Turkey

RISK & COMPLIANCE REPORT

DATE: January 2017

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Executive Summary - Turkey	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	US Dept of State Money Laundering assessment Not on EU White list equivalent jurisdictions Failed States Index (Political)(Average score)
Medium Risk Areas:	Weakness in Government Legislation to combat Money Laundering Corruption Index (Transparency International & W.G.I.)) World Governance Indicators (Average score) Compliance of OECD Global Forum's information exchange standard

Major Investment Areas:

Agriculture - products:

tobacco, cotton, grain, olives, sugar beets, hazelnuts, pulses, citrus; livestock

Industries:

textiles, food processing, autos, electronics, mining (coal, chromate, copper, boron), steel, petroleum, construction, lumber, paper

Exports - commodities:

apparel, foodstuffs, textiles, metal manufactures, transport equipment

Exports - partners:

Germany 10.3%, Iraq 6.2%, UK 6%, Italy 5.8%, France 5%, Russia 4.4% (2011)

Imports - commodities:

machinery, chemicals, semi-finished goods, fuels, transport equipment

Imports - partners:

Russia 9.9%, Germany 9.5%, China 9%, US 6.7%, Italy 5.6%, Iran 5.2% (2011)

Investment Restrictions:

The Government of Turkey (GOT) has developed specific strategies for 24 industrial sectors, including eight priority sectors. It has also established specific plans for physical infrastructure upgrades, as well as a major expansion of Turkey's health, information technology, and education sectors, all of which are geared to make the Turkish workforce and companies more competitive. GOT recognizes that the domestic economy alone will not be sufficient to reach these goals and that Turkey will need to attract significant new foreign direct investment (FDI).

Foreign-owned interests in the petroleum, mining, broadcasting, maritime transportation, and aviation sectors are subject to special regulatory requirements. In broadcasting, equity participation of foreign shareholders is restricted to 25%. Foreign equity participation in the aviation and maritime transportation sectors is 49%.

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Section 1 - Background

Modern Turkey was founded in 1923 from the Anatolian remnants of the defeated Ottoman Empire by national hero Mustafa KEMAL, who was later honored with the title Ataturk or "Father of the Turks." Under his authoritarian leadership, the country adopted wide-ranging social, legal, and political reforms. After a period of one-party rule, an experiment with multi-party politics led to the 1950 election victory of the opposition Democratic Party and the peaceful transfer of power. Since then, Turkish political parties have multiplied, but democracy has been fractured by periods of instability and intermittent military coups (1960, 1971, 1980), which in each case eventually resulted in a return of political power to civilians. In 1997, the military again helped engineer the ouster - popularly dubbed a "post-modern coup" - of the then Islamic-oriented government. Turkey intervened militarily on Cyprus in 1974 to prevent a Greek takeover of the island and has since acted as patron state to the "Turkish Republic of Northern Cyprus," which only Turkey recognizes. A separatist insurgency begun in 1984 by the Kurdistan Workers' Party (PKK) - now known as the Kurdistan People's Congress or Kongra-Gel (KGK) - has dominated the Turkish military's attention and claimed more than 30,000 lives. After the capture of the group's leader in 1999, the insurgents largely withdrew from Turkey mainly to northern Iraq. In 2004, KGK announced an end to its ceasefire and attacks attributed to the KGK increased. Turkey joined the UN in 1945 and in 1952 it became a member of NATO. In 1964, Turkey became an associate member of the European Community. Over the past decade, it has undertaken many reforms to strengthen its democracy and economy; it began accession membership talks with the European Union in 2005.

Anti – Money Laundering / Terrorist Financing

FATF Status

Turkey is no longer on the FATF List of Countries that have been identified as having strategic AML deficiencies

Latest FATF Statement - 24 October 2014

The FATF welcomes Turkey's significant progress in improving its AML/CFT regime and notes that Turkey has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in February 2010. Turkey is therefore no longer subject to the FATF's monitoring process under its on-going global AML/CFT compliance process. Turkey will work with the FATF as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.

Compliance with FATF Recommendations

The Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Turkey was undertaken by the Financial Action Task Force (FATF) in 2007. According to that Evaluation, Turkey was deemed Compliant for 3 and Largely Compliant for 12 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 5 of the 6 Core Recommendations.

Follow-up Report (October 2014)

Turkey has made significant progress in addressing the deficiencies in its anti-money laundering/countering the financing of terrorism (AML/CFT) measures, as identified in the mutual evaluation report of February 2007. The assessment team conducting the mutual evaluation, rated Turkey non-compliant or partially compliant on five out of six Core Recommendations and partially compliant on five out of 10 Key Recommendations. As a result of this lack of compliance, the FATF Plenary placed Turkey in a follow-up process. The follow-up process is a desk-based review that monitors that a country takes the necessary steps to strengthen its AML/CFT framework.

Since the adoption of the mutual evaluation report in 2007, Turkey has taken a number of important steps to strengthen its legal and regulatory framework. In particular, Turkey has:

- amended the money laundering offence in the Criminal Code, by lowering the threshold for predicate offences and including elements required by the relevant UN conventions;

- adopted new regulations and amendments to existing regulations, which strengthen the requirements on customer due diligence, beneficial ownership, risk and simplified/enhanced due diligence;
- strengthened the reporting requirements for suspected terrorist financing transactions; and
- adopted a new regime on the Prevention of the Financing of Terrorism.

As a result of this progress, the FATF Plenary decided at its October 2014 Plenary meeting that Turkey had taken sufficient steps in addressing technical compliance with the Core and Key Recommendations to be removed from the follow-up process.

US Department of State Money Laundering assessment (INCSR)

Turkey was deemed a Jurisdiction of Primary Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Turkey is an important regional financial center, particularly for Central Asia and the Caucasus, as well as for the Middle East and Eastern Europe. With the exception of last three years, Turkey's economy has grown rapidly, and its GDP has quadrupled in size since 2001. This rapid growth, combined with Turkey's commercial relationships and geographical proximity to unstable, conflict ridden areas like Iraq, Syria, and Crimea makes Turkey vulnerable to money laundering and terrorist finance risks. It continues to be a major transit route for Southwest Asian opiates moving to Europe. In addition to narcotics trafficking other significant sources of laundered funds include smuggling, invoice fraud, tax evasion, and to a lesser extent, counterfeit goods, forgery, highway robbery, and kidnapping. Terrorism financing is present, particularly in the form of cash flows across Turkey's southern border into Syria; and terrorist organizations with suspected involvement in narcotics trafficking and other illicit activities are present in Turkey. Turkey's nonprofit sector remains vulnerable to terrorism financing. Recent conflicts at the southern border of Turkey have increased the risks for additional sources of terrorism financing and money laundering attached to human trafficking and oil and antiquities smuggling from the region to Europe.

Money laundering takes place in banks, non-bank financial institutions, and the informal economy. According to Turkish government officials, between one-quarter and one-third of economic activity is conducted by unregistered businesses. Money laundering methods in Turkey include the large scale cross-border smuggling of currency; bank transfers into and out of the country; trade fraud; and the purchase of high-value items such as real estate, gold, and luxury automobiles. Turkish-based traffickers transfer money and sometimes gold via couriers, the underground banking system, and bank transfers to pay narcotics suppliers in Pakistan or Afghanistan. Funds are often transferred to accounts in the United Arab Emirates, Pakistan, and other Middle Eastern countries.

Do Financial Institutions engage in currency transactions related to international narcotics trafficking that include significant amounts of US currency; currency derived from illegal sales in the U.S.; or illegal drug sales that otherwise significantly affect the U.S.: NO

Criminalization of money laundering:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: YES ***civilly:*** YES

Know-your-customer (KYC) rules:

Enhanced due diligence procedures for PEPs: Foreign: NO ***Domestic:*** NO

KYC covered entities: Banks; bank or credit card issuers; authorized exchange houses; money lenders; financing and factoring companies; capital markets brokerage houses, futures brokerages, portfolio management companies, and investment fund managers; investment partnerships; insurance, reinsurance, and pension companies, and insurance and reinsurance brokers; financial leasing companies; capital markets settlement and custody service providers; the Presidency of the Istanbul Gold Exchange (custody services only); General Directorate of Post and Cargo Companies; asset management companies; Islamic financial houses; dealers of precious metals, stones, and jewelry; Directorate General of the Turkish Mint (gold coin minting activities only); precious metals exchange intermediaries; buyers, sellers, and intermediaries of immovable property transactions made for trading purposes; dealers of all kinds of sea, air, and land transportation vehicles and construction equipment; dealers and auction houses dealing with historical artifacts, antiques, and art; lottery and betting organizations, including the Turkish National Lottery Administration, the Turkish Jockey Club, and Football Pools Organization Directorate; sports clubs; notaries; lawyers; accountants; and audit institutions

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 61,372: January 1 - November 21, 2015

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; bank or credit card issuers; authorized exchange houses; money lenders; financing and factoring companies; capital markets brokerage houses, futures brokerages, portfolio management companies, and investment fund managers; investment partnerships; insurance, reinsurance, and pension companies, and insurance and reinsurance brokers; financial leasing companies; capital markets settlement and custody service providers; the Presidency of the Istanbul Gold Exchange (custody services only); General Directorate of Post and Cargo Companies; asset management companies; Islamic financial houses; dealers of precious metals, stones, and jewelry; Directorate General of the Turkish Mint (gold coin minting activities only); precious metals exchange intermediaries; buyers, sellers, and intermediaries of immovable property transactions made for trading purposes; dealers of all kinds of sea, air, and land transportation vehicles and construction equipment; dealers and auction houses dealing with historical artifacts, antiques, and art; lottery and betting organizations, including the Turkish National Lottery Administration, the

Turkish Jockey Club, and Football Pools Organization Directorate; sports clubs; notaries; lawyers; accountants; and audit institutions

money laundering criminal Prosecutions/convictions:

Prosecutions: Not available

Convictions: Not available

Records exchange mechanism:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Turkey is a member of the FATF.

Enforcement and implementation issues and comments:

Although Turkey's legislative and regulatory framework for addressing money laundering has improved, Turkey's investigative powers, interagency cooperation, law enforcement capability, oversight, and outreach are weak and lacking in many of the necessary tools and expertise to effectively counter this threat through a comprehensive approach; these areas need to be strengthened.

The Coordination Board for Combating Financial Crimes assigned the Financial Crimes Investigation Board (MASAK), Turkey's financial intelligence unit, to coordinate the national risk assessment in Turkey. To this end, MASAK determined contact points from relevant institutions, organized a study visit to Spain in 2014, and continues interagency consultations and studies in order to draft an assessment document.

With the entry into force, on March 30, 2015, of the Regulation on Principles and Procedures for MASAK's Electronic Notification to Obliged Parties, MASAK will be able to communicate with covered entities in a timely manner and implementation of the mechanism for freezing assets without delay will be accelerated. Moreover, in February 2015, MASAK introduced a guidance circular, Guidance on Suspicious Transaction Reporting for Factoring and Leasing Companies*,* that improved its capacity for oversight. MASAK has improved its capacity to collect and analyze financial information by further investing in IT infrastructure and human capital. MASAK continues to increase education efforts for financial institutions. A new Efficiency in Anti-Money Laundering and Combating Financing of Terrorism project officially started in March 2015, with donor assistance.

Turkey's nonprofit sector is not audited on a regular basis for terrorism financing activity and does not receive adequate AML/CFT outreach or guidance from the government. The General Director of Foundations issues licenses for and oversees charitable foundations. However, there are an insufficient number of auditors to cover more than 70,000 institutions.

Other significant weaknesses exist in Turkey's AML/CFT regime that should be addressed. These include: making politically exposed persons (PEPs) subject to enhanced due diligence; ensuring cross-border wire transfers and cash transfers are recorded in accordance with international standards; ensuring designated non-financial businesses and professions are scrutinized and are subject to reporting requirements; continuing to increase the capacity of MASAK to engage in greater data collection and analysis; and improving interagency cooperation to assure a comprehensive implementation of existing laws and regulations. To improve the deficiencies in its AML/CFT framework and implementation, Turkey will need to invest additional resources.

Turkey has not kept adequate statistics on prosecutions and convictions since 2009. Subsequently, Turkey's record of official investigations, prosecutions, and convictions is unclear. No data was available for 2014. In 2015, MASAK referred to public prosecutors 387 individuals based upon a suspicion of money laundering and 61 individuals based upon a suspicion of terrorism. Turkey has no civil asset forfeiture procedures and its criminal procedures and practices are primitive.

Turkey should provide the necessary resources and capacity to adequately supervise its non-profit sector. The government should introduce more transparency and accountability in its AML/CFT regime by resuming its retention and reporting of statistics related to prosecutions and convictions. Turkey also should continue to take steps to implement its legal framework for identifying and freezing terrorist assets under UNSCRs 1267 and 1373, to prevent terrorist groups in Iraq and Syria from benefiting from trade in oil, antiquities, and hostages, and from receiving donations under UNSCR 2199.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Turkey does not conform with regard to the following government legislation: -

Record Large Transactions: By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.

Arrangements for Asset Sharing: By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

Ability to freeze assets without delay: The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations).

Criminalised Financing of Terrorism: The jurisdiction has criminalized the provision of material support to terrorists and/or terrorist organizations.

