117,723	111,120	108,608	109,979
Domestic	103,747	97,269	93,320	95,964
Foreign	4,724	4,751	4,869	4,913
Madrid	9,252	9,100	10,419	9,102
Registered	42,059	64,769	83,334	87,544
Domestic	35,858	52,416	68,500	72,339
Foreign	2,788	3,683	4,329	4,826
Madrid	3,413	8,670	10,505	10,379
GIs	32 registered GIs since 2010			
Industrial designs				
Applications	36,578	41,034	46,121	42,568
Domestic	35,451	39,704	43,626	40,875
Foreign	1,127	1,330	1,495	1,693
Registrations	32,810	36,642	42,082	41,918
Domestic	31,782	35,464	40,678	40,129
Foreign	1,028	1,178	1,404	1,789

Source: Turkish Patent Institute, *Annual Report 2014*. Viewed online at: <http://www.tpe.gov.tr/TurkPatentEnstitusu/resources/temp/0110BDF0-35CC-448F-A254-100173740F76.pdf>, TPI online information. Viewed at: <http://www.tpe.gov.tr/TurkPatentEnstitusu/statistics/>, and information provided by the authorities.

3.207. The Patent Application Incentive and Support Programme and the more recent Patent Support Programme of TUBITAK were created to increase awareness for intellectual and industrial property rights and stimulate the filing of patents in Turkey. In particular, they provide grants to Turkish registered companies and individuals to offset the costs of the patent. For national and international/regional applicants, grants of up to TL 3,000 are available, and for international/regional applicants, a support credit of up to TL 100,000 is also available. The Patent Application Incentive and Support Programme operated from 2006 to 2013, when it was replaced by the Patent Support Programme as of 1 January 2014. During 2014, the Patent Support Programme has received 2,398 requests for incentives.

3.208. Pursuant to the Decree on Developing Policy Tools to Stimulate Domestic Patent Licensing<sup>132</sup>, the TPI has worked with other organizations including the Coordination Council for the Improvement of the Investment Environment (YOIKK) and the Ministry of Finance to increase support for the commercialization of IP rights. In 2014, a law was passed on Corporate and Income Tax Discounts for the Commercialization of Inventions which provides an effective tax rate of 20% for an invention as a result of research, development, innovation or software activities realised in Turkey and that was patented or utility-model certified.<sup>133</sup>

### 3.3.6.1 Legal framework

3.209. There have been some minor changes to the main IP laws, decree-laws, and regulations in Turkey since the last Review in 2012. The key features of main IP laws and regulations are summarized in Table 3.44.

3.210. Turkey's copyright law, known as the Law on Intellectual and Artistic Works No. 5846, has undergone changes in Article 47 (Expropriation), in which works<sup>134</sup> that are deemed important for the culture of the country can be expropriated under certain conditions after the death of the author but before the expiry of the term of protection; and Addendum Art. 10 (Administrative fines) in which certain provisions related to fines were revoked by the Constitutional Court.

<sup>132</sup> Decree 2011/108.

<sup>133</sup> Law No. 6518, *Official Journal* of 19 February 2014.

<sup>134</sup> The works must have been created in Turkey or outside by Turkish citizens.

3.211. Although the copyright law is considered as being substantially aligned with international conventions and the EU acquis, the law is undergoing a further review by the Ministry of Culture and Tourism in order to take into account developments at national and international level and to fully harmonize it with international conventions and the EU acquis. Key aspects of the envisaged amendments include the strengthening of the mechanism to fight digital piracy and changes to make collecting societies function more effectively.

**Table 3.44 Summary of Turkey's protection of intellectual property rights, 2015**

Main legislation	Duration	Selected coverage, exclusions and limitations	Fees/levies (2015)
<b>Copyrights</b>			
Law on Intellectual and Artistic Works (No. 5846) as amended by Law No. 4110 of 7 June 1995, Law No. 5101 of 2 December 2004, Law No. 5571 of 28 December 2006, Law No. 5728 of 23 January 2008, Law No. 6279 of 29 February 2012, and Law No. 6552 of 10 September 2014	70 years from author's death (or if there is more than one author, from the death of the last remaining author). For related rights, 70 years from the date of: -first fixation or making public of the performance, - first fixation of music or film productions, -first broadcasting of radio-TV programmes.	Law No. 5846 covers: the moral and economic rights of authors and related right holders (performers, phonogram and film producers and radio-television organizations), the rules and procedures regarding transactions on such rights, and ways of legal recourse and sanctions. Law No. 5846 provides a series of exceptions for: -Due to public order (use works as evidence in court) (Art.30) -Legislation and court decisions (Art.31) -Speeches made in the official assemblies (Art.32) -For the purpose of face-to-face education (Art.33) -Selected and collected works for educational and instructional purposes (Art.34) -Freedom of quotation (Art.35) -Contents of newspapers (Art.36) -News (use works for giving information in relation to current events) (Art.37) -Personal use (Art.38) -Works of fine arts permanently placed on public streets (Art 40) -For the benefit of the people with disability (Additional Art. 11)	According to Article 44 of the Copyright Law, natural and legal persons who manufacture or import for commercial purposes any kind of materials such as blank cassettes, computer discs, CDs, DVDs and any kind of technical devices enabling reproduction of works are obliged to deposit a certain amount which does not exceed 3% of the manufacturing or importation costs. This amount shall be exploited for strengthening IP system and supporting cultural and artistic activities.
<b>Patents</b>			
Patent Rights Protection Decree (No. 551) and Amendment of the Transition Period of Patent Protection on Pharmaceutical and Veterinary Products and Processes Decree (No.566)	20 years from date of filing for fully protected patent following examination process  7 years for non-examined patents  10 years for utility models	Patentability criteria: novelty, inventive activity/step, industrial applicability. Covers micro-organisms and microbiological processes and pharmaceutical products and processes. Exclusions include: discoveries, scientific theories and mathematical methods, games, surgical techniques, and plant and animal species, or methods of plant or animal breeding based on biological principles	Patent filing fee of TL 60 (TL 40 online). Other fees for priority applications, time requests, publication, priority documents, registration, investigation, search report, examination report, etc., ranging from TL 15 to TL 2,110 (TL 10 to TL 1,755 online).

Main legislation	Duration	Selected coverage, exclusions and limitations	Fees/levies (2015)
<b>Trade marks</b> Trade Mark Protection Decree (No. 556) and Directive on Trade and Service Marks	10 years (renewable). Failure to use marks within 5 years of registration, or subsequent 5 year periods may result in cancellation.	Covers goods, service, guarantee marks and collective marks. Exclusions include: marks that might confuse the public.	Single filing fee of TL 255 (TL 180 online). Registration certificate fee of TL 625 (TL 520 online). Other fees for renewals, copies, recording, editing, opposition, handling fee, division of application, appeals, etc., ranging from TL 45 to TL 1,120 (TL 30 to TL 930 online).
<b>Geographical indications</b> Protection of Geographical Signs Decree (No. 555) <sup>b</sup>	Indefinite	Covers all goods, in addition to wines and spirits.	Application fee of TL 115. Other fees for appeals, registration, copies, document fee, editing, etc., ranging from TL 50 to TL 165
<b>Industrial Designs</b> Industrial Designs Decree (No. 554)	5 years from filing date, renewable for 5-year periods to a maximum of 25 years.	Covers new and distinctive designs. Exclusions include: protection of textiles and computer programmes (covered by Copyright Law) and topographies of semi-conductors	Single filing fee of TL 185 (130 online). Other fees for publication, deferment, renewal, registration, transfer, licence, priority, examination, etc., ranging from TL 40 to TL 640 (TL 25 to TL 530 online).
<b>Plant Varieties</b> Law on the Protection of Plant Breeder's Rights for New Plant Varieties (No. 5042), and the Seed Law (No. 5553)	25 years after registration (30 years for trees, vines and potatoes)	Covers plant varieties that are found to be new, distinct, uniform and stable. Covers all plants.	Application fee of TL 620. Other fees for priority application, examinations, etc. ranging from TL 62 to 1,100.
<b>Integrated circuit topographies</b> Law on the Protection of Integrated Circuit Topographies (No. 5147)	10 years from the date of first commercial exploitation by rights holder anywhere in the world.	Covers original designs. Does not apply to the concepts, processes, systems or techniques on which the topography is based or to information stored in a microelectronic semiconductor product. Reproduction for evaluation, analysis, research or teaching is permitted.	Application fee of TL 350. Other fees for objections, registration, amendments, extension, publication, mergers, re-registration, etc. ranging from TL 50 to TL 1,100.
<b>Protection of undisclosed information</b> Human Medicinal Products Licensing Regulation (Article 9)	Data exclusivity period of six years to commence as of first registration date in the Customs Union Area. With regard to those products which benefit from patent protection in Turkey, the data exclusivity period is limited to the term of the patent	Medicinal products for human use	n.a.

n.a. Not applicable

a Industrial designs may be covered by both the Copyright and the Industrial Design Law. The term is 70 years under the former and 20 years under the latter. Where the work is protected under both laws, a rights holder may choose either or both.

b Protection for unregistered geographical indications is provided through the unfair competition provisions of the Turkish Commercial Code.  
These laws were amended by the Amending Law of Patent, Design, Geographical Indications and Trade Mark Decree (No. 1428).  
These laws were amended by the Law Amending the Decree-Laws on the Protection of Patent, Industrial Designs, Geographical Indications and Trade Mark (No. 5194).

Note: Viewed at: <http://www.tpe.gov.tr/TurkPatentEnstitusu/fees/informationDetail?id=109>; and <http://www.tpe.gov.tr/TurkPatentEnstitusu/fees/informationDetail?id=110>; and <http://www.tpe.gov.tr/TurkPatentEnstitusu/fees/informationDetail?id=105>; and <http://www.tpe.gov.tr/TurkPatentEnstitusu/fees/informationDetail?id=111>; and <http://www.tpe.gov.tr/TurkPatentEnstitusu/fees/informationDetail?id=107>.

Source: WT/TPR/S/259/Rev.1, 7 March 2012; EIU online information. Viewed at: [www.eiu.com](http://www.eiu.com); WIPO Lex online information. Viewed at: <http://www.wipo.int/wipolex/en>.

3.212. Since 2012, a provision of the Decree Law No. 551 for the protection of patents, and three provisions of the Decree Law No. 556 for the protection of trademarks have been cancelled by the Constitutional Court. All four decisions of the Court were published in the *Official Gazette*.<sup>135</sup>

3.213. In 2013, a draft law containing provisions related to patents, trademarks, designs and geographical indications was prepared in consultation with relevant stakeholders. However, the draft law was not adopted by the Parliament.<sup>136</sup> As of December 2015, upon the instruction of the Ministry of Science, Industry and Technology, work on the preparation of a draft law for industrial property rights had restarted.

3.214. Provision is made under Turkey's patent legislation for the granting of compulsory licences (CLs); Turkey's Decree-Law 551 regulates the application and implementation of CLs in Turkey. In particular, Article 99 provides the grounds for a CL to be granted under any one of the following conditions: non-use of the patent, noting that the patent must be used within three years from publication and that when assessing "use", market conditions are taken into consideration; dependency of the patent on a prior patent whereby the patent holder has been granted authorization or a CL; and on public interest grounds where there is great importance for public health or national defence, or where non-use could cause serious damage to Turkey's economic or technical development.

3.215. Article 97 regulates "proof of use", stating that the patent proprietor or the authorized person shall prove the "use" by an official document before the TPI. The "use document" shall be prepared by the Authority and according to the general criteria mentioned in the regulation (i.e. implementing regulation of Article 40). The document, *inter alia*, confirms that if the invention, which is the subject of the patent, is put on sale or is used, then the patent is assumed to be used.

3.216. The application for a CL is made before a court (Article 108) and if the conditions are met, the court initiates the procedures regarding a CL request. Related Articles 109 to 111 provide for engagement in the procedure, CL decision, and costs related to the decision.

3.217. At end 2015, the only CL to have been granted was in 1998. In one other case, the TPI was requested to initiate a mediation procedure with regards to a CL.

3.218. In May 2014, Turkey accepted the Protocol Amending the TRIPS Agreement under which special compulsory licences for the export of medicines to countries with insufficient or no manufacturing capacities in the pharmaceutical sector will become a permanent part of the TRIPS Agreement.

<sup>135</sup> *Official Gazette* of 29 May 2014 (patents), 24 July 2014 (trademark), 15 May 2015 (trademark) and 2 June 2015 (trademark).

<sup>136</sup> Turkish Parliament online information. Viewed at: <https://www.tbmm.gov.tr/sirasayi/donem24/yil01/ss474.pdf>.

3.219. With respect to parallel imports, the decree-laws for the protection of patents, trademarks, and industrial designs have provisions for the implementation of national exhaustion.<sup>137</sup> The law for topographies of integrated circuits contains provisions that adopt the international exhaustion doctrine.<sup>138</sup>

### 3.3.6.2 International agreements and conventions

3.220. Turkey is signatory to a number of IPR conventions and treaties (Table 3.45), and has signed the WIPO Marrakesh Treaty to Facilitate Access to Published Works for Persons who are Blind, Visually Impaired or Otherwise Print Disabled on 1 November 2013 and ratification was ongoing as of December 2015.

**Table 3.45 Membership in international agreements, conventions and treaties, 2015**

Name	Date of membership
Paris Convention on the Protection of Industrial Property (1883)	10 October 1925
Berne Convention for the Protection of Literary and Artistic Works (1886)	1 January 1952
Convention Establishing WIPO (1967)	12 May 1976
Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (1961)	8 April 2004
Nice Agreement concerning the International Classification of Goods and Services for the purpose of Registration of Marks (1957)	1 January 1996
Patent Cooperation Treaty (1970)	1 January 1996
Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks (1973)	1 January 1996
Strasbourg Agreement Concerning the International Patent Classification (1971)	1 October 1996
Budapest Treaty on the International Recognition of the Deposit of Micro-Organisms for the Purpose of Patent Procedure (1977)	30 November 1998
Protocol relating to the Madrid Agreement (1996)	1 January 1999
Locarno Agreement Establishing an International Classification for Industrial Designs (1968)	30 November 1998
Patent Law Treaty	2 June 2000
European Patent Convention (1973)	1 November 2000
Hague Agreement (International Deposit of Industrial Designs)	1 January 2005
Trademark Law Treaty	1 January 2005
Singapore Treaty on the Law of Trademarks	28 March 2006
WIPO Copyright Treaty	28 November 2008
WIPO Performances and Phonogram Treaty	28 November 2008
WIPO Marrakesh Treaty to Facilitate Access to Published Works for Persons who are Blind, Visually Impaired or Otherwise Print Disabled	1 November 2013 (ratification ongoing)

Source: WTO document WT/TPR/S/259/Rev.1, 7 March 2012 and information provided by the authorities.

3.221. In the context of Turkey's accession negotiations to the European Union, Turkey is participating in a joint Turkey-EU Intellectual Property Rights (IPR) Working Group on institutional, legislative, enforcement and public-awareness-related issues. As noted by Turkey during its last review, since legislative alignment is at an advanced level, most of the discussions within the group have been aimed at enhancing implementation, through exchange of best practices. The main areas where legislative amendments are needed to achieve full harmonization are: revision of the definition of some of the rights of authors and related right holders in line with EU Directives; extension of the scope of the prohibition of the act of circumvention of technological measures and revision of database protection taking into consideration electronic and non-electronic databases. These issues are being taken into consideration within the copyright law drafting studies.

<sup>137</sup> Decree-Law No. 556 on Trademarks, Article 13; Decree-Law No. 551 on Patents, Article 76; Decree-Law No. 554 on Designs, Article 24.

<sup>138</sup> Law No. 5147 on Integrated Circuits, Article 12.c (International Exhaustion).

3.222. Working group meetings are held at least once a year, and part of these meetings are open to the IPR stakeholders from the private sector.<sup>139</sup> Issues discussed under the IPR Working Group since 2012 are: a new draft law on industrial and intellectual property rights, seized counterfeit goods which were released back to the Turkish market as a consequence of the Decision No. 2008/2 of July 2008 of the Turkish Constitutional Court, bad faith trademark and design registrations, security-related issues during the counterfeit goods raids, protection of well-known trademarks, mechanisms of collective management of rights and collecting societies in Turkey, digital piracy, private copying levies, public performance rights, software use in the public sector, EU's Technical Assistance and Information Exchange (TAIEX) technical assistance, awareness raising activities, EU Orphan Works Directive, copyright exceptions in educational institutions and public lending, examinations, decisions and oppositions related to trademarks and designs, biotechnological inventions, secondary medical use patents, patentability criterion, filing process for patents, expert witness system in Turkey, compensations, enforcement issues, and customs-related issues (i.e. risk management system, border measures, etc.).

3.223. Provisions on intellectual property rights are incorporated or are being negotiated with Turkey's FTA partners: Albania, Bosnia and Herzegovina, Chile, EFTA, Morocco, and Tunisia; and also within the regional ECOTA.

### 3.3.6.3 Border measures and enforcement

3.224. The Directorate-General of Customs in the Ministry of Customs and Trade remains responsible for border measures; it has the authority to suspend customs transactions for goods considered as infringing IP rights either on the basis of an application by a rights holder or its representative, or on its own initiative.<sup>140</sup>

3.225. Turkish Customs have the power to act ex-officio if there is a suspicion of an IPR infringement. In such cases, customs have to identify the right holder and an application must be submitted within 3 working days in order for customs to be able to continue the detention or suspension of the release of the goods. However, the majority of customs actions were initiated with prior application by the right holders.

3.226. A notification of the Turkish Ministry of Customs and Trade was issued on Intellectual and Industrial Rights in 2013 that makes it possible for right holders to lodge applications for actions online since April 2013. Right holders apply online through the central IPR system with their electronic signatures; the applications are concluded online and the results conveyed to the applicants by e-mail. All customs offices can access the online applications from the secure intranet of the Ministry.

3.227. The number of applications for customs action increased in recent years, from 635 in 2011 to 1,038 in 2014. The top categories of detained articles in 2014 were mobile phones and accessories, which accounted for 52% of the overall amount, followed by medicines (34%), labels (7%), clothing (3%) and cosmetics (1%) (Table 3.46).

**Table 3.46 Applications for customs action to the Turkish Ministry of Customs and Trade via the central IPR system, 2011-14**

Year	Number of accepted applications
2011	635
2012	906
2013	970
2014	1,038

Source: Information provided by the authorities.

3.228. For a better central management of IPR customs issues, the Turkish Ministry of Customs and Trade established a new central IPR management unit in May 2013 under the Directorate-General of Customs. Through the central IPR management unit, in-house trainings have been organised to improve the enforcement capacity and further increase the awareness among the customs officers. During 2013-14, 441 customs officers received in-house trainings regarding IPR.

<sup>139</sup> WTO document WT/TPR/M/259/Add.1, 5 June 2012.

<sup>140</sup> Law on Customs No. 4458, Article 57.

A current major activity of the Turkish Ministry of Customs and Trade is the IPR Project submitted to the EU in the context of the Instrument for Pre-Accession Assistance. The main objective of the Project is to establish a modernized and effective system of border protection of IPR in a way to ensure operational control throughout the Turkish Customs Territory. The project is set to commence in 2016.

3.229. Turkey has 23 courts located in Istanbul, Ankara and Izmir, specialized to hear IP-related dispute cases; 13 of these are civil IPR courts and 10 are criminal IPR courts. IP cases in other geographical areas are handled by general civil courts and general criminal courts. Additionally public prosecutors' offices specialized in handling IP investigations have been established in seven major cities. Right holders may ask for the following civil measures in civil courts of first instance: precautionary measures; prevention or cessation of infringement; damages; confiscation of the products and equipment/machinery used in the production of pirated and counterfeit goods; transfer of ownership, or destruction, of the products and the means of production seized. The average length of conclusion of cases in specialized civil IP courts was reduced from 468 in 2011 to 377 days in 2014 and in criminal cases it decreased from 291 to 249 days over the same time-period.<sup>141</sup>

3.230. Judges may not convert prison sentences into fines and have the authority to provisionally close facilities and seize equipment used to produce illegal copies once a case goes to court. The police can seize pirated material in contravention of the banderole requirements or without a banderole on the spot, without needing a court decision.

3.231. IP crimes and penalties are pursuant to the various IP laws, and are both civil and criminal in nature. Criminal penalties apply to copyright and trademark infringements and range from fines to imprisonment of up to seven years (Table A3.6). Various civil remedies apply to a range of IP violations (Table A3.7).

3.232. The Turkish National Police has set up specialized units to combat copyright infringement in Turkey's largest cities and has put in place a general ban on illegal street stalls. It has also set up enforcement offices for IP crimes in its 81 provincial police departments and district directorates, which are authorized to inspect pirated goods.<sup>142</sup> In order to enhance the efficiency, functionality and promptness of inspections regarding copyright infringements, 245 technical devices inspecting the originality of banderoles were distributed to 81 provincial inspection commissions. Moreover, with a view to acquaint prosecutors, judges, police officers and inspection commissions' representatives with legislation and recent IP developments, 9 training seminars were organized by the Ministry of Culture and Tourism. Additionally, in order to protect copyright and to contribute to creative industries, seminars and miscellaneous activities are regularly being carried out or supported by the Directorate-General for Copyright in cooperation with public institutions, NGOs, and collecting societies.

3.233. Furthermore, a Protocol on Principles of Reciprocal Access, Sharing and Use of Data in the Field of Intellectual Property Rights was signed between the Ministry of Justice and Ministry of Culture and Tourism in 2010 with a view to providing electronic access to the information and documents in the judicial process and to strengthen the fight against violation of rights. Issues related to implementation procedures were still ongoing as of December 2015.

3.234. Turkey's National Intellectual and Industrial Property Strategy recognizes the slow judiciary process as one of its weaknesses.<sup>143</sup> As noted by the EIU, while the courts have been effective in working with Turkish Internet Services Providers to block access to websites in response to complaints about copyright infringement, there are concerns about Turkey's enforcement regime regarding the role of ISPs in internet piracy; the need to compel ISPs with knowledge of infringement to cooperate with right holders seeking relief; and facilitate the identification of copyright infringers who may use ISP services to hide their identities. The

<sup>141</sup> Information provided by the authorities. As noted in WTO document WT/TPR/M/259/Add.1, 5 June 2012, the average conclusion period of the cases in specialized civil IPR courts was 618 days in 2008, 603 days in 2009 and 544 days in 2010. In criminal cases it was 500 days in 2008, 312 days in 2009 and 321 days in 2010.

<sup>142</sup> EIU online information. Viewed at: <http://www.eiu.com>.

<sup>143</sup> Turkish Patent Institute, online information. Viewed at: <http://www.tpe.gov.tr/TurkPatentEnstitusu/resources/temp/6B44E6D2-7071-4F37-9FF4-BFC28C19C76A.pdf>.

International Intellectual Property Alliance (IIPA) has drawn attention to the growth in use of circumvention tools, allowing internet and mobile users to override or neutralise the technological measures taken to protect software. Apparently those subsectors especially affected by internet piracy are providers of music; online video streams; books; and educational, business and entertainment software.<sup>144</sup>

---

<sup>144</sup> EIU online information. Viewed at: <http://www.eiu.com>.

## 4 TRADE POLICIES BY SECTOR

### 4.1 Agriculture

#### 4.1.1 Overview

4.1. As the world's seventh-largest agricultural producer, Turkey has been promoting its agriculture sector and it continues to play an important role in the economy; the sector contributed to approximately 9% of Turkey's GDP and 21% to employment in 2014.<sup>1</sup> Trade is very important to the sector, as both imports and exports grew 48% over the period 2010-14, contributing to a growing trade surplus in agricultural products. Turkey produces a wide range of agricultural products but is a leading world producer and exporter of nuts, dried fruits, and some fresh vegetables.

4.2. Turkey's climatic conditions, geographical location, and fertile lands allow for a wide range of farming activities. Turkey has 38.4 million hectares of agricultural land, 14.6 million hectares of pastures and meadows, and 21.5 million hectares of forest. In recent years the number of large-scale commercial farms has increased, although small-scale or family farms still predominate. Turkey has 3 million agricultural holdings with an average size of 6 hectares.

#### 4.1.2 Production

4.3. The value of crop production continued to rise during the review period, reaching a new record high of TL 98 billion in 2014. The largest contributor to crop production is the cereals sector, in particular wheat, which accounted for 13% of 2014 crop production. The vegetable sector is a large agricultural sector for Turkey, accounting for almost 30% of 2014 production. The most significant vegetable subsector is tomatoes, which accounted for 12% of 2014 production. Hazelnuts are the largest earner for the fruit and nut category (Table 4.1).

**Table 4.1 Major crop production, 2010-14**

	Production value (TL million)					(% of total)	
	2010	2011	2012	2013	2014 <sup>a</sup>	2010	2014 <sup>a</sup>
<b>Crop production (total)</b>	<b>80,038</b>	<b>88,979</b>	<b>87,947</b>	<b>92,453</b>	<b>97,988</b>	<b>100.0</b>	<b>100.0</b>
Cereals and other products	28,464	35,708	33,158	39,124	42,035	35.6	42.9
Cereals, of which:	16,466	20,424	20,171	24,735	24,065	20.6	24.6
Wheat	10,257	13,038	12,321	14,901	14,389	12.8	14.7
Maize	2,011	2,347	2,563	3,429	3,658	2.5	3.7
Rice in the husk	1,002	1,007	925	1,136	1,468	1.3	1.5
Barley	2,917	3,680	3,979	4,822	4,134	3.6	4.2
Potatoes; dried leguminous vegetables; edible roots and tubers, of which:	4,877	5,389	4,806	4,717	7,582	6.1	7.7
Potatoes (other)	2,804	3,300	2,282	2,272	4,955	3.5	5.1
Dry pulses	2,072	2,088	2,524	2,445	2,627	2.6	2.7
Oil seeds	1,829	2,225	2,578	3,109	3,368	2.3	3.4
Tobacco	364	427	825	998	742	0.5	0.8
Sugar beets	2,063	2,109	1,880	2,416	2,635	2.6	2.7
Fodder crops	26	22	19	16	18	0.0	0.0
Raw materials used in textiles, of which:	2,642	4,883	2,758	2,941	3,467	3.3	3.5
Cotton (raw)	2,642	4,883	2,758	2,941	3,467	3.3	3.5
Plants used in perfumery, in pharmacy or for similar purposes	196	229	122	192	160	0.2	0.2
<b>Vegetables</b>	<b>26,589</b>	<b>25,540</b>	<b>25,523</b>	<b>25,603</b>	<b>26,099</b>	<b>33.2</b>	<b>26.6</b>
Bulb and root vegetables	3,062	3,215	2,475	2,368	2,412	3.8	2.5
Vegetables cultivated for their fruits, of which:	21,536	20,346	20,963	21,304	21,639	26.9	22.1
Tomatoes	11,331	9,775	10,337	10,671	10,791	14.2	11.0
Cucumber	1,761	1,898	2,083	1,986	1,993	2.2	2.0
Pepper	2,106	2,492	2,482	2,404	2,333	2.6	2.4

<sup>1</sup> OECD (2014), *Agricultural Policy Monitoring and Evaluation 2014*.

	Production value (TL million)					(% of total)	
	2010	2011	2012	2013	2014 <sup>a</sup>	2010	2014 <sup>a</sup>
Leguminous vegetables	1,456	1,720	1,752	1,729	1,822	1.8	1.9
Other vegetables n.e.c.	1,991	1,979	2,085	1,931	2,049	2.5	2.1
Fruits, beverage and spices crops	24,985	27,731	29,266	27,726	29,854	31.2	30.5
Grapes	3,326	3,694	3,516	3,402	3,345	4.2	3.4
Citrus, pomes, stones, nuts and other fruits, of which:	20,201	22,548	24,063	22,510	24,290	25.2	24.8
Oranges	1,307	1,580	1,142	1,003	968	1.6	1.0
Apples	2,688	3,353	3,164	3,071	2,716	3.4	2.8
Peaches	796	851	831	834	938	1.0	1.0
Cherries	929	1,430	1,441	1,586	1,488	1.2	1.5
Olive	3,313	3,628	3,750	3,009	3,653	4.1	3.7
Hazelnuts	2,538	2,296	3,496	2,904	3,760	3.2	3.8
Walnuts	1,254	1,398	1,745	1,899	1,885	1.6	1.9
Pistachios	1,411	1,222	1,506	1,013	1,436	1.8	1.5
Spices, not processed	302	283	312	362	481	0.4	0.5
Green tea	1,155	1,207	1,375	1,451	1,739	1.4	1.8

a 2014 data is provisional.

Sources: Turkstat, Agricultural Structure (production, price, value) Publication; Turkstat, The Summary of Agricultural Statistics Publication.

4.4. Animal production in Turkey now outperforms crop production in terms of value. A large surge in 2010-11 saw animal production surpass crop production and double from 2009 levels. The reasons for this increase can be attributed to a slight decline in the rate of growth for plant production due to drought between 2010 and 2011; the number of registered sheep and goats increased; and investment supports and breeding programmes increased the quality of plantations. During 2011-14, the value of animal production has been more volatile than crop production, reaching a record high of TL 113 billion in 2012 then falling (to TL 98 billion) in 2013, rebounding to TL 107 billion in 2014, but not surpassing 2012 levels. It is also noted that figures for 2013 and 2014 would be higher and could surpass 2012 levels but there was no reportable poultry production for those years due to statistical issues, thus the totals are not comparable and likely undervalued. The production of livestock slightly outpaces the production of animal products (Table 4.2).

**Table 4.2 Major animal production, 2010-14**

	Production Value (TL million)					(% of total)	
	2010	2011	2012	2013	2014 <sup>a</sup>	2010	2014 <sup>a</sup>
Animal production (total)	85,001	102,649	112,868	98,115	106,844	100.0	100.0
Livestock production:	46,873	60,077	63,547	57,656	62,512	55.1	58.5
Sheep	9,563	12,488	13,228	13,460	13,893	11.3	13.0
Goats	2,126	3,028	3,484	3,801	3,957	2.5	3.7
Cattle	31,969	40,959	42,875	36,395	40,311	37.6	37.7
Buffalos	178	241	282	257	301	0.2	0.3
Horses	160	167	141	126	122	0.2	0.1
Hens	2,512	2,834	3,168	3,232	3,524	3.0	3.3
Animal product production:	38,128	42,572	49,322	40,459	44,333	44.9	41.5
Milk	12,820	13,768	17,039	18,284	20,163	15.1	18.9
Meat	14,306	14,606	16,266	16,035	17,355	16.8	16.2
Hides	119	126	134	161	190	0.1	0.2
Wool	103	119	124	108	109	0.1	0.1
Poultry meat	6,918	8,716	9,713	<sup>b</sup>	<sup>b</sup>	8.1	0.0
Eggs	2,381	3,449	4,217	3,863	4,347	2.8	4.1
Honey	1,428	1,726	1,763	1,941	2110	1.7	2.0

a 2014 data is provisional.

b While there were no reportable poultry production values for 2013 and 2014, there was poultry production for those years. Production quantity figures indicate a growing value for poultry production in these years.

Source: Turkstat, livestock production values; Turkstat, animal product production values.

4.5. Both the livestock and the animal product subsectors grew during 2010-14 but livestock grew at a faster pace, resulting in a nearly 60% share of the animal production total for 2014. Over one third of animal production is cattle, and the next most important category, in terms of value, is milk with a nearly 20% share.

#### 4.1.3 Trade

##### 4.1.3.1 Overview

4.6. Turkey has a trade surplus in agricultural products (WTO definition)<sup>2</sup> with exports of about US\$17.6 billion and imports of about US\$14.6 billion in 2014. Trade in agricultural products has increased faster than trade in other products and, in 2014, represented over 11% of total exports and about 6% of total imports, up from 8% and 4%, respectively, in 2008.

4.7. Over the past five years, imports of raw materials and exports of processed goods have increased in parallel: as imports of cotton, wheat, and tobacco increased, exports of textiles, flour and confectionary, and tobacco products also increased. The trend in importing raw materials is also reflected in inputs for agriculture as imports of feedstuffs, such as maize and soya beans, and exports of chicken meat, all increased.

4.8. Despite the large increases in exports of products based on basic agricultural commodities, nuts (especially hazelnuts) remain the main export – although export growth has not been as strong as for other traditional exports like citrus fruits, grapes, or tomatoes (Table 4.3 and Table 4.4).

**Table 4.3 Exports of agricultural products, 2010-14**

(US\$ million)

		2010	2011	2012	2013	2014
	<b>Total exports</b>	<b>113,979</b>	<b>134,915</b>	<b>152,537</b>	<b>151,803</b>	<b>157,715</b>
	<b>Total agriculture exports</b>	<b>11,899</b>	<b>14,350</b>	<b>15,105</b>	<b>16,707</b>	<b>17,635</b>
	of which					
0802	Other nuts, fresh or dried	1,045	1,199	1,254	1,258	1,560
1905	Bread, pastry, cakes, biscuits and other bakers' wares	487	622	739	878	939
0805	Citrus fruit, fresh or dried	862	1,065	898	931	933
1101	Wheat or meslin flour	598	892	841	947	933
2008	Fruit, nuts and other edible parts of plants	582	695	724	731	876
1512	Sunflower-seed, safflower or cotton-seed oil	103	341	418	496	790
0806	Grapes, fresh or dried	622	682	683	678	679
0207	Meat and edible offal, of the poultry of heading 01.05	203	385	527	608	651
1806	Chocolate and other food preparations containing cocoa.	364	434	479	543	577
1704	Sugar confectionery, not containing cocoa	279	329	403	490	537
2401	Unmanufactured tobacco; tobacco refuse	401	369	427	439	517
1902	Pasta, whether or not cooked or stuffed	186	285	358	494	507
2402	Cigars, cheroots, cigarillos and cigarettes	240	248	333	374	464
0702	Tomatoes, fresh or chilled.	477	432	401	391	427

Source: UNSD Comtrade.

4.9. The main destination for exports of most agricultural products varies depending on the product: in 2014 the EU was the main destination for hazelnuts (which make up practically all of HS 0802), preparations from nuts (HS 2008), grapes (HS 0806), and sugar confectionary (HS 1704); Iraq for bakers' wares (HS 1905), flour (HS 1101), sunflower seed oil (HS 1512), and chicken meat (HS 0207); and the Russian Federation for citrus fruits (HS 0805).

<sup>2</sup> For the purposes of this section of the Trade Policy Report, the definition of agriculture product used is that set out in Annex 1 of the Agreement on Agriculture where fish and fish products are taken to include HS Headings 020840, 03, 051191, 1504, 1603, 1604, 1605, and 230120.

**Table 4.4 Imports of agricultural products, 2010-14**

(US\$ million)

		2010	2011	2012	2013	2014
	<b>Total imports</b>	<b>185,541</b>	<b>240,839</b>	<b>236,544</b>	<b>251,661</b>	<b>242,224</b>
	Total agricultural imports	9,865	13,477	12,599	13,398	14,554
	of which					
5201	Cotton, not carded or combed	1,720	1,850	1,275	1,681	1,750
1001	Wheat and meslin	655	1,623	1,126	1,289	1,546
1512	Sunflower, safflower or cotton-seed oil	274	629	988	919	1,201
1201	Soya beans, whether or not broken	742	687	685	643	1,120
1511	Palm oil and its fractions	318	454	439	499	492
2402	Cigar, cigarillo, cigarette	247	250	337	381	475
2106	Food preparations not elsewhere specified or included	269	335	337	400	437
2401	Unmanufactured tobacco; tobacco refuse	276	298	360	379	411
1206	Sunflower seeds, whether or not broken	350	590	444	474	406
0713	Dried leguminous vegetables, shelled	258	283	215	261	384
1005	Maize (corn)	124	136	246	473	349

Source: UNSD Comtrade.

4.10. The main source of imports also depends on the product: in 2014, the United States was the main supplier of cotton (HS 5201); the Russian Federation for wheat (HS 1001), sunflower seed oil (HS 1512), and maize (HS 1005); Paraguay and Brazil for soya beans (HS 1201); Indonesia for palm oil (HS 1511); the EU for other food preparations (HS 2106), and sunflower seeds (HS 1206); Brazil for unmanufactured tobacco (HS 2401); and Canada for dried leguminous vegetables (HS 0713).

#### 4.1.3.2 TRQs

4.11. Turkey does not have any WTO TRQs bound in its WTO Schedule of tariff commitments, however, in the agricultural sector it maintains a number of autonomous TRQs and TRQs pursuant to FTAs (See section 3.1.5.5 for an overview of all TRQs in Turkey).

4.12. The procedures and principles related to the administration and allocation tariff quotas are determined in the related Decrees and Communiqués on Tariff Rate Quotas for Importation of Certain Agricultural and Processed Agricultural Products for the related country. In general, the importer applies for a licence for the quota from the Ministry of the Economy which in turns issues the licences on a first-come, first-served basis to importers or producers using them or consuming them in downstream production. Quotas are continually issued until the amount is exhausted.

4.13. Regarding autonomous quotas, during the period 2011-15, the Council of Ministers approved a number of tariff-rate quotas for agricultural products (Table 4.5). These mainly concerned commodity crops, in particular wheat and rice. These quotas are issued in response to market conditions and to meet shortfalls in the domestic market. They are mainly issued to marketing boards (see section 4.1.9). Turkey has an annual TRQ agreement of 80,000 tonnes of sugar with the EU and these TRQs are renewed automatically every year; they are also determined EU-wide, rather than on a country-specific basis. Sugar TRQs are administered by the Ministry of Economy.

4.14. The rules on the administration of tariff quotas were modified in 2010<sup>3</sup> when the old Regulation on Import Quotas and Tariff Quota Administration of 2004, was abrogated and the Decision of the Council of Ministers<sup>4</sup> became the applicable legislation for the administration of import tariff quotas. According to this Decision, individual communiqués lay down the specific rules applicable to the administration of quotas in question, based on an economic analysis made for that particular product/product group. According to the authorities, these quotas are implemented in line with non-discrimination and transparency principles; quotas are provided to all importers and their requests are evaluated based on their previous performances; and quotas are aimed to be provided in quantities that represent economic value.

<sup>3</sup> Regulation No. 27613 of 16 June 2010.

<sup>4</sup> Decision No. 27599 of 2 June 2010.

Table 4.5 Autonomous tariff-rate quotas, 2011-15

Product/ HS Code	Amount (tonnes)	End-date	Rate (%)	Procedures	Reference
Rice	100,000	1/9/2015	0	Subject to the issuance of an import licence from the Ministry of Economy	Decision No. 2013/4517 of 25 March 2013
Wheat	2,500,000	31/5/2016	0	Subject to the issuance of an import licence from the Ministry of Economy	Decision No. 2014/6169 of 24/3/2014
Barley	1,000,000	31/5/2016	0	Subject to the issuance of an import licence from the Ministry of Economy	Decision No. 2014/6169 of 24/3/2014
Corn	500,000	31/5/2016	0	Subject to the issuance of an import licence from the Ministry of Economy	Decision No. 2014/6169 of 24/3/2014
Rice	200,000	1/9/2016	0	Subject to the issuance of an import licence from the Ministry of Economy	Decision No. 2014/6169 of 24/3/2014
Wheat, 10.01	1,000,000	31/5/2014	0	Subject to the issuance of an import licence from the Ministry of Economy	Decision No. 2012/3590 of 24 August 2012
Barley, 10.03	500,000	31/5/2014	0	Subject to the issuance of an import licence from the Ministry of Economy	Decision No. 2012/3590 of 24 August 2012
Maize, 10.05	500,000	31/5/2014	0	Subject to the issuance of an import licence from the Ministry of Economy	Decision No. 2012/3590 of 24 August 2012

Source: Compiled by WTO Secretariat from the references noted therein, and information provided by the authorities.

4.15. Turkey had TRQs on 1,838 tariff lines in 2015, on agriculture, prepared agricultural products, and fish (Table 4.6). Tariff-rate quotas for certain agricultural and processed agricultural products established pursuant to Turkey's agreement with the EU, FTAs with Albania, Bosnia-Herzegovina, Chile, Egypt, Georgia, Israel, Jordan, the former Yugoslav Republic of Macedonia, Mauritius, Palestine, Tunisia, Morocco, Montenegro, and Serbia, and the agreement with Iran are included. Turkey does not have not any absolute quotas or other quantitative restrictions on agricultural products.

Table 4.6 Turkey's TRQs, 2015

HS 2	Product description	No. of TLs (12 digit-level)	In-quota rate		Out-of-quota rate		Volume	No. of countries covered by TRQs (Range)
			Average (%)	Range (%)	Average (%)	Range (%)		
01	Live animals	26	31.7	0-67.5	77.7	15-135	2,260-4,025 (tonne)	1 - 28
02	Meat and edible meat offal	44	56.6	50-157.5	117.2	100-225	250-14,100 (tonne)	1 - 28
03	Fish and crustaceans	250	7.8	0-18.75	32.8	30-37.5	10-8,000 (tonne)	1 - 5
04	Dairy produce	164	0.4	0-90	177.6	9-180	175,000-3,000,000 (piece); 50-3,700 (tonne)	1 - 31
06	Live trees and other plants; bulbs	56	0.0	0-24	24.6	3.9-46.8	5-3,400 (tonne)	1 - 38
07	Edible vegetables and certain roots and tubers	150	1.9	0-24.75	21.7	5-49.5	10-7,000 (tonne)	1 - 39

HS 2	Product description	No. of TLTs (12 digit-level)	In-quota rate		Out-of-quota rate		Volume	No. of countries covered by TRQs (Range)
			Average (%)	Range (%)	Average (%)	Range (%)		
08	Edible fruit and nuts; peel of citrus fruit or melons	152	3.5	0-43.2	41.4	15.4-86.4	8-5,000 (tonne)	1 – 41
09	Coffee, tea, maté and spices	45	25.7	0-45	92.2	19.5-145	2-250 (tonne)	1 – 35
10	Cereals	42	0.2	0-65	69.4	15-130	200-2,500,000 (tonne)	1 – 34
11	Products of the milling industry	76	2.8	0-27	26.3	4-54	50-2,000 (tonne)	1 – 29
12	Oil seeds and oleaginous fruits	83	0.7	0-17.5	24.0	3.9-35	10-15,000 (tonne)	1 – 38
15	Animal or vegetable fats and oils	42	0.0	0-15.6	29.5	2.9-50	50-60,000 (tonne)	1 – 30
16	Preparations of meat, of fish or of crustaceans	60	12.3	0-40	85.0	54-121.5	100-600 (tonne)	1 – 32
17	Sugars and sugar confectionery	29	69.4	0-108	89.1	6.2-135	500-80,000 (tonne)	1 – 32
18	Cocoa and cocoa preparations	21	1.3	0-7.62	8.6	8-15.4	500-3,500 (tonne)	1 – 34
19	Preparations of cereals, flour, starch or milk	84	1.7	0-29.6	9.1	3.8-37	10-1,000 (tonne)	1 – 35
20	Preparations of vegetables, fruit, nuts or other parts of plants	292	17.7	0-49.72	60.6	5.1-135.9	10-4,000 (tonne)	1 – 39
21	Miscellaneous edible preparations	44	0.9	0-7.35	9.5	5.1-17.3	10-3,000 (tonne)	1 – 39
22	Beverages, spirits and vinegar	126	16.4	0-35	62.6	5.4-70	250-2,500 (hl); 1,000,000 (lt); 2,500 (tonne)	1 – 38
23	Residues and waste from the food industries	52	0.2	0-4.25	7.9	2-8.5	15-6,700 (tonne)	1 – 33

Source: Information provided by the authorities.

