

**Prime Ministry
Undersecretariat of Treasury**



**FOREIGN DIRECT INVESTMENT
AND
INVESTMENT CLIMATE REFORM**

**Berrin Bingöl
Director General for Foreign Investment**

May 11, 2010

OUTLINE



- **STATISTICS AND RESEARCH**
- **INVESTMENT CLIMATE REFORM**
- **INTERNATIONAL RELATIONS**
- **INVESTMENT INCENTIVE SYSTEM**

**Prime Ministry
Undersecretariat of Treasury**



FOREIGN DIRECT INVESTMENT FIGURES

**A. Caner GÜRER
Head of Department
General Directorate of Foreign Investment**

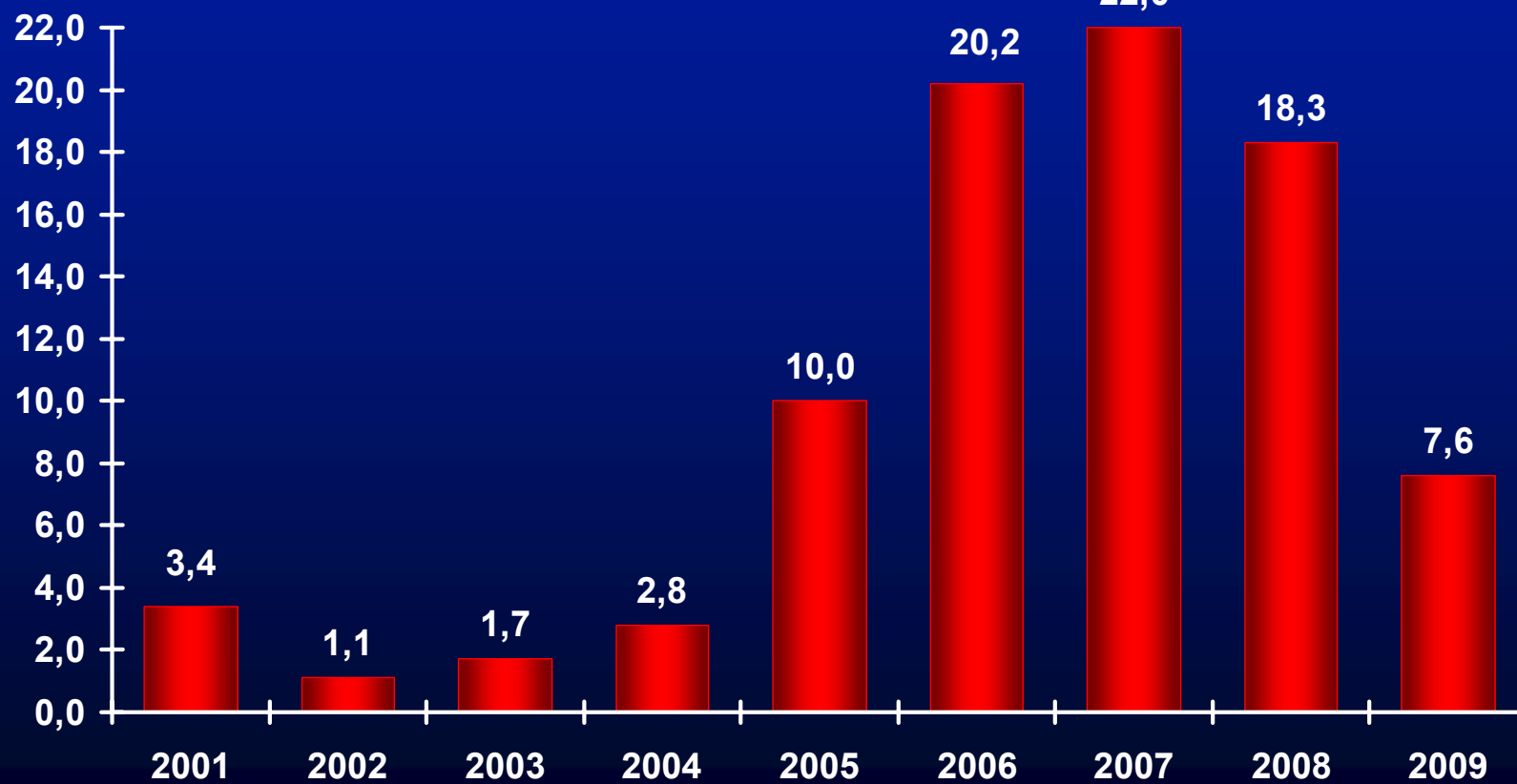
May 11, 2010

FDI Figures



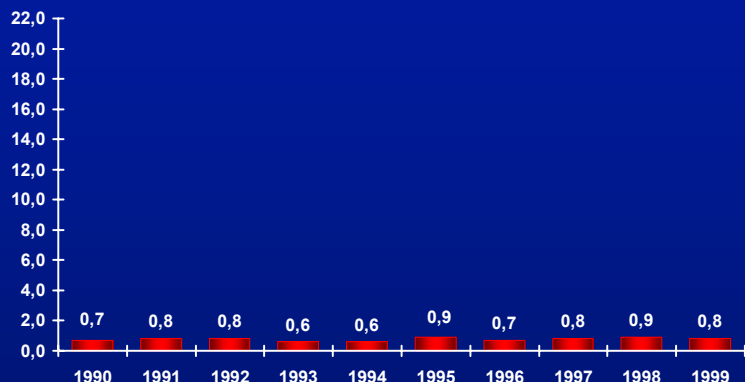
Inflows

USD Billion

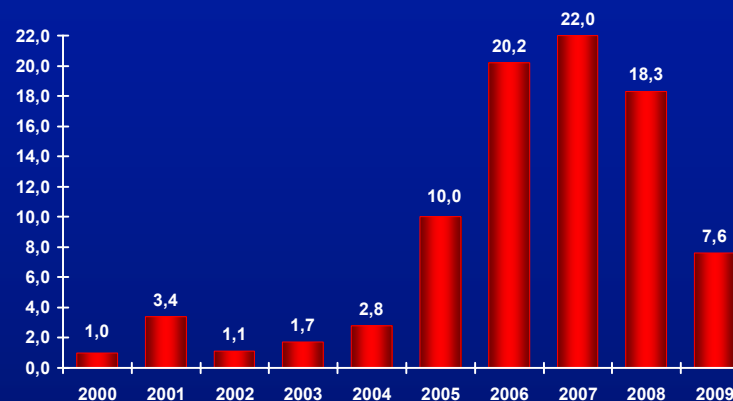