EU Whitelist of Equivalent Jurisdictions

Turkey is not currently on the EU Whitelist of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Turkey is not considered to be an Offshore Financial Centre

Key Findings from other US State Department Reports:

Narcotics - 2016

Turkey remains a significant transit country for illicit drug trafficking. Heroin, opium, and cocaine are generally trafficked through Turkey to European markets, and methamphetamine and amphetamine-type stimulants (ATS) are trafficked to markets in the Middle East and Southeast Asia. Large amounts of opiates and hashish continue to be seized in Turkey, and the Government of Turkey remains committed to upholding its international drug control obligations.

Corruption

As a matter of government policy, Turkey does not encourage or facilitate illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, or the laundering of proceeds from illegal drug transactions. Similarly, no senior level government official is alleged to have participated in such activities in 2015.

Trafficking in Persons

Turkey is a source, destination, and transit country for women, men, and children subjected to sex trafficking and forced labor. Trafficking victims identified in Turkey are from Azerbaijan, Georgia, Kyrgyzstan, Turkmenistan, Uzbekistan, Tajikistan, Kazakhstan, Bangladesh, Belarus, Bulgaria, Moldova, Ukraine, Russia, Syria, and Morocco. In previous years, Georgian men and women have been subjected to forced labor. Foreign victims are offered cleaning and childcare jobs in Turkey and, upon arrival, traffickers confiscate their passports and force them into prostitution in hotels, discos, and homes. Turkish women are subjected to sex trafficking within the country and in Western Europe, including Germany and Belgium. Traffickers increasingly use psychological coercion, threats, and debt bondage to compel victims into sex trafficking. Lack of protection by authorities and allegations of police violence against transgender persons in prostitution leave this group vulnerable to sex trafficking. Ethnic Roma children, and increasingly children of refugee populations, are subjected to forced begging on the street. Displaced Syrian, Afghan, and Iraqi nationals are increasingly vulnerable to trafficking in Turkey.

The Government of Turkey does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. Following government restructuring of its anti-trafficking program and a shift in leadership's priorities, the Turkish government's efforts to fight trafficking dropped precipitously. As the government worked to rehouse anti-trafficking authority under a new directorate, victim identification dropped by approximately 50 percent over two years, referrals to services faltered, and the government reported extremely limited law enforcement efforts. The Turkish interagency national taskforce on combating human trafficking has not met since 2012, and a draft comprehensive framework was again not enacted. The government denied that children are trafficking victims in Turkey, and denied the existence of forced labor in the country.

Terrorist Financing 2015:

Overview: Turkey has voiced increasing concern about terrorist groups near its border, including the Islamic State of Iraq and the Levant (ISIL) and al-Nusrah Front. In 2015, Turkey continued to face significant internal terrorist threats – including the deadliest attack in Turkey's history on October 10 – attributed to ISIL – and took strong action in response. Turkey is a source and transit country for foreign terrorist fighters wishing to join these and other groups in Syria and Iraq. The Government of Turkey intensified efforts to interdict the travel of suspected foreign terrorist fighters through Turkey to and from Syria and Iraq. These efforts included the development and implementation of a "banned from entry list;" standing up additional "Risk Analysis Units" to detect suspected foreign terrorist fighters at airports, seaports, bus terminals, and border cities; deploying additional military units to the border; and undertaking physical improvements to the security infrastructure along the border. Cooperation with other source countries increased during the year in response to the foreign terrorist fighter threat, with both Turkey and source countries seeking to improve information sharing. The United States and Turkey also improved their sharing of counterterrorism information. Turkey deported 2,337 suspected foreign terrorist fighters from 85 countries in 2015.

Turkey is an active member of the Global Coalition to Counter ISIL. It served as a co-chair of the Global Counterterrorism Forum (GCTF), with the United States and later with the Netherlands, and also co-chaired the Working Group on Foreign Terrorist Fighters (WGFTF) with the Netherlands. The WGFTF held three meetings in 2015, in Istanbul April 7, in The Hague June 9, and in Ankara November 23. Turkey opened Incirlik Air Base to Coalition partners in July and formally joined the Coalition's air operations against ISIL in August.

Prominent among terrorist groups in Turkey is the Kurdistan Workers' Party (PKK). Following three decades of conflict with the PKK, in late 2012 the Government of Turkey and PKK leader Abdullah Ocalan began talks for a peace process. The PKK called for a ceasefire in March of 2013, which both sides largely observed until July 2015. From January to mid-July 2015, the PKK carried out small-scale armed attacks against Turkey's security forces and military bases, which killed at least two security personnel. From mid-July to the end of 2015, more than 180 security personnel died from PKK-attributed attacks. On July 24, Turkish security forces launched large-scale operations against the PKK, as well as operations against ISIL-affiliated targets. Turkish military airstrikes against PKK camps, shelters, underground bunkers and weapon emplacements in Turkey's southeast and Northern Iraq continued through year's end.

In 2015, Turkey continued to face significant internal terrorist threats and took strong action in response. Activity by the Revolutionary People's Liberation Party/Front (DHKP/C), a terrorist Marxist-Leninist group with anti-U.S. and anti-NATO views that seeks the violent overthrow of the Turkish state, threatened the security of both U.S. and Turkish interests. So too did the actions of the Kurdistan Freedom Falcons/Hawks (TAK).

Another terrorist group in Turkey is Turkish (Kurdish) Hizballah (unrelated to the similarly-named Hizballah that operates in Lebanon). The Government of Turkey considers the Turkish Workers' and Peasants' Liberation Army, and the Marxist-Leninist Communist Party (MLKP), although largely inactive, to be threats. Turkey also considers the Syria-based Democratic Union Party and its military wing, The People's Protection Units, to be terrorist organizations. The

Government of Turkey continued to engage diplomatically with Hamas political bureau chief, Khaled Meshaal.

According to Turkey's semi-official news agency, the Anadolu Agency, from July 24 to November 20, the Turkish National Police (TNP) carried out counterterrorism operations against 7,303 suspects belonging to PKK, ISIL, and other terrorist organizations. Of the 5,624 PKK suspects detained and officially questioned, 1,602 were arrested, while 2,908 were released by judicial order and 1,114 were released under judicial control. Of the 1,132 ISIL suspects detained, 346, including 63 non-Turkish foreign nationals were arrested, while 588 were released by judicial order and 198 were released on judicial control. Of the 386 DHKP/C, MLKP, and other terrorist suspects detained, 122 suspects were arrested, while 167 were released by judicial order and 97 were released on judicial control.

Turkey is a long-standing counterterrorism partner of the United States. It continued to receive U.S. assistance to address the terrorist threat posed by the PKK in 2015. The ceasefire between the PKK and the Turkish government ended in July. In October and November, the PKK issued a unilateral declaration of inaction, but small-scale incidents continued.

2015 Terrorist Incidents: Representative attacks included:

- On January 6, a female suicide bomber detonated her vest at a police station in Istanbul's central Sultanahmet district. The attack killed one police officer and injured another. The assailant was identified as a Russian citizen from Dagestan, who had links to ISIL.
- On June 5, four civilians were killed and more than 100 were injured in two bomb blasts at an election rally of the People's Democratic Party (HDP) in Diyarbakir. The assailant was subsequently identified as an ISIL member and arrested on charges of intentional homicide and membership in a terrorist organization.
- On July 20, 32 civilians were killed and 104 were injured in a suicide bombing at the Amara Culture Center in the Suruc district of Sanliurfa province. Victims were mostly members of the Socialist Party of the Oppressed (ESP) youth wing and the Socialist Youth Associations Federation (SGDF). The assailant, an ethnic Kurd from Adiyaman, was tied to ISIL.
- On July 23, ISIL opened fire on Turkish border elements in Kilis, which killed one noncommissioned officer. The incident prompted Turkey to launch "Operation Martyr Yalcin," a series of airstrikes against ISIL positions in Northern Syria. Four Turkish security personnel died as a result of ISIL attacks since July 20.
- On August 10, two individuals fired weapons at the U.S. Consulate in Istanbul. One assailant escaped, and the other was captured and subsequently identified as a member of the DHKP/C.
- On October 10, 102 people died and more than 400 were injured in twin suicide bombings outside Ankara's central railway station. The bombs targeted a "Labor, Peace and Democracy" rally organized by the Peoples' Democratic Party, the Confederation of Progressive Trade Unions of Turkey, the Union of Chambers of Turkish Engineers and Architects, the Turkish Medical Association and the Confederation of

Public Workers' Unions. One of the two suicide bombers was identified as the younger brother of the perpetrator of the July 20 Suruc bombing. Both brothers had suspected links to ISIL and the ISIL-affiliated "Dokumacilar" group based in Turkey's Adiyaman province.

- On December 23, TAK conducted a mortar attack against Istanbul's Sabiha Gokcen International Airport. One person was killed, another wounded, and several passenger planes were damaged in the attack.

Legislation, Law Enforcement, and Border Security: Counterterrorism law enforcement efforts in Turkey remained focused on the domestic threat posed by several terrorist groups, including the PKK. Although resources have also been devoted towards countering threats posed by international terrorist organizations, Turkey's methodology and legislation are geared towards confronting this internal threat. Efforts to counter international terrorism are hampered by legislation that defines terrorism narrowly as a crime targeting the Turkish state or Turkish citizens, although courts have begun to interpret the term more broadly to include all activities associated with foreign terrorist fighters transiting Turkey to join ISIL, including facilitation networks. Turkey's definition of terrorism can be an impediment to operational and legal cooperation against global terrorist networks.

On August 31, the Ministry of Interior instituted a program providing monetary rewards to individuals who volunteer information to the government about suspected terrorists and terrorist-related activities. A seven-member interagency commission representing the police and gendarmerie may award up to approximately US $69,000 to an individual should the information lead to the apprehension of a terrorist or of an individual who provides information about a terrorist's identity or location. Information pertaining to the capture of a high-level terrorist or preventing significant criminal acts against society may be awarded up to approximately US $1.38 million upon the approval of the Interior Minister. Members of law enforcement, the military and employees of the Turkish government assigned to counterterrorism tasks are not eligible to benefit from the program.

On October 8, in support of these initiatives, the government launched a website (http://www.terorarananlar.pol.tr) that provides information on the identity of wanted terrorists categorized in order of importance, and the corresponding monetary award for information leading to their capture.

Due to amendments made in 2013, Turkey's counterterrorism legislation conforms more closely to EU freedom of expression standards, has a narrower definition of terrorist propaganda, and criminalizes propagation of the declarations of an illegal organization only if the content legitimizes or encourages acts of violence, threats or force. Nevertheless, the legislation remains broad-reaching and is still being widely applied. In 2015, Turkish authorities continued to use it to detain and prosecute politicians, reporters, and activists.

While Turkey's law enforcement capacity is advanced, criminal procedure secrecy rules continued to prevent Turkish National Police (TNP) authorities from sharing investigative information once a prosecutor is assigned to the case, which occurs almost immediately.

The Government of Turkey compiled a "banned from entry list" with a view to prevent travel into Turkey by individuals identified by foreign governments and internal security units as potential foreign terrorist fighters. Although the Turkish government does not have an automated Advanced Passenger Information/Passenger Name Record system, it has approached the U.S. Department of Homeland Security for technical assistance in developing its own automated system. Risk Analysis Units operated at major international and domestic airports, land border crossings, interior transit terminals, and border cities to identify and interdict potential foreign terrorist fighters. Border forces increased their ability to patrol and interdict persons and contraband from crossing the border. According to government statistics, during the April to November timeframe, Turkish military units along the Syria-Turkey border apprehended more than 110,000 individuals, mostly refugees, attempting to illegally cross the border.

The TNP has highly developed counterterrorism capabilities in a number of areas and is planning to expand its law enforcement training for other countries in the region. Notwithstanding police capacity, Turkey's criminal justice system is only beginning to show success in prosecuting and dismantling terrorist or organized crime organizations.

The Department of State provided select bilateral and regional trainings in the areas of border security, aviation security, and investigations, in partnership with Turkish law enforcement authorities and counterparts.

Countering the Financing of Terrorism: Turkey is a member of the Financial Action Task Force (FATF) and an observer of the Eurasian Group on Combating Money Laundering and Financing of Terrorism, a FATF-style regional group. In October 2014, the FATF cited improvements in Turkey's counterterrorism finance (CFT) regime and approved Turkey's exit from the targeted follow-up process of the third round of mutual evaluations. No terrorism finance cases were prosecuted in 2015.

While the Government of Turkey has issued freezing orders without delay (three to five days), it remains unknown whether any assets have actually been frozen. Freezing orders are published in the official Gazette. The nonprofit sector is not audited on a regular basis for CFT vulnerabilities and does not receive adequate anti-money laundering/combating the financing of terrorism outreach or guidance from the Turkish government. The General Director of Foundations issues licenses for charitable foundations and oversees them, but there are a limited number of auditors to cover the more than 70,000 institutions.

The Department of State supported a Resident Legal Advisor (RLA) from the Department of Justice's Office of Overseas Prosecutorial Development and Assistance Training, based in-country. The RLA partnered with Turkish counterparts on programs to enhance legal frameworks and the investigative skillsets of law enforcement officials to effectively counter the financing of terrorism.

Countering Violent Extremism: The Turkish government has two significant programs to counter violent extremism. The first, administered by the Turkish National Police, is a broad-based outreach program to affected communities, similar to anti-gang activities in the United States. Police work to reach vulnerable populations (before terrorists do) to alter the prevailing group dynamics and to prevent recruitment. Police use social science research to undertake social projects, activities with parents, and in-service training for officers and teachers. Programs prepare trainers, psychologists, coaches, and religious leaders to intervene to undermine violent extremist messages and to prevent recruitment.