#### 4.1.4 Support programmes

4.16. Turkey has not notified its domestic support programmes to the WTO during the review period, thus the discussion on supports relies heavily on information from outside sources, in particular the OECD. According to the Ministry of Food, Agriculture and Livestock, Turkey paid TL 9.1 billion in 2014 for direct support payments; by comparison, in 2011, TL 7.84 billion had been paid in direct support payments.<sup>5</sup> Over the period 2003-14, a cumulative TL 70 billion had been paid and allocated as support payments.<sup>6</sup>

4.17. Supports for crops include diesel fuel support, certified seed support, chemical fertilizer support, and soil analysis support.<sup>7</sup> Other supports are for insurance, rural development, and other general regimes (Table 4.7). Turkey's Agricultural Basin Production and Support Model was adopted in 2011 to determine the agriculture basins, prepare an agriculture inventory, provide production planning, and make projections for future demand. It provides a significant source of agricultural subsidies for Turkey.<sup>8</sup>

<sup>5</sup> Ministry of Food, Agriculture and Livestock online information. Viewed at: [http://www.tarim.gov.tr/SGB/Belgeler/Bakanl%C4%B1k\\_Faaliyet\\_Raporlar%C4%B1/2011\\_Yili.pdf](http://www.tarim.gov.tr/SGB/Belgeler/Bakanl%C4%B1k_Faaliyet_Raporlar%C4%B1/2011_Yili.pdf).

<sup>6</sup> Ministry of Food, Agriculture and Livestock online information. Viewed at: [http://www.tarim.gov.tr/SGB/Belgeler/Bakanl%C4%B1k\\_Faaliyet\\_Raporlar%C4%B1/2014%20FAAL%C4%B0Y\\_ET%20RAPORU.pdf](http://www.tarim.gov.tr/SGB/Belgeler/Bakanl%C4%B1k_Faaliyet_Raporlar%C4%B1/2014%20FAAL%C4%B0Y_ET%20RAPORU.pdf).

<sup>7</sup> TMO website, online information. Viewed at: <http://www.tmo.gov.tr/Main.aspx?ID=233>.

<sup>8</sup> According to the Ministry of Food, Agriculture and Livestock's 2014 Annual Report, [http://www.tarim.gov.tr/SGB/Belgeler/Bakanl%C4%B1k\\_Faaliyet\\_Raporlar%C4%B1/2014%20FAAL%C4%B0Y\\_ET%20RAPORU.pdf](http://www.tarim.gov.tr/SGB/Belgeler/Bakanl%C4%B1k_Faaliyet_Raporlar%C4%B1/2014%20FAAL%C4%B0Y_ET%20RAPORU.pdf), TL 2,406,330,000 was paid in 2014 for the Agricultural Basin Production and Support,

Table 4.7 Turkey's Agricultural Support Programmes, 2015<sup>a</sup>

Support programme	Type of support	Content	Amount of support 2014 (1,000 TL)	Provider of support
Agricultural basin model	Producer	Marginal payment of 17 products in 30 basins of Turkey		Ministry of Food, Agriculture and Livestock
Certified seed and seedling	Producer	Payments made per area	Full data collection not possible yet	Ministry of Food, Agriculture and Livestock
Organic farming	Producer	Payments to registered farmers holding organic farming certificates	68,817	Ministry of Food, Agriculture and Livestock
Farm advisory services	Producer	Ministry pays for advisory services	39,863	Ministry of Food, Agriculture and Livestock
Soil analysis and fertilizer	Producer	For farms of 5 hectares or more	101,814	Ministry of Food, Agriculture and Livestock
Agriculture insurance support	Agricultural Insurance Pool	Support for insurance against frost, storm, fire, flood, animal diseases etc.	357,407	Ministry of Food, Agriculture and Livestock
IPARD support	Project-based	Restructuring agriculture holdings	303,000	EU
Compensatory payment support	Producer	Payments per hectare for tea pruning and potato wart	122,563	Ministry of Food, Agriculture and Livestock
Rural development support	Producer and sector in general	Support to rural tourism, micro enterprises, diversification of farm activities in rural areas etc.	312,630	TKDK
Provincial rural development support	Sector in general	Capital transfer to GAP region	75,922	Ministry of Food, Agriculture and Livestock
Good agricultural practices	Producer	Payments to registered farmers holding good agricultural practice certificates	80,581	Ministry of Food, Agriculture and Livestock
ÇATAK (Environmentally Based Land Utilization)	Farmers	Replacing environmentally intrusive agricultural practices with substantially less disrupting forms of land use, in areas of particular environmental value in terms of wildlife and other natural assets	54,787	Ministry of Food, Agriculture and Livestock

which accounts for 26% of overall support in 2014. Furthermore, two other support programmes listed in the 2014 Annual Report appear to provide significant amounts of support, but were not confirmed by the authorities. The Premium Support and Livestock Support programmes provided TL 2,690,977,000 and TL 2,589,105,000 of support, respectively, in 2014.

Support programme	Type of support	Content	Amount of support 2014 (1,000 TL)	Provider of support
Research and development	Project-based	Support given to universities, NGOs, farmers' associations, professional organisations and private sector for R&D projects	7,903	Ministry of Food, Agriculture and Livestock
Farm accounting data network (FADN)	Agricultural enterprises	Support given to agricultural enterprises that voluntarily register in FADN	367	Ministry of Food, Agriculture and Livestock

- a According to the Ministry of Food, Agriculture and Livestock's 2014 Annual Report, [http://www.tarim.gov.tr/SGB/Belgeler/Bakanl%C4%B1k\\_Faaliyet\\_Raporlar%C4%B1/2014%20FAAL%C4%B0YET%20RAPORU.pdf](http://www.tarim.gov.tr/SGB/Belgeler/Bakanl%C4%B1k_Faaliyet_Raporlar%C4%B1/2014%20FAAL%C4%B0YET%20RAPORU.pdf), two other programmes were identified as possible support programmes but were not confirmed by the authorities. The Premium Support and Livestock Support programmes were listed as providing TL 2,690,977,000 and TL 2,589,105,000 of support, respectively, in 2014.
- b Turkish authorities report full collection of data not possible, but Ministry of Food, Agriculture and Livestock 2014 Annual Report indicates TL 2,406,330,000 for 2014.

Source: Investment Support and Promotion Agency of Turkey online information. Viewed at: <http://www.invest.gov.tr/en-US/infocenter/publications/Documents/FOOD.AND.AGRICULTURE.INDUSTRY.pdf>; Ministry of Food, Agriculture and Livestock Annual Report viewed at: [http://www.tarim.gov.tr/SGB/Belgeler/Bakanl%C4%B1k\\_Faaliyet\\_Raporlar%C4%B1/2014%20FAAL%C4%B0YET%20RAPORU.pdf](http://www.tarim.gov.tr/SGB/Belgeler/Bakanl%C4%B1k_Faaliyet_Raporlar%C4%B1/2014%20FAAL%C4%B0YET%20RAPORU.pdf); and information provided by Turkish authorities.

4.18. Turkey's agriculture support has undergone many changes over the last 20 years leading to the maintenance of relatively high supports, at least in comparison to other OECD countries. The use of decoupled payments ceased in 2009 while output-based payments increased. Turkey's Producer Support Estimate (PSE) as reported by the OECD has generally increased over the review period, except for a slight decline in 2012. Market-based supports comprise the largest share of the PSE, accounting for 76% in 2014, an increase from 72% in 2011. The largest market-based supports are for beef and potatoes (Table 4.8).

**Table 4.8 Main measures of agricultural support, 2011-14**

(TL million)

	2011	2012	2013	2014
<b>Producer support estimate (PSE)</b>	<b>27,022.51</b>	<b>26,041.07</b>	<b>31,385.15</b>	<b>33,888.92</b>
<b>Market price support (MPS):</b>	<b>19,441.98</b>	<b>18,904.39</b>	<b>23,977.86</b>	<b>25,650.24</b>
Wheat	1,044.22	2,095.04	2,097.48	2,728.40
Barley	260.18	330.32	1,053.48	1,142.06
Maize	126.07	0.00	0.00	597.22
Sunflower	161.21	329.96	644.93	1,220.48
Sugar <sup>a</sup>	0.00	115.83	312.92	594.47
Milk	2,632.41	2,314.56	2,912.36	1,935.66
Beef	3,071.11	3,606.10	5,277.36	5,395.93
Poultry	68.46	31.30	2,424.52	1,183.44
Sheepmeat	31.33	76.19	2.11	-120.10
Eggs	180.29	-41.23	-69.00	-167.57
Apples	1,817.65	1,355.36	874.47	1,038.07
Tomatoes	0.00	237.11	0.00	0.00
Potatoes	2,044.43	1,362.56	1,330.64	3,560.18
Tobacco	84.39	128.10	0.00	0.00
Other MPS	7,920.22	6,963.21	7,116.61	6,541.99
<b>Deficiency payments:</b>	<b>2,434.49</b>	<b>2,736.55</b>	<b>2,639.91</b>	<b>2,689.09</b>
Cotton premium	792.27	1,123.69	1,037.21	1,075.23
Milk incentive premium	0.42	0.47	0.47	0.54
Beef meat incentive premium	0.00	0.24	0.33	0.24
Tea leaf premium	148.46	147.47	137.54	140.29
Sunflower premium	251.91	225.98	208.58	216.23
Soybeans premium	19.25	27.80	25.66	26.60
Rapeseed premium	16.61	17.88	16.51	17.11
Maize premium	181.07	180.81	194.52	225.76
Wheat premium	826.57	814.08	807.13	782.45

	2011	2012	2013	2014
Barley premium	101.74	85.00	84.27	81.70
Rye premium	1.43	1.00	0.99	0.96
Oats premium	0.30	0.39	0.39	0.37
Paddy premium	75.39	73.90	73.27	71.03
Olive oil premium	19.07	37.85	53.04	50.57
Input subsidies:	2,498.93	1,447.24	1,654.70	2,233.25
Concessional loans	518.23	1,036.80	1,203.20	1,602.67
Hybrid seed subsidy	20.41	17.04	18.35	24.21
Pesticide subsidy (Treasury and sugar)	0.71	0.23	0.48	2.88
Sugar beet return (estimated=rsps)	17.49	36.49	56.02	65.04
Electricity subsidy (irrigation)	10.98	23.45	20.95	22.20
<b>Direct payments:</b>	2,645.79	2,951.89	3,111.67	3,315.35
Tea pruning payments	61.68	98.81	111.65	122.33
Tobacco compensation payments	7.30	0.00	0.00	0.00
<b>Agri. Insurance - Crops</b>	<b>141.71</b>	<b>144.80</b>	<b>159.71</b>	<b>190.83</b>
Agri. Insurance - Livestock	99.98	118.47	130.67	156.13
Transition payments	7.26	0.00	0.00	0.00
Cattle breed registration payment	858.19	949.05	959.05	960.05
Feed crops premium	252.90	292.80	302.80	312.80
<b>Diesel payment</b>	<b>580.11</b>	<b>607.59</b>	<b>645.59</b>	<b>700.00</b>
<b>Fertilizer payment</b>	<b>620.54</b>	<b>717.19</b>	<b>779.01</b>	<b>850.00</b>
Land conservation	16.13	23.18	23.18	23.20
<b>Other:</b>	2,280.26	0.00	1,371.23	1,028.57
Duty loss	1,951.26	0.00	927.89	733.57
Equity injection from Treasury to SEEs	329.00	0.00	443.35	295.00

a According to the authorities, there is no support for sugar.

Source: OECD, PSE.

#### 4.1.5 Strategy and policy

4.19. The Ministry of Food, Agriculture and Livestock's vision is to maximize producer and consumer satisfaction in the food and agriculture sector, and to transform Turkey into a leading actor in the region, and a global actor on the world stage.<sup>9</sup> In accordance with the Communiqué on the Strategic Plans to be Prepared by Public Administrations, the Ministry's 2013-17 Strategic Plan builds on the previous plan, the 2010-14 Strategic Plan, and notes the significant changes and transformations prior to the adoption of the most recent plan. Turkey's recent agricultural transformation during 2010-14 included the introduction of new laws; a rural development strategy; the Agriculture Basins Production and Subsidies Model; acceleration of land consolidation works; increased food inspection and controls; reduction of credit interest rates to zero for most products; and a four-fold increase in agricultural supports. The introduction of new laws was aimed at alignment with the EU acquis.

4.20. The 2013-17 Strategic Plan identifies five strategic areas on which to focus, each containing specific goals and objectives (Table 4.9). The intention of the Plan is to move Turkey towards its 2023 Vision for Agriculture in which Turkey aims to become a country that can feed its population with sufficient amounts of safe and high-quality foods; a net exporter of agricultural products; improve its competitiveness; and be influential in the field of agriculture within its region and across the world.

4.21. Turkey's agricultural policy and strategy has also been influenced through its identification of five priority areas for harmonization with the EU, including:

- Within the scope of improvement of agricultural statistics, the Strategy for Improvement of Agricultural Statistics System is being prepared in cooperation between the Ministry and Turkstat, and is in the final stage before submission to the EU.
- As regards the Integrated Administration and Control System (IACS), 'The Strategy on Identification and Registration Systems' was prepared. It lays down an action plan to fully implement the IACS system for agricultural payments. Also, the Project on the Digitization of Land Parcel Identification System (LPIS) was started in October 2014.

<sup>9</sup> Ministry of Food, Agriculture and Livestock online information. Viewed at: <http://www.tarim.gov.tr/Sayfalar/AnaSayfa.aspx>.

- Within the scope of the Association Council Decision No. 1/98 between Turkey and the EU, an import quota for 19,100 tonnes of frozen beef meat from EU member States was allocated to the Meat and Milk Board and an import licence was issued for 2015.
- In respect of organic farming, Turkey's official application for the inclusion in the third country list has been an open question for years. Final evaluation by the Commission is still pending.
- Pursuant to a twinning project called 'Establishment of Pilot Turkish Farm Accountancy Data Network', studies to establish a FADN in Turkey were started with 9 pilot provinces in 2007. As of 2015, the FADN system extended throughout the country; data is being collected from 6,000 holdings.

**Table 4.9 Overview of the 2013-17 Strategic Plan**

Strategic area	Goals	Objectives
Agricultural production and security of supply	To ensure food security and access to quality agricultural products by protecting agricultural production resources.	To protect, improve, and ensure sustainability of agricultural resources. To develop and spread methods and technologies to increase productivity and quality. To ensure food security and accessibility for agricultural products.
Food safety	To ensure food safety from production to consumption in accordance with international standards.	To increase the efficiency of food and feed inspection services. To strengthen the infrastructure of food and feed enterprises, and to ensure compliance with standards. To increase public awareness on safe food.
Phytosanitary, Animal Health and Welfare	To increase plant production through environmentally-conscious and effective phytosanitary practices that also ensure the preservation of quality.  To control and eradicate animal diseases and pests, and to ensure animal welfare.	To improve and spread integrated and biological control practices in plant health services. To improve control and inspection services for plant protection products and application equipment. To improve internal and external quarantine services in plant production.  To improve animal disease and pests control services. To develop the necessary standards and systems to ensure animal welfare.
Agricultural infrastructure and rural development	To develop agricultural and social infrastructures, and to increase the attraction of rural areas by ensuring rural development and prosperity.	To improve agricultural infrastructure services. To utilize agricultural products on site, and to increase their value added. To increase living standards in rural areas, and to ensure rural development.
Institutional capacity	To ensure institutional perfection in order to provide rapid, effective and high-quality services.	To activate institutional management systems and human resources management. To develop technological and physical infrastructure, and to improve social facilities. To strengthen institutional image, and to increase efficiency and visibility.

Source: Ministry of Food, Agriculture and Livestock, Strategic Plan 2013-17.

4.22. Turkey's National Rural Development Strategy (NRDS) covers the period 2014-20, and was prepared by the Ministry and other relevant stakeholders to create an integrative policy framework for Turkey's rural development efforts and enable the harmonization of Turkey's rural development policy with that of the EU within the context of its accession process. In addition to these, NRDS aims to:

- strengthen rural policy governance at both central and local levels;
- address the negative effects of migration on rural areas;
- enhance harmonization with the EU acquis on agriculture and rural development in the pre-accession process;
- reduce the development differences between rural and urban areas; and

- form a framework for the IPARD II Programme and Rural Development Action Plan.

4.23. NRDS's framework has been determined on the basis of a national policy approach, strategic objectives (axis) in line with the main objectives, aims and principles, and a priorities and measures' hierarchy. Various priorities and measures have been determined under each objective.

#### 4.1.6 Export subsidies

4.24. Turkey has not notified export subsidies to the WTO Committee on Agriculture during the review period, but has notified them to the Committee on Subsidies and Countervailing Measures in 2012 and 2014.<sup>10</sup> According to the authorities, the reason for submitting the information to the Committee on Subsidies and Countervailing Measures was because the content of the notification to the Committee on Agriculture was different from the content of the notifications made to the Committee on Subsidies and Countervailing Measures. **Turkey's WTO Schedule contains 44 commitments limiting subsidization of exports.**

4.25. **Turkey's export subsidies are provided to develop Turkey's export potential in processed agricultural products.** They have been provided through various decrees during the review period to producer/exporters or exporters.<sup>11</sup> **The subsidies take the form of a deduction of debts to public corporations (taxes, social insurance premium costs, energy costs, telecommunication costs) from the subsidy entitlement. Goods eligible are those of Turkish origin and products may be exported to all markets.**

4.26. Pursuant to its subsidy notifications to the Committee on Subsidies and Countervailing Measures, Turkey's export subsidies vary significantly depending upon the product. During the review period there have been no changes in the percentage share of the products eligible to receive the subsidy during 2013-15. Since 2013, the export subsidy rate notified has been changed from U.S. dollars to Turkish Lira. The maximum payment rate has declined slightly in a number of cases (Table 4.10). According to the authorities, Turkey's WTO commitments and its budgetary constraints determine the percentage share eligible to receive the subsidy and its variations.

**Table 4.10 Turkey's export subsidies, 2013, 2014, and 2015, as notified to the Committee on Subsidies and Countervailing Measures**

Product	Rate (TL/ton)	2013		Rate (TL/ton)	2014		Rate (TL/ton)	2015	
		Share exported eligible to receive the subsidy	Maximum ratio of payment		Share exported eligible to receive the subsidy	Maximum ratio of payment		Share exported eligible to receive the subsidy	Maximum ratio of payment
Cut flowers (fresh)	370	40%	10%	370	40%	10%	370	40%	9%
Vegetables, frozen (exc. potatoes)	145	45%	12%	145	45%	12%	145	45%	10%
Vegetables dehydrated	670	40%	10%	670	40%	10%	670	40%	10%
Fruits (frozen)	140	45%	8%	140	45%	8%	140	45%	6%
Preserve, pastes	135	100%	8%	135	100%	8%	150	100%	8%
Honey	120	32%	5%	120	32%	5%	120	32%	2%
Homogenized fruit preparations	115	35%	5%	115	35%	5%	115	35%	5%
Fruit juices (concentrated)	270	15%	12%	270	15%	12%	295	15%	12%
Olive oil	50	100%	2%	50	100%	2%	30	100%	2%
Prepared or preserved fish	450	100%	5%	450	100%	5%	450	100%	5%
Meat of poultry (excl. edible offals)	350	41%	15%	350	41%	15%	350	41%	14%

<sup>10</sup> WTO documents G/SCM/N/220/TUR, 21 March 2012; and G/SCM/N/253/TUR, 11 March 2014.

<sup>11</sup> Decree No. 2010/5, Decree No. 2012/2 and Decree No. 2015/1.

Product	Rate (TL/ton)	2013		Rate (TL/ton)	2014		Rate (TL/ton)	2015	
		Share exported eligible to receive the subsidy	Maximum ratio of payment		Share exported eligible to receive the subsidy	Maximum ratio of payment		Share exported eligible to receive the subsidy	Maximum ratio of payment
Eggs	30 TL/1,000 pieces	65%	10%	30 120	65%	10%	30 TL/1,000 pieces	65%	10%
Preserved poultry meat products	450	50%	10%	450	50%	10%	450	50%	10%
Chocolate and other food preparations containing chocolate	215	48%	6%	215	48%	6%	215	48%	5%
Biscuits, waffles	215	18%	8%	215	18%	8%	215	18%	7%
Macaroni vermicelli	120	32%	10%	120	32%	10%	120	32%	9%

Source: WTO documents G/SCM/N/220/TUR and G/SCM/N/253/TUR, and information provided by the authorities.

#### 4.1.7 Legal framework

4.27. Turkey's main agricultural law dates from 2006 and provides the overall framework for agriculture.<sup>12</sup> It defines the principles, objectives, and priorities of Turkish agricultural policy, and it determines strategies in accordance with policies and regulations supporting agricultural development, including agricultural support. Further it provides protection of biodiversity and genetic resources, ensures biosafety, provides for the establishment of product councils, and contains provisions on rural development. There are numerous other laws affecting agriculture, some of which related to specific commodities, others to insurances and credits, and others to cooperatives. There have been no major changes to the legislative framework during 2011-15 (Table 4.11).

**Table 4.11 Overview of Laws on Agriculture**

Law	Reference
Agriculture Law	Law No. 5488 of 18 April 2006
Rice Law	Law No. 3039 of 11 June 1936
Tea Act	Law No. 3092 of 4 December 1984
Law on Planning Hazelnut Production and Determination of Planting Areas	Law No. 2844 of 16 June 1983
Alcohol and Distilled Spirits Monopoly Law	Law No. 4250 of 8 June 1942
Animal Protection Act	Law No. 5199 of 24 June 2004
Cooperatives Law	Law No. 1163 of 24 April 1969
Organic Farming Law	Law No. 5262 of 1 December 2004
Sugar Law	Law No. 4634 of 4 April 2001
Cotton Law	Law No. 2903 of 27 January 1936
Fisheries Act	Law No. 1380 of 22 March 1971
Agricultural Land Reform Law on Irrigation	Law No. 3083 of 22 November 1984
Law on Water	Law No. 831 of 28 April 1926
Agricultural Credit Cooperatives and Law on Restructuring Agricultural Credit	Law No. 4876 of 6 June 2003
Agricultural Credit Cooperatives and Unions	Law No. 1581 of 18 April 1972
Agricultural Insurance Law	Law No. 5363 of 14 June 2005
Agricultural Sales Cooperatives and Unions Law	Law No. 4572 of 1 June 2000
Seed Law	Law No. 5553 of 31 October 2006
Agriculture and Rural Development Support Agency Law	Law No. 5648 of 4 May 2007
Agricultural Producers' Union Law	Law No. 5200 of 29 June 2004
Soil Conservation and Land Use Law	Law No. 5403 of 3 July 2005
Tobacco and Alcohol Market Regulatory Authority Law	Law No. 4733 of 3 January 2002

<sup>12</sup> Agriculture Law, Law No. 5488, of 18 April 2006.

Law	Reference
Law on Protection of Breeder's Rights for New Plant Varieties	Law No. 5042 of 8 January 2004
Law on Agricultural Engineering	Law No. 7472 of 6 May 1960
Biosecurity Law	Law No. 5977
Law on Veterinary Services, Plant Health, Food and Feed	Law No. 5996 of 13 June 2010

Source: Ministry of Agriculture online information. Viewed at: <http://www.tarim.gov.tr/Mevzuat/Kanunlar>.

4.28. There have been some changes to the institutional framework. In 2011, the Ministry of Agriculture and Rural Affairs was re-organized and became the Ministry of Food, Agriculture and Livestock.<sup>13</sup> It is responsible for policy formation, monitoring, and inspection activities for food, agriculture and livestock. The main activities of the Ministry are development of agricultural policies; food safety and security; rural development; conducting research; development of production; implementation of agricultural support programmes; and protection of land, water and biodiversity. It covers the plant, animal, aquaculture, and fishery sectors.

#### 4.1.8 Major agriculture sectors

##### 4.1.8.1 Hazelnuts

4.29. Turkey is the world's largest hazelnut producer, accounting for 65% of 2014 world production, or 68% during the period 2010-14.<sup>14</sup> Production declined in 2014, reaching the lowest level in 10 years, after steadily climbing during 2011-13, due to negative climatic conditions that caused frost damage. Hazelnut production is concentrated in 16 provinces, mainly located around the Black Sea region, and production yields vary significantly by province, ranging from 18 to 128 kg/h in 2014. Production is concentrated in the Black Sea region due to its sloping lands and for ecological reasons; and the wide variation in production yields is attributed to the age of the plantations, land class, slope, fertilization, pruning, and pest control. Furthermore, although the world's leading producer, Turkey has a lower yield per hectare than some other leading producers, such as Italy, the United States, and Georgia, according to the FAO, because the plantations have completed their economic life.

4.30. Turkey is even more dominant in the world trade of hazelnuts, accounting for almost 80% of world exports.<sup>15</sup> Turkey's hazelnut exports have mirrored production trends, climbing steadily during 2011-13, then declining in 2014. Traditionally the EU has been the major market for hazelnut exports accounting for over three quarters of exports, but this has declined in recent years. Domestic consumption in Turkey has been less than one third of production during the period 2011-14, thus the majority of hazelnuts are exported, many as processed hazelnuts.<sup>16</sup> Hazelnut processing has increased in recent years, and downstream products include roasted hazelnuts, hazelnut paste, and refined hazelnut oil. Prior to 2010, there was government intervention in the market, but this has been phased out and producers have been given area-based income support during the last six years, reportedly amounting to TL 3.57 billion over six years.<sup>17</sup>

##### 4.1.8.2 Livestock

4.31. Turkey's livestock sector is a traditional and important agricultural sector for Turkey. It has exhibited strong growth during the review period with increases in production. As a traditional sector in Turkey, the livestock sector has flourished due to investment supports and IPARD programmes. In recent years, livestock production has attracted one of the highest amounts of investment within the agriculture sector.

<sup>13</sup> Statutory Decree on the Organization and Duties of the Ministry of Food, Agriculture and Livestock, No. 639.

<sup>14</sup> TMO website, 2014 Hazelnut Report. Viewed at: [http://www.tmo.gov.tr/Upload/Document/raporlar/2014findiksektorraporu.pdf&usg=ALkJrhiPLeNuWO\\_tL8YM7ujGM79S-EdDaQ](http://www.tmo.gov.tr/Upload/Document/raporlar/2014findiksektorraporu.pdf&usg=ALkJrhiPLeNuWO_tL8YM7ujGM79S-EdDaQ).

<sup>15</sup> TMO website, 2014 Hazelnut Report. Viewed at: <http://www.tmo.gov.tr/Upload/Document/raporlar/2014findiksektorraporu.pdf>.

<sup>16</sup> Ministry of Economy online information. Viewed at: <http://www.economy.gov.tr/portal/content/conn/UCM/uuid/dDocName:EK-021170>.

<sup>17</sup> TMO online information. Viewed at: <http://www.tmo.gov.tr/Upload/Document/raporlar/2014findiksektorraporu.pdf>.

4.32. Livestock production is characterized by small farms and is dominated by local breeds. As such, yields are considered low compared to other countries. Higher demand for meat has led to rising prices in recent years which has in turn led to increased production and value for the sector. It has also encouraged investment and led to inflationary pressures on food.

4.33. In terms of value of production, cattle dominate, followed by sheep, then goats. The value of livestock production fluctuated during 2011-14, despite increasing livestock numbers – indicating prices have, in general, declined. In contrast to other livestock, the number of horses has fallen steadily as they are slowly replaced by machines (Table 4.12).

**Table 4.12 Overview of the livestock sector, 2011-14**

Totals and selected subsectors	2011	2012	2013	2014
Number of livestock:				
Cattle	12,386,337	13,914,912	14,415,257	14,223,109
Sheep	25,031,565	27,425,233	29,284,247	31,140,244
Goats	7,277,953	8,357,286	9,225,548	10,344,936
Horses	151,230	141,422	136,209	131,480
Livestock production value (TL 1,000):	60,076,917	63,546,623	57,656,092	62,512,147
Cattle	40,959,200	42,874,967	36,394,607	40,311,087
Sheep	12,488,261	13,227,840	13,459,543	13,892,956
Goats	3,027,952	3,484,399	3,800,553	3,956,976
Horses	166,880	141,461	126,016	122,441
Imports:	997	821	325	119

Source: Turkstat and information provided by the authorities.

4.34. Regarding trade, imports of live animals and meat are low – in 2014 imports of live cattle were US\$110.3 million, and imports of beef US\$5.2 million<sup>18</sup> – reflecting the high tariff and the strict measures maintained for SPS reasons. The Ministry of Food, Agriculture and Livestock allows imports of livestock from countries meeting animal health and veterinary certificate criteria. Thus, Turkey currently allows imports of breeding cattle from 17 countries, fattening cattle from 17 countries, cattle for slaughtering purposes from 13, breeding sheep from 9 countries and sheep for slaughtering purposes from 7 countries (Table 4.13). Livestock for breeding and fattening purposes are imported by giving priority to human and animal health. Imports are carried out in accordance with bilateral protocols with trading partners. The Ministry of Food, Agriculture and Livestock permits imports from countries with whom Turkey has mutual agreements on health conditions, and uses the OIE for monitoring and reference purposes. The Ministry is responsible for determining the eligible imports, including reference prices, identifying eligible countries, import duties, technical specifications, and is the only authority to determine import procedures within the scope of SPS matters.

**Table 4.13 List of eligible countries for the importation of bovine animals**

Breeding cattle	Fattening cattle	Slaughtering cattle
Australia	Australia	Australia
Austria	Austria	-
Belgium	Belgium	Belgium
-	Brazil	Brazil
-	Chile	-
Czech Republic	Czech Republic	Czech Republic
Estonia	Estonia	Estonia
France	France	France
Greece	Greece	Greece
Germany	-	-
Hungary	Hungary	Hungary
Italy	Italy	Italy
Latvia	Latvia	Latvia
Lithuania	Lithuania	Lithuania
Netherlands	-	-

<sup>18</sup> UNSD Comtrade database. HS headings 0102, 0201, and 0202.

Breeding cattle	Fattening cattle	Slaughtering cattle
Slovak Republic	Slovak Republic	Slovak Republic
Sweden	Sweden	Sweden
United States	United States	-
Uruguay	Uruguay	-

Source: Information provided by the authorities.

4.35. Agricultural supports to the livestock sector are significant and have increased during the period, in particular direct subsidy payments. Livestock subsidies, as a percentage of Turkey's overall agricultural subsidies, have increased. The share of the livestock sector eligible for subsidies was 24% in 2011, rising to 30% in 2015.<sup>19</sup> Most subsidies for the sector are incentives for milk production, followed by cattle breeding, and feed processing (Table 4.14). Part of these agricultural subsidies is also given to the industry association relevant to the particular livestock subsector.

**Table 4.14 Livestock support programmes, 2015**

Programme	Details
Breeding female cattle and water buffalo support	Support given for breeder female cattle and water buffalos once a year, to farmers who are registered to an association as well as Turkvet and who hold between 5 and 5,000 head.
Calf support	Given for calves born in 2014 and registered in e-islam (breeding database). To receive payments, calves have to be vaccinated against brucellosis and their vaccination details must be registered in Turkvet.
Feeder material production support	Support given for pure-bred breeder cattle in GAP, DAP, DOKAP and KOP regions. Cattle should be registered in e-islam and Turkvet.
Breeding female sheep/goat support	Support given for raising breeding female sheep and goat which are registered in Sheep Goat Register System and Sheep Goat Information System. Farmer has to be an association member.
Support for identifying milk contents for quality improvement.	Support given to agricultural enterprises in Ankara, İzmir, Balıkesir, Bursa and Tekirdağ which meet laboratory analysis requirements. Stud book registration required.
Feeder male cattle support	Support given for slaughtering male cattle that have completed its last 90 days of fattening in an approved slaughter house.
Herd manager (shepherd) employment support	Support given to agricultural enterprises who employ herd managers for shepherding small cattle. Social security premiums for herd managers have to be paid for the last 5 months.
Apiculture support	Support given for apiculture to agricultural enterprises that are registered in Turkvet and have registered their beehives in AKS (Beekeeping Register System).
Bumble bee support	Support given to producers that use bumblebees for pollination in greenhouses.
Animal disease compensatory payments	Compensatory payments given for slaughtering, destroying or eradicating animals that have contracted animal diseases such as brucellosis, foot and mouth disease or glanders.
Support for disease-free enterprises	Support given to disease-free enterprises that meet technical and hygienic criteria. Livestock should be tagged, registered in the database and should have passports.
Programmed vaccination applications	Support given to veterinarians that carry out the Ministry's vaccination programme.
On-site protection and development of livestock genetic resources	Support given to breeders/breeders' associations for protection of some pure-bred races.

Source: Ministry of Food, Agriculture and Livestock.

<sup>19</sup> GAIN Report, "Turkish Livestock Support and Subsidies".

#### 4.1.9 Marketing Boards

4.36. Turkey maintains four marketing boards for agricultural products: the Turkish Grain Board, the Meat and Milk Board, Sugar Authority, and Tobacco and Alcohol Market Regulatory Authority. These are all state-owned and operated entities.

##### 4.1.9.1 Turkish Grain Board

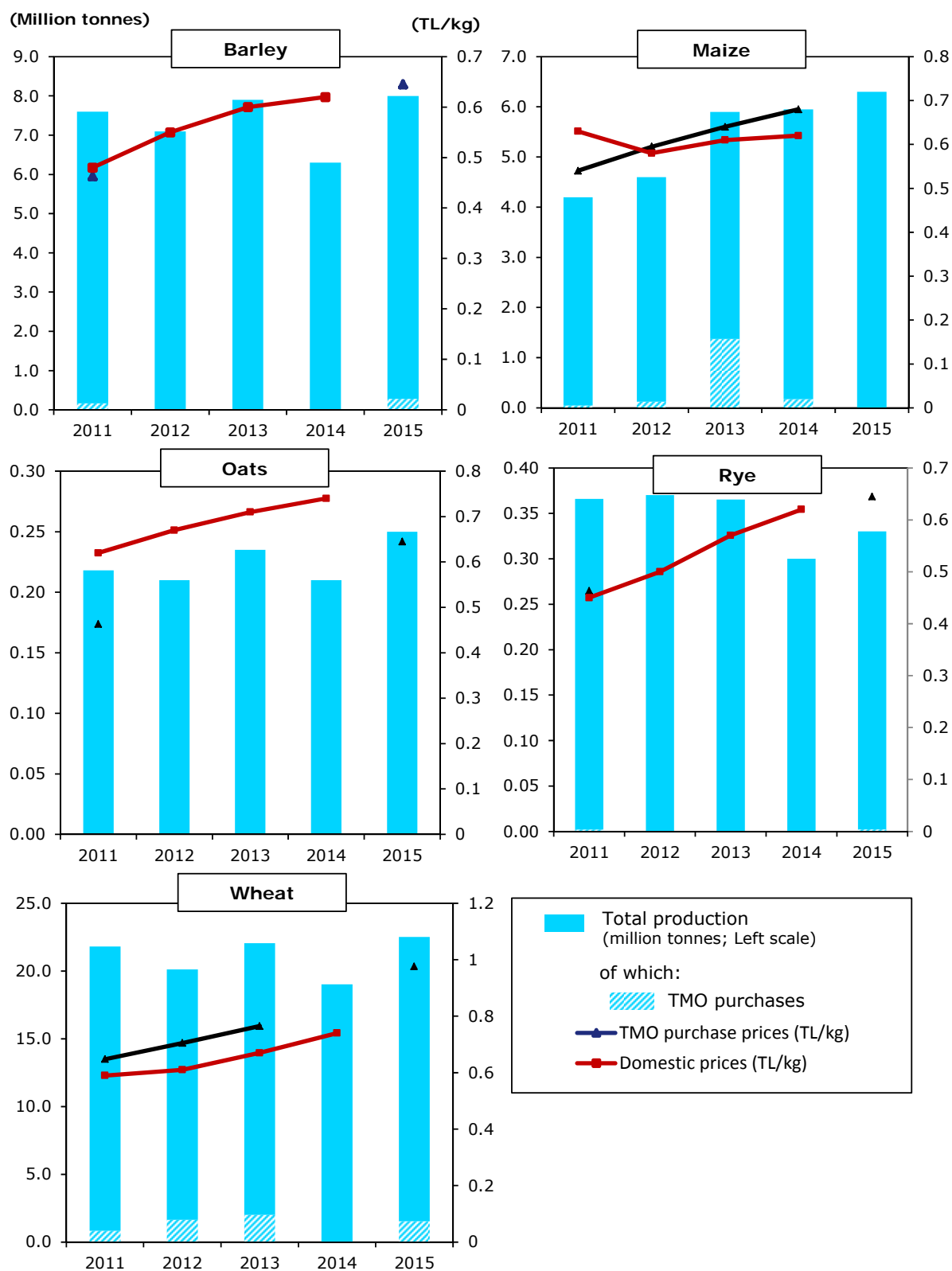
4.37. Established in 1938 as an Economic State Enterprise, the Turkish Grain Board (TMO) continues to be involved in Turkey's grain industry mainly by providing stability to the grain markets. It now operates as a limited-liability and autonomous state economic enterprise pursuant to the law on State Economic Enterprises (Section 3.3.4.2) linked to the Ministry of Food, Agriculture and Livestock. TMO is mandated to regulate the grains market, manage the state monopoly on opium and narcotic drugs, hold stocks for emergencies, provide food aid to other countries, and implement other responsibilities given to it by the Cabinet.

4.38. TMO's activities cover a range of grains and other commodities, including wheat, barley, rye, oats, triticale, maize, paddy rice, hazelnuts, and poppy. Its role in the grain market is to purchase, hold stocks, and sell as necessary and is determined by annual production and the price situation in Turkey. TMO's role for poppy is more involved and has market regulatory aspects as well. TMO has not had a role in the hazelnut market since 2009. TMO also has a role in promoting crop technology and operating laboratories.

4.39. Its main role in the market is to stabilize prices for producers by intervening when prices fall below a pre-determined reference price. According to TMO's Main Charter, TMO purchases from domestic and foreign markets when necessary, according to the policies specified each year for the purpose of preventing extreme fluctuations in grain prices. Under certain circumstances, the Cabinet of Ministers allocates TRQs for TMO imports, and these are not permanent. Under the provisions of the TRQ, customs duties are often lowered to 0% for TMO imports. According to the authorities, both TMO and private companies can have customs duties lowered to 0% on imports. TMO can resell imported grains either domestically or for export, often when there are surpluses. While TMO has the right to make purchases to stabilize prices, during 2011-15, it rarely intervened except in the case of wheat and maize. In general, TMO purchases have only amounted to a small percentage of Turkish production during the period (Chart 4.1), although domestic prices remained above world market prices during 2011-14 with a Producer Nominal Protection Co-efficient (NPC) of 1.15 to 1.22 (that is the ratio between average prices received by producers, including payments per tonne of output, and the border price (measured at farm gate level)).<sup>20</sup>

<sup>20</sup> OECD (2015), Producer and Consumer Support Estimates database, online. Viewed at: <http://www.oecd.org/tad/agricultural-policies/producerandconsumersupportestimatesdatabase.htm#country> [January 2016].

Chart 4.1 TMO operations, 2011-15



Note: 2015 estimated figures of barley, oats, and rye.

Source: The Turkish Grain Board (TMO). Viewed at: <http://www.tmo.gov.tr/>.

#### 4.1.9.2 Sugar Authority

4.40. Turkey's Sugar Authority determines the procedures, principles and conditions related to sugar production and marketing.<sup>21</sup> It has regulatory aspects, such as granting permission for the operation of new facilities or expanding them, as well as establishing prices, conducting inspections, and R&D activities. The Sugar Authority oversees the sugar quota system, audits the sugar factories and sugar containing food producers but the Authority does not participate in the sugar trade.

4.41. In 2012/13 Turkey's sugar production from sugar beets amounted to 6% of world production. During the period of 2011-15, sugar production and domestic sales have remained relatively constant, although declining slightly in 2014/15. At the same time, prices have increased steadily. Exports declined in 2014/15. (Table 4.15) The Sugar Authority oversees the allocation of quotas among 12 sugar producers in Turkey.<sup>22</sup>

**Table 4.15 Sugar Authority operations, 2010-15**

('000 tonnes)

	2010/11	2011/12	2012/13	2013/14	2014/15
Production	2,262	2,270	2,129	2,390	2,058
Domestic sales	1,867	2,151	1,918	2,083	2,019
Exports	283	290	339	319	192
Average sales price (TL/kg)	1.79	1.94	2.11	2.33	2.52

Source: Sugar Authority, online information. Viewed at: <http://www.sekerkurumu.gov.tr/istatistikler/urun-verileri>.