Source: CBRT, 2010 February

FDI Figures



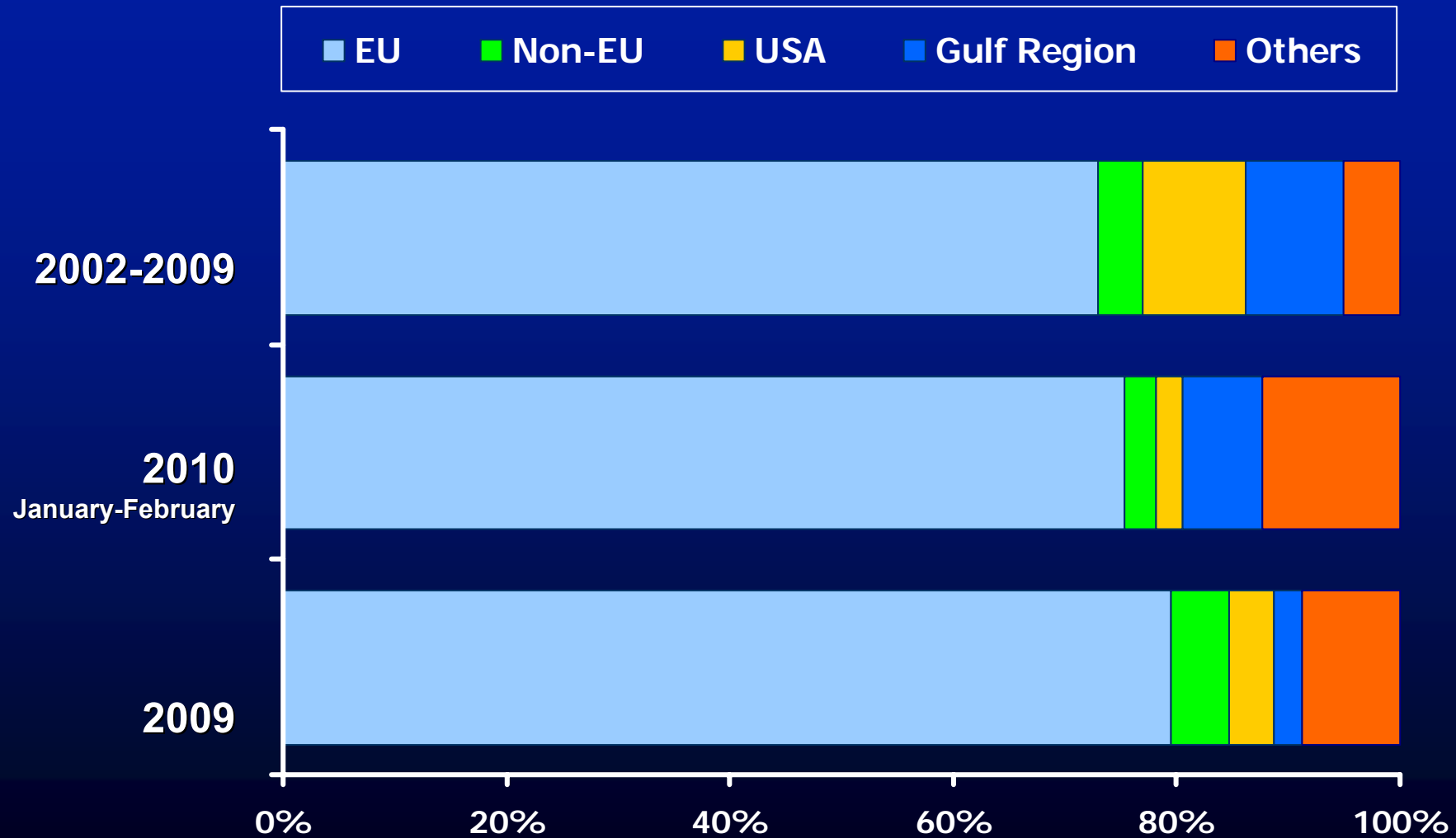
Source: CBRT, 2010 February



Source: CBRT, 2010 February

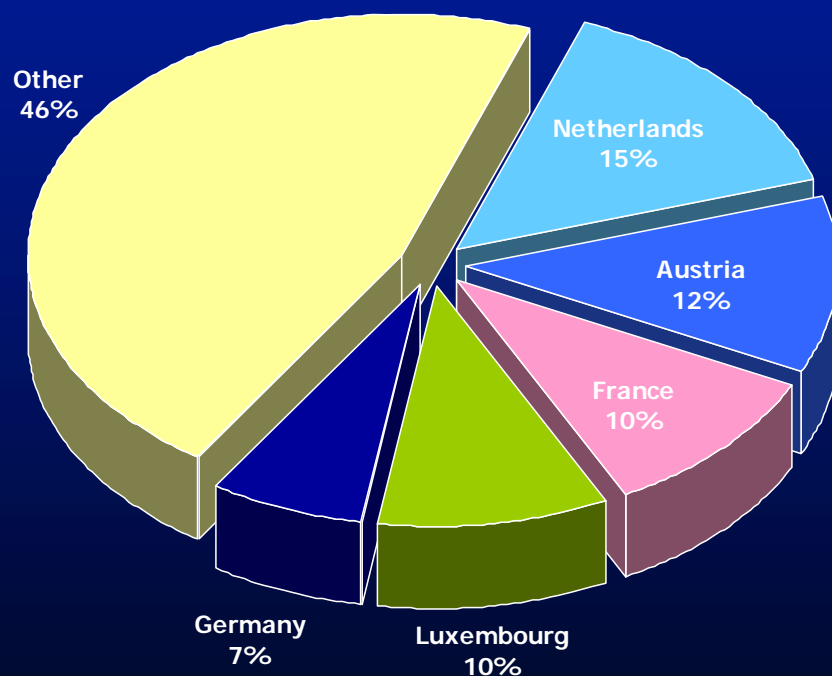
Compared to the last ten years, the average annual foreign direct investment to Turkey in the 2000s has increased about elevenfold.