The second program, administered by the Turkish government's Religious Affairs Office (Diyanet), works to undercut violent extremist messaging. In Turkey, all Sunni imams are employees of the Diyanet. In support of its message of traditional religious values, more than 140,000 Diyanet religious officials throughout Turkey conducted individualized outreach to their congregations. The Diyanet similarly worked with religious associations among the Turkish diaspora to provide them with access to instruction and to assist them in establishing umbrella organizations. The Diyanet supported in-service training for religious officials and lay-workers via a network of 20 centers throughout Turkey.

On August 10, Diyanet released a report "DAESH's Basic Philosophy and Religious References" which provided a Quran-based refutation of ISIL's interpretation of Islam.

International and Regional Cooperation: Turkey is an active member of the UN, NATO, and the Committee of Experts on Terrorism. Turkey is a founding member of the GCTF and is co-chair with the Netherlands (previously with the United States); as co-chair, Turkey provided extensive secretariat support. It is also a co-chair for the GCTF's Horn of Africa Working Group. Turkey also participated in OSCE expert meetings on the Prevention of Violent Extremism and Radicalization that Lead to Terrorism organized by the OSCE/Office of Democratic Institutions and Human Rights and the OSCE Secretariat. It is also a founding member of the International Institute for Justice and the Rule of Law and seconded a judicial expert to the Institute to assist with trainings for judges and prosecutors who are handling terrorism cases.

The Government of Turkey is considering effective means to implement UNSCR 2178. As GCTF co-chair, it is developing policies in line with the framework of The Hague – Marrakech Memorandum on Good Practices for a More Effective Response to the "Foreign Terrorist Fighters" Phenomenon.

Turkey increased its cooperation with European countries regarding the activities of members of the DHKP/C. It also worked with countries from Asia, Europe, North Africa, North America and the Middle East to interdict the travel of potential foreign terrorist fighters planning to travel through Turkey to Syria.

International Sanctions

Turkey is not currently subject to any International Sanctions

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	41
World Governance Indicator – Control of Corruption	55

US State Department

Corruption is a growing concern in Turkey. The corruption scandal that became public in December, 2013 implicated a number of high level Turkish officials and their family members. This led to massive reorganization of the police and the judiciary, which critics alleged was a government attempt to stop the corruption investigations. The Prime Ministry is very vocal about its struggle against what it has termed the 'parallel state,' an operation by groups affiliated with former Erdogan ally turned opponent Fethullah Gulen, that the Prime Minister says has infiltrated the Turkish government and attempts to control it from the inside. The ensuing government crackdown on its opponents produced several controversial decisions, including a tightening of internet controls that led to the blocking of social media platforms Twitter and YouTube in early 2014. The judicial system is still perceived to be susceptible to external influence and to be biased against outsiders to some degree.

Public procurement reforms were designed in Turkey to make procurement more transparent and less susceptible to political interference, including through the establishment of an independent public procurement board with the power to void contracts. Critics state, however, that there is a bias by government officials to award large contracts to ruling Justice and Development Party (AKP) related firms, which was highlighted during the recent corruption scandal.

Turkish legislation outlaws bribery, and some prosecutions of government officials for corruption have taken place. Enforcement, however, is uneven. Turkey ratified the OECD Convention on Combating Bribery of Public Officials and passed implementing legislation in 2003 to provide that bribes of foreign officials, as well as domestic, are illegal. In 2006, Turkey's Parliament ratified the UN Convention against Corruption.

Turkey's Criminal Code makes it unlawful to promise or to give any advantage to foreign government officials in exchange for their assistance in providing improper advantage in the conduct of international business. In the event that such a crime makes an unlawful benefit to a legal entity, such legal entity shall be subject to certain security measures. The provisions of the Criminal Law regarding bribing of foreign governmental officials are in line with the provisions of the Foreign Corrupt Practices Act of 1977 of the United States (FCPA).

There are, however, a number of differences between Turkish law and the FCPA. For example, there is not an exception under Turkish law for payments to facilitate or expedite performance of a "routine governmental action" in terms of the FCPA. Another difference is that the FCPA does not provide for punishment by imprisonment, while the Turkish law provides for punishment by imprisonment from four to 12 years. The Prime Ministry's Inspection Board, which advises the Corruption Investigations Committee, is responsible for investigating major corruption cases brought to its attention by the Committee. Nearly every state agency has its own inspector corps responsible for investigating internal corruption. The Parliament can establish investigative commissions to examine corruption allegations concerning cabinet ministers; a majority vote is needed to send these cases to the Supreme Court for further action.

According to Transparency International's (TI) annual Corruption Perception Index Data, Turkey dropped one spot from 54th to 53rd in TI's ranking of 177 countries and territories around the world in 2013 (see http://www.transparency.org/cpi2012/results). Transparency International has an affiliated NGO in Istanbul.

Corruption Report - Global Security

Turkey's dynamic economy is a combination of modern industry and commerce and a traditional agricultural sector. The country has a strong and rapidly growing private sector, yet the state remains a dominant actor in basic industry, banking, transport, and communication. In recent years, the Turkish government has been implementing a comprehensive programme of reforms, simplifying company establishment procedures, reducing permit requirements, and creating a single company registration form. Yet, foreign investors and companies continue to cite corruption as one of the major impediments for business growth in Turkey.

Positive developments in relation to corruption and investment:

Turkey's anti-corruption strategy has exposed a number of public officials who have been dismissed on charges of bribery and corruption.

In February 2010, Turkey adopted a national anti-corruption strategy (2010-2014). The plan has been praised for its preventive measures, law enforcement measures and its focus on raising awareness. However, it is too early to assess its effectiveness.

One-stop shops have been established for citizens and companies to reduce red tape and the number of meetings between civil servants and companies. In addition, dozens of governmental internet portals have been launched to make the regulatory processes more transparent and to involve citizens in the decision making process.

A Code of Ethics for civil servants was adopted in 2005, and training has been undertaken to raise awareness among public officials about corruption.

Risks of corruption:

Despite many positive developments, corruption in Turkey remains rampant and enforcement of anti-corruption policies remains weak.

Public procurement is considered by companies to be particularly affected by corruption.

Foreign companies in Turkey encounter excessive bureaucracy, a slow judicial system, weaknesses in corporate governance, unpredictable decisions made at the local government level, and frequent changes in the legal and regulatory environment.

Judicial reforms, which were part of the September 2010 constitutional reform package, may decrease the judicial independence by giving parliament greater powers in appointing judges.

Political Climate

Governmental anti-corruption efforts have included the adoption of an Action Plan on Increasing Transparency and Enhancing Good Governance in the Public Sector in January 2002, which establishes disciplinary and criminal sanctions against civil servants involved in corruption, modernisation of the auditing system of the public sector, improving transparency of public administration, and strengthening the fight against money laundering. In addition, special anti-corruption units have been established to combat corruption, including the Financial Crimes Investigation Board of the Ministry of Finance (MASAK) and the Coordination Board for Combating Financial Crimes. The country has also conducted training of auditors and investigators on corruption detection and investigation and has developed guidelines on seizure and confiscation, and in 2009-2010, 7,000 public officials received ethics training. It has also set up systems for monitoring the impact of anti-corruption measures. Nevertheless, as reported by Bertelsmann Foundation 2010, although a number of public officials have been dismissed on charges of bribery and corruption in Turkey, corruption remains widespread and anti-corruption authorities and policies remain weak. In the same vein, the US Department of State 2011 reports that according to the European Commission, the breadth of official immunity is too wide when it comes to corruption cases, furthermore, areas such as political party financing and election campaigns lacked transparency. For instance, as Global Integrity 2010 reports, shortly after Prime Minister Erdogan came to power, charges of corruption came to light, involving manipulation of contracts for personal gain when he was mayor of Istanbul. However, these charges were dropped due to parliamentary immunity. In addition, Freedom House's Countries at the Crossroads 2011 recommends that this immunity from prosecution of top officials should be dropped, so that wrongdoings by politicians can be detected and prosecuted. Nevertheless, the country is making efforts towards reducing high-level corruption as well as immunity for corrupt officials, especially in the light of Turkey's desire to join the EU. For instance, Turkey's former ambassador to the EU, Daryal Batibay, is being investigated for allegations of having embezzled wine worth EUR hundreds of thousands. The Prime Minister sent two officials from his ethics board to question the staff at Batibay's former headquarter, and according to a March 2012 article published by Decanter, the former ambassador could face legal charges if found guilty.

Corruption in Turkey permeates through all levels of government, including the regulatory bodies. This is supported by the Transparency International Global Corruption Barometer 2010-2011, according to which, more than 47% of the surveyed Turkish households perceive public officials to be 'extremely corrupt'. An Assessment of Turkey 2011 report put together by the European Union and the OECD notes that the lack of transparency and the heavy procedures in public administrations create opportunities for corruption. Intensive training of officials and the introduction of new legislation can only overcome these weaknesses, the report suggests. Furthermore, according to the Ernst & Young Global Fraud Survey 2008, cited in an August 2008 article by Today's Zaman, 68% of the surveyed international companies believe that measures against bribery and corruption are not sufficiently strong in Turkey. In Transparency International's Global Corruption Barometer 2010-2011, household perceptions of the government's fight against corruption in the country are fairly mixed, with 40% believing that it is ineffective and 59% considering it to be effective. In addition, 33% of the households report having paid a bribe the previous year. A 2012 Overview of corruption and anti-corruption in Turkey reports that despite the steps taken to improve the country's corruption record, there still is an urgent need to establish an independent anti-corruption body, which should be in charge of developing, monitoring and implementing anti-corruption measures. According to Global Integrity 2010, the opposition leader claims that there has never been as much corruption and cronyism in the country as with the current government. The Bertelsmann Foundation 2012 also reports that during the second term in office the AKP has shown tendencies to nepotism and corruption. According to the same report, observers note that the fight against corruption has weakened as the AKP has tightened its grip on media and is in charge politically, economically and socially.

Business and Corruption

The government has been implementing an ambitious investment climate reform programme, which aims at streamlining all investment-related procedures and attracting additional foreign direct investment (FDI) to the country. The government views FDI as essential to the country's economic development and prosperity. As a result, Turkey has one of the most liberal FDI-related legal regimes in the OECD, according to the US Department of State 2012. With the exception of some sectors, such as broadcasting, aviation and maritime transportation, where foreign participation is restricted, the Turkish private sector is generally open to foreign investment. However, despite Turkey's economic openness, corruption remains a major problem in the country and threatens to discourage both domestic and foreign investor confidence. The existence of a substantial informal economy (estimated to amount to over 60% of the economy, while according to other sources as high as 83%) further hampers business development in Turkey, as indicated in Bertelsmann Foundation 2012. Accordingly, several sources suggest that further improvements are necessary in order to strengthen Turkey's business environment, red tape reduction in particular.

Perceptions of the pervasiveness of corruption in Turkey are mixed. For instance, according to Transparency International's Global Corruption Barometer 2010-2011, corruption within the business and private sector is perceived to be pervasive, with roughly 44% of the household respondents evaluating it as 'extremely corrupt'. Also, 58% of the companies surveyed in the EBRD & World Bank BEEPS Turkey 2008 state that corruption constitutes a problem for conducting business - a substantial increase from 41% in 2005. Similarly, 42% of companies surveyed by the World Bank & IFC Enterprise Surveys 2008 identify corruption as a major constraint on doing business, and almost 18% expect to make informal payments to civil servants in order to 'get things done'. Furthermore, according to the surveys 'Conflicts of Interest', 'Law Enforcement and Ethics', 'Land Registry and Ethics' and 'Planning in Local Administrations and Ethics', carried out as part of a European Union project in 2008 and cited in a May 2009 article by Hürriyet, Turkish civil servants are perceived to be prone to corruption by the public. On the other hand, however, business executives surveyed in the World Economic Forum Global Competitiveness Report 2012-2013 rank corruption as a relatively unproblematic factor for doing business in Turkey compared to tax regulations and inefficient government bureaucracy. With regards to the ethical behaviour of Turkish companies when operating abroad, the Transparency International Bribe Payers Index 2011 ranks Turkish companies the 19th most likely to pay bribes out of companies from 28 major exporting countries. Nonetheless, companies are recommended to develop, implement and strengthen integrity systems and to conduct extensive due diligence when planning to invest or when already doing business in Turkey.

The public procurement sector in Turkey has been singled out by foreign companies as particularly susceptible to corruption, according to the US Department of State 2012. The high degree of corruption in procurement, often involving high-level figures, is illustrated by Global Integrity 2008. According to this report, the roughly 250 procurement contracts which were awarded to government officials of the ruling AKP in 2007 in the town of Hatay have been associated with corruption by the people living in the area. Similarly, relatives and persons standing close to senior AKP figures have been linked to cases of corruption. In 2008, for example, serious corruption allegations were raised against the business conglomerate, Calik Group, run by Prime Minister Erdogan's son-in-law, as it appeared as the sole bidder for the country's second biggest media outlet, Sabah-ATV. Reports alleged that other companies interested in bidding for Sabah-ATV had been warned by senior government officials not to do so, according to Global Integrity 2008. Accordingly, Global Integrity 2010 writes that the ruling party is supported by a growing business community which is frequently awarded contracts by the government. In order to effectively reduce the risk of extortion and demands for bribes in the procurement process, foreign investors considering bidding on public tenders in Turkey are advised to use a specialised public procurement due diligence tool.