#### 4.1.9.3 Meat and Milk Board (ESK)

4.42. The Meat and Milk Board was originally established as a state-economic enterprise for the operation of meat processing plants. Today it is involved in livestock breeding, improving the quality of the livestock sector, distribution of meat, and regulating livestock. Under Turkey's privatization policy, many of the institution's meat processing facilities have been privatized over the last 20 years. As of November 2015, 26 out of 37 of ESK's meat plants had been privatized. ESK still operates the remaining 11 enterprises for production and slaughtering. The ESK's Board of Directors oversees the operation of its enterprises, however it does not place quotas on meat production, nor does it set prices for the domestic market, ESK Management determines prices for its own franchises.

4.43. Previously, the Board was known as the Meat and Fish Board, but its name was changed in 2013 when it was given similar responsibilities for milk as for meat. ESK does not have a role in fish products, but one of its processing plants is planned to operate for poultry meat. As of 2013, the milk sector is a new activity for the Board. Although it does not have any activity in milk markets at present, ESK's role for milk could resemble its activities in the meat sector.

4.44. The ESK has been given exclusive rights to import meat under tariff quotas, often with zero customs duties. For example, in 2015, pursuant to a Cabinet Decree, customs duties on 19,000 tonnes of red meat imports from the EU will face no duties when imported by ESK under quota.<sup>23</sup> The ESK sets prices for its own processed meats and operates stores as well.

<sup>21</sup> Law No. 4634.

<sup>22</sup> Sugar Authority online information. Viewed at: [http://www.sekerkurumu.gov.tr/upload/special/SEKER\\_KURUMU\\_2014\\_F.pdf](http://www.sekerkurumu.gov.tr/upload/special/SEKER_KURUMU_2014_F.pdf).

<sup>23</sup> Viewed at: <http://www.infobalkans.com/organization/state-run-meat-and-milk-board>.

#### 4.1.9.4 Tobacco and Alcohol Market Regulatory Authority (TAPDK)

4.45. Turkey's Tobacco and Alcohol Market Regulatory Authority was established in 2002 pursuant to a law to regulate alcohol and tobacco products.<sup>24</sup> It has regulations for alleviating social harms of alcohol or tobacco. In particular it has roles in production, licensing, and permits for the sale or distribution of alcohol or tobacco products.

4.46. In terms of trade, TAPDK oversees laws and regulations related to the trade of raw and processed tobacco products and alcoholic beverages. For tobacco, TAPDK issues producer certificates in order to produce tobacco products. Tobacco products are generally free to export, subject to an inspection of conformity, but to import there are limitations on which companies may do so, based on their annual production capacity and/or investment. For alcoholic beverages, TAPDK has a regulatory function including oversight over production certificates, distribution licences, and imports.

#### 4.1.10 Food Aid

4.47. Turkey is not a party to the Food Assistance Convention, nor does it have any law on food aid, rather using individual laws or cabinet decrees when providing food aid. Turkey's Cabinet of Ministers decides on food aid policy.

4.48. During the period 2011-15, Turkey provided food aid in 2012, 2013, and 2014 to Somalia for drought relief, and in 2012 and 2013 to Syria. Regarding Somalia, Turkey provided 2,000 tonnes, 10,000 tonnes, and 5,000 tonnes of wheat from TMO, respectively, during the three years; and to Syria, 75 tonnes, and 35,000 tonnes of wheat, respectively, via the Turkish Red Crescent. In 2015, Turkey provided 10,000 tonnes of wheat as food aid to Syria.

### 4.2 Manufacturing

4.49. Over the past three decades, much of Turkey's economic development has been based on the country's large and diverse manufacturing base. Turkey's relatively low labour costs, well-trained workforce, and strategic location have helped build a strong manufacturing sector focused on medium- and high-value-added goods. In 2014, the industrial sector accounted for 17.8% of GDP, 76.7% of total goods exports and 20.5% of employment.

4.50. Turkey's industrial sector is mainly located in the north west, the region stretching from the Greek and Bulgarian borders through Istanbul and south to Izmit, Bursa, Eskisehir and around the Marmara region. Other important clusters include other areas around the Anatolian coast and the region around Ankara. Turkey has been attracting foreign investments from major international players in the manufacturing sector.

4.51. Small and medium-sized enterprises (SMEs) constitute a key part of the industrial sector in Turkey. According to Turkish Treasury figures, SMEs account for 99% of all companies in Turkey, and contribute to around 78% of employment, 62% of exports and 57% of total value added. SMEs receive support from the Government through assistance with financing, training, technology development, innovation, export orientation and quality improvement.<sup>25</sup>

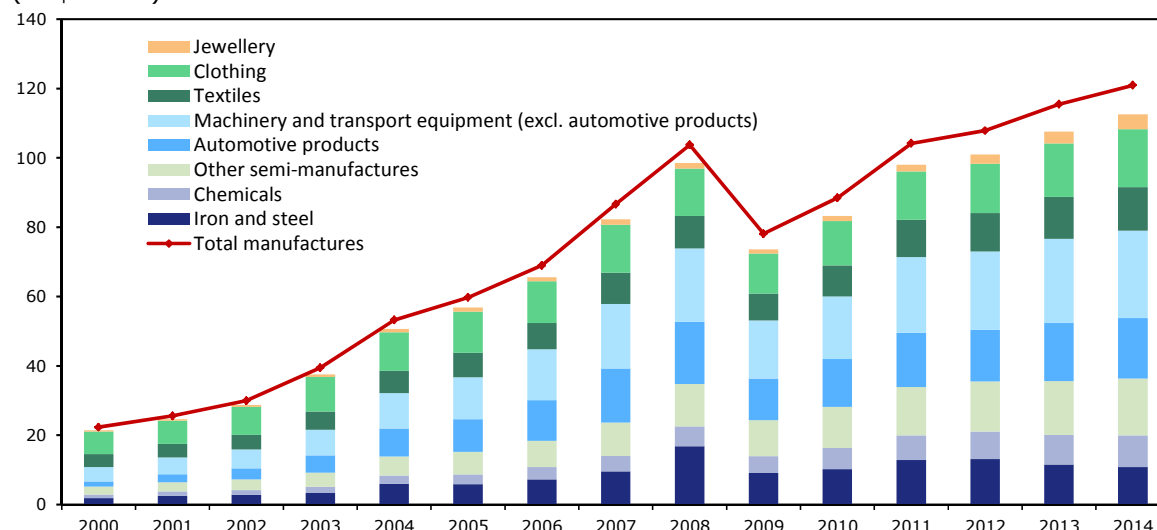
4.52. Turkey is a large exporter of manufacturing goods, and since 2011 exports have surpassed pre-2008-09 crisis levels. From 2011 to 2014, total exports for industrial goods increased by 5.1% per year in nominal terms to US\$122 billion. Turkey's key industrial export sectors are automotive, textiles and clothing, chemicals, machinery, iron and steel, electronics, and jewellery (Chart 4.2). Turkey is also a large importer, primarily of intermediary goods which account for 73% of imports. These goods include energy products, scrap metals, engines and drive trains for motor vehicles, chemicals, electronic components, and cotton and textile inputs.

<sup>24</sup> Law No. 4733. Name was changed in 2008.

<sup>25</sup> Oxford Business Group (2015), *The Report: Turkey*.

**Chart 4.2 Evolution of exports for selected manufacturing product groups, 2000-14**

(US\$ billion)



Note: Standard International Trade Classification (SITC), Rev.3.

Source: WTO calculations, based on UNSD Comtrade database (SITC Rev.3).

4.53. With a large trade deficit of about 8% of GDP in 2014, Turkey's persistent current account deficit remains a major challenge to the economy and increasing exports are seen as one of the ways this should be addressed (Section 1.2). Under the Tenth Development Plan, the Input Supply Strategy, and Turkey Vision 2023, the Government has set out multiple objectives for manufacturing, including increasing production of intermediate and finished goods in order, *inter alia*, to reduce the trade deficit (Section 2.2).

4.54. Based on Turkey Vision 2023, the country aims to expand its manufacturing base of medium- and high-tech and value-added products and support the technological development of companies. Turkey also aims to achieve an export volume of US\$500 billion by having export-based production; 70,000 exporters (from 50,000); create at least 10 national brands known worldwide; and diversify its export markets and products.

4.55. Turkey is an important link in global value chains (GVCs) as it imports unprocessed and partly processed goods for further transformation and export. The authorities note that Turkey has benefitted from its integration into value chains through supplying finished goods and high technology goods to foreign intermediaries. However, a relatively high level of the value has already been added in the goods imported into Turkey and relatively little value added in Turkey itself: according to the OECD-WTO Trade in Value Added (TiVA) database, the foreign value added as a proportion of gross exports increased from 10% in 1995 to 26% in 2011, while domestic value added was 15% in 2011. It was also noted that "integration into GVCs may be more orientated towards downstream activities, such as assembly, compared to other countries".<sup>26</sup> Therefore, the authorities stated that the main challenge for Turkey is increasing the contribution to value added in upstream activities, diversifying the industries involved in GVCs, and engaging small and medium-sized enterprises.

4.56. The Directorate General for Industry under the Ministry of Science, Industry and Technology is responsible for setting industrial policy for Turkey. Other important ministries with responsibilities for industrial policy include the Ministry of Economy, the Ministry for EU Affairs, the Ministry of Environment and Urbanisation, and the Ministry of Energy and Natural Resources. The Union of Chambers and Commodity Exchanges of Turkey (TOBB) is the sole private sector professional organization that represents all companies. The Turkish Industry and Business Association (TUSIAD) and the Association of Independent Industrialists and Businessmen (MUSIAD) are the two largest professional organizations for Turkey's industrial sector.

<sup>26</sup> OECD-WTO (2015), *Trade in Value Added: Turkey*, October. Viewed at: <http://www.oecd.org/sti/ind/measuringtradeinvalue-addedanoecd-wtojointinitiative.htm>.

#### 4.2.1 Automotive sector

4.57. In 2014, Turkey ranked 17<sup>th</sup> in the global automotive manufacturing arena with 1.2 million units produced (including agricultural and forestry tractors) representing an overall increase of 5% compared to 2013. In 2015, production capacity reached more than 1.7 million units per year. According to the Turkish Automotive Manufacturers Association (OSD), in 2014 passenger cars accounted for 60% of production, followed by commercial vehicles and tractors.<sup>27</sup> The sector employs more than 400,000 people.

4.58. The automotive industry is mostly represented by foreign owned firms, joint ventures with foreign companies, or those operating under foreign licences. Turkey's three main automobile producers are joint ventures with global brands: Tofas (Fiat S.p.A and Koç Holding with 37.8% each); Oyak-Renault (51% Renault, and 49% Oyak Holding); and Ford Otosan (Ford Motor Co and Koç Holding with 41.04% each). These producers accounted for around 65% of all vehicles manufactured in Turkey in 2014. Other important producers are Toyota, Hyundai Assan, Mercedes Benz Turk, MAN Turkiye, Anadolu Isuzu, and Honda Turkey.

4.59. There are also a number of domestically owned producers including: Otokar; TEMSA; and KARSAN. In total, there are 14 Original Equipment Manufacturers (OEMs) that are members of OSD and produce over one million vehicles annually. In general, domestic firms produce mini-buses, buses, and trucks, whereas the majority of passenger cars are produced by joint ventures with foreign companies. In addition to vehicle manufacturing, Turkey is playing an increasingly important role as a supplier in the automotive industry both as a manufacturer and an exporter. There are more than 1,000 automotive supplier companies, along with local manufacturers with nearly 40 years of experience as well as world brands that have significant investments in Turkey.

4.60. Trade in automotive products is an important feature of Turkey's economy and has been heavily dependent on the European market. In 2014, Turkey's automotive exports reached US\$22.5 billion, with nearly 74% exported to the EU. Since the global financial crisis of 2008-09 and the slowdown in the Euro-zone economies, manufacturers have been looking increasingly to new export markets in the Middle East and Asia.

4.61. In recent years, the Government has encouraged domestic companies, in collaboration with multinational producers, to develop a "national car", assembled in Turkey using Turkish-made parts. One of the main objectives is to reduce the country's heavy dependence on imported finished vehicles and intermediate parts, which in 2014 reached US\$15.7 billion. According to the authorities, production of a national car will begin in 2020.

4.62. In 2015, the simple average applied MFN tariff on vehicles (HS 87) was 6.7% while imports from, and exports to the EU are covered by the Customs Union and may enter without payment of customs duties. Imports of second-hand vehicles, other than for personal use, are restricted for environmental reasons but are not prohibited. To ensure the suitability of all imported vehicles for highways, approval is required from the Ministry of Science Industry and Technology for various motor vehicles and trailers<sup>28</sup> (Table 4.16).

4.63. Total taxes account for 71-189% of the cost of a passenger car on the domestic market. In 2014, the special consumption tax (SCT) rates on cars was increased and ranged from 45% for cars with engines under 1,600 cc (previously 40%) to 145% for cars with engines over 2,000 cc. In addition, the annual road tax for cars with engines up to 1,600 cc increased by 10% in 2015, to TL 946 (US\$400).

4.64. With the growth of the automotive sector in Turkey, several problems have emerged that could affect further expansion, including: integration of the main automotive industry and its related industries; the need for a qualified workforce, particularly in related industries; limited access to finance for related industries; and high taxes on vehicles and fuel that reduce demand in

<sup>27</sup> Automotive Manufacturers Association (OSD), General and Statistical Information Bulletin of Automotive Manufacturers 2015. Viewed at: <http://www.osd.org.tr/yeni/wp-content/uploads/2015/05/CATA2015.pdf>.

<sup>28</sup> Import Communiqué 51/1, OG 31.12.2014 No. 29222 bis.

the domestic market.<sup>29</sup> Another report noted that the main issues affecting the automotive sector included, in order of importance: taxes on automotive sales; excessive price competition; legislation on emissions; investment incentive policies; and car scrappage incentives and similar sales supports.<sup>30</sup>

**Table 4.16 Automotive imports requiring a licence, 2015**

HS Codes	Description
8701.20	Road tractors for semi-trailers:
8701.90	Other (other than 8701.90.90.00.11,19)
8702	Motor vehicles for the transport of ten or more persons, including the driver
8703	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 87.02) including station wagons and racing cars
8704	Motor vehicles for the transport of goods
8705	Special purpose motor vehicles, other than those principally designed for the transport of persons or goods (for example, breakdown lorries, crane lorries, fire-fighting vehicles, concrete-mixer lorries, road sweeper lorries, spraying lorries, mobile workshops, mobile radiological units)
8711	Motorcycles (including mopeds) and cycles fitted with an auxiliary motor (with or without side-cars) side-cars
8716	Trailers and semi-trailers; other vehicles, not mechanically propelled; parts thereof (other than 8716.20.00.00.00; 8716.80,90)

Source: WTO document G/LIC/N/3/TUR/14 of 28 September 2015.

4.65. Under the official automotive sector strategy, released by the Government in 2011, the primary objective is the "enhancement of sustainable global competitive strength of the automotive sector and its transformation into an industry that utilizes advanced technology and generates high value-added".<sup>31</sup> The Government's targets for the industry are to achieve 4 million units of production by 2023, 3 million of which would be exported.

4.66. Under the Investment Incentives System, investments in the automotive industry qualify for a number of incentives covering tax, social contributions, land allocation and interest payments. The level of the incentives depends on the region and the value. As a Priority Investment Field under the Regional Investment Scheme, investments in regions I to V in the automotive sector may qualify for the same level of incentives as region V (Table 4.17).

**Table 4.17 Incentives for investment in the automotive sector**

Region			I	II	III	IV	V	VI
<b>General Investment Scheme</b>								
Minimum investment		TL million	1.0	1.0	0.5	0.5	0.5	0.5
VAT exemption			yes	yes	yes	yes	yes	yes
Customs duties exemption			yes	yes	yes	yes	yes	yes
Region			I	II	III	IV	V	VI
<b>Regional Investment Scheme</b>								
Minimum investment		TL million	50	50	50	50	50	0.5
VAT exemption			yes	yes	yes	yes	yes	yes
Customs duties exemption			yes	yes	yes	yes	yes	yes
Tax reduction rate			50%	55%	60%	70%	80%	90%
Contribution rate to investments	Outside OIZ		15%	20%	25%	30%	40%	50%
	Inside OIZ		20%	25%	30%	40%	50%	55%
SSP employer	Outside OIZ	Years	2	3	5	6	7	10
		Upper limit	10%	15%	20%	25%	35%	No limit
	Inside OIZ	Years	3	5	6	7	10	12
		Upper limit	15%	20%	25%	35%	No limit	No limit

<sup>29</sup> Ministry of Industry and Trade (2010), *Turkish Industrial Strategy Document, 2011-2014*, pp 182-186. Viewed at: [http://www.abqs.gov.tr/files/haberler/2011/turkish\\_industrial\\_strategy.pdf](http://www.abqs.gov.tr/files/haberler/2011/turkish_industrial_strategy.pdf).

<sup>30</sup> KPMG (2013), *The Journey of the Turkish Automotive Sector into the Future – 2017 Projections*, KPMG Turkey 2013 Automotive Executives Survey, p. 8.

<sup>31</sup> Prime Ministry Investment Support and Promotion Agency of Turkey online information. Viewed at: <http://www.invest.gov.tr/en-us/sectors/Pages/Automotive.aspx>.

Land allocation			yes	yes	yes	yes	yes	yes
Interest rate support	TL	points	n.a.	n.a.	3	4	5	7
	Foreign exchange		n.a.	n.a.	1	1	2	2
		Upper limit (TL thousand)	n.a.	n.a.	500	600	700	900
SSP employee		Years	n.a.	n.a.	n.a.	n.a.	n.a.	10
Income tax withholding allowance			n.a.	n.a.	n.a.	n.a.	n.a.	10
Region			I	II	III	IV	V	VI
Large Scale Investment Scheme								
Minimum investment		TL million	200	200	200	200	200	0.5
VAT exemption			yes	yes	yes	yes	yes	yes
Customs duties exemption			yes	yes	yes	yes	yes	yes
Tax reduction rate			50%	55%	60%	70%	80%	90%
Contribution rate to investments	Outside OIZ		25%	30%	35%	40%	50%	60%
	Inside OIZ		30%	35%	40%	50%	60%	65%
SSP employer	Outside OIZ	Years	2	3	5	6	7	10
		Upper limit	3%	5%	8%	10%	11%	No limit
	Inside OIZ	Years	3	5	6	7	10	12
		Upper limit	5%	8%	10%	11%	No limit	No limit
Land allocation			yes	yes	yes	yes	yes	yes
Interest rate support	TL	points	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Foreign exchange		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
		Upper limit (TL thousand)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
SSP employee		Years	n.a.	n.a.	n.a.	n.a.	n.a.	10
Income tax withholding allowance			n.a.	n.a.	n.a.	n.a.	n.a.	10
Region			Region I - V					VI
Regional Investment Scheme (as Priority Investment Scheme)								
Minimum investment	Main industry (OEM)	TL million	300					0.5
	Engines	TL million	75					0.5
	Engine parts; transmission (powertrain); transmission components; automotive electronics	TL million	20					0.5
VAT exemption			yes					yes
Customs duties exemption			yes					yes
Tax reduction			80%					90%
Contribution to investments			40%					50%
SSP employer		Years	7					10
		Upper limit	35%					No limit
Land allocation			yes					yes
Interest rate support	TL	points	5					7
	Foreign Exchange		2					2

n.a. Not applicable.

SSP Social Security Premium.

Source: Prime Ministry Investment Support and Promotion Agency of Turkey online information. Viewed at: <http://www.invest.gov.tr/EN-US/INVESTMENTGUIDE/INVESTORSGUIDE/Pages/Incentives.aspx>.

#### 4.2.2 Textiles and clothing

4.67. Turkey has a well-established textiles and clothing industry which is among the most important sectors in the economy and represents a significant part of foreign trade: in 2014, the

sector accounted for US\$29.2 billion of exports or 18.5% of Turkey's total exports of goods and 24% of exports of manufacturing products. In 2014, the total value of clothing exports was US\$16.3 billion. In 2014, Turkish companies exported to more than 194 countries in the world. Although the EU remains the most important destination for exports, the United States, the Russian Federation, and Middle East markets are also important.

4.68. According to Social Security Institution statistics, there are more than 52,000 textile and clothing companies in Turkey with more than 918,000 employees. Production of textiles is concentrated in the Marmara, Aegean, and Cukurova regions with the majority of factories belonging to small and medium-sized enterprises, although most production is by large integrated enterprises.

4.69. The Turkish textile and clothing industry is vertically integrated across the value chain and extends from cotton and fibre to fabric and garments. While Turkey is one of the most important cotton growers in the world, with 877,000 tonnes produced in 2013/14, it is also a large consumer and imports most of its needs. Domestic cotton production in Turkey has begun to increase as a result of the Southeastern Anatolia Project (GAP).

4.70. The Turkish clothing industry, with a global market share of 3.4%, is the eighth largest supplier in the world, and the fourth largest supplier to the EU. It has a share of 4.2% in knitted clothing exports and it ranks 4<sup>th</sup> among exporting countries. With a share of 2.65%, Turkey ranks 9<sup>th</sup> among the woven clothing exporters in the world.

4.71. Over the past three decades, as a result of Asian competition, Turkish companies have succeeded in moving to higher value products as production and export of textiles and clothing has shifted from low-priced and low-value-added commodities to higher value-added manufactured products and fashionable goods.

4.72. The textiles and clothing industry remains relatively highly protected with bound tariffs covering 15.1% of textile and 2.1% of clothing tariff lines. In 2015, the simple average applied MFN tariff on textiles was 6.7% and 11.5% on clothing. The Customs Union with the EU, which includes all textile and clothing products, allows Turkey duty-free access to the EU market (and vice versa).

4.73. The textiles and clothing sector qualifies for support under the General Investment Incentives Scheme (exemptions from VAT and customs duties for imported machinery and equipment) and the Regional Investment Incentives Scheme, which provides a more comprehensive range of incentives which, as with the automotive sector, depend on the geographic region and whether the project is located in an OIZ or not. However, there are no additional incentives for investment in the textiles and clothing sector.

#### 4.2.3 Chemicals

4.74. While Turkey lacks natural resources for the production of chemicals, the country was able to leverage its flexible manufacturing model, productive labour force and its proximity to sources of hydrocarbons and potential export markets to grow a chemicals industry. In 2014, Turkey ranked 29<sup>th</sup> in world chemical product sales and 32<sup>nd</sup> in ethylene production. Exports of chemical products continued to grow over the review period and reached US\$9.2 billion, almost an 8.9% per annum (2011-14) increase since 2011.

4.75. Turkey's 2023 targets for the chemicals industry include US\$50 billion in exports. According to Turkey's Chemicals Industry Strategy and Course of Action Document, there are six strategic targets:

- Producing high-value-added, environmentally-friendly products to develop the exports market.
- Transforming facilities to enable high-value-added production so as to decrease intermediate goods import.
- Structure R&D policies specifically designed for the industry.

- Educate a high-skilled workforce for the industry.
- Develop and ensure a cooperative environment for the stakeholders of the industry.
- Increase demand for locally produced products to reduce foreign trade.<sup>32</sup>

4.76. The major subsectors of the chemicals industry are plastics and plastic products, mineral fuels, rubber and rubber products, inorganic chemicals, and soaps. The Turkish chemical industry is dominated by small companies, many of which are family owned and manufacture low or middle priced products such as paints, soaps, plastics, detergents and cosmetics.

4.77. Demand for chemical products is expected to continue to grow, particularly as chemical products are inputs into other industries such as construction, automobile, textiles and clothing, home appliances, and packaging and printing. Furthermore, capacity utilization rates have increased and were estimated to be about 80% in 2013, suggesting that further investment is needed for further growth.<sup>33</sup>

4.78. A number of foreign firms have invested in the chemical industry in Turkey, including through mergers and acquisitions of domestic enterprises: in 2013, Georg Fischer of Switzerland acquired 96% of Hakan Plastik for US\$98.1 million; in 2012, Yves Rocher of France acquired 51% of Flormar for US\$135 million; also in 2012, Nitto Denko Corporation of Japan acquired 100% of Dento Bantçilik for US\$100 million; and in 2011, Dow Chemicals of the United States acquired 50% of Aksa Karbon Elyaf Sanayi for US\$92.5 million.<sup>34</sup> Petkim PetroKimya Holding A.Ş., which dominates the petrochemicals subsector, was privatized in 2008 with SOCAR & Turcas Petrochemical Company acquiring 51% of the shares for US\$2,040 million which SOCAR (the Azeri State-owned company) acquired in 2011 following Turcas's withdrawal from the shareholding structure. In 2012, SOCAR acquired the remaining 10.32% of Petkim's shares held by the Prime Ministry Privatization Administration for US\$168.5 million.<sup>35</sup>

4.79. The subsector's main challenges include its heavy dependence on imported raw materials and intermediary goods, which account for 40% of all imports. In 2014, the trade deficit for the chemicals sector (excluding mineral oils) stood at US\$20.5 billion. Another challenge is growing competition from Asian countries, which have direct access to raw materials such as petroleum products and palm oil.

4.80. In order to develop and grow the sector, Turkey plans to import raw materials and then manufacture more intermediary products in Turkey, before re-exporting the higher-value-added finished products. To help this process, an integrated refinery, petrochemicals, energy and logistics hub is being developed for the Petkim Peninsula with the help of SOCAR of Azerbaijan.

4.81. The chemical industry in Turkey qualifies for support under the General Investment Incentives Scheme (exemptions from VAT and customs duties for imported machinery and equipment) and the Regional Investment Incentives Scheme, which provides a more comprehensive range of incentives which, as with the automotive sector, depend on the geographic region and whether the project is located in an OIZ or not. In addition, under the Large-Scale Investment Incentives Scheme, investments of more than TL 200 million qualify for enhanced incentives through a higher state contribution towards the cost of the investment<sup>36</sup> (Section 2.4.4).

<sup>32</sup> Prime Ministry Investment Support and Promotion Agency of Turkey (2014), *The Chemicals Industry in Turkey*, p. 72. Viewed at: [www.invest.gov.tr/en-US/.../Documents/CHEMICALS.INDUSTRY.pdf](http://www.invest.gov.tr/en-US/.../Documents/CHEMICALS.INDUSTRY.pdf).

<sup>33</sup> Prime Ministry Investment Support and Promotion Agency of Turkey (2014), *The Chemicals Industry in Turkey*, p. 15 and 17. Viewed at: <http://www.invest.gov.tr/en-US/infocenter/publications/Documents/CHEMICALS.INDUSTRY.pdf>.

<sup>34</sup> Prime Ministry Investment Support and Promotion Agency of Turkey (2014), *The Chemicals Industry in Turkey*, p. 12. Viewed at: <http://www.invest.gov.tr/en-US/infocenter/publications/Documents/CHEMICALS.INDUSTRY.pdf>.

<sup>35</sup> Petkin (2015), *2014 Annual Report* and Prime Ministry Investment Support and Promotion Agency of Turkey (2014), *The Chemicals Industry in Turkey*, p. 12. Viewed at: <http://www.invest.gov.tr/en-US/infocenter/publications/Documents/CHEMICALS.INDUSTRY.pdf>.

<sup>36</sup> Prime Ministry Investment Support and Promotion Agency of Turkey online information. Viewed at: <http://www.invest.gov.tr/EN-US/INVESTMENTGUIDE/INVESTORSGUIDE/Pages/Incentives.aspx>.

4.82. In 2015, the simple average applied MFN tariff was 4.7% for chemicals. Imports and exports to and from the EU are duty free under the Customs Union.

### 4.3 Services

#### 4.3.1 Financial services

4.83. In nominal terms financial and insurance activities' contribution to GDP has increased steadily since 2010, but it has actually declined as a percentage of GDP, from 4.5% of GDP in 2009, to 3.0% in 2014 (Table 4.18). In 2014, the sector employed about 301,000 people, and in terms of assets, the banking subsector had a 74% share, followed by the Central Bank (14%), and insurance and private pensions (3%). The remaining 9% of assets are held by Borsa İstanbul capitalization, securities, consumer finance, real estate investments, investment trusts, asset management, and venture capital investment trusts.<sup>37</sup>

**Table 4.18 Financial sector in the economy, 2009-14**

(TL million)

	2009	2010	2011	2012	2013	2014
Total GDP	952,559	1,098,799	1,297,713	1,416,798	1,567,289	1,747,362
Financial and insurance activities	42,688	40,502	40,576	46,538	52,483	52,989
Financial intermediation services	21,708	19,419	17,324	21,926	25,195	25,063

Note: NACE Rev.2.

Source: Turkstat.

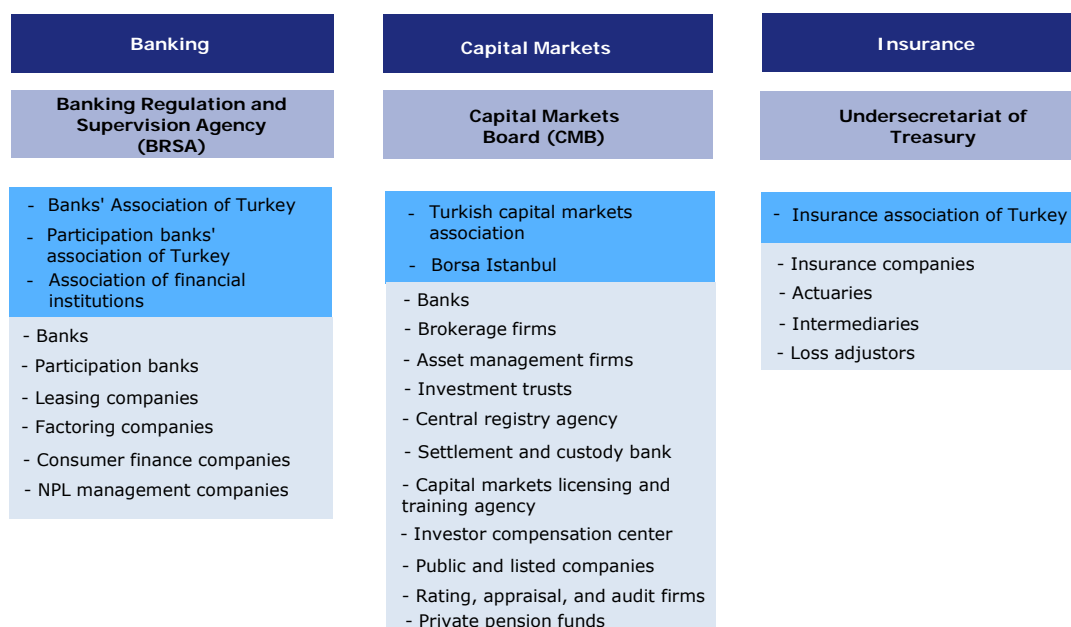
4.84. Since the last Review, new regulatory and institutional reforms have taken place in the area of financial services. In 2012, a new Capital Markets Law<sup>38</sup> entered into force, which transformed the legal and institutional framework of Turkey's capital markets. The law introduced significant new provisions with respect to investor protection and investor rights, as well as regulations aimed at encouraging more companies to list, offering a wider range of financial instruments, promoting international market integration, and increasing visibility, accessibility and transparency. As a result, in 2013 Borsa İstanbul was established as a joint-stock company and merged the three existing exchanges, the Istanbul Stock Exchange, Istanbul Gold Exchange and Futures and Options Exchange. In the area of banking, on 1 January 2014 new regulations came into force applying the Basel III accord.<sup>39</sup>

4.85. Several agencies regulate the Turkish financial system. The Banking Regulation and Supervision Agency (BRSA) is in charge of the banking system; the Capital Markets Board (CMB) is the main regulator of the capital markets; and the Treasury oversees the insurance industry (Chart 4.3).

<sup>37</sup> Prime Ministry Investment Support and Promotion Agency of Turkey online information. Viewed at: <http://www.invest.gov.tr/en-US/infocenter/publications/Documents/FINANCIAL.SERVICES.INDUSTRY.pdf>.

<sup>38</sup> Capital Market Law No. 6362.

<sup>39</sup> From 1 January 2014 the Regulation on Equity of Banks (*Official Gazette* No. 28756), Regulation Amending the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks (No. 28756), Regulation on Capital Conservation and Countercyclical Capital Buffers (No. 28812), and Regulation on Measurement and Assessment of Leverage Levels of Banks (No. 28812); and from 1 January 2015 the Regulation on measurement of Liquidity Matching Ratio of Banks (No. 29848).

**Chart 4.3 Regulatory structure of the financial markets**

Source: Information provided by the authorities.

#### 4.3.1.1 Banking

4.86. The banking sector comprises a mix of state-owned, private and foreign banks.<sup>40</sup> At the end of 2014, the number of banks in Turkey reached 51, up from 49 in 2012 (Table 4.19) as two new banks were granted operating permission in 2014 (Intesa A.Ş. and Rabobank). There are 32 deposit banks (three public, ten private, and 19 foreign); 13 investment banks (four public, six private and three foreign); six branches of foreign deposit banks outside Turkey; two banks under the management of the Savings Deposit Insurance Fund (SDIF)<sup>41</sup>, and four Islamic (participation) banks in 2014.

**Table 4.19 Banking sector - main indicators, 2012-14**

	December 2012	December 2013	December 2014
Total number of banks	49	49	51
Bank assets/GDP	96.7%	110.5%	114%
Bank deposits/GDP	54.5%	60.3%	60.2%
Number of branches	11,061	11,986	12,210
Population	75,627,384	76,667,864	77,695,904
Number of branches/thousand population	0.15	0.16	0.16

Source: Information provided by the authorities.

4.87. According to the IMF, Turkish banks are well capitalized with a loan-to-deposit ratio of 118% in 2014. Bank assets have grown over the review period, but remain reasonable: equivalent to 114% of Turkey's GDP and the ratio of non-performing loans to total lending stood at 2.9% in 2014. However, one of the biggest risks in the banking sector is the rollover risk associated with the rise in external foreign exchange funding. The IMF also noted that in October 2014 Turkey was removed from the Financial Action Task Force's list of countries with strategic deficiencies in their anti-money laundering and combatting financing of terrorism frameworks. This followed measures

<sup>40</sup> Banking Regulation and Supervision Agency (BRSA) website: <http://www.bddk.org.tr/WebSitesi/english/Institutions/Banks/Banks.aspx>.

<sup>41</sup> The SDIF is responsible for the protection of public rights, management and disposal of bank assets entering into administration or liquidation procedures. For more information, refer to Box IV.1 in previous TPR report: WTO document, WT/TPR/S/259/Rev.1 (p. 99).

taken to criminalize terrorist financing and establishment of procedures to identify, freeze, and confiscate terrorist assets.<sup>42</sup>

4.88. The largest five banks account for nearly 55% of the sector's total assets and about 54% of loans; and the top 10 banks about 78% of total assets (Table 4.20). Mergers and acquisitions among banks continued during the review period with the BRSA approving the transfer shares of Alternatifbank A.Ş. to Commercial Bank of Qatar by the Resolution dated 1 July 2013; the transfer of 79.9% of shares of Taib Yatırım Bank A.Ş. to Pasha Bank OJSC of Azerbaijan by the Resolution dated 26 December 2014 (the bank's name was changed to Pasha Yatırım Bankası A.Ş.); and the transfer of 75.5% of shares of Tekstil Bankası A.Ş. to Industrial and Commercial Bank of China Limited by Resolution dated 2 April 2015.

**Table 4.20 Top 10 banks in Turkey by total assets, 2014**

(TL million)

Bank	Total assets	Operating revenue	Pre-tax profit	Principal shareholders	
İş Bank	237,772	11,250	4,231	Isbank Pension Fund	40.2%
				Republican People's Party	28.1%
Ziraat Bank	247,600	10,717	5,179	Undersecretariat of the Treasury	100.0%
Garanti Bank	218,919	10,682	4,162	Doğuş Holding AŞ	24.2%
				Banco Bilbao Vizcaya Argentaria SA	25.0%
Akbank	218,670	10,217	4,333	Sabancı Holding, Affiliated Institutions and Individuals	48.9%
YapiKredi Bank	194,959	8,711	2,056	Koç Financial Services	81.8%
				Other	18.2%
Halk Bank	155,423	7,478	2,727	Privatization Administration	51.1%
VakıfBank	163,551	7,910	2,292	Foundations represented by Prime Ministry General Directorate of Foundations	58.4%
Finans Bank	75,206	4,736	1,142	National Bank of Greece S.A.	82.2%
				NBG Finance (Dollar) PLC	9.7%
				NBGI Holdings B.V.	7.9%
Denizbank	94,403	4,588	1,215	Sberbank of Russia	99.9%
TEB	62,992	3,447	795	BNP Paribas Fortis Yatırım Holding A.Ş. and Çolakoğlu Group Joint Venture (50/50)	55.0%
				BNP Paribas Group	41.8%

Source: Annual Reports, banks' online information, and information provided by the authorities.

4.89. There is significant foreign presence in the banking subsector, with 27% of assets owned by foreign banks and about 18% of the shares open to the public owned by foreign investors.<sup>43</sup> The State is also involved in the banking sector as the sole or majority owner of five deposit banks (representing about 30% of total bank assets in 2014<sup>44</sup>), and four development/investment banks (representing 3% of total bank assets).<sup>45</sup>

4.90. The banking sector in Turkey is regulated by the Banking Regulation and Supervision Agency (BRSA) and Banking Law 5411 of 2005. The BRSA oversees the implementation and supervision of banking regulations and may issue amendments and clarifications to existing banking laws and regulations in the form of communiqués. Under Law 5411, the BRSA is responsible for the principles and procedures related to liquidity requirements; has the right to conduct on-site inspections; determines corporate governance structures; establishes processes and principles; and amends the Turkish regulatory framework to align it with that of the EU. The BRSA is led by a board of seven members, each of whom holds office for five years.

4.91. For a bank to be established in Turkey it must be registered as a joint-stock company; have a minimum paid-in capital of TL 30 million; and have its shares issued against cash and to name.

<sup>42</sup> IMF (2014), *Turkey – Staff Report for the 2014 Article IV Consultation*, 3 November, pp. 19 and 23.

<sup>43</sup> Prime Ministry Investment Support and Promotion Agency (2014), *The Financial services Sector in Turkey*, February, p. 21. Viewed at: <http://www.invest.gov.tr/en-US/infocenter/publications/Documents/FINANCIAL.SERVICES.INDUSTRY.pdf>.

<sup>44</sup> Türkiye Cumhuriyeti Ziraat Bankası, Türkiye Halk Bankası, Türkiye Vakıflar Bankası T.A.O, Adabank A.Ş., and Birleşik Fon Bankası.

<sup>45</sup> İller Bankası, İMKB, Takasbank, Türkiye İhracat Kredi Bankası A.Ş., and Türkiye Kalkınma Bankası A.Ş.

For development and investment banks, their paid-up capital shall not be less than TL 20 million.<sup>46</sup> The BRSA is the sole authority for establishment, operation, share transfer, merger, transfer, branch and representative's office opening permissions for banks, and the referred permits other than representative's office opening permissions issued for non-bank financial institutions (financial leasing, factoring and financing companies). Banks resident in Turkey must seek permission from the BRSA for mergers and liquidations and for establishing partnerships with individuals or corporations based abroad.

4.92. Domestic and foreign banks are subject to the same rules in terms of establishment, operation and supervision. There are no policy or ownership restrictions on the establishment either of foreign banks or on the number of branches that foreign banks may open. Foreign banks are allowed to raise capital domestically. There is no distinction made between nationals and foreigners on the application of criteria to assess applications for banking licences.

4.93. Banks have been required to have a total capital-adequacy ratio (CAR) of at least 8% of risk-weighted assets. In addition, the BRSA has been implementing a target CAR (12%) for all banks. Since 1 January 2014, the BRSA has begun to implement the Basel III accord.

#### 4.3.1.2 Insurance

4.94. The Turkish insurance market comprises insurance companies, reinsurance companies, and insurance intermediaries (brokers and agencies). At the end of 2014, there were 64 insurance companies out of which 38 companies operated in non-life insurance; 19 companies in life insurance and pensions; and six companies in life insurance only. There is only one reinsurance company, Milli Reaürans T.A.Ş. (commonly referred to as Milli Re) which is a private company owned by Türkiye İş Bank A.Ş. The state does not have majority shares in any insurance or reinsurance company (Table 4.21).

**Table 4.21 Insurance sector - number of companies, 2012-14**

Type of activities	December 2012	December 2013	December 2014
Non-life	35	36	38
Life	6	6	6
Life and pension	17	18	19
Reinsurance	1	1	1
<b>Total</b>	<b>59</b>	<b>61</b>	<b>64</b>

Source: Information provided by the authorities.

4.95. Most insurance sales (59% by premiums) are conducted through agencies with over 16,000 agencies actively operating in Turkey. Sales through bank/insurance company arrangements (bancassurance) are becoming more popular and their market share increased from 17% in 2008 to 23% in late 2013. Direct sales by insurance companies represent only 5% of premiums.

4.96. Turkey's insurance sector has a low penetration rate, around 1.49% of GDP (2014).<sup>47</sup> At the end of 2014, the annual premium production in insurance was TL 25.9 billion (almost US\$11.8 billion). The share of non-life insurance premiums in total is 87.4%, while life insurance represents a share of 12.6% at the end of 2014.<sup>48</sup> Motor vehicle accident insurance accounts for the largest share of non-life premiums, at around 50%. The average premium per person is around US\$152.

4.97. The insurance sector in Turkey is regulated by the Undersecretariat of Treasury (UoT) which reports to the Deputy Prime Minister for Economic and Financial Affairs. The General Directorate of Insurance, under UoT is empowered to issue regulations regarding the insurance subsector, and to take measures to protect the insured. The Insurance Supervisory Board is entrusted with supervising, examining, and investigating the sector. The UoT is also the regulator of the private pension system.

<sup>46</sup> Article 7 of the Banking Law.