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Section 3 - Economy

Turkey's largely free-market economy is increasingly driven by its industry and service sectors, although its traditional agriculture sector still accounts for about 25% of employment. An aggressive privatization program has reduced state involvement in basic industry, banking, transport, and communication, and an emerging cadre of middle-class entrepreneurs is adding dynamism to the economy and expanding production beyond the traditional textiles and clothing sectors. The automotive, construction, and electronics industries are rising in importance and have surpassed textiles within Turkey's export mix. Oil began to flow through the Baku-Tbilisi-Ceyhan pipeline in May 2006, marking a major milestone that will bring up to 1 million barrels per day from the Caspian to market. Several gas pipelines projects also are moving forward to help transport Central Asian gas to Europe through Turkey, which over the long term will help address Turkey's dependence on imported oil and gas to meet 97% of its energy needs. After Turkey experienced a severe financial crisis in 2001, Ankara adopted financial and fiscal reforms as part of an IMF program. The reforms strengthened the country's economic fundamentals and ushered in an era of strong growth averaging more than 6% annually until 2008. Global economic conditions and tighter fiscal policy caused GDP to contract in 2009, but Turkey's well-regulated financial markets and banking system helped the country weather the global financial crisis and GDP rebounded strongly to around 9% in 2010-11, as exports returned to normal levels following the recession. Growth dropped to roughly 3-4% in 2012-13. Turkey's public sector debt to GDP ratio has fallen below 40%, and two rating agencies upgraded Turkey's debt to investment grade in 2012 and 2013. Turkey remains dependent on often volatile, short-term investment to finance its large current account deficit. The stock value of FDI reached nearly $195 billion at year-end 2013, reflecting Turkey's robust growth even in the face of economic turmoil in Europe, the source of much of Turkey's FDI. Turkey's relatively high current account deficit, domestic political uncertainty, and turmoil within Turkey's neighborhood leave the economy vulnerable to destabilizing shifts in investor confidence.

Agriculture - products:

tobacco, cotton, grain, olives, sugar beets, hazelnuts, pulses, citrus; livestock

Industries:

textiles, food processing, autos, electronics, mining (coal, chromate, copper, boron), steel, petroleum, construction, lumber, paper

Exports - commodities:

apparel, foodstuffs, textiles, metal manufactures, transport equipment

Exports - partners:

Germany 10.3%, Iraq 6.2%, UK 6%, Italy 5.8%, France 5%, Russia 4.4% (2011)

Imports - commodities:

machinery, chemicals, semi-finished goods, fuels, transport equipment

Imports - partners:

Russia 9.9%, Germany 9.5%, China 9%, US 6.7%, Italy 5.6%, Iran 5.2% (2011)

Banking

The banking sector plays less of a financial intermediary role than one would expect in an economy of Turkey's size and sophistication. The three state -owned commercial banks plus the six largest private banks hold nearly a two-thirds share of total bank assets. Turkish banks engage in core banking services, securities brokering and other businesses. In terms of trade finance, treasury operations, electronic banking, and information management, the dozen leading Turkish banks are as sophisticated as their other OECD counterparts.

The Central Bank of the Republic of Turkey is headquartered in Ankara and together with Turkish Treasury is responsible for the integrity of the banking system. In 1994, the Central Bank became an autonomous body but is not independent. The Central Bank and BDDK (Banking Regulating and Auditing Commission) supervises bank activities in order to guarantee that they meet liquidity requirements and operates in a responsible fashion. While the Central Bank's Bank Supervision Division acts as the government's supervisory authority, the Undersecretariat of the Treasury is responsible for the enforcement of banking laws. The BDDK also determines the disposition of insolvent banks.

Stock Exchange

The Istanbul Stock Exchange, formed in 1985, is becoming a significant emerging market stock exchange. Although Turkey must further develop its capital markets, the 2012 Capital Markets Law allowed ISE to expand to include the Istanbul Gold Exchange Market and the Futures Contract Market. As of October 2012, 402 companies were listed on the exchange with total market capitalization of USD 269 billion. The Capital Markets Board is responsible for overseeing activities, including activities of ISE-quoted companies and securities and investment houses. The Turkish private sector continues to be dominated by a number of large holding companies, many of which are family-owned, and most large businesses continue to float publicly only a minority portion of shares in order to limit outside interference in company management. There has been no recent hostile takeover attempt by either international or domestic parties. Capital market instruments are still developing in Turkey. Turkey's first mortgage law was adopted in 2007. Venture capital and hedging instruments are also currently very limited, but a new law came into effect in 2012 that will increase financing opportunities through venture capital and angel investing.

Section 4 - Investment Climate

Executive Summary

Turkey is the 17th largest economy in the world, with a GDP of $820 billion. Turkey has set an ambitious target to become one of the ten largest economies in the world by 2023, the centenary of the foundation of the Turkish Republic. Doing so will require Turkey to triple its economy to more than $2 trillion, develop a $500 billion export sector, and make significant upgrades to its energy, information technology, finance, and physical infrastructures. Achieving this goal is unlikely given the recent slowdown in growth. Even if its 2023 growth aspirations are overly optimistic, Turkey needs to undertake significant economic reform to meet even moderate growth targets. The U.S. strongly supports Turkey's economic reform efforts.

In Turkey, the proportion of urban to rural population has changed significantly over the last decade and the now 75-percent urban population supports a strong industrial manufacturing-based economy. Turkey has broadened the base of its economy beyond the traditional industrial centers of Istanbul, Ankara, and Izmir to encompass a number of other Anatolian cities, several of which exported more than $1 billion to the world economy in 2013. This expansion is particularly notable in cities such as Adana, Denizli, Trabzon, Gaziantep, Hatay, Kayseri, Konya, Manisa, Sakarya, and Şırnak.

Despite this expansion, Turkey's economic growth has recently slowed and in 2014 GDP growth is expected to be between two and three percent. While still above growth rates in Europe, this is a significant slowdown compared to average of the last decade. Turkey's exports were negatively affected by the slowdown in the Turkey's leading export market, the European Union, but have started to recover alongside Europe. Turkey has also been actively seeking new and expanded export markets in the Middle East, Africa, and the United States. Turkish exports are projected to be around $166.5 billion at the end of 2014, a 10 percent year-on-year increase.

In most world business rankings, Turkey consistently falls in the middle tier. As of June 2013, Turkey ranked 69th out of 189 countries in the World Bank's Ease of Doing Business Index. In Transparency International's 2013 Corruption Perceptions Index the country came in 53rd out of 177 with a score of fifty on a hundred point scale. The 2014 Index of Economic Freedom ranked it 64th in the world at 64.9 percent free. The World Bank's Ease of Doing Business Index (http://www.doingbusiness.org/reports/global-reports/doing-business-2013), as well as the Heritage Foundation-Wall Street Journal's Index of Economic Freedom (http://www.heritage.org/index/country/Turkey), offer useful summaries of key issues regarding doing business in Turkey.

The ongoing corruption scandal that became public in December 2013 implicated a number of high-level Turkish officials and their family members and led to massive reorganization of the police and the judiciary, which critics stated was a government attempt to stop the corruption investigations. Allegations and counter-allegations have undermined business and investor confidence. In late March 2014, leading up to municipal elections, social media continued to leak corruption allegations until Twitter and YouTube were banned by the Turkish Telecommunications Authority, inciting international uproar about freedom of speech and rule of law in Turkey. Many investors and businesses are postponing major decisions until the political situation appears more stable.

Relations with the United States

In 2009, President Obama called for the elevation of U.S.-Turkey economic and commercial ties to the same strategic level as security and political ties. In October 2010, the United States and Turkey held the first meeting of the Framework for Strategic Economic and Commercial Cooperation (FSECC), a Cabinet-level dialogue aimed at enhancing economic relations and boosting bilateral trade and investment. The two governments also hold a regular series of working groups chaired by senior government officials, including the Economic Partnership Commission (EPC) and the Trade and Investment Framework Agreement Council (TIFA), aimed at addressing specific trade and investment issues, as well as opening new areas of economic cooperation. Under the State-Department led EPC, the two sides are discussing specific steps to increase bilateral cooperation on finance, energy, innovation, and infrastructure sectors, as well as increasing cooperation in third countries. The two countries held the tenth EPC in May 2013 in Ankara. The United States and Turkey have also established an U.S.-Turkey Business Council, which suggests ways to improve bilateral business ties. The next FSECC meeting, including a High Level Committee (HLC) meeting to update Turkey on our negotiations with the EU on the Transatlantic Trade and Investment Partnership (T-TIP), is scheduled for May 2014.

The United States and Turkey signed a Science and Technology (S&T) agreement in October 2010 that will deepen and diversify relations between the U.S. and Turkey by facilitating more joint research; exchanges of scientists, researchers, and specialists; and establishment of science-based public-private partnerships. In April 2013, the inaugural meeting of the Joint S&T Commission was held in Ankara, comprised of working groups co-chaired by Turkish and American scientists on issues such as biomedical research, engineering for a sustainable future, education and education technologies, material sciences, energy research, innovative technologies in agricultural research, and natural hazards.

The United States and Turkey continue to cooperate on a range of entrepreneurship programs, including the State Department's Global Entrepreneurship Program (GEP) and the private-sector-led Partners for a New Beginning (PNB). Turkey's GEP has been engaged in both initiatives, which are aimed at supporting growth of entrepreneurship and small- and medium- enterprises in Turkey and the region.

While U.S. imports from Turkey continue to show modest growth, the recent slowing of the Turkish economy led to a drop in U.S. exports to Turkey in 2013 for the second year in a row. These numbers still show marked improvement since 2009 (see chart). While Turkey was the United States' 21^{st} largest goods export market and 45^{th} largest import supplier in 2011, the Turkish market still remains an important part of the U.S. National Export Initiative (NEI) due to its potential for growth.

U.S. - Turkey Bilateral Trade		
Year	**U.S. Imports from Turkey**	**U.S. Exports to Turkey**

2009	3,240,597	8,575,737
2010	3,762,919	12,318,745
2011	4,584,029	16,034,121
2012	5,614,819	14,131,309
2013	5,636,015	12,596,178

(in thousands of USD)

Source: Turkish Statistical Institute

1. Openness to, and restrictions upon, foreign investment

In 2011, the ruling Justice and Development Party (AKP) won a third term in office, a victory subsequently reaffirmed by the AKP victory in March 2014 municipal elections. As part of its election campaign, the AKP has heavily promoted its goal to become a top ten economy by 2023 (http://www.akparti.org.tr/english). In order to achieve this goal, the Turkish Government has developed specific strategies for 24 industrial sectors, including eight priority sectors. It has also established specific plans for physical infrastructure upgrades, as well as a major expansion of Turkey's health, information technology, and education sectors, all of which are geared to make Turkish companies more competitive. The Turkish Government recognizes that the domestic economy alone will not be sufficient to reach these goals and that Turkey will need to attract significant new foreign direct investment (FDI).

Turkey has one of the most liberal legal regimes for FDI in the OECD. In 2011, Turkey attracted $15.7 billion in FDI, although a significant portion of this came from portfolio investment. This level, however, is still far below the levels needed, and the Turkish Government is actively seeking greater U.S. FDI. In order to attract U.S. FDI, Turkey needs to increase trade advocacy and export promotion efforts, as well as access to credit, especially for small -and medium-sized businesses involved in high value-added goods and services. Turkey must also better enforce international trade rules, ensure the transparency and timely execution of judicial orders, increase engagement with foreign investors on policy issues, and pursue policies to promote strong, sustainable, and balanced growth.

According to the United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2013 (http://unctad.org/en/PublicationsLibrary/wir2013_en.pdf), growing political uncertainty at the regional level and subdued economic prospects at the global level are holding back foreign investors' interest in Turkey. UNCTAD reports a sharp increase in outward investments with Turkish investment abroad growing by 73% in 2012 to $4.1 billion. FDI in region comprising Turkey, Saudi Arabia, the United Arab Emirates, Kuwait, Lebanon, Iraq, Jordan, Bahrain, Yemen, Qatar, and the Palestinian Territory, however, fell for the fourth consecutive year, decreasing by 4 per cent to $47 billion, half its 2008 level. Turkey's FDI fell by a much larger 23 percent to $12.4 billion. This declining FDI to Turkey was due in large part to a 70 percent drop in mergers and acquisitions sales. Nevertheless, Turkey became the largest FDI recipient in West Asia in 2013, beating out Saudi Arabia for the first time since 2006.

Structural reforms undertaken by the Government of Turkey (GOT) over the last decade, a strong banking sector, tight fiscal controls, efforts to reduce the size of the informal economy, increasing flexibility of the labor market, improving skills of workers, and continuing privatization of state economic enterprises will continue to boost the investment environment in Turkey. The GOT has privatized state economic enterprises through block sales, public offerings, or a combination of both. Transactions completed under the Turkish privatization program generated $12.5 billion in 2013. The Turkish Government is committed to continuing the privatization process despite the contraction in global capital flows.

With the exception of some sectors (highlighted below), areas open to the Turkish private sector are also generally open to foreign participation and investment. All investors, regardless of nationality, however, face some challenges: excessive bureaucracy, a slow judicial system, high and inconsistently applied taxes, weaknesses in corporate governance, unpredictable decisions made at the local government level, and frequent changes in the legal and regulatory environment. The Parliament amended the Law of Obligations (debt regulations), and a new Commercial Code became effective in July 2012. Structural reforms that will create a more transparent, equal, fair, and modern investment and business environment remain delayed. Venture capital and angel investing are still relatively new in Turkey, but legislation that went into effect in late 2012 will facilitate greater development of these sorts of financing opportunities.

Turkish Industrial Strategy

In January 2011, the Ministry of Science, Industry, and Technology (MSIT) announced Turkey's Industrial Strategy, which identifies key areas to increase Turkey's competitiveness and productivity and targets aimed at transforming Turkey into a technology base for manufacturing of medium- to high-technology products. The document identifies the following areas as major potential drivers of the Turkish economy that can help increase exports and FDI growth and transform Turkey into Eurasia's technology base: innovation-led productivity, increasing production of medium- and high-technology goods, increasing capital for knowledge-intensive sectors, creation of a stronger knowledge-based economy, and a well-educated and highly qualified work force. Specifically, MSIT (http://www.sanayi.gov.tr/Default.aspx?lng=en) has identified 24 industrial sectors that will help Turkey achieve its goal of becoming a top ten economy by 2023 and has developed specific strategies and action plans for six priority sectors: iron and steel, automotive, chemicals, machinery, electrionic equipment, and ceramics. The GOT also announced in early 2013 that medicines and medical devices are priority sectors for the Turkish Government, and the Ministry of Science, Industry and Technology was working on the pharmaceutial industry sector strategy and action plan slated for release in 2013. While the plan is now expected in May, in the last quarter of 2013 the production per employee index in the "manufacturing of basic pharmaceutical products and other materials related to pharmaceutics" actually decreased 12.14 percent – more than any other sector.

Partnerships in Improving the Investment Climate

Since 2001, the Turkish government has pursued a comprehensive investment climate reform program aimed at streamlining investment-related procedures and attracting more FDI. The Coordination Council for the Improvement of Investment Environment (YOIKK), a national platform jointly formed by the public and private sectors, provides technical guidance for issues relating to the investment environment.

In 2004, the Investment Advisory Council of Turkey (IAC) was created to provide an international perspective for Turkey's reform agenda. IAC members include executives from multinational companies, representatives of international institutions such as the IMF, World Bank and European Investment Bank, and the heads of Turkish NGOs representing the private sector. The Council, chaired by the Prime Minister, convenes yearly to advise the Turkish Government on the direction of its reform program. The Council's recommendations serve as guidelines for the YOIKK platform, and Council recommendations are published in the Turkish Treasury's annual IAC Progress Reports.

In addition to structural reforms, Turkey's Investment Support and Promotion Agency (ISPAT), whose main objective is to support new investors throughout the business establishment process and solve problems that arise after establishment, plays an important role in promoting a business and investment-friendly environment. ISPAT serves as an advocate within the GOT for reforms that promote investment and works to raise both domestic and international awareness of the benefits of investment.

Investment Issues:

Renewable Energy

The Turkish Government continues to promote investment in renewable energy production as well as renewable energy equipment manufacturing. Under the 2010 Renewable Energy Incentives Law, the Turkish Government offers power purchase guarantees and feed-in tariffs for electricity produced from renewable sources, but it does not offer similar power purchase agreements for thermal power plants, which must sell to the spot market or through bilateral contracts. In 2012, the Ministry of Energy and Natural Resources developed implementing regulations for the Renewable Energy Incentives Law that clarified minimum local content thresholds for a product to qualify for additional feed-in tariff bonuses. The Energy Market Regulatory Authority continues to award licenses for new wind and geothermal projects. Turkey's goal is to develop 20,000 megawatts (MW) of wind power, 600 MW of geothermal power, and up to 9,000 MW of solar power by 2023. Hydropower, however, remains the main contributor to renewable energy in Turkey at 15,831 MW in 2012 (latest data available), representing 86.11 percent of total renewable capacity and 33.79 percent of total installed capacity. The drought this year is expected to negatively impact that hydropower sector.

Health Care, Transportation, and Information Technology

To meet ambitious development goals, the Government of Turkey is planning significant new investments in infrastructure, including in the health care (particularly hospitals) and transportation sectors (ports, airports, rail, light-rail, and road infrastructure). The Ministry of Health announced tenders for 35 public-private partnership health campuses and city hospital projects in 22 Turkish cities.

Turkey plans to make significant additional infrastructure upgrades for ports, airports, road, and rail over the next decade. The Turkish private sector is also spearheading projects with neighboring Central Asian countries aimed at establishing an intermodal transportation network to establish new and revive outdated transportation and energy links as part of a "New Silk Road" effort.

As part of an effort to improve Turkey's education system, in 2010 Turkey embarked on the multibillion dollar FATİH project to provide Turkish students with tablet computers and schools with smart boards. The initial pilot program delivered smart boards and 8,500 tablet computers to 52 schools in 17 provinces. The expanded pilot raised those numbers to 49,000 tablet computers in all of Turkey's 81 provinces in early 2014. The project will require expanding broadband internet service throughout Turkey, as well as developing educational content and applications for tablets and smart boards. Turkey is also planning to develop greater cloud computing capacity. All these projects will provide significant opportunities for U.S. information and communication technology (ICT) companies, and the Turkish Government is actively looking for U.S. investors and partners, including for financing. Recent social media blockages and concerns over internet freedom, however, present a great deal of uncertainty to firms looking to enter or expand their share in the market.

Pharmaceuticals

The pharmaceutical sector is an example of when GOT policies complicate Turkey's ability to fully realize its development potential. Health sector reform in 2006 created a much larger pharmaceutical market, dominated by Turkey's state health-care system. Coupled with Turkey's young and growing population, this should have made Turkey an attractive market for pharmaceutical investment. Three significant issues, however, continue to inhibit innovative pharmaceutical firms' trade and investment in Turkey: a pricing/exchange rate issue, the threat of new civilian offset policies, and delays in obtaining GMP (Good Manufacturing Practices) inspection approvals from the Turkish Ministry of Health (MOH).

The MOH and the Turkish Ministry of Labor and Social Security (MLSS) both play important roles in pharmaceutical pricing. The MOH sets the maximum price that can be charged for medicines, and the MLSS negotiates pharmaceutical bulk prices for products that are distributed through Turkey's national health care system. In 2009, the MOH negotiated a pharmaceutical budget with industry that provided significant discounts on pharmaceutical purchases of products distributed through Turkey's national health care system within the context of an overall gradual increase in pharmaceutical spending each year through 2012. In mid-2010 and late-2011, however, MOH and MLSS noted budget shortfalls and requested greater discounts from companies, which they were compelled to grant given the Turkish Government's dominant role in pharmaceutical spending. New pharmaceutical budget figures for 2013-2015 were also well below industry's expectations, and the Turkish Government did not propose any relief with regards to discounts or the exchange rate.

In February 2014, Parliament passed legislation requiring MSIT to establish a framework to incorporate civilian offsets into large government procurement contracts, including pharmaceuticals and medical equipment. The MOH established an office to examine how offsets could be incorporated into new contracts. While all the regulations are still pending, the law suggests that for public contracts above $5 million, companies must invest up to 50 percent of contract value in Turkey and add value to the domestic sector. Such practices would give domestic producers a competitive advantage.

In addition to the pricing/exchange rate issues, innovative pharmaceutical firms complain about the slow pace of MOH GMP inspections. In 2011, the MOH began enforcing an existing law requiring that all companies applying to market pharmaceutical products on the Turkish market have a GMP certificate issued by the MOH. The MOH continues to build inspection capacity, and its inspection rate has improved. The MOH has committed to implementing parallel submissions since 2012, which will allow for simultaneous marketing authorization and GMP inspections, but has not implemented the change to date.

There is increasing awareness among GOT agencies that the pharmaceutical sector should be a strategic sector for Turkey, and the dialogue between industry and government officials has improved significantly over the last three years. The GOT announced in 2013 that medicines and medical devices are now priority sectors. However, despite several new investments and positive policy developments since 2012, innovative pharmaceutical companies still complain about predictability and transparency in regulation making, which continues to inhibit pharmaceutical investment in Turkey.

Business Registration

Recent reforms in Turkey have simplified procedures to establish a company; reduced permit requirements; instituted a single company registration form; and enabled individuals to register their companies through local commercial registry offices of the Union of Chambers and Commodity Exchanges of Turkey (TOBB). At the same time, strict bankruptcy laws that discourage innovation continue to hold entrepreneurs back. According to the *International Finance Corporation*/World Bank 2013 Doing Business Report for Turkey, Turkey ranked 69 among 185 world economies, only rising three places from its 2012 ranking. According to the report, Turkey did better in dealing with construction permits, registering property, enforcing contracts, and resolving insolvency compared to the previous year. Starting a business in Turkey requires a similar number of procedures as in other OECD countries, but it takes twice the number of days, and it costs almost 140 percent more to start a business in Turkey than in other OECD countries. The Doing Business in Turkey report can be found at: http://www.doingbusiness.org/data/exploreeconomies/turkey/ .

Judicial Reforms

Many international investors characterize Turkey's judicial system as complex, inefficient, and corrupt to varying degrees. Enforcement of contracts through the courts takes an average of 420 days according to the World Bank's Doing Business Report, costing an average of 24% of the claim. The GOT is trying to implement more judicial reforms aimed at attracting foreign investment to Turkey. For example, the Ministry of Justice is overseeing the National Judiciary Network project on automation and integration to speed up processing of commercial cases by facilitating document sharing and automating court records, as well as allowing for filing suits online. The GOT has also improved foreign investors' access to judiciary recourse, including legal aid and alternative dispute resolution mechanisms supported by the U.S., the EU, and the World Bank. The Competition Authority in Turkey is an autonomous agency that plays an important role in assuring equal, fair, and transparent competition and consumer welfare-oriented market mechanisms, regardless of corporate nationality. See more below under Dispute Settlement.

Taxation

In recent years, Turkish Government policies have made the taxation system more investor-friendly. In 2006, the basic corporate tax rate was reduced from 30 percent to 20 percent. The Turkish Government also cancelled the withholding tax for foreign investors' holdings of bonds, bills, and stocks - while retaining it for bank deposits and repurchase agreements. In addition, the Tax Administration established a separate unit in 2007 to handle tax collection from large corporations. Despite these improvements, the GOT has not yet been able to implement further planned tax reforms, including reducing the employment tax, which is among the highest in the OECD.

In December 2010, the Turkish Finance Ministry announced new tax rates for capital accounts aimed at encouraging the issuance of corporate bonds with longer-term maturity. For non-domestic bonds, the withholding tax on interest is zero percent for five-year-maturity or higher bonds, five percent for bonds with three to five-year maturity, and 10 percent for bonds with maturity less than three years. In addition, banking and insurance transactions tax applied to sale or repo transactions of domestically issued corporate bonds was reduced from five percent to one percent. The GOT also decreased withholding taxes on bank deposits with longer maturity aiming at attracting longer term savings. Withholding tax on Turkish Lira time deposits with maturity longer than one year decreased to 10 percent from 15 percent while rates for deposits up to six months remained at 15 percent. On Foreign Currency (FX) accounts, the withholding tax rate decreased to 13 percent from 15 percent on deposits with a maturity of more than one year and the rate increased to 18 percent for FX deposits up to six months.

Between 30 and 50 percent of the economy is unregistered, which represents a competitive disadvantage for legitimate firms. The Government of Turkey delayed implementing a tax reform scheduled for 2013 that would help reduce the size of the unregistered economy and broaden the tax base while improving Turkey’s competitiveness. Several U.S. companies have experienced tax difficulties in recent years and cite vague regulations, requiring additional expense to clear up matters through the courts, as a major concern.

2. Conversion and Transfer Policies

Turkish law guarantees the free transfer of profits, fees, and royalties, and repatriation of capital. This guarantee is reflected in Turkey's 1990 Bilateral Investment Treaty (BIT) with the United States, which mandates unrestricted and prompt transfer in a freely-usable currency at a legal market-clearing rate for all investment-related funds. There is no difficulty in obtaining foreign exchange, and there are no foreign-exchange restrictions. Foreign petroleum companies operating in Turkey, however, complain that amendments to the Turkish Petroleum law make it difficult for foreign companies to transfer profits. Affected companies have unsuccessfully challenged this in court. Turkey adopted a new petroleum law in May, 2013, which helped alleviate this problem.

3. Expropriation and Compensation

Under the U.S.-Turkey BIT, expropriation can only occur in accordance with due process of law, can only be for a public purpose, and must be non-discriminatory. Compensation must be reasonably prompt, adequate, and effective. The BIT ensures U.S. investors have full access to Turkey’s local courts and the ability to take the host government directly to third-party international binding arbitration to settle investment disputes. There is also a provision for state-to-state dispute settlement.

The GOT occasionally expropriates private real property for public works or for state industrial projects. The GOT agency expropriating the property negotiates the purchase price. If owners of the property do not agree with the proposed price, they are able to challenge the expropriation in court and ask for additional compensation. There are no outstanding expropriation or nationalization cases for U.S. firms.