<sup>47</sup> Gross non-life-insurance premiums/GDP is 1.30% and gross life insurance premiums/GDP is 0.19%.

<sup>48</sup> In the non-life-insurance market, the top five firms represent 50% of premiums while in the life insurance market the top five represent over 50% of premiums.

4.98. Insurance Law No. 5684 of 2007 governs the supervision of insurance and reinsurance companies. All insurance and reinsurance companies, whether Turkish or foreign, are subject to the same legislation. There is no restriction on foreign ownership. Insurance or reinsurance companies may be established in Turkey only in the form of joint-stock companies or as mutual companies (cooperatives).<sup>49</sup> Foreign insurance and reinsurance companies may also operate in Turkey by opening branches, provided that they have not been prohibited in their country of operation. Insurance and reinsurance companies must obtain a licence from the UoT.<sup>50</sup> A separate licence is issued for each branch. Licences are registered in the Turkish Trade Registry and published in the *Turkish Trade Registry Gazette*.

4.99. Insurance companies may only engage in the insurance business and must perform either life or non-life insurance, the minimum paid-up capital requirement for insurance and reinsurance companies being TL 5 million. Insurance and reinsurance companies that have completed their establishment formalities and are seeking a licence have to raise their paid-up capital to an amount to be determined by the UoT.<sup>51</sup> Circular 2007/4 states the amount of additional capital that is required for the licence request of each insurance branch. According to Article 7 of the Insurance Law, licences are withdrawn if no insurance or reinsurance contract is concluded within one year from the grant of the licence.

4.100. All insurance and reinsurance companies, domestic or foreign, operating in Turkey and branch offices of foreign companies in Turkey, are members of the Association of the Insurance and Reinsurance Companies of Turkey. As stated in the Insurance Law (Part VI), the main purpose of the Association is to ensure the development of the insurance profession; to secure solidarity among insurance companies; and to adopt and implement all the necessary measures needed to control unfair competition. Insurance companies are subject a self-regulatory function through the Association as well as the Law on Protection of Competition (No.4054 of 1994).

4.101. In 2012, incentives for the Private Pension System (third pillar voluntary private pension scheme) were changed. The new incentive system, which came into effect as of January 2013, allows for tax benefits up to a certain limit which are offered for life insurance and private pension contributions as an incentive for long term savings, although risk products dominate the life insurance market instead of products designed specifically for long-term savings. The right to access state contributions depends on the duration of involvement in the private pension system. The state incentive for private pension scheme took the form of 25% direct contributions since 2013. In December 2014, the total value of the pension funds stood at US\$37.8 billion, more than doubling the subscription rate and reaching close to 5.5 million participants.

4.102. Since April 2013, specialized courts have been authorized to construct independent dispute resolution mechanisms in the case of any disputes. Turkey signed the International Association of Insurance Supervisors (IAIS) Multilateral Memorandum of Understanding (MMoU)<sup>52</sup> on 20 March 2013.

#### 4.3.1.3 Securities

4.103. At the end of 2014, there were 582 companies registered with the Capital Markets Board, 425 of which were listed on Turkey's stock exchange, Borsa Istanbul (BIST). The number of listed firms increased by 5% from 404 in 2012. Total traded value of Borsa Istanbul Equity Market is US\$400 billion. Market capitalization, which was US\$270 billion as of the end of 2014, was equivalent to 36% of GDP in 2014 (39% in 2012 and 32% in 2013) (Table 4.22).

<sup>49</sup> Article 3 of the Insurance Law No.5684 of 2007.

<sup>50</sup> Article 5 of the Insurance Law No.5684 of 2007.

<sup>51</sup> The UoT is authorized to increase the amount of paid-up capital provided that it does not exceed the rate of increase in the Producer Price Index decided by the Turkish Statistical Institute (Article 5.4 of the Insurance Law).

<sup>52</sup> The IAIS Multilateral Memorandum of Understanding (MMoU) is a global framework for cooperation and information exchange between insurance supervisors. It is a statement of its signatories' intent to cooperate in the field of information exchange, as well as procedures for handling information requests. As at July 2015, there were 54 signatories. Online information. Viewed at: <http://iaisweb.org/index.cfm?event=getPage&nodeId=25287>.

**Table 4.22 Main indicators – Borsa Istanbul**

<b>Number of companies registered</b>	<b>582</b>
Borsa Istanbul listed companies	425
Other publicly held companies	157
<b>Borsa Istanbul markets</b>	<b>2014 Trading volume (US\$ billion)</b>
Equity market	399
Bond market	3,493
Futures and options market	199
Precious metals and diamonds market	9

Source: Borsa Istanbul.

4.104. According to the World Federation of Exchanges (WFE) figures, in 2014, in terms of traded value, Borsa İstanbul Equity Market ranked 7<sup>th</sup> among emerging markets and 2<sup>nd</sup> in the region<sup>53</sup> following the Saudi Stock Exchange. As for market capitalization, it ranked 16<sup>th</sup> among emerging markets and 3<sup>rd</sup> in the region. Based on turnover velocity, Borsa İstanbul ranked 3<sup>rd</sup> among all the exchanges.<sup>54</sup>

4.105. The Capital Markets Board (CMB) is the regulatory and supervisory authority of the securities markets and institutions in Turkey. The CMB determines the operational principles of the capital markets and is responsible for the protection of the rights and interests of investors. The CMB regulates and supervises publicly held companies; listed companies; investment companies; exchanges; mutual, closed-end and pension funds; and leveraged transactions on foreign exchange and precious metals. The CMB also regulates the Settlement and Custody Bank (Takasbank), Turkish Capital Markets Association (TCMA), Central Registry Agency (MKG), Investor Compensation Center (ICC), and other related institutions operating in the capital markets, such as independent audit firms, rating agencies, appraisal firms, asset leasing companies, market operators, and trade repositories (Table 4.23).

**Table 4.23 Institutions in the securities market, 2014**

<b>December 2014</b>	
Investment firms	140
Banks	51 <sup>a</sup>
Banks with foreign capital	25
Intermediary institutions	97
Intermediary institutions with foreign capital	27
Portfolio management companies	40
Portfolio management companies with foreign capital	8
Credit rating agencies	10
Independent audit companies	92

a 43 banks have been authorized by the CMB in relation to capital market activities.

Source: CMB.

4.106. All investment firms, banks that are authorized for capital market operations, portfolio management companies and investment trusts should become members of the Turkish Capital Markets Association (TCMA).<sup>55</sup> TCMA sets professional rules and monitors the members to provide a fair and disciplined capital market. TCMA establishes and enforces regulations on subjects assigned by legislation or by the CMB.

4.107. A new regulatory framework to enhance the effectiveness of market supervision and strengthen market infrastructure entered into force on 30 December 2012 to replace the previous law, which was first enacted in 1981 (Box 4.1).

<sup>53</sup> Emerging Europe, the Middle East, and North Africa.

<sup>54</sup> Information provided by Borsa Istanbul.

<sup>55</sup> Article 74 of the Capital Markets Law.

**Box 4.1 Capital Markets Law (No. 6362 of 2012)**

The new Capital Markets Law (CML) No.6362 of 2012 was prepared in accordance with the EU acquis and drafted in line with the objectives of the Istanbul International Financial Centre Project. The CML provides the legal infrastructure for the privatization of securities exchanges, which previously had to be public legal entities. It also introduces the establishment of market operators for the first time.

Key improvements include the strengthening of a sanctioning regime; redefining market manipulation and insider trading based on EU legislation and strengthening corporate governance practices of listed companies by having independent board members, shareholders' rights and disclosure become compulsory; made an activity-based classification and allowed investment firms to provide ancillary services subject to permission. Principles regarding the use of collateral deposited in relation to capital market transactions are specified in the new Law, in line with the relevant EU legislation. Accordingly, title transfer collateral agreement (facilitating the transfer of full ownership of the securities) is introduced and some protective provisions regarding the rights of parties are stipulated.

New capital market institutions<sup>56</sup> were introduced such as central clearing institutions, central counterparties, central depository institutions and data repositories. Clearing finality is regulated in line with relevant EU legislation in order to prevent clearing orders and transactions of capital market instruments as well as payment transactions from being undone or cancelled.

The establishment of securities exchanges and market operators is subject to the approval of the Council of Ministers, upon the recommendation of the CMB. Alternative Consumer Dispute Resolutions are introduced in the CML for the disputes arising from exchange transactions defined in the new Law.

Source: Information provided by the authorities.

4.108. At the end of 2012, Borsa Istanbul was created as a joint stock corporation for the purpose of serving as the single securities exchange where securities, derivatives and commodities are being traded. With this merger, and since 2013, the Istanbul Stock Exchange, the Istanbul Gold Exchange and the Futures and Options Exchange have been under the ambit of Borsa Istanbul. This new infrastructure allows for the purchase and sale of all kinds of financial instruments under one roof and to operate within the framework of a financial supermarket idea.

4.109. The longer-term aim is to prepare Borsa Istanbul for privatisation. International counterparts have long expressed interest in potentially taking a stake in the company. BIST is 49% owned by the Government, which has indicated intent to sell its stake in an IPO planned for 2016.

4.110. Borsa Istanbul has several tiers and a number of separate markets, giving investors access to a broad range of companies and instruments. The first tier is the National Market for companies that fulfil listing and liquidity criteria, including all those on the BIST 100, the main capital markets index. Those not fulfilling criteria of the National Market are temporarily transferred to the Second National Market. The Second National Market had 94 firms at the end of 2014 and is largely intended for SMEs.<sup>57</sup> SMEs have lighter requirements for listing. Listed companies, intermediary institutions and portfolio management companies comply with the international standards on accounting, reporting and auditing (IFRS, IAS) as of 2008.

4.111. As of 2011, the Emerging Companies Market (ECM) was established as a distinct market within Borsa İstanbul to create a transparent and organized platform where securities, issued in

<sup>56</sup> Capital market institutions are defined in the Capital Market Law as: investment firms, collective investment schemes, independent audit firms, appraisal firms and credit rating agencies, asset management companies, mortgage finance institutions, housing finance and asset finance funds, asset leasing companies (special purpose vehicles for Islamic bonds), central clearing institutions, central depository institutions and trade repositories.

<sup>57</sup> According to the authorities, the structure of capital markets will be updated at the end of 2015. According to the new scheme, there will be two tiers: the Star Market and the Main Market. The Star Market has listing criteria including higher minimum IPO size and market capitalization, and lower minimum free float rate.

order to raise funds from capital markets by companies with growth and development potential, can be traded. ECM traded shares are registered with the Central Registry Agency (CRA) system in dematerialized form. The custody and settlement of ECM included shares are executed in the same method as those traded on the Equity Market and their trading is also carried out on the same electronic platform with the Equity Market, although by different trading methods. Trading is conducted according to the ECM Regulation on Borsa İstanbul Electronic Trading System, subject to the Capital Market Regulations.<sup>58</sup> Cash and security settlement of trades are completed by Takasbank.

4.112. Banks can carry out the following investment services and activities<sup>59</sup>:

- reception and transmission of orders in relation to capital market instruments; execution of orders in relation to capital market instruments in the name and account of the customer or in their own name and in the account of the customer, with the exception of shares, derivatives with shares or stock indices as underlying assets;
- dealing on own account can be carried out by banks with the exclusion of shares and derivatives with shares as underlying assets;
- safekeeping and administration of capital market instruments in the name of the customer and portfolio custody services;
- conduct of other services and activities to be determined by the CMB; and
- investment services and activities that can be carried out by investment and development banks.

4.113. Banks may not conduct any leveraged forex transactions. In addition to the investment services and activities that can be carried out by banks, investment and development banks can also do the following: portfolio management; investment advice; underwriting of capital market instruments on a firm commitment basis; and placing of financial instruments without a firm commitment basis.

4.114. Procedures for establishing investment firms have changed according to the new CML of 2012 and Article 8.1 of the Communiqué III-37.1 on Principles Regarding Investment Services, Activities and Ancillary Services. Three new categories of intermediary institutions have been established: (a) "narrowly authorized intermediary institutions" which are engaged in any or all of reception and transmission of orders and investment advice-related services and activities; (b) "partially authorized intermediary institutions" which are engaged in any or all of execution of orders, best effort, limited custody and portfolio management-related services and activities; and (c) "broadly authorized intermediary institutions" which are engaged in any or all of dealing on own account, general custody and underwriting related services and activities.

4.115. Permission from CMB is required to establish intermediary institutions and portfolio management companies.<sup>60</sup> Investment services and activities can only be performed by investment firms and require approval from the CMB. Ancillary services<sup>61</sup> are performed by investment firms and portfolio management companies without being subject to a separate licence.

4.116. Minimum capital requirements for establishing asset management companies have changed according to the CML. To establish portfolio management, investment advisory services, and wealth management and financial planning companies (if assets under management are at least TL 5 million), the required minimum capital amount is determined according to the assets

<sup>58</sup> Primarily the "Continuous Auction with Market Maker" method is used for trading while the "Single Price" method is used for the equities without a market maker.

<sup>59</sup> According to the Article 39 of the CML.

<sup>60</sup> Article 43 of CML.

<sup>61</sup> Ancillary services provide advisory services; grant credits; lend or provide foreign currency services associated with investment services and activities; provide investment research, financial analysis or general advice; provide services in relation to the conduct of underwriting; provide intermediary services for obtaining financing by borrowing or through other means; and provide wealth management and financial planning.

under management (Table 4.24). If assets under management exceed TL 10 million, the company is required to hold additional capital of 0.02% for assets surpassing this threshold. There is no additional capital requirement if the assets under management happen to exceed TL 20 billion.

**Table 4.24 Asset Management Companies**

Minimum capital requirements		
Type	TL	US\$ <sup>a</sup>
< TL 100 million	2,000,000	859,513
TL 100 million < AUM < TL 500 million	3,000,000	1,289,269
TL 500 million < AUM < TL 5 billion	5,000,000	2,148,782
> TL 5 billion	10,000,000	4,297,563

a Calculated as of December 2014.

Source: CMB.

4.117. Joint stock companies with more than 500 shareholders or those with public offerings are subject to the CML. Disclosure requirements also apply to securities issued by state-owned enterprises (including those lined up for privatization); all of their shares must be registered; shares must be issued for cash; and their capital must not be less than the amount determined by the CMB.

4.118. CMB may withdraw the permission for an activity and a licence it has granted in the following cases: not performing any activity under the related permission for two years starting from the date the permission was granted; having obtained permission for an activity by making false or misleading statements or through other illegal means; no longer being able to meet the conditions required for the permission for activity and not being able to meet them again within three months starting from the date when it has been determined by CMB that they have been lost.

4.119. The introduction of an electronic platform for mutual funds (TEFAS) on 9 January 2015 has changed the Turkish portfolio management and brokerage industries. Before TEFAS, banks were the major players in the mutual fund industry as they had the advantage of their branch and customer base, while small funds (even those with good performance records) had difficulty in reaching customers. As a result of TEFAS, Turkish investors can buy any mutual fund from any broker or bank.

4.120. Taxation of selected investment instruments in Turkey is provided in Table 4.25.

**Table 4.25 Taxation of selected investment instruments in Turkey**

Investment	Individuals		Corporations	
	Residents	Non-residents	Residents	Non-residents
Bank deposits <sup>a</sup>	10-18% withholding tax	10-18% withholding tax	10-18% withholding tax <sup>b</sup>	10-18% withholding tax
Repo interest	15% withholding tax	15% withholding tax	15% withholding tax <sup>b</sup>	15% withholding tax
Bonds (capital gains and interest)	10% withholding tax	10% withholding tax	0% withholding tax <sup>b</sup>	0% withholding tax
Futures	Withholding tax rate is 0% for contracts on equities or equity indices and 10% for others	Withholding tax rate is 0% for contracts on equities or equity indices and 10% for others	0% withholding tax <sup>b</sup>	0% withholding tax
Listed equities	Capital gains derived from shares are subject to 0% withholding tax <sup>c</sup>	Capital gains derived from shares are subject to 0% withholding tax <sup>b</sup>	0% withholding tax <sup>b</sup>	0% withholding tax

Investment	Individuals		Corporations	
	Residents	Non-residents	Residents	Non-residents
Investment funds	Subject to 10% withholding tax <sup>c</sup>	Subject to 10% withholding tax	0% withholding tax <sup>b</sup>	Subject to 0% withholding tax
Covered warrants	Withholding tax rate is 0% for covered warrants on equities or equity indices and 10% for others	Withholding tax rate is 0% for covered warrants on equities or equity indices and 10% for others	0% withholding tax <sup>b</sup>	0% withholding tax
Dividends on equities	15% withholding tax is applied by the corporation distributing dividends <sup>d</sup>	15% withholding tax is applied by the corporation distributing dividends	Not subject to dividend withholding tax. Dividends received from resident corporations are exempt from corporate tax	15% withholding tax is applied by the corporation distributing dividends

- a Withholding tax for TL (FX) denominated bank deposits varies from 15% (18%) for maturities under 6 months, to 12% (15%) for deposits with a maturity between 6 months and one year, and to 10% (13%) for maturities exceeding one year.
- b Earnings are subject to 20% corporate tax, but withholding tax is deducted.
- c Withholding tax is not applied to the gains from the mutual funds, if held for more than one year and if the equity portion of the fund's portfolio is at least 51% at all times. However, the shares of investment trusts are subject to 10% tax rate, if held for less than a year. For mutual funds and exchange-traded funds classified as 'equity intensive' (equity investments of at least 75% of the portfolio), the withholding tax rate is 0%.
- d Half of the dividends are exempt from income tax. If the remaining amount exceeds TL 29,000 in 2015, all income must be declared and will be subject to income tax. In that case, the full amount of withholding tax may be deducted from the income tax.

Source: Handbook of the Turkish Capital Markets, 2015.

### 4.3.2 Health

#### 4.3.2.1 Overview

4.121. During the last decade, Turkey's healthcare system has undergone many changes offering improved healthcare for all. Social security systems have been merged, private health insurance developed, primary care improved, and the Ministry of Health restructured. Turkey's healthcare expenditures reached TL 94.8 billion in 2014, or 5.4% of GDP (Table 4.26), although this remains the lowest among OECD countries. In terms of healthcare workers, a similar trend is observed with only 1.8 doctors per 1,000 population, also the lowest among OECD countries, even though Turkey has increased the number of doctors significantly in recent years.

**Table 4.26 Overview of Turkey's health services, 2011-14**

Health and medical services	2011	2012	2013	2014
Total health expenditure (THE) as % of GDP	5.3	5.2	5.4	5.4
General government expenditure on health (GGHE) as % of THE	79.6	79.2	78.5	77.4
Social security funds as % of GGHE	64.0	70.8	71.0	70.0
Private health expenditure (PvtHE) as % of THE	20.4	20.8	21.5	22.6
Private insurance as % of PvtHE	12.7	12.1	11.2	10.7
Private out-of-pocket payment as % of PvtHE	15.4	15.8	16.8	17.8
Total expenditure on hospitals as % of THE	41.6	48.6	49.5	49.0
Health expenditure per capita (US\$)	553	548	583	563

Source: Turkstat, Health Expenditure Statistics, 2011-2013. Viewed at: [http://www.turkstat.gov.tr/PreTablo.do?alt\\_id=1084](http://www.turkstat.gov.tr/PreTablo.do?alt_id=1084); and information provided by the authorities.

4.122. The Ministry of Health has a growing budget, amounting to TL 41.2 billion in 2014 and accounting for a larger share of GDP; in 2002 it was 1.5% of GDP; and in 2014, 2.3% of GDP.

Partly as a result, life expectancy has increased, reaching 77 years in 2014 compared to 72.5 in 2002.

#### 4.3.2.2 Trade

4.123. According to the OECD, the majority of international trade in health services involves patients crossing borders to obtain services, i.e. GATS mode 2, but services are also provided remotely such as providing diagnostic services; currently this trade is small but with advances in technology it is predicted to grow.<sup>62</sup> Cross-border health care services are regulated bilaterally in the social security agreements or in the social security clauses of bilateral agreements on health.

4.124. The OECD reports trade in health services as a percentage of health expenditures. For Turkey, imports of health services were estimated at approximately 0.5% of health expenditures in 2012, and exports (defined as domestic provision of health services to non-residents) approximately 1%. Exports were however growing strongly, at a 12% annual growth rate during 2007-12, which was the 6<sup>th</sup> highest rate of growth among reporting European countries.<sup>63,64</sup> Exports of health-related travel or other services were 1.1% of total health expenditure but, at €219.5 million in 2012, were higher than for any EU member State for which there are data.<sup>65</sup>

#### 4.3.2.3 Structure of the sector

4.125. Since 2003, Turkey's healthcare sector has undergone significant changes with the Health Transformation Programme, 2003-11. The programme targeted the following areas for reform: the Ministry of Health as the planner and supervisor; universal health insurance which gathers all under a single framework; widespread, easy to access and friendly health care system including strengthened primary care; health care providers equipped with knowledge and skills and working with high motivation; education and scientific institutions to support the system; quality and accreditation for qualified and efficient health services; corporate structuring in rational drug and supplies management; and access to effective knowledge in the decision process (health information system).

4.126. Reforms in the social security system took place in 2006 so that the three social security entities, SSK, BAG-KUR, and Emekli Sandigi were merged into one entity, the Social Security Institute (SSI). As of 2014, SSI covered 98.45% of the population. The creation of SSI coincided with the establishment of the universal health insurance.<sup>66</sup> In 2007 legal measures were put in place so that all Turkish citizens have access to free primary care.

4.127. Regulatory amendments in 2010 facilitated the expansion of private health insurance in Turkey by creating supplementary insurance allowing patients to be treated at private hospitals that apply higher charges. However, there are government incentives for insurance for services at private hospitals. Nonetheless, there has been a surge in individual private insurance policies, and as of 2014, the increase in premium generation in health insurance policies has been recorded as 18.8%. Reforms also took place in terms of pharmaceutical pricing, with reductions in tax and lower costs, resulting in better availability of medicines.

4.128. Traditionally, the State, in particular the Ministry of Health, has been the main provider of health care in Turkey. The Ministry of National Defence and university hospitals are also state providers of healthcare in Turkey. However, private healthcare has increased significantly in recent years, in part due to long waiting lists in state-run hospitals and the availability of private insurance. Nevertheless, the Ministry of Health remains the main provider of health services in

<sup>62</sup> OECD Health at a Glance: Europe 2014, online information. Viewed at: <http://www.oecd-ilibrary.org/docserver/download/8114211e.pdf?expires=1444319566&id=id&accname=quest&checksum=206D48A6CD8DAB19C93754AD315E125F>.

<sup>63</sup> Reporting countries are the member States of the EU, FYR of Macedonia, Iceland, Montenegro, Norway, Serbia, Switzerland, and Turkey.

<sup>64</sup> OECD Health at a Glance: Europe 2014, online information. Viewed at: <http://www.oecd-ilibrary.org/docserver/download/8114211e.pdf?expires=1444319566&id=id&accname=quest&checksum=206D48A6CD8DAB19C93754AD315E125F>.

<sup>65</sup> Eurostat online database, balance of payment, international trade in services, personal travel, health-related expenditure. Viewed at: <http://ec.europa.eu/eurostat/data/database>.

<sup>66</sup> The Social Security and Universal Health Insurance Law.

Turkey today. Under recent legislation on Public-Private Partnerships (see Section 4.3.2.5) there are more joint healthcare initiatives involving the state and private entities.

4.129. The private healthcare sector has been growing, and its growth rate surpasses that of the public sector, as the growth in hospitals, hospital beds, and number of visits demonstrates. Between 2011-14 the number of hospital beds in Ministry of Health hospitals increased slightly, while for private hospitals it increased by 28%. Another trend is the increased number of visits to secondary and tertiary health facilities where specialized surgeries or treatments are offered, compared to visits to primary health care facilities. Visits to primary health facilities declined by 11.5% while visits to secondary and tertiary facilities increased by 16% over the period (Table 4.27).

**Table 4.27 Structure of healthcare sector, 2011-14**

	2011	2012	2013	2014
Visits to primary health facilities	244,346,102	235,137,151	220,252,781	219,205,605
Secondary and tertiary health care visits	366,890,243	386,649,146	410,068,343	424,786,425
Number of organ transplants	3,953	4,008	4,294	4,261
Number of hospital visits:				
Ministry of Health	254,342,943	260,974,401	277,485,135	292,100,331
University	24,437,107	27,080,436	29,985,697	32,143,930
Private	59,069,486	66,582,098	71,341,411	72,333,383
Hospitals:				
Ministry of Health	840	832	854	866
University	65	65	69	69
Private	503	541	550	556
Other	45	45	44	37
Hospital beds:				
Ministry of Health	121,297	122,322	121,269	123,690
University	34,802	35,150	36,056	36,670
Private	31,648	35,767	37,983	40,509
Other	6,757	6,833	6,723	5,967
Oral and Dental healthcare facilities (number of dental units):				
Ministry of Health	6,169	7,048	7,250	7,659
University	..	2,973	3,167	3,610
Private	..	4,474	5,575	6,615
Other	..	191	209	186

.. Not available

Source: Ministry of Health, Health Statistics Yearbooks, 2011-14.

4.130. There are also a number of associations or NGOs involved in the healthcare field in Turkey: the Turkish Medical Association (TTB), Association of Private Hospitals and Healthcare Organizations (OHSAD), Foreign Economic Relations Board (DEIK), Turkish Pharmacists' Association (TEB), Association of Accredited Hospitals, Turkish Nursing Association, Turkish Midwives Association, and the Turkish Dental Association (TDB). They are involved in accreditation activities, continuing education, and policy advocacy.

#### 4.3.2.4 Policy

4.131. During the review period, Turkey's health care policy has been shaped by the Ministry of Health's Strategic Plans, one covering the period 2010-14 and the other 2013-17; however, it maintains a basic goal: "To protect and improve the health of our people in an equitable manner."

4.132. The 2013-17 Strategic Plan outlines four strategic goals and 32 objectives. The four strategic goals are: to protect the individual and the community from health risks and foster healthy life styles; to provide accessible, appropriate, effective, and efficient health services to individuals and the community; to respond to the health needs and expectations of individuals

based on a human-centred and holistic approach; and to continue to develop the health system as a means to contributing to the economic and social development of Turkey and to global health.<sup>67</sup>

4.133. The 2013-17 Plan's first three strategic goals build upon the three goals of the 2010-14 Plan but adds the additional strategic goal that the health system should contribute to economic and social development, and also global health. A number of the objectives under this strategic goal could affect trade in health services, as Turkey plans to promote the contribution of the health sector to the economy, strengthen health tourism in Turkey, and contribute to global health through cooperation and development aid. In terms of health tourism, Turkey plans to expand the scope of services offered, improve the quality of service, launch promotions, and improve health tourism governance.<sup>68</sup>

#### 4.3.2.5 Legal and regulatory framework

4.134. Turkey's main healthcare law, the Basic Law on Health Services is from 1987 and sets out a framework for health services.<sup>69</sup> The overarching principles of the law set out that health services be provided equally for all throughout the country, the equal distribution of health establishments and personnel, a health record and notification system, preventative care, and disease prevention. The main provisions provide for the allocation of medical staff, medical research, private health insurance, health management, treatment costs, regulations, and organizational aspects. Other major legislation on health includes laws related to particular health issues, laws on health associations, and regulatory matters (Table 4.28).

**Table 4.28 Turkey's main healthcare laws**

Law	Reference
Oral and Dental Health Services Private Health Facilities Law	<i>Official Gazette</i> No. 29256 of 3 February 2015
Family Medicine Pilot Practice	Law No. 5258
Private Hospitals Act	Law No. 2219
Prevention of Damages and Control of Tobacco Products	Law No. 4207
Cosmetics	Law No. 5324
Opticians	Law No. 5193
Adoption of Amended Decree on Production, Consumption and Inspection of Food	Law No. 5179
State Coverage of Treatment Costs of Citizens who Lack the Ability to Pay by Granting them Green Cards	Law No. 3816
Basic Law on Health Services	Law No. 3359
Encouraging Social Assistance and Solidarity	Law No. 3294
Turkish Dentists Association	Law No. 3224
Establishment of Cancer Control Department	Law No. 18351
Organization and Duties of the Ministry of Health	Decree No. 181
Blood and Blood Products	Law No. 2857
Harvesting, Storage, Grafting and Transplantation of Organs and Tissues	Law No. 2238
Socialization of Health Services	Law No. 224
Revolving Capital Law	Law No. 209
Elimination of Malaria	Law No. 7402
Pharmacists' Association law	Law No. 6643
Nursing	Law No. 6283
Pharmacies and Pharmacists Law	Law No. 6197
Turkish Medical Association Law	Law No. 6023
Elimination of Tuberculosis	Law No. 7183
Public Health Law	Law No. 1593
Organ and Tissue Removal, Storage, and Transport Law	Law No. 16655
Procedures for the Practice of Medicine and Its Branches	Law No. 1219
Forensic Institutions Law	Law No. 2659
City/Campus Hospitals Law	Law No. 6428

Source: Ministry of Health, and Turkish Medical Association. Viewed at: [www.ttb.org.tr](http://www.ttb.org.tr).

<sup>67</sup> Ministry of Health, online information. Viewed at: <http://sbu.saglik.gov.tr/Ekutuphane/kitaplar/stratejikplaning.pdf>.

<sup>68</sup> Ministry of Health, online information. Viewed at: <http://sbu.saglik.gov.tr/Ekutuphane/kitaplar/stratejikplaning.pdf>.

<sup>69</sup> Law No. 3359 of 15 May 1987.

4.135. Recent legal developments include a new law on the operation of private dental facilities that was passed in 2015.<sup>70</sup> This law prescribes the requirements for establishing a private dental practice or clinic. The legislation provides for minimal standards for the building and office; responsibilities and qualifications of dentists, a responsible manager, and personnel; licensing and operating permits; working principles; a dental record system; dental laboratory and x-ray services; and patients' rights.<sup>71</sup>

4.136. In 2013, Turkey passed new legislation on Healthcare Public-Private Partnerships (PPP), replacing earlier legislation, in which improvements were made in bringing legal certainty and reducing burdens and risks to the private firms.<sup>72</sup> The PPP involves the collaboration of the public and private sectors to provide public services usually provided by the State, and in this case for the healthcare sector. Under the PPP build-lease-transfer model, 34 health campuses or city hospitals are due to be built with the investment of the private sector and then subsequently leased by the Ministry of Health. As of 2015, there were 20 projects being developed. The PPP legislation encourages investment and requires that at least 20% of the medical equipment used in PPP healthcare facilities be locally produced.

4.137. Turkey's Ministry of Health has a number of bilateral agreements or social security agreements with other countries that aid in the trade of health services. Turkey has signed Social Security Agreements with total 27 partners. Sixteen of these agreements are bilateral agreements with mainly European countries, e.g. Germany, Netherlands, FYR of Macedonia, Romania, etc. which cover health care provisions.

4.138. The health care applications specified in all of the agreements mentioned above include persons who are employed under a contract of employment by one or more employer and who receive an income/pension within this context, together with their dependants. The only exception to this coverage is Germany, which has slightly different provisions.

4.139. Insured persons can benefit from medically essential healthcare services or emergency healthcare services under the legislation of that country according to the reason of stay in the contractual country. Medically essential healthcare services encompass the whole scope of healthcare services provided under the legislation of the contractual country. Emergency healthcare services encompass the healthcare services requiring immediate treatment and which cannot be postponed until the arrival at the home country. One could benefit from these emergency healthcare services in situations of posting, touristic or educational stay in the above-mentioned contractual countries. In the event of permanent residence, one can benefit from medically essential health care services according to the legislation of that country.

4.140. Similarly, Turkey has signed bilateral agreements covering health care services for a definite number of patients from ten partners. Patients entering health care services pursuant to these agreements are treated by the Ministry of Health through public or university hospitals.

#### **4.3.2.6 Licensing, accreditation, and regulatory aspects**

4.141. Since 1933, Turkey's Ministry of Health has regulated the licensing of private hospitals. The law on private hospitals, pursuant to amendments introduced in 2008, legislated strict licensing requirements for hospitals that restricted the opening of new ones. There is also an annual cap on the number of hospitals to be opened and the Ministry determines the number of personnel to be employed in private hospitals.<sup>73</sup>

4.142. In 2010 the Ministry of Health issued a Directive on the rating of private hospitals. Rating criteria include service quality, capacity, employees' rights, etc. and these provide an overall score that allows private hospitals to charge a premium. These premiums, or extra costs, range from 30 to 70% above the General Health Insurance (GSS) official price.

<sup>70</sup> *Official Gazette* No. 29256 of 3 February 2015.

<sup>71</sup> Work on the relevant legislation is still ongoing.

<sup>72</sup> Law No. 3359 of 15 May 1987 and Law No. 6428 of 9 March 2013.

<sup>73</sup> Private Hospitals Legislation No. 26788 of 15 February 2008.

4.143. Prices for pharmaceuticals are regulated in Turkey by the Pharmaceuticals and Medical Devices Institution under the Ministry of Health. The institution is responsible for determining the initial price of, and price changes, in pharmaceuticals.

4.144. The establishment of diagnostic centres also requires a licence. The Ministry of Health requires that only specialized Turkish doctors having the necessary certificate, or in the case of a company where all the shareholders are Turkish doctors, can obtain a licence for the operation of diagnostic centres. The establishment of polyclinics and medical centres requires that the Turkish doctor has the right to work independently, or in the case of a company, that all shareholders are Turkish doctors.

4.145. Previously, doctors working in Turkey were required to be Turkish citizens and have a diploma from a Turkish medical school until a law was adopted in 2007 removing this requirement, but subsequently overturned. However in 2011, a statutory decree permitted foreign doctors to practise in private health institutions if they passed a language test, obtained work and residence permits, obtained liability insurance, and if their medical diplomas were awarded a certificate of equivalence to Turkish University standards.<sup>74</sup> The same provisions are provided to all health workers except dentists, pharmacists, nurses, and midwives.

4.146. As of 2015, approximately 500 foreign doctors were working in Turkey.<sup>75</sup> Further revision to the legal provisions allowing more foreign doctors to practise in Turkey may be considered in the future. Criteria are also required for medical laboratories, as they are regulated to be in line with the medical laboratories legislation.<sup>76</sup>

#### 4.3.2.7 Incentives

4.147. According to the investment incentive programme, certain health-related industries are deemed priority sectors and benefit from the Priority Investment Scheme. High-technology industries according to OECD's classification of manufacturing industries into categories based on R&D intensities are considered as priority investments including pharmaceuticals, and medical, precision and optical instruments. Under the investment incentive programme, all hospital investments (surgical hospital services, medical hospital services, hospital services related to obstetrics, rehabilitation, and psychiatry, other services related to hospital) with the prior authorization issued by the Ministry of Health that are made in each region can be supported within the framework of the Regional Investment Incentive Scheme (see section 2.4.4.1) provided that they meet the minimum fixed investment amounts defined for the related region where the investment is made. Medical centres (requiring prior authorization issued by the Ministry of Health), dialysis centres, analysis laboratories, magnetic imaging centres, assisted reproductive treatment care centres, radiotherapy and oncology centres, physical therapy and rehabilitation centres, oral and dental health centres, and hereditary disease diagnosis investments, that are capable of getting a licence from the Ministry of Health, can be supported within the framework of the General Investment Incentive Scheme (see Section 2.4.4.1). In this context, these investments may benefit from general support elements, which are exemptions from customs duties and VAT. The benefits offered under the programmes are numerous and include various tax incentives or rebates (Table 4.29).

4.148. Turkey was considering establishing Health Free Zones, similar to Free Zones (see Section 2.4.4.2), under the Ministry of Health; these will be special areas to provide health services. The Health Free Zones will be close to cities and transportation networks, and will include hospitals, rehabilitation centres, thermal tourism facilities, nursing homes, health techno-cities, and R&D centres.<sup>77</sup> Some considerations for Health Free Zones may include tax incentives, cost-effective infrastructure, and employment of foreign doctors.

<sup>74</sup> Decree No. 663 of 11 October 2011.

<sup>75</sup> Viewed at: <http://www.dailysabah.com/health/2015/01/05/foreign-doctors-allowed-to-work-at-public-hospitals>.

<sup>76</sup> Law No. 28790 of 19 October 2013.

<sup>77</sup> Republic of Turkey Prime Ministry Investment Support and Promotion Agency online information. Viewed at: <http://www.invest.gov.tr/en-US/infocenter/publications/Documents/HEALTHCARE.INDUSTRY.pdf>.

**Table 4.29 Investment incentives for certain healthcare subsectors**

Incentives	Regions I, II, III, IV, and V	Region VI
VAT exemption	Yes	Yes
Customs duty exemption	Yes	Yes
Contribution rate:		
Non-OIZ	40	50
OIZ	50	55
Insurance premium social security:		
Non-OIZ	7 years	10 years
OIZ	10 years	12 years
Land allocation	Yes	Yes
Interest support	Yes	Yes
Income withholding tax	n.a.	10 years
Insurance premium support	n.a.	10 years

n.a. Not applicable.

Source: <http://www.kpmqvergi.com/PDF/Yayinlar/KPMG-Global-Yayinlar/Health%20Sector%20New%20Investment%20Incentive%20System.pdf>.

#### 4.3.2.8 Health tourism subsector

4.149. Health tourism is an important and growing part of Turkey's health and tourism sectors. In recent years the sector has grown and in 2014 Turkey was a leading provider in the health tourism sector. Turkey has been gaining market share in medical tourism by providing high quality tourism management and hospitality, infrastructure facilities, qualified manpower, competitive price advantages, government support, and suitable climate.<sup>78</sup>

4.150. Turkey's Ministry of Health defines three types of health tourism: elderly and disabled tourism catering to elderly care, rehabilitation services, and special care for the disabled; thermal and wellness care which comprises spa treatments, physiotherapy, and hydrotherapy; and medical tourism comprising advanced treatments, transplantation, infertility, cosmetic surgery, and dentistry.

##### 4.3.2.8.1 Health tourism policy

4.151. The Ministry of Health's Strategic Action Plan 2013-17 outlines the goal of strengthening the health tourism sector in Turkey. It further identified four strategies to achieve this goal: advertising and creating attraction regarding health tourism, improving the quality of services offered under health tourism, expanding the service scope of health tourism, and enhancing the management of health tourism.<sup>79</sup>

##### 4.3.2.8.2 Health tourism incentives

4.152. In addition to the general incentives for healthcare (Section 4.3.2.7), Turkey also provides incentives to the health tourism sector (Table 4.30).

**Table 4.30 Health tourism incentives for companies, 2015**

Activity	Support	Reference
Services to foreign patients, including medical documentation and data retention services	Healthcare service providers may take advantage of a 50% tax reduction	Law No. 6322
Support for obtaining reports for entry into the health tourism market	60% of the cost (up to US\$200,000 per year)	Decree No. 2015/8
Support for opening a representation office abroad (up to 4 years)	60% of the rental costs (up to US\$120,000 per year)	Decree No. 2015/8

<sup>78</sup> Ministry of Health, online information. Viewed at: <http://www.saglik.gov.tr/SaglikTurizmi/dosya/1-91778/h/turkiye-medikal-turizm-degerlendirme-raporu-2013.pdf>.

<sup>79</sup> Ministry of Health, online information. Viewed at: <http://www.saglik.gov.tr/SaglikTurizmi/dosya/1-91778/h/turkiye-medikal-turizm-degerlendirme-raporu-2013.pdf>.

Activity	Support	Reference
Certification support	50% of the costs (up to US\$50,000)	Decree No. 2015/8
Advertisement, promotion, and marketing activities in the field of health tourism organized abroad	60% of their costs reimbursed (up to US\$400,000 per year)	Decree No. 2015/8
Participation in international health tourism fairs and conferences	50% of the costs (up to US\$15,000 per activity)	Decree No. 2015/8
Organization, promotion and consultancy costs, as well as transport and accommodation costs for a trade delegation	70% of the costs (up to US\$150,000 per year, each industry organization may make use of the incentive for up to 10 trade missions and 10 procurement committees per year)	Decree No. 2015/8
Procurement of consulting services	50% of the cost (up to US\$200,000 per year)	Decree No. 2015/8

Source: Republic of Turkey Prime Ministry Investment Support and Promotion Agency online information. Viewed at: <http://www.invest.gov.tr/en-US/infocenter/publications/Documents/HEALTHCARE.INDUSTRY.pdf>.

#### 4.3.2.8.3 Health tourism statistics

4.153. Between 2011 and 2014, the total number of foreign patients increased by over 200% while the number of patients in private health care establishments more than tripled. However, there was also significant growth in 2013-14 for foreign patients receiving healthcare from public establishments (Table 4.31). The main reasons for this large growth were attributed to the quality of service in the medical tourism sector; qualified and young labour force; presence of accredited hospitals; developed technological infrastructure; reasonable prices; direct flights to many destinations and proximity to foreign markets; diaspora tourism; mild climate; and the presence of one of Europe's most important geothermal resources.

**Table 4.31 Foreign patients receiving health services in Turkey, 2011-14**

	2011	2012	2013	2014
Public health establishments	41,847	43,904	122,842	128,908
Percentage	26.8	16.8	29.8	25.9
Private health establishments	114,329	218,095	282,242	353,965
Percentage	73.2	83.2	68.4	71.3
<b>Total</b>	<b>156,176</b>	<b>261,999</b>	<b>412,493</b>	<b>496,324</b>

Source: Ministry of Health online information. Viewed at: <http://www.saglik.gov.tr/SaglikTurizmi/dosya/1-91778/h/turkiye-medikal-turizm-degerlendirme-raporu-2013.pdf>.

4.154. Turkey offers a complete menu of healthcare offerings for health tourists. In 2013, the treatments most often sought by health tourists in Turkey were eye treatment; orthopaedics and traumatology; internal diseases; and ear, nose and throat diseases.<sup>80</sup>

#### 4.3.2.9 GATS commitments

4.155. Turkey's health and medical services commitments under the GATS include commitments only on hospital services. For hospital services, Turkey's restriction has limits on market access as foreigners are required to get permission from the Ministry of Health in order to establish private hospitals. There are no limitations on national treatment.