4. Dispute Settlement

Turkey's legal system provides means for enforcing property and contractual rights, and there are written commercial and bankruptcy laws. Turkey's court system, however, is overburdened, which sometimes results in slow decisions and judges lacking sufficient time to grasp complex issues. Judgments of foreign courts, under certain circumstances, need to be upheld by local courts before they are accepted and enforced. Monetary judgments are usually made in local currency, but there are provisions for incorporating exchange rate differentials in claims. The Turkish Government is working on judiciary reform that aims at shortening the duration of judicial proceeding and bringing greater efficiency to the Turkish judiciary system through specialized courts (such as Intellectual Property Rights courts, a number of which already exist in Turkey). Recent developments reinforce the Turkish judicial system's need to undertake significant reforms to adopt fair, democratic and unbiased standards. Poorly implemented rule of law and the GOT's attempts to control court rulings remain the biggest obstacles in investment disputes.

A prime example of these developments is the Spring 2014 ban on Twitter and YouTube. The Turkish Telecommunications Authority used court orders against several pieces of content on the social media platforms to justify blocking the websites altogether. Though subsequent court orders overturned both bans, access to Twitter was not unblocked immediately and YouTube remains blocked as of April 30, exhibiting the GOT's occasional lack of adherence to its own laws. Following the Prime Minister's harsh criticisms of social media, some critics allege that these bans have more to do with the opinion of the ruling party than the rule of law.

Turkey is a member of the International Center for the Settlement of Investment Disputes (ICSID) and is a signatory of the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Turkey ratified the Convention of the Multinational Investment Guarantee Agency (MIGA) in 1987. There are no arbitration cases involving a U.S. company pending before ICSID. The U.S.-Turkey BIT, which entered into force in 1990, affords protection to U.S. investments in Turkey by providing certain mutual guarantees and creating a more stable and predictable legal framework for U.S. investors.

Turkish law accepts binding international arbitration of investment disputes between foreign investors and the state. In practice, however, Turkish courts have on occasion failed to uphold an international arbitration ruling involving private companies and have favored Turkish firms.

5. Performance Requirements and Investment Incentives

Turkey is a party to the WTO Agreement on Trade Related Investment Measures (TRIMS). Turkey's investment incentive system was substantially amended in 2006 and again in 2012 to promote investment and encourage exports. In 2009 the Turkish Parliament passed a state investment incentive decree that provides tax benefits and increased credit opportunities. It is applied in diverse ways according to the location, scale, and subject of the investment and includes exemption from customs duties and fund levies, customs, and value-added (VAT) tax exemptions for locally-purchased or imported machinery and equipment. The Turkish Treasury also covers selected parts of investment credit interest rates for SMEs, research and development projects, environmental projects, and projects in prioritized development provinces that have annual per capita income below $1,500.

There are no performance requirements imposed as a condition for establishing, maintaining, or expanding investment in Turkey. There are no requirements that investors purchase from local sources or export a certain percentage of output. Investors' access to foreign exchange is not conditioned on exports.

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

GOT requirements for disclosure of proprietary information as part of the regulatory approval process are consistent with internationally accepted practices. Enterprises with foreign capital must send their activity report submitted to shareholders, their auditor's report, and their balance sheets to the Turkish Treasury's Foreign Investment Directorate every year by May.

With the exceptions noted above under "Openness to Foreign Investment" and below under "Transparency of the Regulatory System," Turkey grants all rights, incentives, exemptions, and privileges available to national businesses to foreign business on a most-favored-nation (MFN) basis. U.S. and other foreign firms can participate in government-financed and/or subsidized research and development programs on a national treatment basis.

The Government of Turkey announced incentives in 2012 that give priority to high-tech, high-value-added, globally competitive sectors and put in place new regional incentive programs to reduce regional economic disparities and increase regional competitiveness. The new investment incentives involve a "tiered" system which provides for greater incentives to invest in less developed parts of the country. The map and explanation of the program can be found at: http://www.invest.gov.tr/en-US/Maps/Pages/InteractiveMap.aspx.

Turkish law and regulations affecting the investment climate continue to evolve. Potential investors should check with appropriate Turkish government sources for current detailed information. ISPAT's web site provides the text of regulations governing foreign investment and incentives, as well as other useful background information: www.invest.gov.tr.

Public Sector Performance Requirements/Incentives

Offsets are an important aspect of Turkey's military procurement, and offset guidelines have been modified to encourage direct investment and technology transfer. In February 2014, Parliament passed legislation requiring MSIT to establish a framework to incorporate civilian offsets into large government procurement contracts. The MOH established an office to examine how offsets could be incorporated into new contracts. While all the regulations are still pending, the law suggests that for public contracts above $5 million, companies must invest up to 50 percent of contract value in Turkey and add value to the sector.

6. Right to Private Ownership and Establishment

In broadcasting, equity participation of foreign shareholders is restricted to 25 percent. Foreign equity participation in the aviation and maritime transportation sectors is limited to 49 percent. Foreign-owned interests in the petroleum, mining, broadcasting, maritime transportation, and aviation sectors are subject to special regulatory requirements. Recently, U.S. mining companies have experienced difficulties receiving and renewing the necessary permits from the Prime Ministry putting multiple operations in danger of shutting down.

With the exceptions noted above, private entities may freely establish, acquire, and dispose of interests in business enterprises, and foreign participation is permitted up to 100 percent. Turkey has an independent Competition Board. With respect to access to markets, credit, and other business operations, competitive equality is the standard applied to private enterprises that seek to compete with public enterprises. Regulations governing foreign investment in Turkey are, in general, transparent. In most sectors Turkey does not have an investment screening system for foreign investors; only notification is required.

The Ministry of Environment and Urbanization enacted a law on title-deed registration in 2012 removing the previous requirement that foreign purchasers of real estate in Turkey had to be in partnership with a Turkish individual or company that owns at least a 50 percent share in the property, meaning foreigners can now own their own land. The law is also much more flexible in allowing international companies to purchase real property. The new law also increases the upper limit on real estate purchases by foreign individuals to 30 hectares and allows further increases up to 60 hectares with permission from the Council of Ministers.

7. Protection of Property Rights

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

Turkey is signatory to a number of international conventions, including the Stockholm Act of the Paris Convention, the Patent Cooperation Treaty, and the Strasbourg Agreement. In 2008, Turkey acceded to the WIPO Copyright Treaty and Performances and Phonograms Treaty. Turkey accepts patent applications in compliance with the TRIPS agreement "mailbox" provisions.

In 2008, Turkey was on the U.S. Special 301 Priority Watch List. In 2009 it was upgraded to the U.S. Special 301 Watch List, where it has remained since. Although IPR enforcement actions have increased along with successful public awareness campaigns, piracy and counterfeiting remain serious problems. There is widespread and often sophisticated counterfeiting of trademarked items, especially apparel. Business software and online music piracy are increasing, and book and entertainment software piracy remain areas of concern.

Turkey has not yet completed legislative reforms needed to ensure effective IPR protection and enforcement. Delays in the judicial and legislative processes contribute to deficiencies in the overall IPR protection and enforcement regime. Turkey's copyright law, as amended in 2004, provides deterrent penalties for copyright infringement. The law contains several strong anti-piracy provisions, including a ban on street sales of all copyrighted products and authorization for law enforcement authorities to take action without a complaint by the rights holder.

Turkey's patent law has been in force since 1995 and was amended in 2004. Patents are granted for 20 years to any invention in any field of technology which is novel, involves an inventive step, and has industrial applications. In 2012, the Turkish Patent Institute (TPI) completed a new draft patent law, but it has yet to be passed by Parliament.

The United States has a Copyright Working Group and the EU has an IPR Working Group with the Turkish Government to address intellectual property related issues and exchange views on developing more efficient and effective IPR enforcement.

In general, the Turkish Ministry of Health provides protection for confidential test data submitted in support of applications to market pharmaceutical products. Several provisions, however, undermine protection for confidential test data. Due to the relatively short six-year data-exclusivity period and delays by the Turkish MOH in granting Good Manufacturing Practice inspection certificates and marketing approvals, pharmaceutical data protection remains a concern, particularly for innovative products. In addition, Turkey's patent law does not contain interim protection for pharmaceuticals in the research and development (R&D) pipeline, which discourages domestic R&D research and international investment. Research-based pharmaceutical companies have criticized patent provisions which delay the initiation of infringement suits until after the patent is approved and published, permit use of a patented invention to generate data needed for the marketing approval of generic pharmaceutical products, and give judges wider discretion over penalties in infringement cases.

Trademark holders also note that Turkey provides protection for commercial seed under its Plant Variety Protection (PVP) Law.

Turkish intellectual property (IP) law allows both civil and criminal actions. In general, civil actions include requests for determination of infringement, cessation of acts of infringement, seizure of counterfeit goods, and compensation of damages. Criminal actions include imprisonment, pecuniary punishment, closure of job sites, and prohibition from commerce.

Turkey has specialized intellectual property IP courts in Istanbul, Ankara, and Izmir, presided over by judges who have had training in intellectual property law. IP litigation in Turkey generally begins in these courts and moves to the Supreme Court if an appeal is filed. If the alleged offense does not occur in Istanbul, Ankara or Izmir, the case begins in civil courts that act as IP courts.

Further information on the intellectual property situation in Turkey is available in the National Trade Estimate and Special 301 reports, available under the “reports” tab on the U.S. Trade Representative’s website: www.ustr.gov.

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8. Transparency of the Regulatory System

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

Turkey is an observer to the WTO Government Procurement Agreement (GPA). Turkish legislation generally requires competitive bidding procedures in the public sector. A Public Procurement board exists to oversee public tenders, and there are minimum bidding thresholds under which foreign companies are prohibited from bidding on public tenders. The law gives preference to domestic bidders, Turkish citizens, and legal entities established by them, as well as to corporate entities established under Turkish law by foreign companies. The public procurement law has been amended eight times since its enactment and has been cited by the EU as not being in conformity with the EU *acquis communautaire*. In February 2014, the government amended the law again to lay out a framework to possibly implement civilian offsets in government procurement contracts, which would be contrary to the WTO GPA. See Public Sector Performance Requirements/Incentives section above for more detail.

In general, labor, health and safety laws and policies do not distort or impede investment, although legal restrictions on discharging employees may provide a disincentive to labor-intensive activity in the formal economy.

9. Efficient Capital Markets and Portfolio Investment

The Turkish Government has taken a number of important steps in recent years to strengthen and better regulate the banking system. A 2005 revision of the Banking Law brought tighter bank regulation, notably by broadening the range of expertise inspectors can draw on when conducting on-site inspections. The Turkish Government adopted a framework Capital Markets Law in 2012, aimed at bringing greater corporate accountability, protection of minority-share holders, and financial statement transparency. Implementing legislation is still in progress.

As of April 2014, there are 26 deposit-taking commercial banks (both with domestic and foreign ownership) and 14 development and investment banks operating in Turkey. Sector assets as of September 2013 totaled approximately $734 billion according to data from the Banks’ Association of Turkey. Total loans for the banking sector totaled $453 billion for the same period. The independent Banking and Regulation Supervision Agency (BRSA) monitors and supervises Turkey’s banks. The BRSA is headed by a board whose seven members are appointed for six-year terms. In addition, bank deposits are protected by an independent deposit insurance agency, the State Deposit Insurance Fund (SDIF).

Because of historically high local borrowing costs and short repayment periods, foreign and local firms have frequently sought credit from international markets to finance their activities

Istanbul's stock exchange, the Borsa Istanbul, was formed in 1985, has become a significant emerging-market stock exchange. The 2012 Capital Markets Law allowed the Borsa to expand to include the Istanbul Gold Exchange and the Derivatives Exchange. As of October 2013, 426 companies were listed on the exchange with total market capitalization of $415 billion. The Capital Markets Board is responsible for overseeing activities, including activities of listed companies and securities and investment houses. The Turkish private sector continues to be dominated by a number of large holding companies, many of which are family-owned, and most large businesses continue to publicly float only a minority portion of shares in order to limit outside interference in company management. There has been no recent hostile takeover attempt by either international or domestic parties. Capital market instruments are still developing in Turkey. Turkey's first mortgage law was adopted in 2007. Venture capital and hedging instruments are also currently very limited, but a 2012 law should increase financing opportunities through venture capital and angel investing.

Entrepreneurship

Turkey pays close attention to the impact microeconomic factors have on business development and growth and is seeking to foster entrepreneurship and small and medium-sized enterprises (SMEs). Through the Small and Medium Enterprises Development Organization (KOSGEB), the Turkish Government provides various incentives for innovative ideas and cutting edge technologies, in addition to providing SMEs easier access to medium and long-term funds. There is also a number of technology development zones (TDZs) in Turkey where entrepreneurs are given assistance in commercializing business ideas. The Turkish Government provides support to TDZs, including infrastructure and facilities, exemption from income and corporate taxes for profits derived from software and R&D activities , exemption from all taxes for the wages of researchers, software, and R&D personnel employed within the TDZVAT, and corporate tax exemptions for IT specific sectors, and customs and duties exemptions.

Turkey's Scientific and Technological Research Council (TUBITAK) has special programs for entrepreneurs in the technology sector, and the Turkish Technology Development Foundation (TTGV) has programs that provide capital loans for R&D projects and/or cover R&D-related expenses. Projects eligible for such incentives include concept development, technological research, technical feasibility research, laboratory studies to transform concept into design, design and sketching studies, prototype production, construction of pilot facilities, test production, patent and license studies, and activities related to post-scale problems stemming from product design. TUBITAK is in the process of rolling out its Technology Transfer Office Support Program, which provides one million dollars in grants to establish Technology Transfer Offices (TTOs) in Turkey.

10. Competition from State-Owned Enterprises

The government of Turkey (GOT) continues to make substantial progress on privatization efforts—especially in the last decade. Of 188 companies the state once owned, 50 are fully privatized and 128 are partially privatized. With an increasing trend, shares of state-owned enterprises (SOEs) in the communications, energy, mining, and transportation industries are being sold off. In 2013, Turk Telekom offered an additional 6.68% ownership stake to the public – dropping state control to about 30%. The GOT has listed a record 21 companies, two ports, and 10 roadways it plans to further privatize by the end of 2014. Even bulwarks of state-ownership such as Halkbank and Turkish Airlines are on the list of companies that the Turkish government plans to increase private shares of this year. More information about privatization initiatives can be found at the Prime Ministry's Privatization Administration's website at http://www.oib.gov.tr/index_eng.htm.

Among the SOEs that remain, allegations of unfair practices are minimal, and the Embassy is not aware of any ongoing complaints by U.S. firms. Turkey is a member of the OECD Working Party on State Ownership and Privatization Practices, and OECD's compliance regulations and new laws enacted in 2012 by the Turkish Competitive Authority closely govern SOE operations. As of 2014, the industries most saturated with SOEs are mining, banking, and transportation.

11. Corporate Social Responsibility

In Turkey, corporate social responsibility is gaining traction and more is being expected of companies, particularly in the past few years. Reforms carried out as part of the EU harmonization process have had a positive effect on laws governing Turkish associations, especially nongovernmental organizations (NGOs). Turkey has not yet established a central coordinating office or information agency to assist companies in their social efforts, and the topic of CSR is handled by the various ministries. U.S. companies, especially in the technology sector, have targeted CSR activities towards improving education in Turkey.

NGOs that are active in the economic sector, such as the Turkish Union of Chambers and Stock Exchanges (TOBB) and the Turkish Industrialists' and Businessmen's Association (TÜSIAD), issue regular reports and studies, and hold events aimed at encouraging Turkish companies to become involved in policy issues. In addition to influencing the political process, these two NGOs also assist their members in their civic engagement. The Business Council for Sustainable Development Turkey (www.tbcsd.org) and the CSR Association in Turkey (www.csrturkey.org), founded in 2005, are two associations devoted exclusively to issues of corporate social responsibility. The Turkish Ethical Values Center Foundation (www.tedmer.org.tr), the Private Sector Volunteers Association (www.osgd.org) and the Third Sector Foundation of Turkey (www.tusev.org.tr) play an important role in promoting CSR in Turkey.

12. Political Violence

There have been violent attacks in Turkey, and the possibility of terrorist attacks against U.S. citizens and interests, from both transnational and indigenous groups, remains high.

The Kurdistan People's Congress (also known as Kongra Gel or KGK, better known as the Kurdistan Workers' Party or PKK) has been the most active terrorist organization in Turkey; however, PKK activity has almost exclusively targeted the Turkish Government.

On February 1, 2013, an indigenous terrorist organization known as the Revolutionary People's Liberation Party/Front (DHKP/C) attacked the U.S. Embassy in Ankara using a suicide bomber; one person was killed (in addition to the suicide bomber) and several others were injured. It also fired rockets at Turkish National Police Headquarters in a separate incident months later. Designated as a terrorist organization by the United States in 1997, the DHKP/C is an indigenous organization to Turkey and has existed since the 1970s with networks throughout Europe. The DHKP/C has stated its intention to commit further attacks against the United States, NATO, and Turkey, though Turkish law enforcement actions have weakened the organization.

In addition to the threat from the PKK, other violent extremists have transited Turkey en route to Syria. The Embassy strongly recommends that U.S. citizens avoid areas in close proximity to the Syrian border.

In addition to terrorist activities, there have been instances of religious violence targeting individuals in Turkey working as religious missionaries or viewed as having proselytized for a non-Islamic religion. Threats and actual instances of crime have targeted Christian and Jewish individuals, groups, and places of worship in Turkey, including several high-profile murders of Christians over the last decade. The level of anti-Israeli sentiment remains significant following Israel's 2008 Gaza offensive. Turkish officials, however, expressly stated they excluded Jewish people, in Turkey and elsewhere, from their criticism of the Government of Israel in the wake of the intervention by Israeli Defense Forces on the Free Gaza Flotilla in May 2010.

In May, 2013 public demonstrations that began in the Taksim and Besiktas areas of Istanbul soon grew into widespread demonstrations throughout all of Turkey. The demonstrations started at varying times and often with little notice, and lasted throughout May and much of June. Violent altercations between the protestors and Turkish law enforcement occurred in Ankara, Istanbul, Izmir, Adana, Mersin and elsewhere. These altercations resulted in numerous injuries and a few confirmed deaths. Some individuals who were not part of the demonstrations but were caught in the vicinity of violence were injured and detained. Similar protests broke out again in March 2014, following the death of a boy injured in the Taksim protests and leading up to municipal elections.

For the latest security information on Turkey and other countries, see http://travel.state.gov, where current Worldwide Caution Public Announcements, Travel Warnings, and Public Announcements can be found.

13. Corruption

Corruption is a growing concern in Turkey. The corruption scandal that became public in December, 2013 implicated a number of high level Turkish officials and their family members. This led to massive reorganization of the police and the judiciary, which critics alleged was a government attempt to stop the corruption investigations. The Prime Ministry is very vocal about its struggle against what it has termed the 'parallel state,' an operation by groups affiliated with former Erdogan ally turned opponent Fethullah Gulen, that the Prime Minister says has infiltrated the Turkish government and attempts to control it from the inside. The ensuing government crackdown on its opponents produced several controversial decisions, including a tightening of internet controls that led to the blocking of social media platforms

Twitter and YouTube in early 2014. The judicial system is still perceived to be susceptible to external influence and to be biased against outsiders to some degree.

Public procurement reforms were designed in Turkey to make procurement more transparent and less susceptible to political interference, including through the establishment of an independent public procurement board with the power to void contracts. Critics state, however, that there is a bias by government officials to award large contracts to ruling Justice and Development Party (AKP) related firms, which was highlighted during the recent corruption scandal.

Turkish legislation outlaws bribery, and some prosecutions of government officials for corruption have taken place. Enforcement, however, is uneven. Turkey ratified the OECD Convention on Combating Bribery of Public Officials and passed implementing legislation in 2003 to provide that bribes of foreign officials, as well as domestic, are illegal. In 2006, Turkey's Parliament ratified the UN Convention against Corruption.

Turkey's Criminal Code makes it unlawful to promise or to give any advantage to foreign government officials in exchange for their assistance in providing improper advantage in the conduct of international business. In the event that such a crime makes an unlawful benefit to a legal entity, such legal entity shall be subject to certain security measures. The provisions of the Criminal Law regarding bribing of foreign governmental officials are in line with the provisions of the Foreign Corrupt Practices Act of 1977 of the United States (FCPA).

There are, however, a number of differences between Turkish law and the FCPA. For example, there is not an exception under Turkish law for payments to facilitate or expedite performance of a "routine governmental action" in terms of the FCPA. Another difference is that the FCPA does not provide for punishment by imprisonment, while the Turkish law provides for punishment by imprisonment from four to 12 years. The Prime Ministry's Inspection Board, which advises the Corruption Investigations Committee, is responsible for investigating major corruption cases brought to its attention by the Committee. Nearly every state agency has its own inspector corps responsible for investigating internal corruption. The Parliament can establish investigative commissions to examine corruption allegations concerning cabinet ministers; a majority vote is needed to send these cases to the Supreme Court for further action.

According to Transparency International's (TI) annual Corruption Perception Index Data, Turkey dropped one spot from 54th to 53rd in TI's ranking of 177 countries and territories around the world in 2013 (see http://www.transparency.org/cpi2012/results). Transparency International has an affiliated NGO in Istanbul.

14. Bilateral Investment Agreements

Since 1962, Turkey has been negotiating and signing agreements for the reciprocal promotion and protection of investments. As of April 2014, Turkey has 82 bilateral investment agreements in force with: Afghanistan, Albania, Argentina, Austria, Australia, Azerbaijan, Bangladesh, Belarus, Belgium, 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, Kyrgyzstan, Latvia, Lebanon, Libya, Lithuania, Luxembourg, Macedonia, Malaysia, Malta, Moldova, Mongolia, Morocco, Netherlands, Oman, Saudi Arabia, Pakistan, Philippines, Poland, Portugal, Qatar, Romania, Russian Federation, Serbia, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Syria, Tajikistan, Thailand, Tunisia, Turkmenistan, United Arab Emirates, United Kingdom, United States, Ukraine, Uzbekistan, and Yemen.

15. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) offers a full range of programs in Turkey, including political risk insurance for U.S. investors, under its bilateral agreement with Turkey. OPIC is also active in financing private investment projects implemented by U.S. investors in Turkey. OPIC-supported direct equity funds, including the $200 million Soros Private Equity Fund, can make direct equity investments in private sector projects in Turkey. Currently, OPIC is looking to support increased lending for renewable energy and energy efficiency projects in Turkey. Small- and medium-sized U.S. investors in Turkey are also eligible to utilize the Small Business Center facility at OPIC, offering OPIC finance and insurance support on an expedited basis for loans from $100,000 to $10 million. In 1987, Turkey became a member of the Multinational Investment Guarantee Agency (MIGA).

16. Labor

Turkey has a population of 75.6 million, with 30 percent under the age of 14. Over 76 percent of the Turkish population lives in urban areas. The Turkish labor force numbers 26.8 million, of which 24.3 million are employed. Approximately 26.2 percent of the workforce works in agriculture; 19 percent works in industrial sector. The official unemployment rate was 9.1 percent as of September 2012, with 18 percent youth unemployment (15-24 years old). Students are required to complete eight years of schooling and remain in school until they are 14 years old. 98.17 percent of Turkey's population completes primary school; 36 percent of those who complete primary school get vocational or higher education.

Turkey has an abundance of unskilled and semi-skilled labor, and Turkey's labor force has a reputation for being hardworking, productive, and dependable. Vocational training schools exist at the high school level. Some formal apprenticeship programs remain, but informal training in traditional occupations is decreasing rapidly. Although the Ministry of Education launched projects within the framework of EU programs to meet the needs of high-tech industries - which has increased the number of qualified high-tech workers in recent years - there remains a shortage. Individual high-tech firms, both local and foreign-owned, typically conduct their own training programs. The GOT MSIT has launched a program with TOBB to provide skilled laborers to meet manufacturing sector needs. Turkey has also undertaken a significant expansion of university programs, building dozens of new colleges and universities over the last decade to increase the skills and competitiveness of its workforce. The Turkish Government has also initiated the FATİH project that will expand internet coverage to all Turkish schools, equip Turkish classrooms with interactive smartboards, and provide students with tablet PCs.

Labor unions report their relations with management of Turkish companies are often adversarial. Employers are obliged by law to negotiate in good faith with unions that have been certified as bargaining agents. Strikes are usually of short duration and almost always peaceful. The law prohibits discrimination on the basis of union membership. While exact unionization rates are not available, they are low - a percentage probably in the single digits.

There is no obligation for a worker to become a member of a union, and there is no obligation to make a collective labor agreement for any sector. However, in order to be covered by a collective labor agreement, a worker must be a member of a union. Turkish labor law mandates that a series of steps be followed - including mediation by an Arbitration Board - before a union may initiate a strike.

In 2012, the Turkish Parliament approved the "Unions and Collective Bargaining Law," which revised regulations on trade union formation and collective bargaining. The law lowers two thresholds for a labor union to be authorized as an agent of collective bargaining. The first relates to any given work place: where previously the union had to represent 50 percent plus one of a firm's employees, the share is now 40 percent. The second measure relates to a nationwide industry branch: where a bona fide union was previously required to have membership of at least 10 percent of workers in its sector, the new rate has been lowered to one percent from January 1, 2013 through June 30, 2016; two percent from July 1, 2016 to June 30, 2018; and three percent after July 1, 2018.

Turkey's Economic and Social Council was established by law in 2001. Its President is the Prime Minister. The Council aims to maintain an effective dialogue between the state and social parties to encourage compromise in industrial relations. It is composed of representatives from governmental bodies, labor and employer confederations, employee associations, and chambers of commerce and industry.

Turkey has signed many International Labor Organization (ILO) conventions protecting workers' rights, including conventions on Freedom of Association and Protection of the Right to Organize; Rights to Organize and to Bargain Collectively; Abolition of Forced Labor; Minimum Wage; Occupational Health and Safety; Termination of Employment; and Elimination of the Worst Forms of Child Labor. Since 1980, Turkey has faced criticism by the ILO, particularly for shortcomings in enforcement of ILO Convention 87 (Convention Concerning Freedom of Association and Protection of the Right to Organize) and Convention 98 (Convention Concerning the Application of the Principles of the Right to Organize and to Bargain Collectively).

The Turkish Government maintains a number of restrictions on the right of association and the right to strike. Civil servants (defined broadly as all employees of central government ministries, including teachers) are allowed to form trade unions and to engage in limited collective negotiations, but are prohibited from striking. Certain vital public employees, such as military and police, cannot form unions. According to the new Unions Law, the list of sectors barred from striking has also been expanded to: life or property rescuing; funeral and mortuary work; production; refining/distillation; distribution of city water; electricity; natural gas and oil; petrochemical works, including with naphtha and natural gas; work places directly run by Defense Ministry, Gendarmerie, and Coast Guard; banking and public notaries; hospitals; firefighting; land, sea, railway service; and all urban public transportation. (Aviation was not included.)