4.156. The applied regime matches the WTO bound commitments as the law on Basic Health Services and the By-Law on Private Hospitals provide that foreigners may establish private hospitals with the permission of the Ministry of Health.<sup>81</sup>

<sup>80</sup> Ministry of Health online information. Viewed at: <http://www.saglik.gov.tr/SaglikTurizmi/dosya/1-91778/h/turkiye-medikal-turizm-degerlendirme-raporu-2013.pdf>.

<sup>81</sup> Law No. 3359 and Law No. 2219.

### 4.3.3 Telecommunications

4.157. Turkey's telecommunications sector accounted for 1.9% of GDP in revenues and employed 34,386 persons in 2014. The same year total investments of mobile network operators amounted to TL 1.3 billion, while investments of other operators totalled TL 1.57 billion. In 2009, 3G entered the market and accounted for around 11% of total mobile subscriptions. During the review period the number of fixed phone subscribers has continued to decrease whilst that of mobile subscribers has increased. In particular, 3G mobile subscriptions have increased during the review period, accounting for nearly 81% of 2014 total subscriptions (Table 4.32). Internet subscriptions have also increased in 2014 reaching nearly 41.2 million, mainly from mobile internet which accounted for 78.6%, followed by xDSL with 16.5%.<sup>82</sup>

**Table 4.32 Telecommunications indicators, 2011-14**

	2011	2012	2013	2014
<b>Number of employees</b>	36,565	37,021	34,548	34,386
<b>Revenue (TL million)</b>				
Fixed-telephone services	5,876.7	5,365.82	4,552.33	4,000.18
From mobile networks	14,980.39	16,563.13	17,704.98	18,992.08
Total	28,020	30,323	31,299	33,663
<b>Number of subscriptions (million)</b>				
Fixed phone	15.21	13.86	13.55	12.53
Mobile phone	65.3	67.7	69.7	71.9
- of which 2G	33.9	25.9	20.4	13.6
- of which 3G	31.4	41.8	49.3	58.3
Internet	22.3	27.6	32.6	41.2
<b>Penetration rate (%)</b>				
Fixed phone	20.63	18.33	17.7	15.9
Mobile phone	87.4	89.5	90.9	92.5
<b>Volume of investment (TL million)</b>				
Fixed phone	1,371.66	1,430.59	1,372.03	1,012.53
Mobile phone	2,493.95	2,292.42	2,384.87	3,085.06

Source: International Telecommunication Union database and Information and Communications Technologies Authority (ICTA) online information. Viewed at: [http://btk.gov.tr/File/?path=ROOT%2f1%2fDocuments%2fSayfalar%2fPazar\\_Verileri%2f2015-Q2.pdf#lock](http://btk.gov.tr/File/?path=ROOT%2f1%2fDocuments%2fSayfalar%2fPazar_Verileri%2f2015-Q2.pdf#lock).

4.158. Apart from VAT, the telecommunications sector has been subject to a communication tax of 25% on mobile network services since 1999, 15% on cable television services since 2004, 5% on internet services, and 15% on other telecommunications services since 2004. The communication tax on wired, wireless, and mobile internet providing services was reduced to 5% in 2009.<sup>83</sup>

4.159. In 2000, policymaking, regulation and operation functions in the telecommunications sector were separated under Law No. 4502 establishing the first sectorial body in Turkey, now known as the Information and Communication Technologies Authority (ICTA). Since 2008, the Electronic Communications Law has provided the legal framework for the telecommunications sector in Turkey.<sup>84</sup> It brought Turkish legislation closer to the EU acquis, but according to the EU, the law deviates on a number of areas including authorization, universal service obligations, and interconnection.<sup>85</sup>

4.160. Pursuant to the Electronic Communications Law, the Ministry of Transport, Maritime Affairs and Communications (MTMC) is assigned the policy-making authority, whilst the ICTA is the main regulatory body for the sector responsible for ensuring competition. The ICTA's additional responsibilities include dispute settlement; setting regulations for interconnection and national

<sup>82</sup> ICTA online information. Viewed at: [http://www.btk.gov.tr/File/?path=ROOT%2f1%2fDocuments%2fPages%2fMarket\\_Data%2f2014-Q3-En.pdf](http://www.btk.gov.tr/File/?path=ROOT%2f1%2fDocuments%2fPages%2fMarket_Data%2f2014-Q3-En.pdf).

<sup>83</sup> Republic of Turkey Prime Ministry Investment Support and Promotion Agency online information. Viewed at: <http://www.invest.gov.tr/en-US/infocenter/publications/Documents/chart-of-principal-turkish-taxes-EN-2015.pdf>; and information provided by Turkish Authorities.

<sup>84</sup> Law No. 5809 of 2008.

<sup>85</sup> ICTA online information. Viewed at: [http://eng.btk.gov.tr/kurum\\_hakkinda/kurulus/index.php](http://eng.btk.gov.tr/kurum_hakkinda/kurulus/index.php) and WT/TPR/S/259.

roaming requirements; determining the quality of universal service and standards; setting certain tariffs; as well as issuing authorizations.

4.161. A number of tasks of the ICTA and the Competition Authority overlap. In 2011, a Cooperation Protocol was signed between the two authorities to ensure common legislative interpretations as well as mutual cooperation and coordination procedures. In accordance with the protocol, the second per annum session was held in the beginning of 2013.<sup>86</sup> In the most recent meeting, the Protocol was revised on 22 January 2015 to include the issues related to the postal sector.

4.162. Universal services are governed under the law on Universal Services of 2005, alongside its amendments and related by-laws.<sup>87</sup> Such services include fixed telephone, public payphone, telephone directory, emergency calls, and basic internet service as well as certain maritime-related telecommunication services.<sup>88</sup> According to Article 5 of the Universal Service Law No. 5369, universal services are inclusive of the following:

- a. fixed telephony services;
- b. payphone services;
- c. telephone directory services to be provided in the printed or electronic media;
- d. emergency calls services;
- e. internet services;
- f. passenger transportation services to settlements where transportation is provided by sea; and
- g. maritime communications and navigation safety communications services.

4.163. The scope of the universal service may be redefined by the Council of Ministers upon a proposal of the Ministry in consultation with the Authority and operators at certain intervals, but not more than three years, with due consideration to Turkey's social, cultural, economic and technological conditions. In compliance with the provision of the above-mentioned Article, the following services have been included in the scope of universal service:

- services regarding the expansion of information technologies, including computer literacy so as to contribute to the improvement of the information society;
- services regarding the provision of digital broadcasting performed by the utilization of various broadcast media and technology via digital terrestrial transmitters to cover the entirety of settlements country-wide;
- every kind of telecommunications service including voice, data and video-call via satellite to answer the need for blood of the Red Crescent and to provide relief work and the supply of communication in case of natural disasters;
- services to set up and operate infrastructure providing communication services for the settlements with a population under 500 and located in a high-cost area which do not have GSM infrastructure;
- defrayal of internet access and usage fees in dormitories of the General Directorate of Credit and Dormitories Agency in order to contribute to the building of an information society and to enhance access of information facilities by expanding internet usage,;
- purchasing telecommunications devices for communication needs and improving standards of living of disabled citizens who can benefit from technological developments;
- projects for the benefit of citizens with disabilities in equal opportunities in information and communication technologies, in order to eliminate obstacles to social services, and take measures for solutions of the problem in this field.

<sup>86</sup> Turkey's Ministry for EU Affairs online information. Viewed at: [http://www.abgs.gov.tr/files/AB\\_Iliskileri/AdaylikSureci/IlerlemeRaporlari/2013\\_tr\\_progress\\_report.pdf](http://www.abgs.gov.tr/files/AB_Iliskileri/AdaylikSureci/IlerlemeRaporlari/2013_tr_progress_report.pdf)

<sup>87</sup> Law No. 5369.

<sup>88</sup> Ankara Barosu online information. Viewed at: <http://www.ankarabarusu.org.tr/siteler/AnkaraBarReview/tekmakale/2008-2/6.pdf>.

4.164. The provision of "basic internet" in Article 5 of the Universal Service Law No. 5369 has been amended as 'internet services'. Since the mobile and fixed operators provide internet services at broadband speed, services under all of the universal service projects are provided as broadband internet. Universal service revenues are collected by the MTMC and include:

- 1% of Türk Telekomünikasyon AŞ (Türk Telekom) and all operators' net sale proceeds from the previous year, except from GSM operators;
- 2% of the authorization charges collected by the ICTA;
- 10% of the total sum that GSM operators paid to the Treasury;
- 20% of the administrative penalties collected by the ICTA; and
- 20% of the ICTA's remaining amount after all expenditures are calculated at the end of the fiscal year.

4.165. Universal service costs are calculated based on the difference in net cost before and after the universal service obligation was imposed on an operator. Market benefits, when undertaking such services, are included in the calculation.<sup>89</sup> The Ministry is responsible for implementing the universal telecommunication services, while Türk Telekom is responsible for providing such services and auditing the quality and standard of them.<sup>90</sup>

4.166. Telecom service providers can freely set tariffs, provided that they comply with the ICTA's regulations and other relevant legislation including requirements of transparency, fairness and non-discrimination. In 2012, the ICTA mandated that operators of mobile networks and fixed incumbent were obligated to display their tariffs online. In 2013, such information was introduced on the operators' webpages for test purposes. The development phase of providing such information continues.

4.167. Additionally, for operators deemed to have significant market power, ICTA will determine the procedures for approval, monitoring, and supervision of tariffs as well as the upper and lower levels of price setting.<sup>91</sup> Since 2004, wholesale termination rates have been reduced through a number of regulations. In 2013, rates were set under Board Decision No. 2013/DK-ETD/201 for SMS termination at 0.43 Kr and 0.47 Kr per unit, and Board Decision No. 2013/DK-ETD/359 set mobile termination rates between 2.5 Kr and 2.96 Kr per minute (Table 4.33).<sup>92</sup>

4.168. The ICTA may also impose access and interconnection obligations on operators with significant market power. Obligations require operators to prepare a Reference Access (RAO) and/or Interconnection Offer (RIO) in order to stipulate the publicity of terms, conditions, and charges of access for services. Operators providing access may impose an upper wholesale tariff limit, which they will get in return for call termination services utilized by other operators. RAOs and RIOs approved by the ICTA are published on the Authority's and relevant operator's websites and are currently in effect for: Türk Telekom RIO; Türk Telekom Reference IP Level Bit-stream Access Offer; Türk Telekom Reference Local loop Unbundling Access Offer; Türk Telekom Reference xDSL Resale Offer; Türk Telekom Reference Co-location Offer; Türk Telekom Reference Duct Sharing and Dark Fiber Offer; Türk Telekom Reference ATM, FR, Metro Ethernet Internet Access Offer; Türk Telekom Reference Leased Line Offer; Avea RIO; Turkcell RIO; Turkcell RAO; and Vodafone RIO.

<sup>89</sup> Ankara Barosu online information. Viewed at: <http://www.ankarabarusu.org.tr/siteler/AnkaraBarReview/tekmakale/2008-2/6.pdf> and Turkey's Ministry for EU Affairs online information. Viewed at: [http://www.abgs.gov.tr/tarama/tarama\\_files/10/SC10DET\\_03A-Universal%20%20Service.pdf](http://www.abgs.gov.tr/tarama/tarama_files/10/SC10DET_03A-Universal%20%20Service.pdf).

<sup>90</sup> Ankara Barosu online information. Viewed at: <http://www.ankarabarusu.org.tr/siteler/AnkaraBarReview/tekmakale/2008-2/6.pdf> and Türk Telekom annual report 2014.

<sup>91</sup> Law No. 5809 of 2008.

<sup>92</sup> Turkey's Ministry for EU Affairs online information. Viewed at: [http://www.abgs.gov.tr/files/AB\\_Iliskileri/AdaylikSureci/IlerlemeRaporlari/2013\\_tr\\_progress\\_report.pdf](http://www.abgs.gov.tr/files/AB_Iliskileri/AdaylikSureci/IlerlemeRaporlari/2013_tr_progress_report.pdf).

**Table 4.33 Interconnection tariffs of fixed incumbent operator and mobile network operators in net values excluding taxes**

Type	Rates by operator or location		
	Avea	Turkcell	Vodafone
Rates for call termination on 2G (GSM) networks (Kr/min)	2.96	2.50	2.58
Rates for call termination on 3G (GSM) networks (Kr/min)			
- Voice calls <sup>a</sup>	2.96	2.50	2.58
- Video calls <sup>b</sup>	7.75	7.75	7.75
Rates for SMS termination on 2G (GSM) and 3G networks (Kr/unit) <sup>c</sup>	0.47	0.43	0.43
	<b>Local</b>	<b>In zone</b>	<b>Out zone</b>
Rates for call origination/termination on Türk Telekomünikasyon AŞ's network (Kr/min)	1.39	1.71	2.24

a Board Decision dated 17 June 2013 and numbered 2013/DK-ETD/359.

b Board Decision dated 10 February 2010 and numbered 2010/DK-07/88.

c Board Decision dated 12 April 2013 and numbered 2013/DK-ETD/201.

Source: ICTA online information. Viewed at: [http://eng.btk.gov.tr/elektronik\\_haberlesme\\_sektoru/tarifeler\\_ve\\_erisim/arabaglanti\\_ucretleri/index.php](http://eng.btk.gov.tr/elektronik_haberlesme_sektoru/tarifeler_ve_erisim/arabaglanti_ucretleri/index.php).

4.169. Additionally, all operators authorized to establish fixed electronic communication infrastructure are obliged under Board Decision No. 2013/DK-ETD/187 of 2013 to share such infrastructure among themselves. The latest document about service provision requirements on the duct sharing issue is approved by ICTA with Board Decision No. 2015/DK-ETD/359.

4.170. The 2009 By-Law on Access and Interconnection No. 27343 stipulates the procedures for interconnection and access to electronic communications networks. For such access agreements to come into effect, both parties must agree. If no agreement is found between the parties after two months of an access request being submitted, either operator may request the ICTA to initiate dispute settlement proceedings. If the request is granted by the ICTA, the dispute resolution process will commence through a number of meetings. If the dispute is not settled within two months of initiation the ICTA is mandated to determine terms, conditions, and prices of an access agreement, however it is restricted to the disputed areas. The Electronic Communications Law and By-Law No. 27343 grant the ICTA responsibility for dispute resolution, excluding court decisions.<sup>93</sup> Within the framework of dispute resolution procedures carried out by the Authority, the settlement applications of operators' interconnection disputes have been evaluated and 170 cases have been concluded since 2004, in which the provisions, conditions, and charges have been determined regarding the disputed matters. Since 2011, there have been 27 cases.

4.171. The ICTA is further mandated, under the Electronic Communications Law, to impose fines on telecommunication companies breaching legislation, the terms of their authorization agreement, or their usage of rights agreement. In 2007, the law on Publication on the Internet and the Suppression of Crimes Committed by Means of Such Publication came into force as Turkey's first internet specific law.<sup>94</sup> The law provides a legal framework for determining liability and responsibility of the main internet service providers including collective use providers, access providers, location providers, and content providers of collective service providers. Additionally, it determines procedures for specific internet crimes committed and imposes limitations on access to certain internet sites. Internet users can report illegal content via a hotline established under the Telecommunications Presidency. Thus, service providers are, on request, required to remove internet content.<sup>95</sup> Internet regulations are being implemented by the Internet Department of the Telecommunications Presidency, which is directly connected to the president of the ICTA.

<sup>93</sup> ICTA online information. Viewed at: [http://eng.btk.gov.tr/elektronik\\_haberlesme\\_sektoru/tarifeler\\_ve\\_erisim/uzlastirma/index.php](http://eng.btk.gov.tr/elektronik_haberlesme_sektoru/tarifeler_ve_erisim/uzlastirma/index.php).

<sup>94</sup> Law No. 5651.

<sup>95</sup> Presidency of Telecommunication and Communication online information. Viewed at: <http://www.tib.gov.tr/en/>, Stanford Law School online information. Viewed at: <http://cyberlaw.stanford.edu/blog/2014/02/turkey-enlists-intermediaries-censor-and-surveil-internet-users> and Yilmaz & Ciner Law Firm online information. Viewed at: <http://www.yclaw.org/a-brief-guide-to-turkish-telecommunication-and-internet-law/>.

4.172. In February 2014 the law was amended to broaden the scope of illegal internet content and regulate the protection of national security and public order, thus considered an exception within Article 10 of European Convention on Human Rights and Article 22 of Turkish Constitution relating to freedom of communication. Pursuant to the law, internet content considered breaching people's private life is deemed illegal and internet providers are required to block such sites within four hours of notification. The access-blocking and/or content-removing decisions shall be realized by a judge or Telecommunications Presidency upon order of the Prime Ministry or relevant Ministries where delay is prejudicial. Prejudicial decisions shall be submitted to penal courts with judge's approval within 24 hours.

4.173. Fines due to non-compliance with these requirements have increased and may include a revocation of authorization or imprisonment, depending on the severity of the violation. With the amendment of the internet law, prison sentences turned into fines. Telecommunications Presidency may impose administrative fines to service providers due to non-compliance with their liabilities under the internet law. From 2007, there have been only 10 administrative fines imposed on service providers. Monetary fines vary dependent upon the scope and recurrence of offenses. Within the scope of the law, orders have been issued to internet service providers during the review period although precise figures are not available.

4.174. The Access Providers Union was further established pursuant to the amendment by the Government to facilitate compliance with such requirements. Operators authorized to provide internet services in Turkey are required to be a member of the Union. Additionally, the amendment requires hosting providers to store users' online activity for a minimum of two years, which can only be made accessible by a court decision. Storage costs are borne by the internet providers.<sup>96</sup>

4.175. Under the Electronic Communications Law and the 2009 By-Law No. 27241 for Regulation on Authorization Regarding the Electronic Communications Sector, all companies providing telecommunications services must first obtain prior authorization by the ICTA. Turkey's telecommunications sector has two authorization systems: for those companies who do not require an allocation of resources, notification must be given to the ICTA; and for those companies requiring resource allocation, prior authorization and right of use must be obtained from the ICTA. The ICTA will issue its decision within 30 days. If the number of authorizations has not been exceeded, including the consideration of other variables, authorization is generally granted for a maximum period of 25 years. Authorization would only be denied when the specific criteria are not met such as paid-in-capital criteria. Within the authorization period, telecommunication operators are subject to an annual Administrative Fee equivalent to 0.35% of its previous year's net sales, and a Right-of-Use fee which is set by the Board of Ministers upon the recommendation of the MTMC and the ICTA.<sup>97</sup>

4.176. As of June 2015, there were 672 operators providing services in the market holding 1,105 authorizations. Of these, there were 411 internet service provider authorizations and 204 fixed telephone service authorizations.<sup>98</sup>

4.177. TNet, a subsidiary of Türk Telekom, holds a 53.2% market share in fixed phone services and 74.3% of the fixed broadband internet market as of 2015. Fixed broadband accounted for approximately 20.5% of the broadband market by number of subscribers. Türk Telekom's total market share of the fixed telecommunications market, based on revenues, has increased during the review period to 85% compared to 59% in 2012.<sup>99</sup>

4.178. Türk Telekom was established in 1995 as part of the reforms to split the post, telegraph, and telephone monopoly into separate entities. The company was privatized in 2005 and the shareholders presently are: Oger Telekomünikasyon A.Ş (55%); the Turkish state treasury (30%);

<sup>96</sup> Stanford Law School online information. Viewed at: <http://cyberlaw.stanford.edu/blog/2014/02/turkey-enlists-intermediaries-censor-and-surveil-internet-users> and Yilmaz & Ciner Law Firm online information. Viewed at: <http://www.yclaw.org/a-brief-guide-to-turkish-telecommunication-and-internet-law/>.

<sup>97</sup> ICTA online information and the 2009 Bylaw No. 27241 for Regulation on Authorization Regarding the Electronic Communications Sector.

<sup>98</sup> ICTA online information. Viewed at: [http://www.btk.gov.tr/File/?path=ROOT%2f1%2fDocuments%2fPages%2fMarket\\_Data%2f2014-Q3-En.pdf](http://www.btk.gov.tr/File/?path=ROOT%2f1%2fDocuments%2fPages%2fMarket_Data%2f2014-Q3-En.pdf) and information provided by the authorities.

<sup>99</sup> ICTA, *Electronic Communication Market in Turkey – Market data 2014 Q3 and Market data 2012, Q4*.

and the remaining 15% of the shares are publicly traded. In January 2013, the Government announced plans to further privatize the company by selling 6.7% of Türk Telekom's total shares currently owned by the treasury.<sup>100</sup>

4.179. Mobile telephony has increasingly made inroads over fixed-line telephony, and currently accounts for more than 94% of the total traffic. Pre-paid mobile subscriptions dominate the mobile market accounting for 53.4% of this sector. There are three mobile service operators in Turkey: Turkcell holds the largest market share, accounting for 47.1% of mobile subscribers, followed by Vodafone (29.7%), and Avea (23.2%).<sup>101</sup>

4.180. Whilst Turkcell and Vodafone own the majority of their shares, 90% of Avea shares are owned by Türk Telekom. The three mobile service operators respectively generated, in terms of average revenue per user, TL 23.6 for Turkcell, TL 23.6 for Vodafone, and TL 22.7 for Avea as of June 2015. Voice services accounted for the largest proportion of revenues, equivalent to 61.3% in 2014, followed by data (25%), SMS/MMS services (9.7%), and value-added services (4%) as of June 2015.<sup>102</sup>

4.181. There are 98 mobile virtual network operator service (MVNO) authorizations in Turkey as of June 2015, of which 35 are "use of right" authorizations. To actively start a MVNO service, MVNO operators should sign an agreement with the hosting MNOs. So far, none of those MVNOs started MVNO services actively, therefore no subscribers are recorded. Virgin Mobile entered the Turkish mobile market in 2015 as a MVNO after two years of negotiations.<sup>103</sup> According to the latest amendments in Law No. 406, MVNOs are mandated to pay Treasury Share (15% of gross sales resulted from MVNO authorization) every month. In addition, MVNOs pay administration fees of 0.0035% of net sales, yearly. They also need to pay the Special Communication Tax which is 25% for voice services and 5% for data/internet services.

4.182. Turkey's Vision 2023 was initiated in 2003 and is composed of four sub-projects focusing mainly on technology and information systems. For ICT, including the telecommunication sector, the Vision aims to reach 30 million broadband subscribers; provide internet connection for 14 million households reaching a speed of 1,000 Mbps; increase the ICT's share of GDP to 8%; reach a computer literate rate of 80%; become one of the top ten countries in e-transformation; increase the number of companies to 5,500 and employees to 65,000; and increase the sector's size and market growth year on year.<sup>104</sup> In 2013, the Vision was updated for ICT including the telecommunications sector. The revised Vision aims to reach 60 million broadband subscribers; increase the ICT's share of GDP to 10%; reach a broadband internet usage rate of 80%; and provide broadband access via next generation networks for every household and business. The number of broadband subscriptions has already reached 41.2 million. The ICT's share of GDP in 2014 is almost equal to 4%.<sup>105</sup> The ratio of the population using internet is 55.9 % as of April 2015.<sup>106</sup>

<sup>100</sup> Bloomberg Business, 23 January 2013: *Türk Telekom Stake to Be Sold in Secondary Offering This Year*. Viewed at: <http://www.bloomberg.com/news/articles/2013-01-23/turk-telekom-stake-to-be-sold-in-secondary-offering-this-year>. And Türk Telekom online information. Viewed at: <http://www.ttinvestorrelations.com/turk-telekom-group/group-companies/>.

<sup>101</sup> ICTA online information. Viewed at: [http://www.btk.gov.tr/File/?path=ROOT%2f1%2fDocuments%2fPages%2fMarket\\_Data%2f2014-Q3-En.pdf](http://www.btk.gov.tr/File/?path=ROOT%2f1%2fDocuments%2fPages%2fMarket_Data%2f2014-Q3-En.pdf) and information provided by the authorities.

<sup>102</sup> ICTA online information. Viewed at: [http://www.btk.gov.tr/File/?path=ROOT%2f1%2fDocuments%2fPages%2fMarket\\_Data%2f2014-Q3-En.pdf](http://www.btk.gov.tr/File/?path=ROOT%2f1%2fDocuments%2fPages%2fMarket_Data%2f2014-Q3-En.pdf) and information provided by Turkish authorities.

<sup>103</sup> Telecomlead, 17 September 2014, *Virgin Mobile to launch telecom services in Turkey*: <http://www.telecomlead.com/telecom-services/virgin-mobile-launch-telecom-services-turkey-53039> and ICTA, Electronic Communication Market in Turkey – Market data 2014 Q3.

<sup>104</sup> Republic of Turkey Prime Ministry Investment Support and Promotion Agency online information viewed at: <http://www.invest.gov.tr/en-US/sectors/Pages/ICT.aspx> and [http://www.turkey-japan.com/business/category1/category1\\_70.pdf](http://www.turkey-japan.com/business/category1/category1_70.pdf) and the Science and Technological Research Council of Turkey online information. Viewed at: <http://www.tubitak.gov.tr/en/about-us/policies/content-vision-2023>.

<sup>105</sup> Data based on calculation are obtained from TÜBİSAD and Turkstat. Turkstat online information. Viewed at: <http://www.tuik.gov.tr/UstMenu.do?metod=temelist> and Informatic Industry Association (TÜBİSAD) online information viewed at: <http://www.tubisad.org.tr/Tr/Library/Sayfalar/Reports.aspx>.

<sup>106</sup> Turkstat publication, "Use of Information and Communication Technology (ICT) in Enterprises, Use of Information and Communication Technology (ICT) in Households and Individuals (16-74)".

#### 4.3.4 Tourism

##### 4.3.4.1 Overview

4.183. Turkey's tourism industry has achieved significant growth since 2004 as a result of incentives, regulations to encourage growth, and projects to attract foreign tourists. The growth of Turkey's tourism sector has outpaced global tourism growth and contributed TL 5 billion to the GDP of Turkey, or around 3% of GDP as of 2014.<sup>107</sup> Turkey had a higher contribution of tourism to GDP compared to that of Europe. In 2014 Turkey ranked 6<sup>th</sup> in the world in terms of international tourist arrivals and 12<sup>th</sup> in terms of tourism receipts.<sup>108</sup> By 2023, Turkey is targeting US\$50 billion of revenue and 50 million tourists for the sector.

4.184. Turkey's laws and regulations have remained relatively unchanged during the review period except for the introduction of the law regulating tour operators. Turkey continues to increase incentives, both the amount and programmes available, to encourage the growth of the industry.

##### 4.3.4.2 Tourism by the numbers

4.185. Turkey's tourism industry has achieved substantial growth during the period, as increased tourism receipts continued to climb, along with the number of visitors. Turkey has invested in its infrastructure as the number of facilities and beds grew by 17 and 19%, respectively, over the period, while at the same time the occupancy rate remained relatively steady. All categories of tourism exhibited growth over the period but domestic tourism growth outpaced that of foreign visitors (Table 4.34).

**Table 4.34 Main tourism indicators, 2011-14**

	2011	2012	2013	2014
Tourism receipts (US\$1,000,000)	28,116	29,351	32,309	34,306
Tourism receipts as a % of GDP	3.6	3.7	3.9	4.3
Tourism receipts as a % of export earnings	20.8	19.2	21.3	21.8
Number of visitors	36,151,328	36,463,921	39,226,226	41,415,000
Average expenditures (US\$)	778	795	824	828
Domestic tourism:				
Tourism receipts (US\$1,000,000)	5,531	4,593	5,253	5,470
Number of citizens	6,281,972	5,802,950	7,525,869	7,982,264
Turkish citizens visiting abroad	6,751,006	6,273,993	8,011,654	8,363,966
Number of travel agents	6,399	6,912	7,283	7,950
Number of facilities:				
Tourism operation licenced facilities	2,783	2,870	2,982	3,131
Tourism investment licenced facilities	922	960	1,056	1,117
Number of beds:				
Tourism operation licenced facilities	668,829	706,019	749,299	807,316
Tourism investment licenced facilities	267,900	273,877	301,862	309,556
Occupancy rate (%)	51.5	54.3	52.6	51.8
Yacht management certificates:				
Local	308	479	478	484
Foreign	23	24	26	27
Number of yachts operated:				
Local	992	1,246	1,529	1,537
Foreign	742	829	871	832

Source: TURSAB online information: <http://www.tursab.org.tr/>; Turkstat online information: [www.turkstat.gov.tr/](http://www.turkstat.gov.tr/); and information provided by the authorities.

4.186. Yacht Management Certificates are issued in accordance with the Regulation on Yacht Tourism. In order to be established as a yacht management company, applicants need to have yachts with at least a 30-bed capacity. The yachts may be registered in Turkey, or in the case of foreign flags, yachts can be leased and the applicants should register to get a licence from the Ministry of Culture and Tourism. This registry is an exception to the Maritime Transport legislation.

<sup>107</sup> Turkstat online information. Viewed at: [http://www.tuik.gov.tr/PreIstatistikTablo.do?istab\\_id=2217](http://www.tuik.gov.tr/PreIstatistikTablo.do?istab_id=2217).

<sup>108</sup> UNWTO online information. Viewed at: <http://www.e-unwto.org/doi/pdf/10.18111/9789284416226>.

The procedure applying to operate yachts of foreign flags is different but it applies to Turkish and foreign investors in the same way.

#### 4.3.4.3 Framework

4.187. Turkey's Ministry of Culture and Tourism is the main body at the national level responsible for tourism and tourism policy.<sup>109</sup> In addition to the main office in Ankara, the Ministry maintains 81 Provincial Culture and Tourism Directorates. There are no other tourism bodies at the provincial or local level. The Ministry also has attachés that it posts abroad in approximately 32 countries to promote tourism.

4.188. The Ministry of Culture and Tourism is responsible for all national tourism activities, which comprise mainly policy planning; public land allocation; certification and control of tourism establishments; and promotion and marketing activities. There are also city tourism councils promoting particular regions.

4.189. In addition to government involvement, the private sector has a number of associations or NGOs that support or are directly involved in industry activities. The Association of Turkish Travel Agencies, Union of Chambers and Commodity Exchanges of Turkey (TOBB), Union of Tourist Guides' Chambers, Federation of Turkish Hoteliers, Tourism Investors Association, and chambers of commerce all have a role in supporting and promoting the Turkish tourism industry. The private sector organizations consult informally with the Ministry on tourism policy; there is no formal structure.

#### 4.3.4.4 Policy and strategy

4.190. Similar to other ministries, the Ministry of Culture and Tourism has established a Tourism Strategy of Turkey – 2023 as instigated by the 10<sup>th</sup> Development Plan to map out a master plan for the sector and ensure stable and healthy development.<sup>110</sup> Turkey's tourism strategy is aligned with that of the EU, which provides for a sustainable and competitive tourist sector. Turkey aims to better leverage the natural, cultural, historical, and geographical assets of the country in order to increase tourism.

4.191. Turkey's vision for the tourism industry is: "With the adoption of the sustainable tourism approach, the tourism and travel industry will be brought to a leading position for leveraging rates of employment and regional development, and it will be ensured that Turkey becomes a world brand in tourism and a major destination in the list of the top five countries receiving the highest number of tourists and the highest tourism revenues by 2023." The Tourism strategy proposes 22 specific actions to achieve the vision, including: strengthening international cooperation; diversifying tourism products; making domestic and international marketing and promotion activities effective, etc. Furthermore, it lays out 16 sub-strategies to achieve the overall strategy goals (Table 4.35).

**Table 4.35 Overview of Turkey's tourism strategy**

Subsector	Strategy
Planning	To exhibit a planning approach that supports economic growth, is physically applicable and socially oriented and fairly reflects the principle of sustainable tourism
Investment	To boost tourism investments by designing incentive schemes that would make tourism investment projects economically feasible and viable
Organization	To achieve institutionalization through councils to be established at national, regional, provincial and local levels within the context of 'Good Governance', to ensure full and active participation of tourism sector as well as all related public and private entities and NGOs in relevant decision-making processes
Domestic travel	To provide alternative tourism products based on acceptable quality and affordable prices to various groups in the society.
Research and development	To ensure top prioritization of R&D efforts in tourism industry among public and private sector and tourism organizations
Transportation and infrastructure	Eliminating transportation and infrastructure problems of dense and fast-growing tourism centres

<sup>109</sup> Law for the Foundation of the Ministry of Culture and Tourism, Law No. 4848.

<sup>110</sup> Turkey's 9<sup>th</sup> Development Plan. Turkey's tourism strategy, *Official Gazette* No. 26450 of 3 February 2007.

Subsector	Strategy
Marketing and promotion	To commence with marketing and promotion activities at each destination, in addition to the national marketing and promotion campaigns with the ultimate objective of branding on a national, regional and local scale
Education	To set up and introduce an education programme in tourism, which would yield measurable outcomes
Service quality	To activate 'Total Quality Management' in every constituent of the travel industry
City branding	Manage branding of cities rich in cultural and natural heritage
Tourism diversification	To develop means for alternative tourism types led particularly by health, thermal, winter, golf, sea tourism, ecotourism and plateau tourism, conference and expo tourism activities
Host rehabilitation efforts for tourism areas	To make arrangements for handling and strengthening the infrastructure of areas where mass tourism activities grow intense and for extending tourism season throughout the entire year in these regions
Tourism development zones	To use tourism as a key tool for local and regional development in tourism development areas encompassing more than one cities to be transformed into destinations
Tourism development corridors	To develop a certain route for tourism on definite themes, by rehabilitating historical and natural texture
Tourism cities	To plan tourism settlements capable of competing the world examples by becoming a global brand
Ecotourism zones	To develop nature tourism with reference to development plans

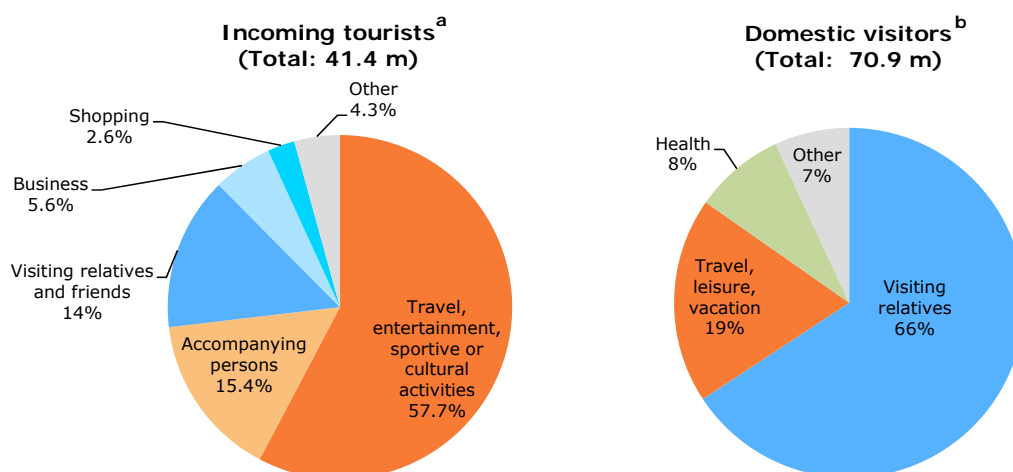
Source: Turkey's tourism strategy, *Official Gazette* No. 26450 of 3 February 2007.

#### 4.3.4.5 Types of tourism

4.192. Turkey benefits from its geographical location, climate, and historical assets by being able to offer a diverse number of tourist attractions such as geothermal resources, mountains, seas, historical heritage, cultural treasures, natural wonders, and folklore. Turkey has long established itself as a mainstream destination for many European tourists due to its close proximity and rich culture and history.

4.193. Turkey offers a variety of tourism types including conference and expo, cruise ship and yacht, adventure trips, etc. According to Turkish statistics, most foreign tourists come for travel, entertainment, sports, or cultural activities (57.7%), followed by accompanying persons (15.4%), and visiting relatives and friends (14%). On the other hand, domestic tourism has a different focus as 66% of persons visit relatives, followed by travel, leisure and vacation (19%) (Chart 4.4).

**Chart 4.4 Domestic visitors and incoming tourists by purpose of visit, 2014**



a Non-resident tourists include foreigners and citizens living abroad. Based on the number of departing visitors.

b Based on the number of trips.

Source: Turkstat. Viewed at: <http://www.turkstat.gov.tr/Start.do>.

4.194. Pursuant to Turkey's Tourism Diversification Sub-strategy, it is promoting and giving priority to a number of alternative types of tourism to expand the tourist season and achieve a

better utilization of tourist infrastructure. Health and thermal, winter, golf, sea, ecotourism, congress and expo tourism have been targeted.

#### 4.3.4.6 Legal and regulatory framework

4.195. Turkey's main tourism law, the Law for the Encouragement of Tourism, dates from 1982 and has not undergone amendments during the review period.<sup>111</sup> The law aims to provide the necessary measures for the regulation and development of the sector including giving the sector a dynamic structure and mode of operation. It provides for the preservation and utilization of natural tourism resources, incentives, a tourism development fund, yacht operations, regulations, etc. The law also has related regulations that are amended more frequently. Other important tourism legislation include:

- Legislation on Licensing and Qualification of Tourism Establishments, which aims to regulate the types of establishments licences are given to, minimum requirements for establishments, and application and approval procedures regarding licences;
- Legislation on Public Land Allocation to Tourism Investments, which aims to regulate principles for the allocation of public land to tourism investments, application requirements, and procedures to be applied;
- Legislation on Tourism Establishments' Relations with the Ministry, Customers and among Themselves, which aims to regulate legal relations and rights and responsibilities of tourism establishments; and
- Legislation on Maritime Tourism, which aims to regulate yacht ports, their minimum requirements, and yacht management.

4.196. The Law of Travel Agencies and Union of Travel Agencies also forms part of the tourism legal framework.<sup>112</sup> In section one, as concerns travel agencies, the law proscribes procedures and provisions for the establishment of travel agencies, trade name of the enterprise, branch offices, operation and obligations of the agencies, permissions, grouping, operation certificates, qualifications of the travel agency owner, manager in charge, travel agency personnel, security to be received from the travel agencies, credit and other facilities provided, inspection and supervision, and cancellation and penalties. Section two on the association of travel agencies provides for its purpose and establishment, duties, bodies, revenue, General Assembly, Executive Board, Disciplinary Council and the Inspection Council, election, and establishment of the bodies and their duties. The law was amended by a 2006 omnibus law in which the discriminatory legislation against foreign travel agencies was abolished.<sup>113</sup>

4.197. The law requires that travel agency services be provided by travel agencies established and licensed in Turkey. The Ministry of Culture and Tourism licenses each agency. According to the authorities, once the criteria are met, a licence is issued. In 2014, 955 travel agency licences have been issued; there is no data on a refusal percentage. Furthermore, each travel agent is required to register and become a member of the Association of Turkish Travel Agencies (TURSAB).

4.198. Furthermore, there are two related regulations pertaining to the travel agencies law. The regulation pertaining to travel agencies further defines and puts into operation the provisions of the law. In particular, it expands upon the scope of travel agency services; qualifications of the owners; services and groups of travel agencies; establishment, characteristics, and inspection of travel agencies; qualifications of the travel agency services; consumer rights; and examinations for information officers.<sup>114</sup> The regulation pertaining to the association of travel agencies expands upon the purpose and the establishment, duties of the association, meetings, elections, bodies of the association, General Assembly, Executive Board, Inspection Council, Disciplinary Council, and revenue of the association.<sup>115</sup>

<sup>111</sup> Law No. 2634 of 12 March 1982, *Official Gazette* No. 17635 of 16 March 1982.

<sup>112</sup> Law No. 1618 of 14 September 1972, *Official Gazette* No. 14320 of 28 September 1972.

<sup>113</sup> Law No. 5571.

<sup>114</sup> *Official Gazette* No. 22747 of 4 September 1996.

<sup>115</sup> *Official Gazette* No. 22747 4 September 1996.

4.199. One of Turkey's more recent legislative developments was the passage of the Tourist Guide Professions Act in 2012.<sup>116</sup> This law provides rules, regulations, and enforcement procedures related to the tourist guide profession. The law prescribes that tourist guides be citizens of Turkey, pass a foreign language exam and receive a proficiency certificate, complete education as an associate in the tourist guide profession after receiving a graduate or undergraduate degree, and become a member of a tourist guide chamber organization. Provisions in the law for tourist guide fees require that tourist guides follow the fee schedule determined annually by the Ministry of Culture and Tourism. Minimum fees or salaries are established for overnight tours, day tours, transfer, and package tours. The law also has provisions on disciplinary actions and investigation procedures, job protection, and professional organizations.

4.200. The related regulation to the Tourist Guide Professions Act was issued in 2014 and further expands upon the provisions in the law, in particular the tour guide certificate programme, examination, enforcement, tour guide chambers, control of tour guide services, disciplinary board, and professional organizations.<sup>117</sup>

4.201. Turkey has laws on the related areas of conserving natural and cultural heritage, national parks, theatres, etc. The Law for the Preservation of Cultural and Natural Assets, the Law for Renovation and Restitution of Deteriorated Historical and Cultural Immovables, and the Law for the Approval of European Declaration on Protection of Archaeological Heritage are important for preserving Turkey's heritage and promoting this subsector of the tourism industry.<sup>118</sup>

4.202. In addition to laws and regulations, Turkey has negotiated bilateral agreements or MOUs with a number of countries. Turkey has 65 tourism cooperation agreements and 16 tourism MOUs.<sup>119</sup>

#### 4.3.4.7 Licensing and classification

4.203. The Ministry of Culture and Tourism licenses tourism activities, including travel agents, sport facilities for tourism purposes, accommodation facilities and restaurants and some other types of tourism establishments. The establishment types licensed by the Ministry include: hotels, motels, holiday villages, guest houses, camping, aparthotels, hostels, restaurants, cafeterias, thermal establishments, wellness facilities, swimming pools, sports establishments, golf facilities, congress and exhibition centres, recreational facilities, theme parks, daily facilities, winter sports and ski centres, mechanical facilities, farm houses, village houses, spring houses, mountain houses, special class establishments, boutique hotels, tourism cities, tourism complexes, holiday centres, personnel training facilities, stopover facilities, holiday resorts and villas. It is obligatory for travel agents and sport activities for tourism purposes to have a licence from the Ministry to operate.