The EU's October 2012 Progress Report underscores that Turkey's 2012 amended legislation on collective bargaining by civil servants "is not fully in line with the EU *acquis* and ILO conventions, especially with regard to the right to strike for public servants, the process of collective bargaining and dispute settlement, as well as restrictions on large categories of public servants to form and join trade unions."

17. Foreign Trade Zones/Free Ports

Firms operating in Turkey's 20 free zones enjoy many advantages. The zones are open to a wide range of activities, including manufacturing, storage, packaging, trading, banking, and insurance. Foreign products enter and leave the free zones without payment of customs or duties if products are exported to third country markets. Income generated in the zones is exempt from corporate and individual income taxation and from the value-added tax, but firms are required to make social security contributions for their employees. Additionally, standardization regulations in Turkey do not apply to the activities in the free zones, unless the products are imported into Turkey. Sales to the Turkish domestic market are allowed, with goods and revenues transported from the zones into Turkey subject to all relevant import regulations. There are no restrictions on foreign firm operating in the free zones.

Taxpayers who possessed an operating license as of February 6, 2004, do not have to pay income or corporate tax on their earnings in free zones for the duration of their license. Earnings based on the sale of goods manufactured in free zones are exempt from income and corporate tax until the end of the year in which Turkey becomes a member of the European Union. Earnings secured in a free zone under corporate tax immunity and paid as dividends to real person shareholders in Turkey, or to real person or legal-entity shareholders abroad, are subject to 10 percent withholding tax. More information can be found on the Ministry of Economy’s website: www.ekonomi.gov.tr.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

According to Central Bank of Turkey data, FDI inflows of $19.5 billion in 2008 plummeted by 57 percent in 2009 to $8.4 billion due largely to the negative impact of the global financial crisis on investment flows worldwide. In 2010, FDI inflows began to rebound reaching $16.04 billion in 2011. In 2013, FDI dropped to $12.8 billion as international investors pulled back from many emerging markets.

In 2013, EU countries accounted for 52 percent of FDI capital inflow to Turkey, compared to 85.8 percent in 2011. A considerable increase for FDI inflows from Asian and Gulf countries can be seen in 2013 compared to recent years. U.S. companies accounted for 3.4 percent of FDI, compared to 5.5 percent in 2011.

In 2013, according to the Central Bank of Turkey, the breakdown of FDI inflows to Turkey’s manufacturing industry was:

- Food products, beverages and tobacco 3.35%
- Electrical and optical equipment 5.9%
- Chemical products 2.6%
- Textiles and textile products 0.57%
- Transport equipment 0.73%
- Other 6.4%

There has been a considerable decline in FDI inflows to Turkey, not only in terms of total quantity, but from a sectorial basis with a general decrease of FDI inflows to the manufacturing sector: 19.7 percent in 2013 compared with 40 percent in 2012. The only increase can be noted in the operations of the financial intermediary services (from 19.3 percent in 2012 to 36.6 percent in 2013).

FDI Inflows by Years

	2008	**2009**	**2010**	**2011**	**2012**	**2013**
FDI Total (Net)	19.504	8.411	9.038	16.049	13.224	12.872
Equity Investment (Net)	14.712	6.170	6.258	13.712	10.588	9.823
Inflows	14.747	6.252	6.238	16.057	10.759	10.199
Outflows	-35	-82	-35	-1.991	-633	-568
Intra Company Loans	1.855	459	341	-30	462	192
Real Estate (Net)	2.937	1.782	2.494	2.013	2.636	3.049

Source: Central Bank of Turkey USD million

FDI Inflows by Country/Region

Countries	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
European Union	11.076	4.928	4.719	11.462	7.303	5.278
Germany	1.237	498	597	665	491	1.846
Austria	586	1.019	1.584	2.419	1519	659
France	679	617	623	999	86	222
Netherlands	1.343	718	486	1.424	1381	1.013

U.K.	1.335	350	245	905	2044	297
Italy	249	314	25	111	154	145
Other EU Countries	5.647	1.412	1.159	4.939	1628	1.096
Other European Countries (excluding EU)	291	306	201	1.093	622	1.121
African Countries	82	2	0	0	0	221
U.S.A.	868	260	323	1.402	439	344
Canada	23	52	55	21	32	16
Central-South America and Caribbean	60	19	7	61	20	1
Asia	2.345	673	928	2.011	2.337	3.215
Near and Middle Eastern Countries	2.184	361	473	1.516	1593	2.574
Gulf Countries	1.963	209	38	196	940	1.194
Other Near and Middle Eastern Countries	96	78	45	1.316	653	1.380
Other Asian Countries	161	312	455	495	744	641

Other countries	2	12	5	7	6	3
TOTAL	**14.747**	**6.252**	**6.238**	**16.057**	**10.759**	**10.199**

Source: Central Bank of Turkey USD million

Section 5 - Government

Chiefs of State and Cabinet Members Date of Information:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

Civil law system based on various European legal systems notably the Swiss civil code; note - member of the European Court of Human Rights (ECHR), although Turkey claims limited derogations on the ratified European Convention on Human Rights

International organization participation:

ADB (nonregional member), Australia Group, BIS, BSEC, CD, CE, CERN (observer), CICA, D-8, EAPC, EBRD, ECO, EU (candidate country), FAO, FATF, G-20, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IDB, IEA, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), MIGA, NATO, NEA, NSG, OAS (observer), OECD, OIC, OPCW, OSCE, Paris Club (associate), PCA, SELEC, UN, UNCTAD, UNESCO, UNHCR, UNIDO, UNIFIL, UNRWA, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO, ZC

Exchange control

The flow of capital in and out of Turkey is regulated by Decrees to protect the value of the Turkish currency.

Treaty and non-treaty withholding tax

Turkey has exchange of information relationships with 109 jurisdictions through 81 DTCs, 5 TIEAs and 1 multilateral mechanism, Convention on Mutual Administrative Assistance in Tax Matters.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Albania	DTC	4 Apr 1994	26 Dec 1996	Unreviewed	No
Algeria	DTC	2 Aug 1994	30 Dec 1996	Unreviewed	No
Australia	DTC	29 Apr 2010	5 Jun 2013	Yes	Yes
Austria	DTC	28 Mar 2008	1 Oct 2009	No	No
Azerbaijan	DTC	9 Feb 1994	1 Sep 1997	Unreviewed	No
Bahrain	DTC	14 Nov 2005	2 Sep 2007	Yes	Yes
Bangladesh	DTC	31 Oct 1999	23 Dec 2003	Unreviewed	No
Belarus	DTC	24 Jul 1996	29 Apr 1998	Unreviewed	No
Belgium	DTC	2 Jun 1987	8 Oct 1991	Yes	No
Bermuda	TIEA	23 Jan 2012	not yet in force	Yes	Yes
Bosnia and Herzegovina	DTC	16 Feb 2005	18 Sep 2008	Unreviewed	No
Brazil	DTC	16 Dec 2010	9 Oct 2012	Yes	Yes
Bulgaria	DTC	7 Jul 1994	17 Sep 1997	Unreviewed	No
Canada	DTC	14 Jul 2009	4 May 2011	Yes	Yes
China	DTC	23 May 1995	20 Jan 1997	Yes	No
Croatia	DTC	22 Sep 1997	18 May 2000	Unreviewed	No
Czech Republic	DTC	12 Nov 1999	16 Dec 2003	Yes	No
Denmark	DTC	30 May 1991	20 Jun 1993	Yes	No
Egypt	DTC	25 Dec 1993	31 Dec 1996	Unreviewed	No
Estonia	DTC	25 Aug 2003	21 Feb 2005	Yes	No
Ethiopia	DTC	2 Mar 2005	14 Aug 2007	Unreviewed	No
Finland	DTC	6 Oct 2009	4 May 2012	Yes	Yes
Former Yugoslav Republic of Macedonia	DTC	16 Jun 1995	28 Nov 1996	Yes	No
France	DTC	18 Feb 1987	1 Jul 1989	Yes	No
Georgia	DTC	21 Nov 2007	18 Feb 2010	Unreviewed	No
Germany	DTC	22 Sep 2011	1 Aug 2012	Yes	Yes
Gibraltar	TIEA	4 Dec 2012	not yet in force	Yes	Yes
Greece	DTC	2 Dec 2003	5 Mar 2004	Yes	No

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Guernsey	TIEA	13 Mar 2012	not yet in force	Yes	Yes
Hungary	DTC	10 Mar 1993	9 Nov 1995	Yes	No
India	DTC	31 Jan 1995	1 Feb 1997	Yes	No
Indonesia	DTC	25 Feb 1997	6 Mar 2000	Yes	No
Iran	DTC	17 Jun 2002	27 Feb 2005	Unreviewed	No
Ireland	DTC	24 Oct 2008	18 Aug 2010	Yes	Yes
Isle of Man	TIEA	21 Sep 2012	not yet in force	Yes	Yes
Israel	DTC	14 Mar 1996	1 Jan 1999	Yes	No
Italy	DTC	27 Jul 1990	1 Dec 1993	Yes	No
Japan	DTC	8 Mar 1993	28 Dec 1994	Yes	No
Jersey	TIEA	24 Nov 2010	11 Sep 2013	Yes	Yes
Jordan	DTC	6 Jun 1985	3 Dec 1986	Unreviewed	No
Kazakhstan	DTC	15 Aug 1995	18 Nov 1996	Unreviewed	No
Korea, Republic of	DTC	24 Dec 1983	27 Mar 1986	Yes	No
Kosovo	DTC	10 Sep 2012	not yet in force	Unreviewed	Yes
Kuwait	DTC	6 Oct 1997	13 Dec 1999	Unreviewed	No
Kyrgyzstan	DTC	1 Jul 1999	20 Dec 2001	Unreviewed	No
Latvia	DTC	3 Jun 1999	23 Dec 2003	Unreviewed	No
Lebanon	DTC	12 May 2004	21 Aug 2006	No	No
Lithuania	DTC	24 Nov 1998	17 May 2000	Yes	No
Luxembourg	DTC	9 Jun 2003	18 Jan 2005	Yes	Yes
Malaysia	DTC	27 Sep 1994	28 Jan 1997	No	No
Malta	DTC	14 Jul 2011	13 Jun 2013	Yes	Yes
Moldova, Republic of	DTC	25 Jun 1998	28 Jul 2000	Unreviewed	No
Mongolia	DTC	12 Sep 1995	30 Dec 1996	Unreviewed	No
Montenegro	DTC	12 Oct 2005	10 Aug 2007	Unreviewed	No
Morocco	DTC	7 Apr 2004	18 Jul 2006	Unreviewed	No
Netherlands	DTC	27 Mar 1986	30 Sep 1988	Yes	No
New Zealand	DTC	22 Apr 2010	28 Jul 2011	Yes	Yes
Norway	DTC	15 Jan 2010	15 Jun 2011	Yes	Yes
Oman	DTC	31 May 2006	15 Mar 2010	Unreviewed	No
Pakistan	DTC	14 Nov 1985	8 Aug 1988	Unreviewed	No
Poland	DTC	3 Nov 1993	1 Jan 1998	Yes	No
Portugal	DTC	11 May 2005	18 Dec 2006	Yes	No
Qatar	DTC	25 Dec 2001	11 Feb 2008	Yes	No
Romania	DTC	1 Jul 1986	15 Sep 1988	Unreviewed	No
Russian Federation	DTC	15 Dec 1997	1 Jan 2000	No	No
Saudi Arabia	DTC	9 Nov 2007	1 Apr 2009	Unreviewed	No
Singapore	DTC	9 Jul 1999	27 Aug 2001	No	No
Slovakia	DTC	2 Apr 1997	2 Dec 1999	Yes	No
Slovenia	DTC	19 Apr 2001	23 Dec 2003	Yes	No
South Africa	DTC	3 Mar 2005	6 Dec 2006	Yes	No
Spain	DTC	5 Jul 2002	18 Dec 2003	Yes	No
Sudan	DTC	26 Aug 2001	31 Jan 2005	Unreviewed	No
Sweden	DTC	21 Jan 1988	18 Nov 1990	Yes	No

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Switzerland	DTC	18 Jun 2010	8 Feb 2012	No	Yes
Syrian Arab Republic	DTC	6 Jan 2004	21 Aug 2004	Unreviewed	No
Tajikistan	DTC	6 May 1996	26 Dec 2001	Unreviewed	No
Thailand	DTC	11 Apr 2002	13 Jan 2005	Unreviewed	No
Tunisia	DTC	2 Oct 1986	28 Dec 1987	Unreviewed	No
Turkey Republic of Northern Cyprus	DTC	22 Dec 1987	30 Dec 1988	Unreviewed	No
Turkmenistan	DTC	17 Aug 1995	24 Jun 1997	Unreviewed	No
Ukraine	DTC	27 Nov 1996	29 Apr 1998	Unreviewed	No
United Arab Emirates	DTC	29 Jan 1993	29 Jan 1994	Yes	No
United Kingdom	DTC	19 Feb 1986	26 Oct 1988	Yes	No
United States	DTC	28 Mar 1996	19 Dec 1997	Yes	No
Uzbekistan	DTC	8 May 1996	30 Sep 1997	Unreviewed	No
Yemen	DTC	26 Oct 2005	16 Mar 2010	Unreviewed	No

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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