4.204. Other tourism establishments do not have to have a licence to operate, except those that are on public lands allocated by the Ministry of Culture and Tourism or the Ministry of Forestry and Water Affairs in accordance with the related regulations. If these facilities fail to obtain a licence from the Ministry, the public land allocation is cancelled.

4.205. If establishments are not licensed by the Ministry, they cannot use "star" symbols in their promotional and marketing activities and benefit from the incentives provided by the Tourism Incentive Law No. 2634. There are two types of tourism licences: Tourism Investment Certificate, i.e. a certificate issued by the Ministry to investors in the tourism sector for a specific investment period; and Tourism Establishment Certificate, i.e. a certificate issued by the Ministry of Culture and Tourism to establishments operating in the tourism sector. Tourism Investment Certificates are issued for the investment period and then must be turned into Tourism Establishment Certificates after the investment has been completed and the facilities are operational.

4.206. The Ministry also has a classification scheme for hotels and restaurants. Turkey is one of the few countries that uses an official classification scheme implemented by governmental bodies.

<sup>116</sup> Law No. 6326 of 6 July 2012.

<sup>117</sup> *Official Gazette* No. 29217 of 26 December 2014.

<sup>118</sup> Law No. 2863, Law No. 5366, Law No. 4434 of 8 May 1999, and Law No. 2873 of 9 August 1983.

<sup>119</sup> Ministry of Culture and Tourism online information. Viewed at: <http://teftis.kulturturizm.gov.tr/TR,14104/kultur-ve-turizm-anlasmalari-dizini.html>.

Turkey has a 5-star classification scheme for hotels and holiday villages. For each star category, certain point levels are set. For other types of establishments, classification forms are used to measure the quality of services provided by the establishments. Each establishment must earn a certain number of points to keep its licence. Classification commissions consist of three members, two from the Ministry and one from the local hoteliers association. Classification is obligatory for all licensed establishments. Restaurants also have a classification scheme of four levels: 1<sup>st</sup> class, 2<sup>nd</sup> class, 3<sup>rd</sup> class, and cafeterias.

#### 4.3.4.8 Incentives

4.207. Turkey provides a number of incentives to industry (see Sections 2.4.4, 3.3.1.3, and 3.3.2), but there are also specific programmes designed to benefit the tourism sector. Turkey's main investment incentive schemes (see Section 2.4.4.1), i.e. general, regional, priority, and strategic, all provide incentives for the tourism sector, as well as the programmes for SMEs (see Section 3.3.1.3). Specific tourism incentive programmes include the Law for the Encouragement of Tourism, Cultural Investments Incentive Law, Law on the Protection of Cultural Values and Natural Resources, and the Translation and Publication Grant Programme of Turkey. Funds provided from the Treasury as tourism investment incentives amounted to TL 5.4 billion in 2014, or 0.3% of GDP. The number of projects supported increased during the period 2011-14 and the total amount of investments supported grew significantly, increasing by over 60% (Table 4.36).

**Table 4.36 Tourism investment incentives from the Turkish treasury, 2011-14**

	2011	2012	2013	2014
Number of projects	297	342	481	452
Total investment (TL million)	3,505	4,457	6,180	6,720
Employment	15,996	18,095	23,734	23,070

Source: Turkish Tourism Investors Association online information. Viewed at: <http://ttyd.org.tr/sayfa/Tesvikli-Yatirimlar-49/28>; and Ministry of Economy.

4.208. According to the Property Tax Law<sup>120</sup>, within the scope of the Incentive Law of Tourism Industry, income tax or corporate taxpayers benefit from a temporary property tax exemption for the buildings used for the purposes mentioned in the law for five years if they have a tourism establishment certificate. Turkey's Eximbank provides credits for tourism activities, and there is support for international tourism fair participation. Travel agents can receive 50% of the participation costs in fairs reimbursed by the Ministry.

4.209. Turkey's Cultural Investments Incentive Law provides certain supports to encourage cultural investments and protect cultural heritage.<sup>121</sup> The law allows for employment, energy, and immovable property allocation support. Employment support is with respect to a 25% or 50% reduction of income withholding tax on employee salaries and 25% or 50% reduction of the employer's social security premium contribution. During the first three years, the reduction is 50%, followed by 25% for a maximum of seven years. The energy support amounts to 20% of electricity or gas costs for the first five years and is financed by the Treasury. The Ministry of Culture and Tourism may allocate immovable property to the investors for a fixed period of time. The amount of energy support varied considerably over the period (Table 4.37).

**Table 4.37 Energy support, 2011-15**

	2011	2012	2013	2014	2015 <sup>a</sup>
Number of establishments	8	9	7	7	5
Amount (TL)	107,863	236,598	17,562	62,657	41,926

a January-June 2015.

Source: Information provided by the authorities.

4.210. The Law on the Protection of Cultural Values and Natural Resources provides corporate income tax deductions for companies involved in the protection, development, or maintenance of

<sup>120</sup> Law No. 1319, Article 5.

<sup>121</sup> Law No. 5225.

Turkish cultural values.<sup>122</sup> For restoration, restitution, or building surveying projects, the law also provides an exemption from VAT.

4.211. The Translation and Publication Grant Programme of Turkey (TEDA) is a subvention project for the publication of Turkish cultural, artistic and literary works in foreign languages. TEDA provides grants to publishers in order to promote Turkish culture, arts, and literature in intellectual circles abroad.<sup>123</sup>

#### 4.3.4.9 GATS commitments

4.212. Turkey's GATS commitments on tourism services comprise the provisions on travel agencies and tour operator services, and hotels and restaurants. Both categories have certain limitations on market access or national treatment that were inscribed in the schedule since 1995. Turkey's WTO schedule does not include tourist guide services, which remains unbound.

4.213. For travel agencies and tour operator services, Turkey had indicated that limitations existed on market access so that establishment was required. Further, limitations on national treatment provided that foreign travel agencies may not organise tours abroad, and foreign travel agencies faced discrimination compared to domestic travel agencies with respect to foreign exchange income, travel agency guarantees, credits from the Turkish Development Bank, and minimum amount of capital by branches of foreign operators.

4.214. Since these limitations were inscribed in the schedules, Turkey has eliminated the discrimination against foreign travel agencies by equalizing the amounts required for guarantees for both domestic and foreign operators and abolishing the requirement for foreign exchange. The provision on the amount of capital to be brought by branches of foreign travel agencies has also been removed. The market access mode 1 requirement for establishment and licensing in Turkey remains in place. Thus, the limitations on national treatment no longer exist and the applied regime is more liberal today than what was bound in the WTO schedule.

4.215. As regards hotels and restaurants, the WTO schedule has two limitations on market access. With respect to mode 2, a footnote provides that for Turkish citizens travelling abroad, they are subject to, with exceptions, payment of a fee to the Public Housing Fund. According to Law No. 5597 on the Duty of Travelling Abroad, Turkish citizens are still required to pay this fee when travelling abroad; the fee is currently set at 15 TL.

4.216. The WTO schedule contains provisions on mode 4 that allow hotels and restaurants with the tourism encouragement certificate and permission from the Ministries of Tourism and Interior to employ foreign workers. But the proportion of foreign workers is capped at 10%, or exceptionally raised to 20%. Pursuant to Law No. 2634 For the Encouragement of Tourism, this provision remains, thus the limitation is still valid with respect to foreign-worker restrictions. In the area of hotels and restaurants, the applied regime is equivalent to the WTO bound regime.

#### 4.3.5 Distribution

4.217. Distribution services are important to the Turkish economy with wholesale and retail trade contributing 12% to GDP in 2014 and growing by an average of 15% in nominal terms and 4% in real terms in the 2010-14 period. Retail sales volume growth was highest in 2011 at 8.3% but slowed in subsequent years, reaching 1.3% in 2014; nevertheless, total retail sales recorded US\$282 billion the same year.<sup>124</sup> Turkey is considered the 7<sup>th</sup> largest retail market in Europe<sup>125</sup> and in 2015 was ranked 11<sup>th</sup> according to the Global Retail Development Index (GRDI) with a market

<sup>122</sup> Law No. 2863.

<sup>123</sup> Viewed at: [http://www.tedaproject.gov.tr/?\\_dil=2](http://www.tedaproject.gov.tr/?_dil=2).

<sup>124</sup> Turkish Statistical Institute, online information. Viewed at: <http://www.turkstat.gov.tr/UstMenu.do?metod=temelist>.

<sup>125</sup> USDA Foreign Agricultural Service (2015), *Turkey Retail Foods*, GAIN Report Number TR5036, 15 July.

attractiveness of 83%.<sup>126</sup> Turkey has not undertaken any GATS commitments in distribution services.

4.218. Foreign distributors are present but the supermarket segment is largely dominated by local shops, called *bakkals* (small shops of less than 50m<sup>2</sup>). Increasing urbanization, changing lifestyles, increasing incomes, and other factors suggest that the retail sector will continue to consolidate.<sup>127</sup> However, retail challenges in supply chain and tough competition with less organized small retailers remain.

4.219. The Ministry of Customs and Trade is the main authority responsible for regulating the wholesale and retail sector, although many other agencies are also responsible for regulating various activities and products in the wholesale and retail sector, particularly the Turkish Competition Authority<sup>128</sup> (Section 3.3.3).

#### 4.3.5.1 Regulatory framework

4.220. Turkey's wholesale and retail sectors are regulated by several laws, mainly the new Law on Regulation of Retail Trade<sup>129</sup>, the E-Commerce Law<sup>130</sup>, the Commercial Code (Section 3.3.1.1) and the Law on the Protection of Competition<sup>131</sup> which applies to the wholesale and retail sector in the same way as it does to other sectors (Section 3.3.3.2).

4.221. In January 2015, the Government enacted the Law on Regulation of Retail Trade (Retail Trade Law), which applies to large shops, chain stores, retail dealers, franchises, as well as tradesmen and craftsmen. These retailers provide a broad range of household goods and services. The law also applies to their suppliers and producers, retail outlets, including shopping malls. Implementing regulations are yet to be published and enforced. According to the authorities, since September 2015, a draft regulation for shopping malls has been under review by the public.

4.222. The Retail Trade Law prohibits arbitrary premiums applied to producers and suppliers and protects small businesses against larger ones by setting a minimum duration for payment in sales contracts (maximum 30 days) for the procurement of certain Fast Moving Consumer Goods (FMCG) by small-scale producers and suppliers to large-scale retailers. In order to prevent businesses from adopting deceptive commercial practices, sales campaigns and continuous discount sales, allowed under the Consumer Protection Code No. 6502, are subject to time limitations and other provisions under the Retail Trade Law.<sup>132</sup> Shopping malls are also regulated under the Retail Trade Law.<sup>133</sup> According to Article 5.7, metropolitan municipalities are the competent authorities to grant building licences, building use licences and business licences for shopping malls in big cities. In addition, the Turkish Union of Chambers and Commodity Exchanges and the Confederation of Turkish Tradesmen and Craftsmen are consulted regarding the granting

<sup>126</sup> A.T. Kearney (2015), the 2015 Global Retail Development Index. The GRDI ranks the top 30 developing countries for retail investment. Market attractiveness is highest at 100%. Online information. Viewed at: <https://www.atkearney.com/consumer-products-retail/global-retail-development-index/2015>.

<sup>127</sup> Koç, AA., Boluk, G., Kovacı, S. (2009), *Concentration in food retailing and anti-competitive practices in Turkey*, Paper prepared for presentation at the 113th EAAE Seminar "A resilient European food industry and food chain in a challenging world" held in Chania, Crete, Greece, on 3-6 September 2009. Viewed at: <http://ageconsearch.umn.edu/bitstream/58077/2/Koc-Boluk-Kovaci.pdf>.

<sup>128</sup> The Ministry of Customs and Trade is only directly responsible for wholesale trade of fresh fruit and vegetables within the context of "The Act on the Regulation of the Trading of Vegetable-Fruit and Other Commodities with Sufficient Depth in Respect of Supply and Demand".

<sup>129</sup> Law on Regulation of Retail Trade No. 6585 of 2015 and published in the *Official Gazette* 29251 on 29 January 2015.

<sup>130</sup> The Law on Regulating Electronic Commerce No.6563 was published in the *Official Gazette* on 5 November 2014 and entered into force on 1 May 2015.

<sup>131</sup> Law on the Protection of Competition No. 4054 of 1994.

<sup>132</sup> The Retail Trade Law defines continuous discount sales as the sale for discounted or wholesale prices of end-of-line products, end-of-season products, export excesses, defective products, or similar products. The law allows retailers to place signs regarding such discounts provided that: shopping malls use such signs only if all retail businesses therein are practicing continuous discounts; or 70% or more of the products being sold by a retail business (whether located inside or outside of a shopping mall) fall within the scope of the definition above. The aim is to prevent retail businesses referring to themselves as "outlets", even though such heavily discounted products constitute only a small percentage of the products being sold. Businesses are given two years from the Retail Trade Law's effective date to comply with the terms of the Law.

<sup>133</sup> Article 5.7 of Law on Regulation of Retail Trade No. 6585 of 2015.

of building licences for shopping malls. Moreover, for shopping malls, the law requires that at least 5 per thousand of total sales area of a shopping mall be allocated to social and cultural activities; 5% allocated to trades and craftsmen<sup>134</sup>; and at least 3 per thousand of total sales area of a shopping mall dedicated to those who conduct rare businesses holding traditional, cultural or artistic value. Shopping malls that do not comply with these new requirements must comply by 29 January 2016.<sup>135</sup>

4.223. Under the regulatory system established by the Retail Trade Law, an electronic information system (PERBIS) is to be established and operated by the Ministry of Customs and Trade. The main aim of the online information system is to simplify opening procedures and coordinate all applications regarding the setting up and operations of retail businesses as well as to serve as a database for retail businesses.

4.224. The Law on Regulating Electronic Commerce and its implementing regulations<sup>136</sup> provide regulations on general information liability for a commercial activity; commercial communication and basic regulations such as prior consent and the right of refusal (unsubscribe mechanism) related to commercial electronic messages; the rules that will be applied on the contracts made by means of electronic devices; information that needs to be provided before the contract or during the order; and other issues about the intermediary service providers providing the platform for electronic commerce.

4.225. Under the draft secondary legislation on Retail Trade Law (Regulation on Shopping Malls), economic needs tests are not established, however such indicators do exist under the article regulating the licensing of shopping malls, in which advisory opinion of professional organization associations are sought. The regulation states that the professional organization associations are to form their 'advisory opinion' based on criteria such as the number and proximity of shopping malls.

#### 4.3.5.2 Market structure

4.226. The retail sector in Turkey comprises organized and unorganized retailers. Organized retailers include multi-format retailers, local or regional supermarkets, discount retailers and gas station stores. Unorganized retailers include individual convenience stores called *bakkals* and open-air bazars.<sup>137</sup>

4.227. Foreign retailers are present in Turkey, either through wholly-owned or as joint ventures (Table 4.36). However, *bakkals* continue to dominate the food retail subsector with 83% market share in 2008 (down from 92% in 1996) although the number of hyper- and supermarkets has been increasing: from 2,979 in 2000 to 8,252 in 2008. Similarly, the number of shopping malls has increased rapidly, reaching 333 in 2014 and generating TL 60 billion in revenue.

4.228. The Turkish retail sector is fragmented with the top five retailers<sup>138</sup> total market share accounting for less than 20%.<sup>139</sup> As a result, significant mergers and acquisitions have taken place. In 2013, 31 transactions were conducted with a cumulative value of US\$1.2 billion. Food retail comprises 60% of the total retail sector in Turkey with sales of US\$165 billion in 2013. In 2013, the Turkish food sector imported US\$5.9 billion, exported US\$11.9 billion and attracted US\$342 million in foreign investment the same year, as 13 new international companies entered the market. Discount chains, a fast growing segment, continue to dominate the food retail sector with largely domestic players. Foreign companies are reluctant to enter the local discount retailing market due to its intense price competition.

<sup>134</sup> It is not a requirement in the case of trades and craftsmen but an encouragement.

<sup>135</sup> A summary of the Retail Trade Law. Viewed at: [http://www.taboglu.av.tr/dailies/Monthly%20Updates%20\(January%202015\)%20\(2\).pdf](http://www.taboglu.av.tr/dailies/Monthly%20Updates%20(January%202015)%20(2).pdf).

<sup>136</sup> Regulation on Commercial Communications and Commercial Electronic Messages and Regulation on Service Provider and Intermediary Service Provider Regarding Electronic Commerce were prepared by The Ministry of Customs and Trade and promulgated in the *Official Gazette* on 15 July 2015 and 26 August 2015, respectively.

<sup>137</sup> USDA Foreign Agricultural Service (2015), *Turkey Retail Foods*, GAIN Report Number TR5036, 15 July.

<sup>138</sup> BIM, Migros, A101, SOK Market and Carrefour.

<sup>139</sup> Economist Intelligence Unit (2015), *Turkey Industry Report, Consumer Goods and Retail*.

4.229. E-commerce has been growing in Turkey as a result of rising internet penetration rates and credit-card use. In the first half of 2015, domestic e-commerce transactions reached TL 25.8 billion, a 30% increase from the same period in 2014. In 2014, the value of online purchases was equivalent to 1.6% of total retail sales according to the Turkish Informatics Industry Association. Foreign investment in the online retail sector in Turkey has also witnessed strong growth in recent years.<sup>140</sup>

**Table 4.38 Profile of the major large retailers and restructuring in Turkey, 2008**

Company name & ownership source	Information about firm	The No. of store & type of outlet (2008)	No. of employees	Turnover (US\$ million)
Migros (Turkish and U.K.)	Established by Turkish-Switzerland partnership in 1954. It strengthened its leadership position in the markets by acquisition of Tansas in 2005. The major share (50.8%) of Migros was taken over by British BC Partners in 2008. Further it acquired 18 stores of Yonca market and took over Mak Food chain with 8 stores in 2009.	241 (Migros) 672 (Sok) 6 (5M Migros) (hyper, supermarkets, discount stores (SOK) and e-trading)	15.500 (2008)	3.925 (2008)
Tansas	Established in 1973 in Izmir in Aegean Region. It acquired the Macro supermarkets chain in 2002. Finally, it was purchased by Migros in 2005.	262 (Tansas) 8 (Macro)		
Bim (Turkish, USA, and Saudi Arabia)	Established by five partnerships in 1995 as hard discount market format. Its business style is similar with German ALDI format.	2.300 (discount stores)	13.700 (2008)	3.078 (2008)
Carrefour SA (Turkish and French)	Began a single store in Istanbul. It became a joint venture with Sabancı in 1996 and it was named Carrefour SA. It acquired Gima supermarket chain (including Endi discount market with 47 stores) in 2005. Recently, local supermarket chain called Kenan Evren in Adana province and 12 local market chains in Samsun province were taken over by Carrefour SA in 2009.	470 (discount stores, supermarkets, hypermarket)	7.200 (2008)	1.770 (2008)
Gima	The first national supermarkets chain in Turkey. It was founded in 1956 as a public economic enterprise. It was privatized and purchased by Fiba Holding in 1996. Finally, it was acquired by Carrefour SA in 2005.	81	3.500	500
Dia SA (Turkish-Spanish)	DIA began to open its first store in Istanbul at the end of 1999. It established a partnership with Sabancı Holding in 2000. Endi discount, with 47 joined to Dia Sa group in 2005 after Carrefour SA acquired the Gima supermarket chain and its Endi discount stores in 2005.	550 (hard discount store)	2.800	491

<sup>140</sup> Economist Intelligence Unit (2015), *Turkey Industry Report, Consumer Goods and Retail*.

Company name & ownership source	Information about firm	The No. of store & type of outlet (2008)	No. of employees	Turnover (US\$ million)
Metro (Germany)	METRO Group has been active in Turkey since 1990.	13 (Metro Cash & Carry) 11 (Real Hyper Market) 8 (Media Markt)	5.000 (2008)	2.155 (2008)
Tesco (U.K.)	Tesco entered the Turkish market in 2003 by acquiring the Kipa which was already founded in Izmir in 1995.	30 (Hyper) 62 (Express) <i>(discount stores, supermarkets, and hypermarkets)</i>	7.500 (2008)	1.000 (2008)
Kiler (Turkish)	Established as grocery store in 1981 and named Kiler in 1994. It purchased the 51% of Canerler supermarket chain in 2005 and Güler market in 2006. It also took over the Karıncalar Market chain in 2007.	160 <i>(supermarkets and hypermarkets)</i>	5.700 (2008)	1.000 (2008)
Yimpas (Turkish)	Founded in 1982. It has 500-2000 m2 space for supermarkets.	15 (domestic) 2 (foreign) <i>(supermarkets and hypermarkets) (2007)</i>	7.000 (2007)	538 (2007)
Makromarket- (Turkish)	Founded in 1991 in Ankara. It purchased the Nazar market chain and merged with Uyum market chain in 2007. Recently it bought the Afra markets chains in 2008, acquired Kaya supermarket with one store in Samsun province and took over Eras supermarket in Kayseri province and kept on its growth in 2009.	104 <i>(supermarkets and hypermarkets).</i>	3.500 (2008)	750 (2008)
Adese (Turkish)	Founded in Konya in 1991. It was the first supermarket chain in Konya and it kept up growth by taking over the Mercek markets in 2007.	119 <i>(supermarkets and hypermarkets).</i>	2.720 (2008)	346 (2007)
A.101 (Turkish and Singapore)	Founded in 2008. Its four shareholders are Azizler Holding, Balsu Food Co., Participation Bank of Asya and Oligo Investment Co. It works in hard discount store format.	320 <i>(hard discount stores)</i>	1.350	..
Begendik Turkish	Founded in 1986 in Kayseri. It has a growth strategy towards 'Department Store' Style.	16 <i>(supermarkets and hypermarkets).</i>	..	..
Pehlivanoglu-Turkish	Founded in 1980 as regional chain in Aegean Region	96 <i>(markets and supermarkets).</i>	1.300	..

.. Not available.

Source: Koç AA, Boluk G, Kovacı S (2009), *Concentration in food retailing and anti-competitive practices in Turkey*, Paper prepared for presentation at the 113th EAAE Seminar 'A resilient European food industry and food chain in a challenging world', Chania, Crete, Greece 3-6 September 2009. Viewed at: <http://ageconsearch.umn.edu/bitstream/58077/2/Koc-Boluk-Kovaci.pdf>.

Table 4.39 Major retailers (number of stores), 2010-12

	Jan. 2010	Jan. 2011	Jan. 2012	Sep. 2012
BİM	2,630	2,955	3,281	3,534
Migros/Tansaş/Şok	1,535	1,893	1,959	2,030
CarrefourSA/Express/DiaSA	887	1,053	1,322	1,362
A101	460	784	1,291	1,516
Hakmar/H.Express	85	135	252	265
Kiler	165	173	193	198
Tesco Kipa/K. Express	100	120	131	176
Makromarket	111	124	156	166
Adese/Adesem	132	143	144	153
Bizim Toptan Satış	95	105	116	128
Other	1,859	2,224	3,003	3,332
<b>TOTAL</b>	<b>8,059</b>	<b>9,709</b>	<b>11,848</b>	<b>12,860</b>

Source: Ministry of Development. Viewed at:

[http://www.cka.org.tr/dosyalar/Ozel%20Ihtisas%20Komisyonu%20Raporlar%C4%B1/Ticaret%20Hizmetlerinin%20Gelistirilmesi\\_%C3%B6k.pdf](http://www.cka.org.tr/dosyalar/Ozel%20Ihtisas%20Komisyonu%20Raporlar%C4%B1/Ticaret%20Hizmetlerinin%20Gelistirilmesi_%C3%B6k.pdf).

Table 4.40 Shopping malls (SMs)

City	GLA	No. SMs	City Population	GLA per 1,000 persons
Adana	178,543	3	2,165,595	82
Afyon	84,700	3	706,371	120
Aksaray	22,098	2	384,252	58
Ankara	1,422,648	36	5,150,072	276
Antalya	329,249	16	2,222,562	148
Artvin	5,500	1	169,674	32
Aydın	134,142	8	1,041,979	129
Balıkesir	82,968	6	1,189,057	70
Batman	20,000	1	557,593	36
Bilecik	15,146	1	209,925	72
Bitlis	10,000	1	338,023	30
Bolu	45,100	2	284,789	158
Bursa	384,030	11	2,787,539	138
Çanakkale	52,918	4	511,790	103
Çankırı	14,500	1	183,550	79
Denizli	127,096	5	978,700	130
Diyarbakır	196,775	6	1,635,048	120
Düzce	13,500	1	355,549	38
Edirne	38,435	3	400,280	96
Elazığ	26,861	2	568,753	47
Erzurum	46,383	2	763,320	61
Eskişehir	124,209	4	812,320	153
Gaziantep	246,464	6	1,889,466	130
Giresun	13,782	2	429,984	32
Hatay	113,000	3	1,519,836	74
Isparta	26,000	1	418,780	62
İstanbul	3,986,374	103	14,377,018	277
İzmir	513,753	21	4,113,072	125
Kahramanmaraş	64,300	2	1,089,038	59
Karabük	48,248	3	231,333	209
Karaman	9,689	1	240,362	40
Kastamonu	10,036	1	368,093	27
Kayseri	156,121	6	1,322,376	118
Kırıkkale	53,106	3	271,092	196
Kırklareli	6,906	1	343,723	20
Kocaeli	245,449	10	1,722,795	142
Konya	224,251	8	2,108,808	106
Kütahya	62,437	3	571,554	109
Malatya	64,507	2	769,544	84
Manisa	57,342	4	1,367,905	42
Mardin	26,000	1	788,996	33
Mersin	172,950	6	1,727,255	100
Muğla	156,685	11	894,509	175
Nevşehir	26,034	1	286,250	91
Ordu	7,800	1	724,268	11
Osmaniye	19,774	1	506,807	39

City	GLA	No. SMs	City Population	GLA per 1,000 persons
Sakarya	123,510	5	932,706	132
Samsun	162,848	6	1,269,989	128
Siirt	25,000	2	318,366	79
Şanlıurfa	73,700	3	1,845,667	40
Tekirdağ	90,881	6	906,732	100
Trabzon	93,659	3	766,782	122
Tokat	28,000	1	597,920	47
Uşak	30,966	3	349,459	89
Van	9,000	1	1,085,542	8
Yalova	26,106	2	226,514	115
Zonguldak	31,088	2	598,796	52
<b>TOTAL</b>	<b>10,380,567</b>	<b>354</b>	<b>77,695,904</b>	<b>4,161</b>

Source: Council of shopping centres.

## REFERENCES

- Ankara Barosu online information. Viewed at: <http://www.ankarabarusu.org.tr/siteler/nkaraBarReview/tekmakale/2008-2/6.pdf>.
- A. T. Kearney (2015), *2015 Global Retail Development Index*. Viewed at: <https://www.atkearney.com/consumer-products-retail/global-retail-development-index/2015>.
- Automotive Manufacturers Association (OSD), *General and Statistical Information Bulletin of Automotive Manufacturers 2015*. Viewed at: <http://www.osd.org.tr/yeni/wp-content/uploads/2015/05/CATA2015.pdf>.
- Banking Regulation and Supervision Agency (BRSA) online information. Viewed at: <http://www.bddk.org.tr/WebSitesi/english/Institutions/Banks/Banks.aspx>.
- Central Bank of the Republic of Turkey (2014a), *Annual Report*.
- Central Bank of the Republic of Turkey (2014b), *Report on Monetary and Exchange Rate Policy for 2015*.
- Central Bank of the Republic of Turkey (2015a), *Balance of Payments Report, 2015*.
- Central Bank of the Republic of Turkey (2015b), *Inflation Report, 2015*.
- Economic Cooperation Organization, *Statistical Report 2014*. Viewed at: <http://www.ecosecretariat.org/in2.htm>.
- Economist Intelligence Unit (2015), *Turkey, Country Commerce*, August. Viewed at: [www.eiu.com](http://www.eiu.com).
- ICTA online information. Viewed at: <http://www.btk.gov.tr/File/?path=ROOT%2f1%2fDocuments%2fPages%2fMarketData%2f2014-Q3-En.pdf>.
- Invest in Turkey online information. Viewed at: <http://www.invest.gov.tr/en-US/investmentguide/investorguide/Pages/Incentives.aspx>.
- Ministry of Culture and Tourism online information. Viewed at: <http://teftis.kulturturizm.gov.tr/TR,14104/kultur-ve-turizm-anlasmalari-dizini.html>.
- Ministry of Development (2014), *Medium-Term Programme (2015-17)*. Viewed at: <http://www.mod.gov.tr/Lists/RecentPublications/Attachments/73/Medium-Term%20Programme%202015-2017.pdf>.
- Ministry of Economy online information. Viewed at: [http://www.economy.gov.tr/portal/content/conn/UCM/path/Contribution%20Folders/web\\_en/Home/strategy2023.pdf](http://www.economy.gov.tr/portal/content/conn/UCM/path/Contribution%20Folders/web_en/Home/strategy2023.pdf).
- Ministry of Finance online information. Viewed at: <http://www.gep.gov.tr/tmp/Gep1.pdf>.
- Ministry of Food, Agriculture, and Livestock online information. Viewed at: [http://www.tarim.gov.tr/SGB/Belgeler/Bakanl%C4%B1k\\_Faaliyet\\_Raporlar%C4%B1/2011\\_Yili.pdf](http://www.tarim.gov.tr/SGB/Belgeler/Bakanl%C4%B1k_Faaliyet_Raporlar%C4%B1/2011_Yili.pdf).
- Ministry of Industry and Trade (2010), *Turkish Industrial Strategy Document, 2011-2014*. Viewed at: [http://www.abgs.gov.tr/files/haberler/2011/turkish\\_industrial\\_strategy.pdf](http://www.abgs.gov.tr/files/haberler/2011/turkish_industrial_strategy.pdf).
- Ministry of Health online information. Viewed at: <http://sbu.saglik.gov.tr/Ekutuphane/kitaplar/stratejikplaning.pdf>.
- OECD, *Health at a Glance: Europe 2014*. Viewed at: <http://www.oecd-ilibrary.org/docserver/download/8114211e.pdf?expires=1444319566&id=id&accname=guest&checksum=206D48A6CD8DAB19C93754AD315E125F>.

OECD-WTO (2015), *Trade in Value Added: Turkey*, October. Viewed at: <http://www.oecd.org/sti/ind/measuringtradeinvalue-addedanoecd-wtojointinitiative.htm>.

Prime Ministry Investment Support and Promotion Agency of Turkey online information. Viewed at: <http://www.invest.gov.tr/en-us/sectors/Pages/Automotive.aspx>.

Public Procurement Agency online information. Viewed at: [http://www.ihale.gov.tr/teskilat\\_semasi-58-2.html](http://www.ihale.gov.tr/teskilat_semasi-58-2.html).

Republic of Turkey Privatization Administration online information. Viewed at: [http://www.oib.gov.tr/program/uygulamalar/yillara\\_gore.htm](http://www.oib.gov.tr/program/uygulamalar/yillara_gore.htm).

Tenth Development Plan online information. Viewed at: [http://www.mod.gov.tr/Lists/DevelopmentPlans/Attachments/5/The%20Tenth%20Development%20Plan%20\(2014-2018\).pdf](http://www.mod.gov.tr/Lists/DevelopmentPlans/Attachments/5/The%20Tenth%20Development%20Plan%20(2014-2018).pdf).

TMO, *2014 Hazelnut Report*. Viewed at: [http://www.tmo.gov.tr/Upload/Document/raporlar/2014\\_findiksektorr\\_aporu.pdf&usq=ALkJrhiPLeNuWO\\_tL8YM7ujGM79S-EdDaQ](http://www.tmo.gov.tr/Upload/Document/raporlar/2014_findiksektorr_aporu.pdf&usq=ALkJrhiPLeNuWO_tL8YM7ujGM79S-EdDaQ).

Tokgöz, T. (2014), *The Turkish Pharma Market*. Viewed at: <https://prezi.com/cnbs28xrddtd/the-turkish-pharma-market/>.

Turk Eximbank (2014), *2014 Annual Report*. Viewed at: <http://www.eximbank.gov.tr/En/files/aboutUs/annual2014.pdf>.

Turkey International Investors Association (YASED) (2014), *Annual Report*. Viewed at: <http://www.yased.org.tr/webportal/Turkish/Yayinlar/Documents/yased-2014-faaliyet-raporu.pdf>.

Turkish Competition Authority (2015), *Annual Report on Competition Policy Developments in Turkey 2014*. Viewed at: <http://www.rekabet.gov.tr/en-US/Annual-Report-List>.

Turkish Parliament online information. Viewed at: <https://www.tbmm.gov.tr/sirasayi/donem24/yil01/ss474.pdf>.

Turkish Patent Institute online information. Viewed at: <http://www.tpe.gov.tr/TurkPatentEnstitusu/?lang=eng>.

Turkish Patent Institute, *Annual Report 2014*. Viewed at: <http://www.tpe.gov.tr/TurkPatentEnstitusu/resources/temp/5D1DDECD-C004-4175-86B4-1BA236F79059.pdf>.

Turkish Statistical Institute online information. Viewed at: <http://www.turkstat.gov.tr/PreHaberBultenleri.do?id=18521>.

TURKQUALITY online information. Viewed at: <http://www.turquality.com/about-us>.

UNCTAD (2015), *World Investment Report*, Geneva. Viewed at: <http://unctad.org/en/Pages/Statistics.aspx>.

USTR (2015), *Foreign Trade Barriers report*. Viewed at: ([http://www.sice.oas.org/ctyindex/USA/USTR\\_Reports/2015/NTE/2015%20NTE%20on%20FTB.pdf](http://www.sice.oas.org/ctyindex/USA/USTR_Reports/2015/NTE/2015%20NTE%20on%20FTB.pdf)).

World Bank (2016), *Doing Business Report*. Viewed at: <http://www.doingbusiness.org/data/exploreeconomies/turkey/~media/qiawb/doing%20business/documents/profiles/country/TUR.pdf>.

World Economic Forum (2014), *The Global Enabling Trade Report*, Turkey.

WTO (2012), *Trade Policy Review – Turkey*, Geneva.

## 5 APPENDIX TABLES

Table A1.1 Merchandise exports by product group, 2010-14

(US\$ million and %)

	2010	2011	2012	2013	2014
<b>Total (US\$ million)</b>	<b>113,980</b>	<b>134,915</b>	<b>152,537</b>	<b>151,803</b>	<b>157,715</b>
	<b>(% of total)</b>				
Total primary products	19.0	20.0	19.1	20.1	19.4
Agriculture	10.9	11.1	10.3	11.5	11.7
Food	10.4	10.5	9.9	11.0	11.3
0577 Edible nuts fresh, dried	0.9	0.9	0.8	0.8	1.0
Agricultural raw material	0.4	0.5	0.4	0.4	0.4
Mining	8.2	8.9	8.8	8.7	7.8
Ores and other minerals	2.4	2.2	2.2	2.7	2.4
Non-ferrous metals	1.9	2.0	1.7	1.7	1.7
6842 Aluminium and aluminium alloys, worked	1.0	1.1	0.9	1.0	1.0
Fuels	3.9	4.8	4.9	4.3	3.7
Manufactures	77.6	77.2	70.7	76.1	76.7
Iron and steel	9.0	9.5	8.6	7.6	6.8
6762 Bars/rods (not 676.1) iron/steel, hot-rolled, etc.	3.0	3.5	3.5	3.2	2.7
Chemicals	5.4	5.3	5.2	5.6	5.8
Other semi-manufactures	10.4	10.4	9.5	10.2	10.4
6911 Iron or steel structures, tubes and the like, for use in structures	0.8	0.8	0.9	0.9	0.9
Machinery and transport equipment	27.9	27.8	24.5	27.0	27.1
Power generating machines	0.6	0.6	0.6	0.6	0.6
Other non-electrical machinery	4.7	5.1	4.7	5.2	5.2
Agricultural machinery and tractors	0.3	0.3	0.4	0.4	0.5
Office machines & telecommunication equipment	1.8	1.7	1.8	1.5	1.5
7611 Colour television receivers	1.5	1.4	1.4	1.1	1.2
Other electrical machines	6.3	6.2	5.7	6.1	5.9
7731 Insulated wire, cable etc.; optical fibre cables	1.6	1.7	1.6	1.6	1.5
7752 Household fridges and freezers	1.0	1.0	1.0	1.0	0.9
Automotive products	12.1	11.6	9.7	11.0	11.1
7812 Motor vehicles for the transport of persons, n.e.s.	5.4	4.8	4.0	4.5	4.6
7821 Goods vehicles	2.9	2.9	2.2	2.5	2.6
7843 Other motor vehicle parts and accessories of 722, 781 to 783	2.3	2.5	2.2	2.6	2.6
Other transport equipment	2.4	2.5	2.1	2.6	2.7
7139 Parts, n.e.s., for piston engines of 713.2, 713.3, 713.8	1.0	1.0	0.9	1.0	1.1
Textiles	7.9	8.0	7.2	8.0	7.9
6595 Carpets and other textile floorings, woven, n.e.s.	0.8	0.9	1.1	1.2	1.3
6552 Other knitted/crocheted fabrics, not impregnated/coated, etc.	1.0	1.0	1.0	1.1	1.0
6584 Bed linen, table linen, toilet linen and kitchen linen	0.9	0.9	0.7	0.9	0.9
Clothing	11.2	10.3	9.4	10.1	10.6
8454 T-shirts, singlets and other vests, knitted or crocheted	2.4	2.3	2.0	2.2	2.3
8453 Jerseys, pullovers, cardigans, etc., knitted/crocheted	1.1	1.0	0.9	1.1	1.1
8426 Trousers, breeches, etc., women's/girls', not knitted/crocheted	1.0	1.0	1.0	1.0	1.0

	2010	2011	2012	2013	2014
Other consumer goods	5.9	6.0	6.3	7.5	8.1
8973 Jewellery of gold, silver or platinum metals (except watches)	1.3	1.4	1.8	2.3	2.8
Other	3.3	2.8	10.2	3.8	3.8
Gold	1.8	1.1	8.7	2.2	2.0

Source: UNSD Comtrade database, SITC Rev.3.

**Table A1.2 Merchandise imports by product group, 2010-14**

(US\$ million and %)

	2010	2011	2012	2013	2014
Total (US\$ million)	185,541	240,839	236,545	251,661	242,224
	(% of total)				
Total primary products	29.3	23.7	23.6	21.5	22.7
Agriculture	6.9	7.3	6.9	6.7	7.5
Food	4.0	4.4	4.4	4.3	5.0
0412 Other wheat (including spelt) and meslin, unmilled	0.3	0.7	0.4	0.4	0.5
Agricultural raw material	2.9	2.9	2.5	2.4	2.5
2631 Cotton (other than linters), not carded or combed	0.9	0.8	0.5	0.7	0.7
Mining	22.4	16.4	16.7	14.8	15.2
Ores and other minerals	4.6	4.8	4.7	3.7	3.7
2823 Other ferrous waste and scrap	3.8	4.0	3.9	3.0	2.8
Non-ferrous metals	3.4	3.4	3.2	3.1	3.3
6821 Copper anodes; alloys; unwrought	1.4	1.3	1.2	1.1	1.1
6841 Aluminium and aluminium alloys, unwrought	0.9	1.0	0.9	0.9	1.0
Fuels	14.4	8.2	8.7	8.0	8.3
3442 Gaseous hydrocarbons, liquefied, n.e.s.	1.2	1.2	1.2	1.1	1.1
Manufactures	62.5	59.0	55.9	57.9	59.7
Iron and steel	5.2	4.8	4.7	4.8	4.7
6726 Semi-finished iron/steel products <0.25% carbon	0.5	0.5	0.7	1.0	0.9
Chemicals	13.5	12.8	12.4	12.5	13.5
5751 Propylene polymers or of other olefins	1.2	1.1	1.2	1.2	1.4
5429 Medicaments, n.e.s.	1.4	1.1	0.9	0.9	1.0
5711 Polyethylene	0.8	0.8	0.9	0.9	0.9
Other semi-manufactures	5.0	4.6	4.6	4.8	5.0
Machinery and transport equipment	29.0	27.8	26.0	27.2	27.2
Power generating machines	1.9	1.2	1.5	1.8	1.3
Other non-electrical machinery	7.1	7.7	7.6	8.0	7.9
7284 Machinery and appliances for particular industries, n.e.s.	0.6	0.7	0.6	0.6	0.7
Agricultural machinery and tractors	0.2	0.3	0.3	0.3	0.3
Office machines & telecommunication equipment	4.6	3.9	4.3	4.7	5.2
7643 Radio or television transmission apparatus	0.8	0.8	0.7	1.1	1.2
7649 Parts and accessories for apparatus of division 76	0.3	0.2	0.5	0.6	0.7
7522 Data processing machines, with at least processing, input and output units	0.6	0.5	0.6	0.6	0.7
Other electrical machines	3.9	3.6	3.1	3.0	3.0
Automotive products	8.3	8.1	6.9	7.6	7.4
7812 Motor vehicles for the transport of persons, n.e.s.	3.7	3.5	3.1	3.6	3.2
7843 Other motor vehicle parts and accessories of 722, 781 to 783	2.4	2.2	1.9	1.9	2.0
7132 Internal combustion engines for vehicles of 78; 744.14, 744.15, 891.11	1.2	1.1	0.9	1.0	1.1
Other transport equipment	3.2	3.3	2.6	2.2	2.4
7924 Aeroplanes, etc. (excl. helicopters), >15,000 kg unladen	1.2	1.3	1.0	0.6	0.9
Textiles	3.5	3.1	2.7	2.7	2.9
Clothing	1.5	1.4	1.1	1.2	1.3
Other consumer goods	4.7	4.5	4.3	4.7	5.0
Other	8.2	17.3	20.5	20.6	17.7
Gold	1.4	2.6	3.2	6.0	2.9

Source: UNSD Comtrade database, SITC Rev.3.

**Table A1.3 Merchandise exports by destination, 2010-14**

(US\$ million and %)

	2010	2011	2012	2013	2014
Total (US\$ million)	113,980	134,915	152,537	151,803	157,715
	(% of total)				
America	5.3	5.9	6.3	6.4	6.4
United States	3.3	3.4	3.7	3.7	4.0
Other America	2.0	2.5	2.6	2.7	2.4
Europe	50.8	49.8	42.4	44.5	47.1
EU-28	47.5	47.3	39.7	42.3	43.6
Germany	10.1	10.3	8.6	9.0	9.6
United Kingdom	6.4	6.0	5.7	5.8	6.3
Italy	5.7	5.8	4.2	4.4	4.5
France	5.3	5.0	4.1	4.2	4.1
Spain	3.1	2.9	2.4	2.9	3.0
The Netherlands	2.2	2.4	2.1	2.3	2.2
Romania	2.3	2.1	1.6	1.7	1.9
Belgium	1.7	1.8	1.5	1.7	1.9
Poland	1.3	1.3	1.2	1.4	1.5
EFTA	2.1	1.4	1.7	1.1	2.4
Switzerland	1.8	1.1	1.4	0.7	2.0
Other Europe	1.2	1.1	0.9	1.0	1.1
Commonwealth of Independent States (CIS)	9.7	10.7	10.7	12.0	10.8
Russian Federation	4.1	4.4	4.4	4.6	3.8
Azerbaijan	1.4	1.5	1.7	2.0	1.8
Turkmenistan	1.0	1.1	1.0	1.3	1.4
Africa	8.2	7.7	8.6	9.1	8.5
Egypt	2.0	2.0	2.4	2.1	2.1
Middle East	18.4	18.4	25.3	20.7	19.7
Iraq	5.3	6.2	7.1	7.9	6.9
United Arab Emirates	2.9	2.7	5.4	3.3	3.0
Iran, Islamic Rep. of	2.7	2.7	6.5	2.8	2.5
Saudi Arabia	1.9	2.0	2.4	2.1	1.9
Israel	1.8	1.8	1.5	1.7	1.9
Asia	5.8	5.7	5.0	5.6	5.0
China	2.0	1.8	1.9	2.4	1.8
Japan	0.2	0.2	0.2	0.3	0.2
Six East Asian Traders	1.5	1.7	1.2	1.2	1.2
Other Asia	2.0	2.0	1.8	1.7	1.7
Other	1.8	1.9	1.7	1.8	2.4
Free Zones	1.8	1.9	1.5	1.6	2.1

Source: UNSD Comtrade database.

**Table A1.4 Merchandise imports by origin, 2010-14**

(US\$ million and %)

	2010	2011	2012	2013	2014
Total (US\$ million)	185,541	240,839	236,545	251,661	242,224
	(% of total)				
America	9.1	9.4	8.6	7.5	7.8
United States	6.6	6.7	6.0	5.0	5.3
Other America	2.4	2.8	2.6	2.5	2.5
Europe	41.4	40.7	39.5	41.2	39.3
EU-28	39.1	38.0	37.1	36.8	36.7
Germany	9.5	9.5	9.0	9.6	9.2
Italy	5.5	5.6	5.6	5.1	5.0
France	4.4	3.8	3.6	3.2	3.4
Spain	2.6	2.6	2.5	2.6	2.5
United Kingdom	2.5	2.4	2.4	2.5	2.4
Greece	0.8	1.1	1.5	1.7	1.7
Belgium	1.7	1.6	1.6	1.5	1.6
The Netherlands	1.7	1.7	1.5	1.3	1.5
Romania	1.9	1.6	1.4	1.4	1.4
Poland	1.4	1.5	1.3	1.3	1.3
Bulgaria	0.9	1.0	1.2	1.1	1.2
EFTA	2.2	2.4	2.2	4.2	2.4
Switzerland	1.7	2.1	1.8	3.8	2.0
Other Europe	0.2	0.2	0.2	0.2	0.3
Commonwealth of Independent States (CIS)	16.6	13.9	15.0	13.6	13.8
Russian Federation	11.6	9.9	11.3	10.0	10.4
Ukraine	2.1	2.0	1.9	1.8	1.8
Africa	3.5	2.8	2.5	2.4	2.4
Middle East	8.0	8.2	8.8	8.6	8.2
Iran, Islamic Rep. of	4.1	5.2	5.1	4.1	4.1
United Arab Emirates	0.4	0.7	1.5	2.1	1.3
Israel	0.7	0.9	0.7	1.0	1.2
Asia	20.4	20.9	19.8	20.8	22.3
China	9.3	9.0	9.0	9.8	10.3
Japan	1.8	1.8	1.5	1.4	1.3
Six East Asian Traders	5.0	5.0	4.5	4.4	5.1
Korea, Rep. of	2.6	2.6	2.4	2.4	3.1
Other Asia	4.3	5.1	4.8	5.2	5.5
India	1.8	2.7	2.5	2.5	2.8
Other	1.0	4.1	5.8	5.8	6.2
Areas n.e.s	0.5	3.6	5.3	5.3	5.6

Source: UNSD Comtrade database.

**Table A2.1 Turkey's Involvement in Dispute Settlement Cases, 1 January 2012-1 December 2015**

Subject	Respondent/ complainant/ appellant	Request for consultation received	Status (as at 30 October 2014)	WTO document series
<b>Panels</b>				
Turkey as a respondent:				
Turkey – Safeguard Measures on Imports of Cotton Yarn (other than Sewing Thread)	Turkey/India	13-Feb-12	Consultations requested	WT/DS428
Turkey as a third party:				
United States – Anti-Dumping and Countervailing Measures on Coated Paper from Indonesia	U.S./Indonesia	17-Mar-15	Panel established, but not yet composed	WT/DS491
U.S. – Anti-dumping Measures on Certain Oil Country Tubular Goods from Korea	U.S./Korea	22-Dec-14	Panel composed, interim report pending	WT/DS488
European Union – Anti-Dumping Measures on Biodiesel from Indonesia	EU/Indonesia	17-June-14	Panel composed, interim report pending	WT/DS/480
Russia – Anti-dumping Duties on Light Commercial Vehicles from Germany and Italy	Russia/EU	21-May-14	Panel composed, interim report pending	WT/DS479
European Union – Cost Adjustment Methodologies and Certain Anti-dumping Measures on Imports from Russia	EU/Russia	23-Dec-13	Panel established, but not yet composed	WT/DS474
European Union – Anti-Dumping Measures on Biodiesel from Argentina	EU/Argentina	19-Dec-13	Panel composed, interim report pending	WT/DS473
Brazil – Certain Measures Concerning Taxation and Charges	Brazil/EU	19-Dec-13/9-Jul-15	Panel composed, interim report pending	WT/DS472 WT/DS497
United States - Certain Methodologies and their Application to Anti-Dumping Proceedings involving China	U.S./China	3-Dec-13	Panel composed, interim report pending	WT/DS471
European Union — Measures on Atlanto-Scandian Herring	EU/Denmark	4-Nov-13	Settled or terminated on 21-Aug.14	WT/DS469
Ukraine – Definitive Safeguard Measures on Certain Passenger Cars	Ukraine/Japan	30-Oct-13	Implementation under discussion	WT/DS468
United States - Anti-Dumping and Countervailing Measures on Large Residential Washers from Korea	U.S./Korea	29-Aug-13	Panel composed, interim report issued, final report pending	WT/DS464
Russia – Motor Vehicles	Russia/EU	9-Jul-13	Panel established, but not yet composed	WT/DS462
China – Measures Imposing Anti-Dumping Duties on High-Performance Stainless Steel Seamless Tubes from the European Union	China/EU	13-Jun-13	Panel report issued, AB proceeding	WT/DS460
India – Certain Measures Relating to Solar Cells and Solar Modules	India/U.S.	6-Feb-13	Panel composed, interim report issued, final report issued to parties, translation pending	WT/DS456

Subject	Respondent/ complainant/ appellant	Request for consultation received	Status (as at 30 October 2014)	WTO document series
China — Measures Imposing Anti-Dumping Duties on High-Performance Stainless Steel Seamless Tubes from Japan	China/Japan	20-Dec-12	Panel report issued, AB proceeding	WT/DS454
United States – Countervailing and Anti-Dumping Measures on Certain Products from China	U.S./China	17-Sep-12	Panel and Appellate Body reports adopted by DSB on 22-Jul-14	WT/DS449
European Union – Anti-dumping Measures on Imports of Certain Fatty Alcohols from Indonesia	EU/Indonesia	30-Jul-12	Panel composed, interim report pending	WT/DS442
Australia – Certain Measures Concerning Trademarks, geographical Indications and other Plain Packaging Requirements applicable to Tobacco Products and Packaging	Australia/ Honduras- Dominican Republic-Cuba- Indonesia	4-Apr-12, 18- Jul-12, 3- May-13, 20- Sep-13	Panel composed, interim report pending	WT/DS435, WT/DS441, WT/DS458, WT/DS467
China – Anti-Dumping and Countervailing Duties on Certain Automobiles from the United States	China/U.S.	5-Jul-12	Panel report adopted by DSB on 18-Jun-14	WT/DS440
Argentina – Import Measures	Argentina/EU- U.S.-Japan	25-May-12	Panel and Appellate Body reports adopted by DSB on 26-Jan-15	WT/DS438, WT/DS444, WT/DS445
United States – Countervailing Duty Measures on Certain Products from China	U.S./China	25-May-12	Panel and Appellate Body reports adopted by DSB on 16-Jan-15	WT/DS437
United States – Countervailing Measures on Certain Hot-Rolled Carbon Steel Flat Products from India	U.S./India	12-Apr-12	Panel and Appellate Body reports adopted by DSB on 19-Dec-14	WT/DS436
Australia – Tobacco Plain Packaging	Australia/Ukraine	13-Mar-12	Panel composed, proceedings suspended under Article 12.12	WT/DS434
China – Rare Earths	China/U.S.- Japan-EU	13-Mar-12	Panel and Appellate Body reports adopted by DSB on 29-Aug-14. On 21 May 2015, China and the United States informed the DSB of Agreed Procedures under Arts. 21 and 22	WT/DS431, WT/DS432, WT/DS433

Source: WTO Secretariat.

Table A2.2 Selected Notifications to the WTO, 9 November 2011-1 December 2015

WTO Agreement	Description	Document symbol	Date
General Agreement on Trade in Services			
Article III:4 or IV:2	Contact and enquiry points	S/ENQ/78/Rev.13 S/ENQ/78/Rev.14	04/12/2012 25/10/2013
WT/L/918	LDC Services Waiver	S/C/N/824	03/09/2015
Agreement on the Implementation of Article VI of the GATT 1994 (Anti-Dumping Agreement)			
Article 16.4 – ad hoc	Anti-dumping actions (preliminary and final)	G/ADP/N/224	17/01/2012
		G/ADP/N/226	06/03/2012
		G/ADP/N/228	08/05/2012
		G/ADP/N/231	19/07/2012
		G/ADP/N/232	10/08/2012
		G/ADP/N/234	16/10/2012
		G/ADP/N/238	21/01/2013
		G/ADP/N/242	30/05/2013
		G/ADP/N/247	13/09/2013
		G/ADP/N/251	19/12/2013
		G/ADP/N/253	24/01/2014
		G/ADP/N/254	17/02/2014
		G/ADP/N/257	23/05/2014
		G/ADP/N/261	19/08/2014
		G/ADP/N/262	23/09/2014
		G/ADP/N/267	22/01/2015
		G/ADP/N/268	20/02/2015
		G/ADP/N/269	01/04/2015
		G/ADP/N/271	29/05/2015
		G/ADP/N/273	22/06/2015
Article 16.4 – semi annual	Anti-dumping actions (taken within the preceding six months)	G/ADP/N/274	24/07/2015
		G/ADP/N/275	31/08/2015
		G/ADP/N/276	16/09/2015
		G/ADP/N/277	15/10/2015
		G/ADP/N/223/TUR	22/03/2012
		G/ADP/N/230/TUR	31/07/2012
		G/ADP/N/237/TUR	28/03/2013
		G/ADP/N/244/TUR	02/08/2013
		G/ADP/N/252/TUR	24/01/2014
		G/ADP/N/252/TUR/Corr.1	10/02/2014
		G/ADP/N/259/TUR	
		G/ADP/N/265/TUR	16/10/2014
		G/ADP/N/272/TUR	11/03/2015
			23/07/2015
GATT 1994			
Article XVII:4(a) and Paragraph 1 of the Understanding on the Interpretation of Article XVII	State trading	G/STR/N/14/TUR	15/06/2012
Article XXIV:7(a) of GATT 1994 and Article V:7(a) of GATS	Free-trade areas: Turkey-Republic of Korea and Turkey-Mauritius	WT/REG339/N/1 WT/REG341/N/1	01/05/2013 31/05/2013
Article XXVIII:5	Invocation of paragraph 5 of Article XXVIII	G/MA/271	14/12/2011
Agreement on Import Licensing			
Article 1.4(a) and 8.2(b)	Publication	G/LIC/N/1/TUR/10 G/LIC/N/1/TUR/11	01/10/2012 29/09/2014

WTO Agreement	Description	Document symbol	Date
Article 7.3	Replies to the questionnaire	G/LIC/N/3/TUR/12 G/LIC/N/3/TUR/12/Corr.1 G/LIC/N/3/TUR/13 G/LIC/N/3/TUR/14	11/09/2012 17/09/2012 03/02/2014 28/09/2015
<b>Decision on Notification Procedures for Quantitative Restrictions</b>			
G/L/59/Rev.1	Notification of QRs	G/MA/QR/N/TUR/1 G/MA/QR/N/TUR/1/Corr.1	15/10/2012 23/11/2012
<b>Agreement on Rules of Origin</b>			
Paragraph 4 of Annex II	Preferential rules of origin: Turkey-Republic of Korea and Turkey-Mauritius	G/RO/N/103 G/RO/N/104	19/09/2013 19/09/2013
<b>Agreement on Subsidies and Countervailing Measures</b>			
Article 25.1 and GATT 1994 Article XVI:1	Subsidies	G/SCM/N/220/TUR G/SCM/N/253/TUR G/SCM/N/253/TUR/Suppl.1 G/SCM/N/253/TUR/Suppl.2 G/SCM/N/284/TUR	21/03/2012 11/03/2014 20/11/2014 14/01/2015 18/09/2015
Article 25.11 - semi	Countervailing duty actions (taken within the preceding six months)	G/SCM/N/235/TUR G/SCM/N/242/TUR G/SCM/N/250/TUR G/SCM/N/259/TUR G/SCM/N/267/TUR G/SCM/N/274/TUR G/SCM/N/281/TUR G/SCM/N/289/TUR	18/01/2012 31/07/2012 08/04/2013 01/08/2013 27/01/2014 16/10/2014 16/03/2015 23/07/2015
<b>Agreement on Safeguards</b>			
Article 7.2	Extension of a safeguard measure	G/SG/N/14/TUR/4/Suppl.1 G/SG/N/14/TUR/8 G/SG/N/6/TUR/6/Suppl.2 G/SG/N/14/TUR/9/Suppl.1 G/SG/N/6/TUR/11/Suppl.1 G/SG/N/6/TUR/11/Suppl.1/Corr.1 G/SG/N/6/TUR/12/Suppl.1 G/SG/N/10/TUR/13/Suppl.1 G/SG/N/14/TUR/10	11/04/2012 11/04/2012 07/05/2012 28/08/2013 09/01/2014 24/01/2014 09/01/2014 16/07/2014 16/07/2014
Article 9, footnote 2	Notification of a safeguard measure concerning developing country members	G/SG/N/11/TUR/17/Suppl.1 G/SG/N/14/TUR/7 G/SG/N/11/TUR/17/Suppl.1/Corr.1 G/SG/N/14/TUR/7/Corr.1 G/SG/N/10/TUR/12/Suppl.1 G/SG/N/11/TUR/13/Suppl.2 G/SG/N/11/TUR/6/Suppl.2 G/SG/N/14/TUR/2/Suppl.1 G/SG/N/11/TUR/7/Suppl.3 G/SG/N/14/TUR/4/Suppl.2 G/SG/N/11/TUR/6/Suppl.2/Corr.1 G/SG/N/14/TUR/2/Suppl.1/Corr.1 G/SG/N/11/TUR/7/Suppl.3/Corr.1 G/SG/N/14/TUR/4/Suppl.2/Corr.1 G/SG/N/8/TUR/10/Suppl.1 G/SG/N/10/TUR/10/Suppl.1 G/SG/N/11/TUR/11/Suppl.2 G/SG/N/8/TUR/10/Suppl.1/Corr.1 G/SG/N/10/TUR/10/Suppl.1/Corr.1	02/02/2012 02/02/2012 10/02/2012 10/02/2012 22/05/2012 22/05/2012 16/07/2012 16/07/2012 16/07/2012 16/07/2012 13/08/2012 13/08/2012 13/08/2012 13/08/2012 16/10/2013 16/10/2013 16/10/2013 21/11/2013 21/11/2013

WTO Agreement	Description	Document symbol	Date
		G/SG/N/11/TUR/11/Suppl.2 /Corr.1	21/11/2013
		G/SG/N/10/TUR/8/Suppl.2	25/02/2014
		G/SG/N/11/TUR/8/Suppl.2	25/02/2014
		G/SG/N/8/TUR/9/Suppl.2	07/04/2014
		G/SG/N/10/TUR/9/Suppl.2	07/04/2014
		G/SG/N/11/TUR/9/Suppl.2	07/04/2014
		G/SG/N/8/TUR/14	24/04/2014
		G/SG/N/10/TUR/14	24/04/2014
		G/SG/N/11/TUR/19	24/04/2014
		G/SG/N/8/TUR/13/Suppl.1	08/10/2014
		G/SG/N/10/TUR/13/Suppl.2	08/10/2014
		G/SG/N/11/TUR/16/Suppl.1	08/10/2014
		G/SG/N/8/TUR/15	26/06/2015
		G/SG/N/10/TUR/15	26/06/2015
		G/SG/N/11/TUR/20	26/06/2015
Article 12.1(a)	Initiation of an investigation	G/SG/N/11/TUR/17/Suppl.1	02/02/2012
		G/SG/N/14/TUR/7	02/02/2012
		G/SG/N/11/TUR/17/Suppl.1 /Corr.1	10/02/2012
		G/SG/N/14/TUR/7/Corr.1	10/02/2012
		G/SG/N/11/TUR/7/Suppl.3/ Corr.1	13/08/2012
		G/SG/N/14/TUR/4/Suppl.2/ Corr.1	13/08/2012
		G/SG/N/6/TUR/17	15/01/2013
		G/SG/N/6/TUR/18	15/01/2013
		G/SG/N/6/TUR/19	08/12/2014
		G/SG/N/6/TUR/19/Corr.1	11/12/2014
		G/SG/N/6/TUR/20	12/12/2014
		G/SG/N/6/TUR/21	29/04/2015
Article 12.1(b)	Finding serious injury or threat thereof	G/SG/N/10/TUR/12/Suppl1	22/05/2012
		G/SG/N/11/TUR/13/Suppl2	22/05/2012
		G/SG/N/8/TUR/10/Suppl.1	16/10/2013
		G/SG/N/10/TUR/10/Suppl.1	16/10/2013
		G/SG/N/11/TUR/11/Suppl.2	16/10/2013
		G/SG/N/8/TUR/10/Suppl.1/ Corr.1	21/11/2013
		G/SG/N/10/TUR/10/Suppl.1 /Corr.1	21/11/2013
		G/SG/N/11/TUR/11/Suppl.2 /Corr.1	21/11/2013
		G/SG/N/8/TUR/9/Suppl.2	07/04/2014
		G/SG/N/10/TUR/9/Suppl.2	07/04/2014
		G/SG/N/11/TUR/9/Suppl.2	07/04/2014
		G/SG/N/8/TUR/14	24/04/2014
		G/SG/N/10/TUR/14	24/04/2014
		G/SG/N/11/TUR/19	24/04/2014
		G/SG/N/8/TUR/15	26/06/2014
		G/SG/N/10/TUR/15	26/06/2014
		G/SG/N/11/TUR/20	26/06/2014
		G/SG/N/8/TUR/13/Suppl.1	08/10/2014
		G/SG/N/10/TUR/13/Suppl.2	08/10/2014
		G/SG/N/11/TUR/16/Suppl.1	08/10/2014
		G/SG/N/8/TUR/15	26/06/2015
		G/SG/N/10/TUR/15	26/06/2015
		G/SG/N/11/TUR/20	26/06/2015
Article 12.1(c)	Decision to extend a safeguard measure	G/SG/N/11/TUR/18	09/05/2012
		G/SG/N/14/TUR/9	09/05/2012
		G/SG/N/10/TUR/12/Suppl.1	22/05/2012
		G/SG/N/11/TUR/13/Suppl.2	22/05/2012
		G/SG/N/11/TUR/7/Suppl.3	16/07/2012
		G/SG/N/14/TUR/4/Suppl.2	16/07/2012
		G/SG/N/11/TUR/6/Suppl.2	16/07/2012
		G/SG/N/14/TUR/2/Suppl.1	16/07/2012

WTO Agreement	Description	Document symbol	Date
		G/SG/N/11/TUR/6/Suppl.2/Corr.1	13/08/2012
		G/SG/N/14/TUR/2/Suppl.1/Corr.1	13/08/2012
		G/SG/N/10/TUR/11/Suppl1	08/01/2013
		G/SG/N/14/TUR/9/Suppl.1	28/08/2013
		G/SG/N/10/TUR/8/Suppl.2	25/02/2014
		G/SG/N/11/TUR/8/Suppl.2	25/02/2014
		G/SG/N/8/TUR/9/Suppl.2	07/04/2014
		G/SG/N/10/TUR/9/Suppl.2	07/04/2014
		G/SG/N/11/TUR/9/Suppl.2	07/04/2014
		G/SG/N/8/TUR/14	24/04/2014
		G/SG/N/10/TUR/14	24/04/2014
		G/SG/N/11/TUR/19	24/04/2014
		G/SG/N/8/TUR/13/Suppl.1	08/10/2014
		G/SG/N/10/TUR/13/Suppl.2	08/10/2014
		G/SG/N/11/TUR/16/Suppl.1	08/10/2014
		G/SG/N/8/TUR/15	26/06/2015
		G/SG/N/10/TUR/15	26/06/2015
		G/SG/N/11/TUR/20	26/06/2015
Articles 12.5 & 8.2	Suspension of concessions	G/SG/N/12/TUR/4	12/06/2013
Article 12.6	Notification of laws, regulations, and administrative procedures	G/SG/N/1/TUR/3/Suppl.2	17/12/2013
<b>Agreement on Sanitary and Phytosanitary Measures</b>			
Article 7 Annex B	Sanitary and phytosanitary regulations	Many notifications received, please see: <a href="http://www.wto.org/english/tratop_e/sps_e/work_and_doc_e.htm">http://www.wto.org/english/tratop_e/sps_e/work_and_doc_e.htm</a>	
<b>Agreement on Technical Barriers to Trade</b>			
Article 2.9	Technical regulations	Many notifications received, please see <a href="http://tbts.wto.org/">http://tbts.wto.org/</a>	
Article 2.10	TBT Notification	G/TBT/N/TUR/70	03/12/2015
Article 5.6	TBT Notification	G/TBT/N/TUR/37/Suppl.1 G/TBT/N/TUR/58	17/09/2013 17/11/2014
Article 15.2	Implementation and administration of the Agreement	G/TBT/2/Add. 33/Rev.1	09/11/2011
<b>Agreement on Trade Facilitation</b>			
	Notification of category A commitments	WT/PCTF/N/TUR/1	16/07/2014

Source: WTO Secretariat.

**Table A2.3 Foreign direct investment restrictions, 2015**

Sectors	Legal source	Restriction
Broadcasting	Law No. 6112 on the Establishment of Radio and Television Enterprises and their Media Services, 15 February 2011	<p>The total direct foreign capital share in a media service provider shall not exceed 50% of the paid-in capital. A foreign real or legal person can directly become a partner of a maximum of two media service providers. If foreign real or legal persons hold shares in companies that are shareholders of media service providers and become indirect partners of the broadcasters, the chair, the deputy chair and the majority of the Board of Executives and the general director of the broadcasting enterprises have to be citizens of the Republic of Turkey, and the majority of votes in the general assemblies of broadcasting enterprises should belong to real or legal persons having Turkish citizenship. Arrangements ensuring these provisions shall be clearly stated in the main contracts of such corporations.</p> <p>Domestic or foreign shareholders shall by no means own preference shares.</p> <p>Private radio and television enterprises may appoint one or more managers in charge by considering the significance and the specifications of their media services. The manager or managers in charge must be Turkish citizens and domiciled in Turkey.</p>
Aviation	Civil Aviation Law No. 2920; Regulation on Commercial Air Transport Operations (SHY-6A); Regulation on Airport Ground Handling (SHY-22)	<p>No more than 49% equity participation by foreigners. Licences to operate airlines are only granted to locally incorporated companies whose management is under the control of Turkish citizens and the majority of voting shares are owned by Turkish citizens. Airlines, of which the majority of shares are controlled by foreigners, are not permitted to carry passengers from one national airport to another.</p> <p>To obtain ground handling services licences (A and C Group Licences), the majority authorized administration and representation of the company must be Turkish. The contract of such a company has to guarantee that the votes of its majority shareholders belong to Turkish nationals.</p>
Maritime transportation	Cabotage Act No. 815; Turkish Commercial Code No. 6102	<p>No more than 49% equity participation by foreigners. Cabotage is reserved to national flag carriers. Registration of commercial ships is granted only to locally incorporated companies whose management is under the control of Turkish citizens, and majority of voting shares are owned by Turkish citizens.</p>
Port services	Cabotage Act No. 815; Turkish Commercial Code No. 6762 (to be replaced by Turkish Commercial Code No. 6102 on 1 July 2012); Privatization Law No. 4046; and Law No. 5189 of 16 June 2004	<p>Port services are provided under concession agreements.</p>
Fishing	Fisheries Law No. 1380; By-law on Fisheries Products No. 6710; Turkish Commercial Code No. 6762	<p>Foreigners may not obtain a fishing licence. Vessels owned by foreigners also may not register as fishing vessels in Turkey, unless owned by Turkish nationals or by companies of which the majority of voting shares are owned by Turkish citizens. Enterprises that are established in Turkey in conformity with the legislation on foreign direct investment are subject to prior authorization and licence requirements of the Ministry of Food, Agriculture and Livestock.</p> <p>According to Communiqué No. 2012/66 dated 18 August 2012 on Regulation of Fish Hunting, foreign persons cannot operate in tuna fishing by renting Turkish vessels.</p>

Sectors	Legal source	Restriction
Accounting, auditing and book-keeping services	Law No. 3568 on Accountancy, Financial Advisory and Certified Financial Advisory Services, 1989; Statutory Decree No. 660 of 2 November 2011 on the Organization and Duties of the Public Oversight, Accounting and Auditing Standards Authority	<p>Special permission required. Foreign financial advisors who are citizens of countries that have officially codified the principles of the profession of financial advisory may, under reciprocal conditions, be authorized by approval of the Prime Minister upon the proposal of the Ministry of Finance, provided that these persons have the qualifications required for Turkish financial advisors and have rights to perform similar services in their own countries.</p> <p>The Public Oversight, Accounting and Auditing Standards Board announces foreign auditing firms and auditors approved to perform statutory audit in Turkey in accordance with the principle of reciprocity in the form of lists and records them in the official registry and keeps them open for public access in its website.</p>
Financial sector	Banking Law No. 5411; Bank Cards and Credit Cards Law No. 5464; Financial Leasing, Factoring and Financing Companies Law No. 6361; Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions No. 6493; Capital Market Law No. 6362, amended by Laws No. 3794 and 4487 and the relevant Communiqués; Financial Leasing Law No. 3226; Insurance Law No. 5684	<p>Special permission required. Permission to establish a bank, which has to be founded in the form of a joint-stock company, or to open the first branch of a foreign bank in Turkey, shall be given by the Banking Regulation and Supervision Board.</p> <p>Only banks which are not authorized to accept deposits and financial leasing companies can engage in financial leasing transactions.</p> <p>Establishing a financial leasing, factoring and financing company, which has to be in the form of a joint stock company, is subject to prior permission of the Banking Regulation and Supervision Board (Board). Permission to operate should also be received following the consummation of establishment.</p> <p>All payment and electronic money services can only be conducted by banks and institutions authorized in accordance with the Law No. 6493. Payment institutions and electronic money institutions are required to be established in the form of joint-stock companies.</p> <p>Banks and other institutions are authorized to issue bank cards or credit cards and required to be founded in the form of joint-stock companies in accordance with the Law No. 5464. The card system organizations headquartered abroad may open branches or representation offices in Turkey with prior consent of the Board, providing that such offices do not establish a credit card system, do not issue cards, and do not enter into merchant agreements.</p> <p>The performance of investment services and activities as a regular occupation, business or a professional activity requires permission from the Board. Investment services and activities can only be performed by investment firms (intermediary institutions as well as other capital market institutions established to perform investment services and activities, the establishment and operation principles of which are designated by the Board, and banks).</p> <p>Banks may not trade in Borsa Istanbul Equities market but they can receive orders to be transmitted to licensed intermediary institutions for execution.</p> <p>On the collective investment front, portfolio management companies have exclusive authority on the establishment of investment funds (mutual funds) and specialization is ensured in fund portfolio management and custody. It is compulsory to have the authorization of the Board for the establishment of a portfolio management company and the launching of its activities.</p> <p>Collective investment schemes can operate under "semi open-ended", "fully open-ended" and "closed-ended" structures. Pension funds are founded by private pension companies established in Turkey.</p> <p>Portfolio management and investment advisory services may be performed by non-bank securities intermediaries, non-deposit taking banks and portfolio management companies established in Turkey.</p> <p>An insurance company or reinsurance company that is to operate in Turkey must be established as a joint-stock company or a cooperative. Foreign insurance and reinsurance companies may also operate in</p>

Sectors	Legal source	Restriction
		Turkey by opening branches, provided that they have not been prohibited in their country of operation. Following establishment, insurance and reinsurance companies must obtain an operational licence from the Undersecretariat of Treasury; a separate licence is issued for each insurance branch. Other than specific exceptions, cross-border supply of insurance services is prohibited.
Mining	Mining Law No. 3213	Foreigners may invest in the mining subsector only through companies established in Turkey in conformity with its legislation. (Chapter II(4)). However, exploration and exploitation of boron are reserved for the Government. For uranium and thorium, the public sector may explore and exploit these minerals without selling. On the contrary selling of these radioactive minerals may be permitted by the Cabinet Council.
Real-estate trading	Land Registry Law No. 2644	<p>Real persons who are citizens of the countries determined by the Council of Ministers can acquire real property in Turkey. Foreign national natural persons can acquire all kinds of real property in the area of private property (residence, office, land, field, etc.).</p> <p>A foreign national natural person acquiring a real property without building (land, field, etc.) is obliged to develop a project and to submit the project to the relevant ministry for approval within two years.</p> <p>A foreign national real person can acquire a maximum of 30 hectares of real property and limited real rights across the country. The Council of Ministers is authorized to double this amount. Foreign national real persons can acquire real property and limited real rights up to 10% of the areas subject to private property within the district area.</p> <p>An incorporated company established abroad as a foreign legal person can acquire real property and limited real rights in Turkey. Foreign legal persons other than these incorporated companies (foundations, associations, etc.) cannot acquire real property and limited real rights cannot be established in favour of them.</p> <p>Real property acquisitions of incorporated companies established in foreign countries as legal persons according to the law of their countries are only possible with the provisions of international agreements or special laws. There is no restriction on giving a mortgage in favour of foreign trade companies.</p>
Electricity	Electricity Market Law No. 6446	<p>The total electricity generation amount that a real person or a legal entity of private sector can generate through a generation company it controls shall not exceed 20% of Turkey's total electricity generation for the previous year.</p> <p>The amount of electrical energy which the private sector legal entities holding a supply licence may purchase from generation and import companies shall not exceed 20% of the amount of electrical energy consumed within the country within the previous year. Also, the amount of electrical energy to be sold by the said legal entities of private sector to end consumers may not exceed 20% of the electrical energy consumed within the country within the previous year. By the end of 2013, electricity distributed by private distribution companies reached 100% of the total market.</p>
Education	Law No. 5580 on Private Education Institutions; Legislation on Foundations	<p>Foreign real or legal persons may not set up education institutions unless all students are foreigners. International private education institutions may be set up by real or legal persons upon authorization of the Council of Ministers.</p> <p>For tertiary education institutions, the majority in the administrative bodies must be Turkish nationals.</p>

Source: Information provided by the authorities.

Table A3.1 MFN tariff changes January 2012 to December 2015

Products	Tariff change	Effective date
<b>Tariff increases</b>		
Hydrogenated palm oil and palm seed oil for technical and industrial uses	Increase from zero to 35%	01.01.2012
Bovine animals	Increase from zero to 15%	06.03.2012
Certain food products, i.e. potatoes seed; rice for sowing; melon seeds; sugar beet seeds; and vegetable seeds	Increase from 1% to 5%	22.03.2012
Live bovine animals	Increase from 20% to 30%	08.07.2012
Live sheep	Increase from 15% to 30%	08.07.2012
Live bovine, sheep and goats animals (temporary)	Increase from 30% to 40%	30.10.2012
Fresh, chilled, and frozen meat (temporary)	Increase from 70% to 100%	30.10.2012
Melon seeds and vegetable seeds	Increase from 5% to 10%	01.01.2013
Coconut oil	Increase from 20% to 31.2%	01.01.2013
Other coconut oils	Increase from 20% to 46.8%	01.01.2013
Flat-rolled steel coils	Increase from zero to 10%	01.01.2013
Alloy steel coils	Increase from zero to 6%	01.01.2013
Live bovine animals (temporary)	Increase from zero to 15%	01.03.2013
Certain cold rolled products of stainless steel	Increase from 2% to 8%	30.10.2013
Certain flat rolled products of alloyed steel and flat products of other alloyed steel with a width less than 600 mm	Increase from zero to 6%	01.01.2014
Flat rolled products of a width less than 600 mm	Increase from zero to 10%	01.01.2014
Footwear	Increase up to 50%	10.08.2014
Certain bar and wire rod of steel	Increase from 3%-15% to 30%-40%)	18.10.2014
Maltodextrine and maltodextrine syrup	Increase from 25% to 40%	01.01.2015
Molasses resulting from the extraction or refining of sugar	Increase from zero to 31.5%	01.01.2015
Processed sesamum seeds	Increase from 10% to 23.4%	01.01.2015
Tools, implements, cutlery, spoons, and forks, of base metal, parts thereof of base metal	Increase up to 25%	06.02.2015
Hand-woven carpets	Increase from 8% up to 50%	18.02.2015
Unwrought aluminum	Increase from %0 to %3 and %6	04.08.2015
Household electrical appliances	Increase up to 10-30%	07.06.2015
Travel goods and handbags	Increase up to 30%	20.06.2015
Steel wire and alloyed bars, other bars	Increase from 0% to 25%	05.07.2015
Furniture		
Lightening equipment	Increase up to 20%	07.06.2015
<b>Tariff reductions/elimination</b>		
Bovine animals	Reduction from 135% to 0%	01.01.2012
Desiccated coconut	Reduction from 30% to 0%	01.01.2012
Soya-bean oil	Reduction from 10% to 0%	01.01.2012
Coconut oil	Reduction from 46.8% to 0%	01.01.2012
Glucose and glucose syrup	Reduction from 135% to 0%	01.01.2012
Sesamum seeds	Reduction from 23.4% to 10%	01.01.2012
Maize	Reduction from 30% to 20%	01.01.2012
Soya-bean oil	Reduction from 19.5% to 5%	01.01.2012
Tropical nuts, mixtures containing 50% or more by weight of Tropical nuts and tropical fruits	Reduction from 58.5% to 20%	01.01.2012
Manioc (cassava); cereal straw and husks	Reduction from 19.3% to 0%	02.09.2012
Soya beans not for sowing	Reduction from 8% to 0%	02.09.2012
Swedes, mangolds, fodder roots, hay, lucerne (alfalfa), clover, sainfoin, forage kale, lupines, vetches and similar forage products, whether or not in the form of pellets	Reduction from 10% to 0%	02.09.2012
Bran, sharps and other residues, whether or not in the form of pellets, derived from the sifting, milling or other working of wheat, other cereals and leguminous plants and oilcake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soya-bean oil	Reduction from 13.5% to 0%	02.09.2012
Wheat starch for the production of bread, pastry, cakes, biscuits and other bakers' wares	Reduction from 27 % to 0%	01.01.2013
Pectic substances for the production of bread, pastry, cakes, biscuits and other bakers' wares	Reduction from 25 % to 0%	01.01.2013

Products	Tariff change	Effective date
Malt extract for the production of bread, pastry, cakes, biscuits and other bakers' wares	Reduction of agricultural component from 21.85-34.45 Euro/100kg to zero	01.01.2013
Chocolate and other food preparations containing cocoa for enteral nutrition products	Reduction of agricultural component from 68.4-106.68 Euro/100kg to zero	01.01.2013
Flat-rolled products of stainless steel	Reduction from 2% to 0%	01.01.2013
Coconut oil for technical and industrial purposes	Reduction from 10% to 0%	01.01.2015
Certain vegetable oils and fats for the production of cocoa butter equivalent	Reduction from 19.5% to 0%	01.01.2015
Molasses for the production of pastry feed and goods	Reduction from 31.5% to 0%	01.01.2015
Iron ores	Reduction from 1% to 0%	01.01.2015
Certain alloy steel products	Reduction from 6%-15% to 0%	01.01.2015
Sesamum seeds	Reduction from 23.4% to 10%	01.01.2015

Source: WTO document WT/TPR/OV/W/9, 3 July 2015, WTO summary and status of G20 trade and trade-related measures since October 2008. Viewed at: [https://www.wto.org/english/news\\_e/news14\\_e/trdev\\_05nov14\\_e.htm](https://www.wto.org/english/news_e/news14_e/trdev_05nov14_e.htm), and information provided by the authorities.

**Table A3.2 New anti-dumping investigations initiated and measures imposed or terminated, 2012-15**

Products concerned	Exporter(s) affected	Status
Slide fasteners (HS 9607.11; 9607.19)	Indonesia (possible circumvention of anti-dumping measures of imports from China imposed in March 2005)	Definitive duty imposed on 27 March 2012
Vulcanized rubber thread and cord (HS 4007.00)	Thailand	Definitive duty imposed on 27 November 2012
Granites (HS 6802.23; 6802.93)	India	Initiation of investigation on 31 January 2012. Terminated on 7 August 2012 (without measure)
Electric storage water heaters (HS 8516.10.80)	China, Italy, and Serbia	Initiation of investigation on 20 March 2012. Definitive duty imposed on 19 September 2013
Welded stainless steel tubes, pipes and profiles (HS 7306.40.20; 7306.40.80; 7306.61.10)	China and Chinese Taipei	Initiation of investigation on 19 April 2012. Definitive duty imposed on 15 March 2013
Diesel engines (HS 8408.90.41)	China and India	Initiation of investigation on 3 August 2012. Definitive duty imposed on 21 November 2013
Polyester synthetic staple fibers (HS 5503.20.00)	Saudi Arabia	Termination on 1 September 2012 of anti-dumping duties (imposed on 1 September 2007)
Yarn of man-made or synthetic or artificial staple fibres (HS 5508; 5509; 5510; 5511)	Egypt, Malaysia, Pakistan, Thailand, and Viet Nam	Initiation of investigation on 18 October 2012. Definitive duty imposed on 8 April 2014. Terminated on 8 April 2014 on imports from Egypt
Uncoloured float glass (HS 7005.29)	Romania	Initiation of investigation on 27 November 2012. Definitive duty imposed on 17 November 2013
Fittings (HS 7307.19)	Chinese Taipei (possible circumvention of anti-dumping measures of imports from China imposed on 22 January 2010)	Initiation of investigation 14 December 2012. Definitive duty imposed on 26 September 2013
Aluminium offset printing plates (HS 3701.30.00)	Malaysia (possible circumvention of anti-dumping measures)	Initiation of investigation on 14 December 2012. Definitive duty imposed on 28 September 2013. Terminated on 15 November 2013
Articulated link chain and parts thereof (HS 7315.11.90; 7315.12.00; 7315.19.00)	Malaysia; Korea, Rep. of; and Chinese Taipei (possible circumvention of anti-dumping measures of imports from China imposed on 23 May 2010)	Initiation of investigation on 14 December 2012. Definitive duty imposed on 12 December 2013
Fully drawn yarn (HS 5402.47)	China, India, and Malaysia	Initiation of investigation on 26 April 2013. Definitive duty imposed on 16 October 2014
Instantaneous gas water heaters (HS 8419.11.00)	China	Initiation of investigation on 5 May 2013. Definitive duty imposed on 11 July 2014
Aluminium offset printing plates (HS 3701.30.00)	China	Termination on 15 November 2013 of anti-dumping duties (imposed on 15 November 2008)
Laminated flooring (HS 4411.13.90; 4411.14.90; 4411.92.90; 4411.93.90)	Germany	Initiation of investigation on 18 December 2013. Definitive duty imposed on 13 June 2015
Aluminium foil of a thickness not exceeding 0.2 mm, not backed, (HS 7607.11; 7607.19)	China	Initiation of investigation on 21 December 2013. Definitive duty imposed on 26 July 2014
Polyester textured yarn (HS 5402.33)	Thailand	Termination on 31 December 2013 of anti-dumping duties (imposed on 31 December 2008)
Uncoloured float glass (HS 7005.29)	Israel	Initiation of investigation on 10 January 2014. Definitive duty imposed on 27 June 2015

Products concerned	Exporter(s) affected	Status
Motor hoe (HS 8432.29.90)	China	Initiation of investigation on 26 March 2014. Definitive duty imposed on 17 April 2015
Polyvinyl chloride (HS 3904.10)	Italy and Romania	Termination on 25 June 2014 of anti-dumping duties (imposed on 6 February 2003)
Unbleached kraft liner paper (HS 4804.11.11; 4804.11.15; 4804.11.90)	China and United States	Initiation of investigation on 22 July 2014. Definitive duty imposed on 14 July 2015
Woven fabrics of synthetic filament yarn (HS 5407)	Bulgaria (possible circumvention of anti-dumping measures of imports from China; Korea, Rep. of; Malaysia; and Chinese Taipei imposed on 13 February 2002)	Initiation of investigation on 11 August 2014
Woven fabrics of synthetic and artificial staple fibres (HS 5513; 5514; 5515; 5516)	Bulgaria and Poland (possible circumvention of anti-dumping measures of imports from China imposed on 15 February 2001)	Initiation of investigation on 11 August 2014
Cotton (HS 5201)	United States	Initiation of investigation on 18 October 2014
Polystyrene (HS 3903.19.00)	Egypt	Initiation of investigation on 30 November 2014
Welded stainless steel tubes, pipes and profiles (HS 7306.40.20; 7306.40.21)	Malaysia and Viet Nam (possible circumvention of anti-dumping measures of imports from China and Chinese Taipei imposed on 15 March 13)	Initiation of investigation on 12 December 2014
Granites (HS 6802.23; 6802.93)	Viet Nam (possible circumvention of anti-dumping measures of imports from China imposed on 14 September 06)	Initiation of investigation on 12 December 2014
Safety glass (HS 7007)	China and Israel	Initiation of investigation on 26 December 2014. Provisional duties imposed on 23 May 2015
Hot-rolled coil steel (HS 7208.37.00; 7208.38.00; 7208.39.00)	China, France, Japan, Romania, Russian Federation, Slovak Republic and Ukraine	Initiation of investigation on 28 January 2015. Provisional duties imposed on 28 August 2015.
Sodium formate (HS 2915.12.00)	China	Initiation of investigation on 12 April 2015
Seamless tubes, pipes and hollow profiles of iron (other than cast iron) or steel (HS 7304)	China	Initiation of investigation on 15 May 2015
Polyester textured yarn (HS 5402.33)	Thailand and Viet Nam	Initiation of investigation on 15 May 2015
Chiller (HS 8418.69.00)	China	Initiation of investigation on 20 June 2015
BOPP film (HS 3920.20.21)	China, Egypt, India and Saudi Arabia	Initiation of investigation on 15 October 2014
Welding machines (HS 8515.39)	China	Initiation of investigation on 25 July 2014. Definitive duty imposed on 16 September 2015
Painted galvanized sheet metal (cold rolled) (HS 7210.70)	China	Initiation of investigation on 23 July 2015
Cold-rolled stainless steel flats (HS 7219, 7220)	China and Chinese Taipei	Initiation of investigation on 22 August 2015
Mono ethylene glycol (HS 2905.31)	Bulgaria	Termination on 2 May 2015 of anti-dumping duties (imposed on 2 May 2010)

Source: WTO document WT/TPR/OV/W/9, 3 July 2015 and information provided by the authorities.

Table A3.3 Anti-dumping measures in force, September 2015

<b>Brazil</b>			
Tube or pipe fittings	27.04.2000	22.05.2012	US\$400/tonne
<b>Bulgaria</b>			
Tube or pipe fittings	07.09.2006	22.05.2012	US\$400/tonne
Woven Fabrics of Synthetic and Artificial Stable Fibers	22.08.2015		0%-87%
Woven Fabrics of Synthetic Filament Yarn	22.08.2015		21.13%-70.44%
<b>Canada</b>			
Oriented strand board	18.12.2008	13.11.2014	14.93%
<b>China</b>			
Diesel engines	21.11.2013		152.48%, 165.18%
Electric storage water heaters	19.09.2013		22%, 49%
Safety glass	23.05.2015		33.1-63.7% (provisional)
Cored wire of base metal	28.07.2011		21.12%;28.87%
Welded stainless steel tubes, pipes and profiles	15.03.2013		13.82%, 25.27%
Stranded wire ropes and cables	30.12.2006		US\$1/kg
Pre-finished engineered laminated flooring	08.07.2006	31.01.2012	35%
Wall type split air conditioners and their indoor/outdoor units	26.07.2006	21.03.2012	25%
Tube or pipe fittings	27.04.2000	22.05.2012	US\$800/tonne
Granites	14.09.2006	10.07.2012	US\$174/tonne
Plywood consisting solely of sheets of wood, each ply not exceeding 6mm thickness	20.10.2006	10.07.2012	US\$240/m3
Endless transmission belts of trapezoidal cross-section (V-belts)	31.03.2007	15.03.2013	US\$5.04/kg
Woven fabrics of synthetic and artificial staple fibre	15.02.2001	05.05.2013	87%
Certain refractory bricks	01.09.2007	15.03.2013	US\$145/tonne
Wall clocks	07.11.2001	05.10.2013	US\$2.10/piece
Certain pocket lighters and fully equipped plastic gas tanks	08.05.2002	26.04.2014	US\$0.01-0.05/ piece
Laminated flooring	30.07.2008	03.05.2014	US\$1.60-2.40/m2
Woven fabrics of synthetic filament yarn (for clothing)	13.02.2002	21.01.2015	21.13-70.44%
Blankets and long pile fabrics of synthetic fibres and others of man-made fibres for blankets	08.12.2002	23.01.2014	US\$4/kg
Textured yarn of nylon or other polyamides, measuring per single yarn more than 50 tex	05.09.2008	27.03.2014	37.40%
Tarpaulin made of polyethylene/polypropylene	15.11.2008	11.11.2014	US\$1.06/kg
Hook and loop	13.12.2002	13.11.2014	US\$3.86/kg
Pencils with leads of graphite and crayons encased in a rigid sheath	14.01.2003	09.08.2014	US\$3.16/144 pieces
Polyester textured yarn	31.12.2008	17.12.2014	US\$268-351/ton
Yarn of man-made or synthetic or artificial staple fibres	12.01.2009	17.04.2015	US\$0.49-0.80/kg
Certain finished or semi-finished artificial leather	18.04.2009	12.04.2015	US\$1.9/kg
Knives for electromechanical domestic kitchen appliances	18.06.2009	23.05.2015	US\$20.85/kg
Stud-link and welded link chain of iron or steel	20.12.2003		
25.07.2009	10.05.2015	US\$1,069/ tonne	
Cylindrical door locks (excluding electro mechanicals)	31.07.2003	16.07.2015	US\$4/kg
Bicycle tyres and tubes	30.04.2003	24.07.2015	US\$0.73-2.02/kg
Motorcycle tyres and tubes	30.04.2003	25.07.2015	37%-100%
Polyester synthetic staple fibres	01.09.2007	16.07.2013	US\$0.21/kg
Ball point pens	02.03.2004	22.08.2015	US\$0.066/piece
Pipe fittings	22.01.2010		42.6%; US\$663/tonne lesser duty applied
Certain made-up textile articles and fabrics made of artificial or synthetic fibres	11.04.2010		US\$70.44/kg
Articulated link chain and parts thereof	23.05.2010		US\$1200/tonne
Baby carriages and parts	01.08.2004	23.05.2010	US\$8-12/piece
Tempered glass lid/cover	20.12.2003	23.05.2010	US\$0.91/kg
Fan coil	31.05.2010		34.27%
Furniture hinge, mounting plate and drawer slide	07.02.2004	20.07.2010	US\$1.64-0.75/kg
Metalized yarn	24.09.2004	21.07.2010	US\$2.2/kg
Ropes and cables (including locked coil ropes)	01.12.2004	21.07.2010	US\$1/kg
Slide fasteners	12.03.2005	30.10.2010	US\$3/kg
Certain textile fabrics, impregnated, coated, covered or laminated with polyurethane	05.02.2005	31.10.2010	US\$1-2.2/kg
Refillable pocket flint lighters	29.05.1998	31.10.2010	US\$0.05/piece
Tools for drilling and milling	04.02.2005	31.12.2010	US\$6-10/kg
Glass fibre reinforcement materials	31.12.2010	17.04.2015	24.50%-35.75%
Pentaerythritol	01.07.2005	03.05.2011	US\$270/tonne
Skid chain for motor vehicles of iron or steel	20.08.2005	03.05.2011	US\$1,500/tonne

New pneumatic tires, of rubber (of a kind used on: busses or lorries, agriculture or forestry vehicles and machines; construction or industrial handling vehicles and other new pneumatic tires of rubber)	20.08.2005	21.06.2011	60%
Instantaneous gas water heaters	11.07.2014		20.12-59.65%
Aluminium foil of a thickness not exceeding 0.2mm, not backed	26.07.2014		22%
Fully drawn yarn			
	16.10.2014		US\$0.15-0.17/kg
Motor hoe	17.04.2015		49.49%-92.25%
Welding Machines	16.09.2015		US\$29-154/piece
<b>Germany</b>			
Polyvinyl chloride	06.02.2003	10.07.2015	16.44%
Laminated flooring	13.06.2015		US\$0-1.05/m2
<b>Hong Kong, China</b>			
Tempered glass lid/cover	23.05.2010		US\$0.91/kg
<b>India</b>			
Diesel engines	21.11.2013		5.71%, 14.38%
Metalized yarn	24.09.2004	21.07.2010	US\$2.2/kg
Tube or pipe fittings	07.09.2006	22.05.2012	US\$305-400/tonne
Endless transmission belts of trapezoidal cross-section (V-belts)	31.03.2007	15.03.2013	US\$3.5/kg
Yarn of man-made or synthetic or artificial staple fibres	12.01.2009	17.04.2015	US\$0.29-0.39/kg
Polyester synthetic staple fibres	29.07.2003	13.11.2014	16.5-23.9%
Bicycle tyres and tubes	30.04.2003	24.07.2015	US\$0.73-2.02/kg
Polyester textured yarn	27.06.2000	26.06.2014	6.8-20.3%
Fully drawn yarn	16.10.2014		US\$0.15-0.17/kg
<b>Indonesia</b>			
Pre-finished engineered laminated flooring	08.07.2006	31.01.2012	25%
Tube or pipe fittings	07.09.2006	22.05.2012	US\$253-400/tonne
Polyester synthetic staple fibres	13.03.2000	16.05.2012	6.2-12%
Furniture hinge, mounting plate and drawer slide	27.08.2008		US\$0.508-1.39/kg
Polyester textured yarn	31.12.2008	17.12.2014	US\$48-240/ton
Yarn of man-made or synthetic or artificial staple fibres	12.01.2009	17.04.2015	US\$0-0.40/kg
Bicycle tyres and tubes	01.08.2009	24.07.2015	US\$0.66-1.49/kg
Motorcycle tyres and tubes	01.08.2009	25.07.2015	0%; 19.6%-29%
Tempered glass lid/cover	23.05.2010		US\$0.14-0.50/kg
Wall type split air conditioners and their indoor/outdoor units	04.01.2011		25%
Slide fasteners	27.03.2012		US\$3/kg
<b>Israel</b>			
Safety glass	23.05.2015		34.5%-53.2% (provisional)
Uncoloured float glass	27.06.2015		20-37.57%
<b>Italy</b>			
Electric storage water heaters	19.09.2013		9%, 16%, 24%
<b>Korea, Rep. of</b>			
Polyester synthetic staple fibres	13.03.2000	16.05.2012	6.2%
Articulated link chain and parts thereof	12.12.2013		US\$1,200/ton
Woven fabrics of synthetic filament yarn (for clothing)	02.06.2006		40%
Woven fabrics of synthetic filament yarn (for clothing)	13.02.2002	21.01.2015	4.39-40%
Metalized yarn			
	24.09.2004	21.07.2010	US\$2.2/kg
<b>Malaysia</b>			
Yarn of man-made or synthetic or artificial stable fibres	08.04.2014		11.26%-18.32%
Articulated link chain and parts thereof	12.12.2013		US\$1,200/ton
Woven fabrics of synthetic filament yarn (for clothing)	13.02.2002	21.01.2015	2.33-15.93%
Furniture hinge, mounting plate and drawer slide	27.08.2008		US\$0.508-1.39/kg
Polyester textured yarn	31.12.2008	17.12.2014	US\$276/ton
Wall type split air conditioners and their indoor/outdoor units	28.02.2009		0%-25%
Vulcanized rubber thread and cord	29.01.2004	13.06.2015	11.6%-16.9%
Bicycle tyres and tubes	01.08.2009	24.07.2015	US\$0.22-1.55/kg
Motorcycle tyres and tubes	01.08.2009	25.07.2015	19.6%-29.6%
Fully drawn yarn	16.10.2014		US\$0.15-0.17/kg
<b>Pakistan</b>			
Yarn of man-made or synthetic or artificial staple fibres	08.04.2014		6.62%-12.18%
Wall type split air conditioners and their indoor/outdoor units	04.01.2011		25%
<b>Poland</b>			
Woven fabrics of synthetic and artificial staple fibers	22.08.2015		87%
<b>Philippines</b>			
Woven fabrics of synthetic filament yarn (for clothing)	18.11.2006		70.44%
Wall type split air conditioners and their indoor/outdoor units	04.01.2011		25%
<b>Romania</b>			
Uncoloured float glass	17.11.2013		16-25%
Diocetyl phthalate	29.11.2011		7.9%; 8.3%
<b>Russian Federation</b>			
Ropes and cables (including locked coil ropes)	01.12.2004	21.07.2010	US\$0.5/kg

Copper wire rod	09.11.2005	28.07.2011	3%
Stranded wire, ropes and cables	30.12.2006	21.07.2010	US\$0.5/kg
<b>Serbia</b>			
Electric storage water heaters	19.09.2013		29%
<b>Sri Lanka</b>			
Bicycle tyres and tubes	27.09.2004	17.07.2010	50%; 44%
<b>Chinese Taipei</b>			
Articulated link chain and parts thereof	12.12.2013		US\$1,200/ton
Fittings	26.09.2013		US\$800/ton
Polyester textured yarn	27.06.2000	27.11.2012	9.9-28.6%
Woven fabrics of synthetic filament yarn (for clothing)	13.02.2002	21.01.2015	4.17-30.84%
Furniture hinge, mounting plate and drawer slide	27.08.2008		US\$0.508-1.39/kg
Hook and loop	13.12.2002	13.11.2014	US\$1.83/kg
Polyester synthetic staple fibres	29.07.2003	13.11.2014	6.4-20.1%
Bicycle tyres and tubes	27.09.2004	17.07.2010	30%-44%
Motorcycle tyres and tubes	27.09.2004	17.07.2010	6%-21%
Metalized yarn	24.09.2004	21.07.2010	US\$2.2/kg
Welded stainless steel tubes, pipes and profiles	15.03.2013		7.98-14.65%
<b>Thailand</b>			
Yarn of man-made or synthetic or artificial staple fibres	08.04.2014		7.79%-20.24%
Tube or pipe fittings	07.09.2006	22.05.2012	US\$147-400/tonne
Pencils with leads of graphite and crayons encased in a rigid sheath	14.04.2007		US\$3.16/144 pieces
Woven fabrics of synthetic filament yarn (for clothing)	13.02.2002	21.01.2015	2.60-30.93%
Polyester synthetic staple fibres	29.07.2003	13.11.2014	15.8-22%
Bicycle tyres and tubes	30.04.2003	24.07.2015	US\$0.73-2.02/kg
Motorcycle tyres and tubes	30.04.2003	25.07.2015	68%; 100%
Vulcanized rubber thread and cord	27.11.2012		4.37-8.75%
<b>Ukraine</b>			
Copper wire rod	08.06.2006	28.07.2011	6.9%
<b>United States</b>			
Oriented strand board	18.12.2008	13.11.2014	24.10%
Polyvinyl chloride	06.02.2003	10.07.2015	18.81%
Unbleached kraft liner paper	14.07.2015		9.43-19.96%
<b>Viet Nam</b>			
Yarn of man-made or synthetic or artificial staple fibres	08.04.2014		19.48-26.25%
Endless transmission belts of trapezoidal cross-section (V-belts)	31.03.2007	15.03.2013	US\$4.55/kg
Certain pocket lighters and fully equipped plastic gas tank	28.04.2008		US\$0.01-0.05/piece
Tarpaulin made of polyethylene/polypropylene	15.11.2008	11.11.2014	US\$1.16/kg
Bicycle tyres and tubes	27.09.2004	17.07.2010	30%; 44%
Motorcycle tyres and tubes	27.09.2004	17.07.2010	29%; 49%
Wall type split air conditioners and their indoor/outdoor units	04.01.2011		25%

a Definitive duty, unless otherwise specified.

Source: Turkey's semi-annual reports to the WTO Committee on Anti-dumping Practices. Viewed at: [http://www.wto.org/english/tratop\\_e/adp\\_e/adp\\_e.htm](http://www.wto.org/english/tratop_e/adp_e/adp_e.htm) and information provided by the authorities.

**Table A3.4 Safeguard investigations initiated and measures imposed or extended, 2012-15**

Date original investigation published in the <i>Official Gazette</i>	Product(s) subject to investigation	Imposition of safeguard measure	Extension of safeguard measure
25.04.2015	Porcelain and ceramic tableware and kitchenware	Investigation ongoing	n.a.
12.12.2014	Wallpaper and similar wallcoverings	06.08.2015-06.08.2017 Application of fixed duty with liberalization annually: 1st period: US\$5/kg; 2nd period: US\$4.75/kg; 3rd period: US\$4.5/kg. Various developing countries excluded.	n.a.
05.12.2014	Transmission apparatus incorporating reception apparatus (cellular) portable telephone	Investigation ongoing	n.a.
21.06.2014	Printing, writing and copying papers	Investigation was completed without any measures	n.a.
08.01.2013	Terephthalic acid	11.04.2014-11.04.2016 Application of variable duty with liberalization annually: 1 <sup>st</sup> period: 4%; 2 <sup>nd</sup> period: 3.75%. Various developing countries excluded.	n.a.
11.03.2011	Polyethylene terephthalate	08.11.2011-07.11.2014 Application of variable duty with liberalization annually: 1 <sup>st</sup> period: 8%; 2 <sup>nd</sup> period: 7.5%; 3 <sup>rd</sup> period: 7%. Various developing countries excluded.	08.11.2014-07.11.2017 Application of variable duty with liberalization annually: 1 <sup>st</sup> period: 6.75%; 2 <sup>nd</sup> period: 6.65%; 3 <sup>rd</sup> period: 6.55%. Various developing countries excluded.
02.05.2009	Matches	06.06.2009-05.06.2012 Duty implemented against imports having a c.i.f. unit price lower than a certain threshold level. 1 <sup>st</sup> period: US\$1.00; 2 <sup>nd</sup> period: US\$0.95; 3 <sup>rd</sup> period: US\$0.90. Various developing countries excluded.	06.06.2012-05.06.2015 The measure expired on 5 June 2015. Duty implemented against imports having a c.i.f. unit price lower than a certain threshold level. 1 <sup>st</sup> period: US\$0.85; 2 <sup>nd</sup> period: US\$0.80; 3 <sup>rd</sup> period: US\$0.75. Various developing countries excluded.
21.10.2008	Cotton yarn Turkey terminated this measure as of 31 December 2012.	15/7/2008-14/7/2011 Application of variable duty with liberalization annually: 1st period: 20% max. US\$1/kg-min. US\$0.35/kg; 2nd period: 19% max. US\$0.95/kg-min. US\$0.33/kg; 3rd period: 18% max. US\$0.90/kg-min US\$0.31/kg. Various developing countries excluded.	15/7/2011-14/7/2014 Application of variable duty with liberalization annually: 1st period: 10% max. US\$0.85/kg-min US\$0.29/kg; 2nd period: 9% max. US\$0.80/kg-min US\$0.26/kg; 3rd period: 8% max. US\$0.75/kg-min US\$0.23/kg. Various developing countries excluded.

Date original investigation published in the <i>Official Gazette</i>	Product(s) subject to investigation	Imposition of safeguard measure	Extension of safeguard measure
19.12.2007	Certain electrical appliances	01.11.2008-31.10.2011 Application of a fixed duty for imports of products below a certain threshold value. Liberalization annually: 1 <sup>st</sup> period: ranged from US\$5.00-US\$8.00/piece; 2 <sup>nd</sup> period: ranged from US\$4.50-US\$7.00/piece; 3 <sup>rd</sup> period: ranged from US\$4.00-US\$6.00/piece. Various developing countries excluded.	01.11.2011-31.10.2013 Application of a fixed duty for imports of products below a certain threshold value. Liberalization annually: 1 <sup>st</sup> period: ranged from US\$3.75-US\$5.70/piece; 2 <sup>nd</sup> period: ranged from US\$3.50-US\$5.40/piece. Various developing countries excluded.  01/11/2013-31.10.2015 Application of a fixed duty for imports of products below a certain threshold value. Liberalization annually: 1 <sup>st</sup> period: ranges from US\$3-5/piece; 2 <sup>nd</sup> period: ranges from US\$2.50-4.50/piece. Various developing countries excluded.
05.06.2007	Travel goods, handbags and similar containers	08.04.2008-07.04.2011 Application of fixed duty with liberalization annually: 1 <sup>st</sup> period: US\$3/kg, max. US\$5/piece; 2 <sup>nd</sup> period: US\$2.90/kg, max. US\$4.75/piece; 3 <sup>rd</sup> period: US\$2.80/kg, max. US\$4.50/piece. Various developing countries excluded.	08.04.2011-07.04.2014 Application of additional financial duty with liberalization annually: 1st period: US\$2.70/kg-max US\$4.25/piece; 2 <sup>nd</sup> period: US\$2.60/kg-max US\$4.00/piece; 3 <sup>rd</sup> period: US\$ 2.50/kg-max US\$3.75/piece. Various developing countries excluded.  08.04.2014-07.04.2016 Application of additional financial duty with liberalization annually: 1st period: US\$2.40/kg-max US\$3.50/piece; 2nd period US\$2.30/kg-max US\$3.25/piece. Eleven tariff lines are no longer subject to the measure and various developing countries excluded.
11.02.2007	Spectacle frames	05.03.2008-04.03.2011 Application of a duty of US\$3/piece. Various developing countries excluded.	04.03.2011-04.03.2014 Application of a specific duty with liberalization annually: 1 <sup>st</sup> period: US\$2.55/piece; 2 <sup>nd</sup> period: US\$2.40/piece; 3 <sup>rd</sup> period: US\$2.25/piece.  05.03.2014-04.03.2016 Application of fixed duty implemented against imports having a c.i.f. unit price below US\$35/piece with liberalization annually: 1 <sup>st</sup> period: ranges from US\$1.75-US\$2.00 per piece; 2 <sup>nd</sup> period: ranges from US\$1.50-US\$1.75 per piece. Various developing countries excluded.

Date original investigation published in the <i>Official Gazette</i>	Product(s) subject to investigation	Imposition of safeguard measure	Extension of safeguard measure
05.01.2006	Footwear	10.08.2006-09.08.2009 Application of fixed duty with liberalization annually: 1 <sup>st</sup> period: ranged from US\$1.50-US\$3/pair; 2 <sup>nd</sup> period: ranged from US\$1.40-US\$2.85/pair; 3 <sup>rd</sup> period: ranged from US\$1.30-US\$2.70/pair. Various developing countries excluded.	10.08.2009-09.08.2012 The measure expired on 9 August 2014. Application of fixed duty with liberalization annually: 1 <sup>st</sup> period: ranged from US\$1.20-US\$2.55/pair; 2 <sup>nd</sup> period: ranged from US\$1.20-US\$2.50/pair; 3 <sup>rd</sup> period: ranged from US\$1.20-US\$2.45/pair. Various developing countries excluded.  10.08.2012-09.08.2014 Application of fixed duty with liberalization annually: 1 <sup>st</sup> period: ranged from US\$1.15-US\$2.40. 2 <sup>nd</sup> period: ranged from US\$1.10-US\$2.35. Various developing countries excluded.

n.a. Not applicable.

Source: Turkey's notifications to the WTO Committee on Safeguards.

Table A3.5 Communiqués on Product Safety and Inspection, 2015

Communiqué	Overview
2015/1	Industrial products within the scope of some Turkish Standards, which are at the same time mandated in the domestic market, are subject to inspection by the Turkish Standards Institution (TSE). The inspections are carried out in respect of minimum health, safety and protection of environment standards, to provide adequate information to the consumers.
2015/2	Due to the radiation leakage after the massive earthquake which occurred in early March 2011 in Japan, food and agricultural products imported from Japan have been controlled for radionuclides since 24 March 2011 and a certificate of radiation issued by the Turkish Atomic Energy Authority is required during importation. This Communiqué includes the process of these radiation controls.
2015/3	This Communiqué includes wastes whose import is controlled (Annex-I) or prohibited (Annex-II) in accordance with the European Waste Catalogue and the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal. According to this Communiqué, import of wastes in its Annex-I are subject to physical control carried out by the Ministry of Environment and Urbanization. Following the conformity assessment procedure, the conformity document, which is required to be submitted to the customs authorities during importation, is issued by the aforementioned Ministry.
2015/4	According to this Communiqué, the import of drugs and psychotropic substances, which can be imported only with the permission of the Ministry of Health in compliance with the relevant international agreements, is subject to the control of the aforementioned Ministry.
2015/5	Communiqué on Inspection of Import of Products that are Subject to Permission from the Ministry of Food, Agriculture and Livestock. The purpose of this Communiqué is to regulate the principles and procedures with regard to the conformity inspection regarding human health and safety and animal and plant existence in imports of the products. A certificate of conformity is arranged for all products in all Appendices by the Ministry of Food, Agriculture and Livestock. Physical controls and sample analyses are also carried out by the Ministry.
2015/6	This Communiqué covers importation of chemical products which are listed in its Annex-I. The import of all except one of these products is banned. On the other hand, in order to import the product with 2903.71.00.00.00 customs tariff statistics position, the importer must obtain a Control Certificate issued by the Ministry of Environment and Urbanization. The documents required to obtain the Control Certificate are stated in the Communiqué, such as pro forma invoice, certificate of analyses, the label of the product etc. The Control Certificate should be submitted to the customs authorities during the import stage. Annex-II of this Communiqué comprises the hazardous chemicals whose import is prohibited.
2015/7	This Communiqué covers importation of solid fuels listed in its Annex-I. In order to import these products, the importer shall receive a Conformity Document issued subsequent to analysis carried out by the laboratories which are authorized by the Ministry of Environment and Urbanization. The documents required to obtain the Conformity Document are defined in this Communiqué. The importer shall submit the Conformity Document to the customs authorities during the import stage.
2015/8	This Communiqué on import controls for radio and telecommunication terminal equipment is implemented as of 1/5/2006 coherent with the EU legislation.
2015/9	This Communiqué on machinery, low voltage equipment, electromagnetic compatibility, pressure equipment, simple pressure vessels, transportable pressure equipment, appliances burning fuels, lifts and hot-water boilers are subject to mainly documentation inspection by the Turkish Standards Institution (TSE), which was authorized by the Ministry of Industry and Trade to carry out these inspections, at the import stage. The inspections are carried out in respect of essential requirements, which are laid down in the technical regulations.
2015/10	This Communiqué on import controls for toys is implemented as of 12/12/2005, coherent with the EU legislation.
2015/11	This Communiqué on the safety controls for imports of personal protective equipment are implemented coherent with the EU legislation.
2015/12	This Communiqué covers importation of some consumer products that are listed in its Annex-I and subject to conformity assessment with regard to protection of human health, human life and property, environment and consumers. Methods and principles regarding import controls are designated by the Ministry of Customs and Trade.
2015/14	This Communiqué regulates import controls of construction products such as thermal insulation products for buildings, steel bars etc.
2015/16	This Communiqué regulates import controls of medical devices such as in vitro, active implantable medical devices etc.
2015/17	This Communiqué covers importation of forestry material listed in its Annex I. In order to import these products, importers must obtain a Control Certificate issued by the Ministry of Forestry and Water Affairs in coordination with the Ministry of Food, Agriculture and Livestock. The importer should submit the Control Certificate to the custom authorities during the import stage.

Communiqué	Overview
2015/19	The purpose of this Communiqué is to regulate the principles and procedures with regard to the conformity certification regarding market security and health, documentation, notification and inspection of the products, which are tobacco, tobacco products, alcohol and alcoholic beverages, in importation thereof.
2015/20	According to this Communiqué, importation of certain goods such as pharmaceutical products, medicines, some chemicals, etc., are subject to the control of the Ministry of Health. For the importation of these goods, the importer shall submit some documents such as the pro forma invoice or invoice, certificate of analysis etc. to the Ministry of Health before the import stage. The importer should submit the Control Certificate to the customs authorities during the import stage.
2015/21	within the scope of products which must mandatorily be up to specific standards with respect to quality compliance with the commercial quality standards on exportation. This Communiqué lays down principles and procedures relating to risk-based inspections of these products with respect to quality compliance with the commercial quality standards at export stage.
2015/22	Communiqué on the Classification of Firms with the Purpose of Risk-Based Commercial Quality Controls of Exports. This Communiqué lays down the principles and procedures regarding the classification of firms exporting products subject to commercial quality inspections on exports, specifications on which the classification is to be based, and the rights and obligations of the firms for which the classes are determined, to determine how and how often the products on export subject to commercial quality inspection shall be subject to commercial quality inspection.
2015/23	For the importation of scrap metals listed in the Annex I of this Communiqué, the importer shall receive a Metal Scrap Importer Document issued by the Ministry of the Environment and Urbanization. The Metal Scrap Importer Document is only given to those firms who are licensed by the Ministry in question and have scrap melting facilities. As per the Communiqué, import of the metal scraps shall be done only at border customs authorities with a radiation detection system installed. Annex II of this Communiqué comprises the dangerous scraps whose import is prohibited.
2015/24	This Communiqué determines the rules and conditions for formation of International Preshipment Inspection Companies. It regulates the responsibilities of these companies, as well as monitoring and inspection procedures for their activities. According to Communiqué in question International Preshipment Inspection Companies carry out the related inspection activities for verification of the tradable goods in terms of their quality, quantity, prices and customs classification etc.
2015/25	Communiqué on Export and Import Inspections of Cotton (Product Safety and Inspection: 2012/25) ( <i>Official Gazette</i> No. 28317 of 08/06/2012). This Communiqué lays down principles and procedures relating to export, import and internal market controls of cotton.
2015/27	This Communiqué lays down principles and procedures relating to the infrastructure conditions of factories that are subject to classification and control of cottons, determination of cotton class and types, packaging, marking, sampling and analysis for control processes.

Source: Information provided by the authorities.

Table A3.6 IPR criminal penalties

Legislation	Actions constituting a crime	Criminal penalty
Decree Law No. 556 on the Protection of Trademarks	Producing goods or rendering services, exposing for sale or selling goods by way of infringing through the use of the same or similar trademark rights of a third party (Article 68/A) Removing without authority the sign indicating a trademark right rightfully placed on a product or on its packaging (Article 68/A) Without authority, disposing of trademark rights of a third party by way of selling, transferring, renting or placing as a security (Article 68/A)	- imprisonment term of between one and three years and to pay a fine up to twenty thousand days - imprisonment term of between one and three years and to pay a fine up to five thousand days - imprisonment term of between two and four years and to pay a fine up to five thousand days
Law No. 5846 on Intellectual and Artistic Works	Any person who, by infringing the moral, economic and related rights regarding intellectual and artistic works protected under this Law; - adapts, performs, reproduces, changes, distributes, communicates to the public by devices enabling the transmission of signs, sounds or images or publishes a work, performance, phonogram or production without written permission of right holders or puts up for sale, sells, distributes by renting or lending or in any other way, buys for commercial purposes, imports or exports, possesses or stores for non-private use any works adapted or reproduced unlawfully (Article 71/1) - gives a title to another person's work as his own work (Article 71/2)  - cites from a work without referring to the source (Article 71/3) - makes a declaration to the public without permission of the right holders concerning the content of a work which has not yet been made public (Article 71/4) - gives a reference regarding a work in a wrong, incomplete or misleading way (Article 71/5) - reproduces, distributes, publishes or broadcasts a work, performance, phonogram or a production by using the name of a well-known other person (Article 71/6) - produces, puts up for sale, sells or possesses for non-private use programmes and technical equipment which aim to circumvent additional programmes developed to prevent illegal reproduction of a computer programme (Article 72) - reproduces a work in contravention of the banderole requirements or without a banderole and puts it up for sale, sells, distributes or buys or accepts due to commercial purposes (Article 81/4) - produces, puts up for sale, sells, distributes, buys, accepts or uses counterfeit banderoles (Article 81/9) - uses duly obtained banderoles on another work (Article 81/10)	- imprisonment from one year to five years or a judicial fine  - imprisonment from six months to two years or a judicial fine. Where the offence is committed by distributing or publishing, the upper limit of the penalty of imprisonment shall be five years and no judicial fine may be imposed - imprisonment from six months to two years or a judicial fine - imprisonment up to six months  - imprisonment up to six months  - imprisonment from three months to one year or a judicial fine - imprisonment from six months to two years  - imprisonment from one year to five years or a judicial fine up to five thousand days - imprisonment from three years to seven years and a judicial fine up to five thousand days - imprisonment from one year to five years and a judicial fine up to one thousand and five hundred days

Legislation	Actions constituting a crime	Criminal penalty
	- provides banderoles to unauthorized persons (Article 81/12)	- imprisonment from one year to three years - imprisonment from two years to five years and a judicial fine up to five thousand days

Source: Information provided by the authorities.

Table A3.7 IPR civil remedies

Legislation	Actions constituting a crime	Civil remedy
Decree-Law No. 551 on the Protection of Patent Rights	<p>The following acts shall be considered infringement of rights conferred by a patent:</p> <ul style="list-style-type: none"> <li>- using the patented process or selling, distributing or commercializing in any other way or importing for such purposes or using by applying the products directly obtained through such patented process; without the consent of the patent holder;</li> <li>- enlarging the scope of the rights granted by the patent holder on the basis of a contractual licence or granted by compulsory licence or transferring such rights to third persons, without permission;</li> <li>- participating in acts foreseen in subparagraphs 1 to 4 of this present Article, or assisting or inducing/encouraging them or facilitating, in any way and under any circumstances, their occurrence/perpetration;</li> <li>- refraining from declaring the source from where and the manner how the products, found in possession and manufactured or commercialized, unlawfully, were obtained (Article 136)</li> </ul>	<ul style="list-style-type: none"> <li>- request for the cessation of the acts in infringement of right conferred by a patent,</li> <li>- request for remedies of infringement and request for compensation of material and moral damages/prejudices incurred,</li> <li>- request for the confiscation of products manufactured or imported, in infringement of rights conferred by a patent, of means directly used in manufacturing such products and of means permitting the use of a patented process,</li> <li>- request for the proprietorship over the products and means confiscated in accordance with subparagraph three of this present paragraph. In such a case, the value of said products shall be deducted from the amount of compensation awarded. Where the value of the said products happens to be above the amount of compensation awarded, the proprietor of the patent shall repay the excess balance to other party.</li> <li>- request for precautionary measures for preventing the continued infringement of rights, conferred by a patent, especially modifying the shapes of the products and means, or, where inevitable for the preclusion of acts of infringement, the destruction of the products and means confiscated according to subparagraph three of this present paragraph.</li> <li>- request the disclosure by means of publication, to the public and to those related, of the court's judgement rendered against the party infringing the rights conferred by a patent who shall bear the costs for such publication (Article 137)</li> <li>- request compensation (Article 138)</li> <li>- the proprietor of a patent may request extra damages where the reputation of the invention, subject matter of the patent, is harmed/prejudiced from the manufacturing in a bad or the marketing in an improper manner of the patented invention, by the party violating the rights conferred by the patent (Article 142)</li> </ul>

Legislation	Actions constituting a crime	Civil remedy
Decree-Law No. 554 on the Protection of Industrial Designs	<p>The following shall be considered infringement of a design right:</p> <ul style="list-style-type: none"> <li>- to transfer to third parties or to expand rights acquired by a licensing contract;</li> <li>- to participate, assist, encourage or facilitate in whatever form the acts referred in subparagraphs (a) and (b);</li> <li>- to abstain from explaining where and how an illegally produced and marketed product has been obtained when found in possession;</li> <li>- seizure of entitlement. (Article 48)</li> </ul>	<ul style="list-style-type: none"> <li>- request for the establishment of the existence of an infringement</li> <li>- request for the prohibition and prevention of the acts of infringement</li> <li>- request for remedies of infringement and request compensation for damages incurred</li> <li>- request the confiscation of products produced or imported and of the equipment used directly to produce such goods which have infringed the rights of a registered design</li> <li>- request for the proprietorship over the products confiscated in accordance with subparagraph (d); in this case the value of the products shall be deducted from the compensation awarded. If the value of the products turn out to be above the compensation value awarded, the design right holder shall repay the balance to the infringing party</li> <li>- request for enforcement measures for the prevention of continued infringement of rights, in particular request the destruction of the products and equipment if it is essential for the preclusion of acts of infringement or the prevention of alterations on the products and equipment confiscated according to subparagraph (d)</li> <li>- request the disclosure to the public and to those related, of the courts decision by means of publication; costs of which to be met by the offending party (Article 49)</li> <li>- request compensation (Article 50)</li> <li>- the design right holder may request extra damages for the harm incurred from the poor quality production of the design and improper marketing means utilized by the party infringing the design right which were detrimental to the reputation of the design (Article 54)</li> </ul>
Decree Law No. 555 on the Protection of Geographical Indications	<p>Following uses of a geographical sign by third parties who are not entitled to do so shall be considered as infringement:</p> <ul style="list-style-type: none"> <li>- any use of false or misleading indication as to the origin, nature or essential qualities of the product, on the packaging, on advertising material or on documents relating to the product,</li> <li>- any form of packaging or representation of the product which is liable to convey false impression as to its origin or any other practice liable to mislead the public.</li> <li>- to participate or to assist or to encourage or</li> </ul>	<ul style="list-style-type: none"> <li>- request for the establishment of the existence of an infringement,</li> <li>- request for the prohibition and prevention of the acts of infringement on the rights of a geographical sign,</li> <li>- request for remedies of infringement and request compensation for damages incurred,</li> <li>- request the confiscation of products produced or marketed</li> </ul>

Legislation	Actions constituting a crime	Civil remedy
	<p>to facilitate in whatever form the acts referred in subparagraphs (a), (b), (c) and (d);</p> <ul style="list-style-type: none"> <li>- to abstain from explaining where and how an illegally produced and marketed product has been obtained when found in possession. (Article 24)</li> </ul>	<p>and of the equipment used directly produce such goods,</p> <ul style="list-style-type: none"> <li>- request for enforcement measures for the prevention of continued infringement of geographical sign rights, in particular request the destruction of the products and equipment if it is essential for the preclusion of acts of infringement or the prevention of alterations on the products and equipment confiscated according to subparagraph (c),</li> <li>- request the disclosure to the public and to those related, of the courts decision by means of publication, costs of which to be met by the infringing party. (Article 25)</li> <li>- request compensation (Article 26)</li> </ul>
Decree-Law No. 556 on the Protection of Trademarks	<p>Following shall be considered infringement of a trademark:</p> <ul style="list-style-type: none"> <li>- use of the trademark in the forms defined in Article 9 without consent of the proprietor of the trademark,</li> <li>- use of the same or confusingly similar trademark without the consent of the proprietor of the trademark,</li> <li>- where being aware or should being aware that a mark is plagiarised, sell, distribute or put the commercial use or put in the customs area, subject to a use or procedure approved by the customs or keep in possession for these purposes the goods carrying the infringed trademark,</li> <li>- to transfer to third parties or to expand rights acquired by a licensing contract without consent of the proprietor of the trademark (Article 61)</li> </ul>	<ul style="list-style-type: none"> <li>- request for the cessation of the acts of infringement,</li> <li>- request for remedies of infringement and request compensation for damages incurred,</li> <li>- request the confiscation of the products and the equipment and machinery used to produce these products, those having infringed the trademark right, the production and the use which is a felony</li> <li>- request for the proprietorship over the products confiscated in accordance with subparagraph (c); in this case the value of the products shall be deducted from the compensation awarded. If the value of the products turn out to be above the compensation value awarded, the proprietor of the trademark shall repay the balance to the infringing party.</li> <li>- request for enforcement measures for the prevention of continued infringement of rights, request the erasing of the trademark from the products and vehicles or if it is essential for the preclusion of the acts of infringement request the destruction of the products and vehicles confiscated particularly in accordance with subparagraph (c).</li> <li>- request the disclosure to the public and to those related of the courts judgement by means of publication, costs of which to be met by the offending party. (Article 62)</li> <li>- request compensation (Article 64)</li> <li>- the proprietor of a trademark</li> </ul>

Legislation	Actions constituting a crime	Civil remedy
		may request extra damages for the harm incurred from the improper use of trademark by the infringing party which were detrimental to the reputation of the trademark (Article 68)
Law No. 5846 on Intellectual and Artistic Works	<p>Infringement of moral and economic rights</p> <p>To adapt, reproduce, perform or communicate to the public by devices enabling the transmission of signs, sounds and/or images the work, performance, phonogram or productions or who distribute reproduced copies thereof without written permission of the author pursuant to this Law (Article 68)</p>	<ul style="list-style-type: none"> <li>- action against the infringer to cease the infringement.(Article 66)</li> <li>- action to prevent the probable infringement (Article 69)</li> <li>- request compensation for moral damages</li> <li>- claim the payment of compensation of up to three times the amount that could have been demanded if the right had been granted by contract, or up to three times the current value which shall be determined under the provisions of this Law</li> <li>- if the reproduced copies have not been put up for sale, the right holder may claim that the reproduced copies, films, moulds and similar devices enabling the reproduction be destroyed or be surrendered to him in return for equitable remuneration not exceeding their production cost price (Article 68)</li> </ul>

Source: Information provided by the authorities.