Shares of Home Country Groups in Inflows

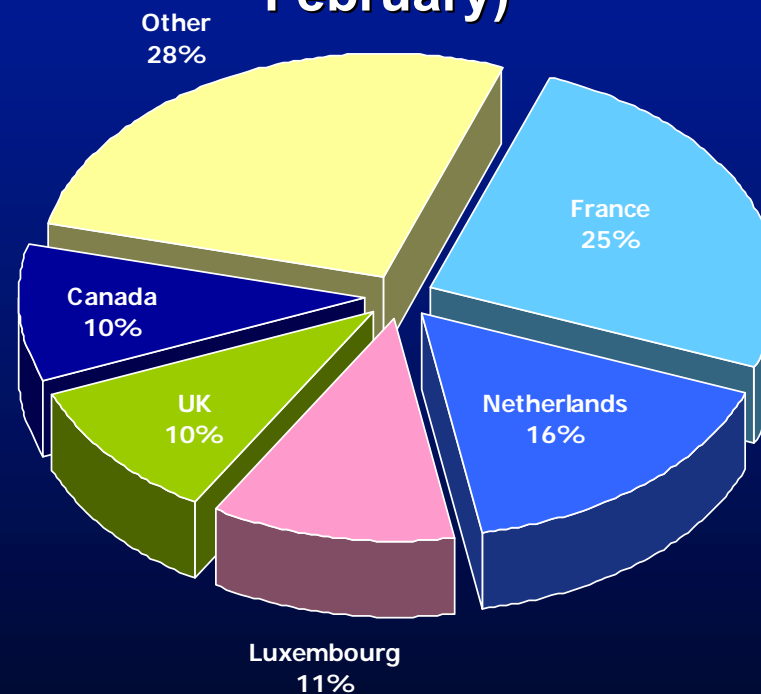


Top Five Countries

Top Five Home Countries in 2009



Top Five Home Countries in 2010 (At the end of February)



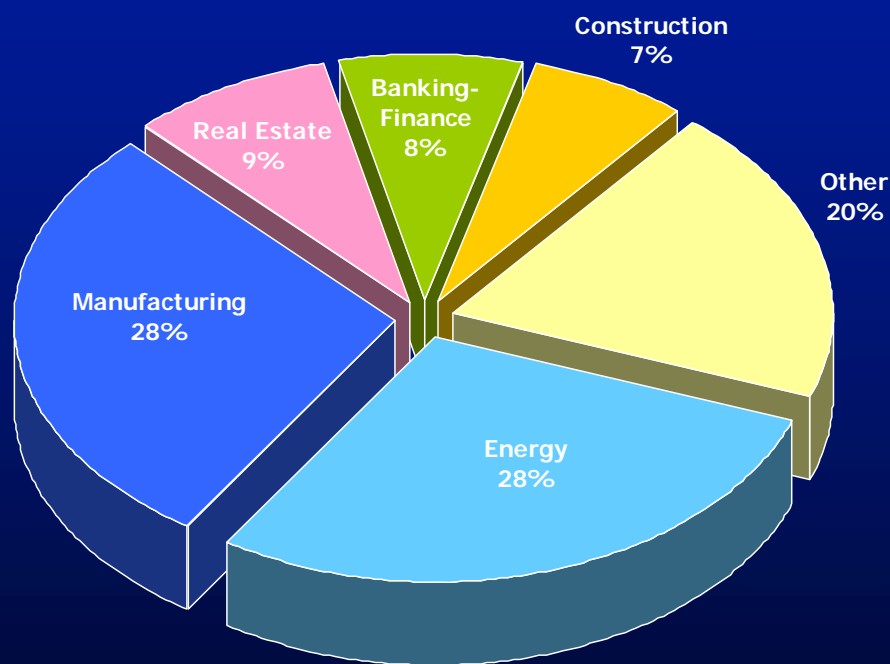
Ordering is based on the number of companies.

Source: CBRT, 2010 February

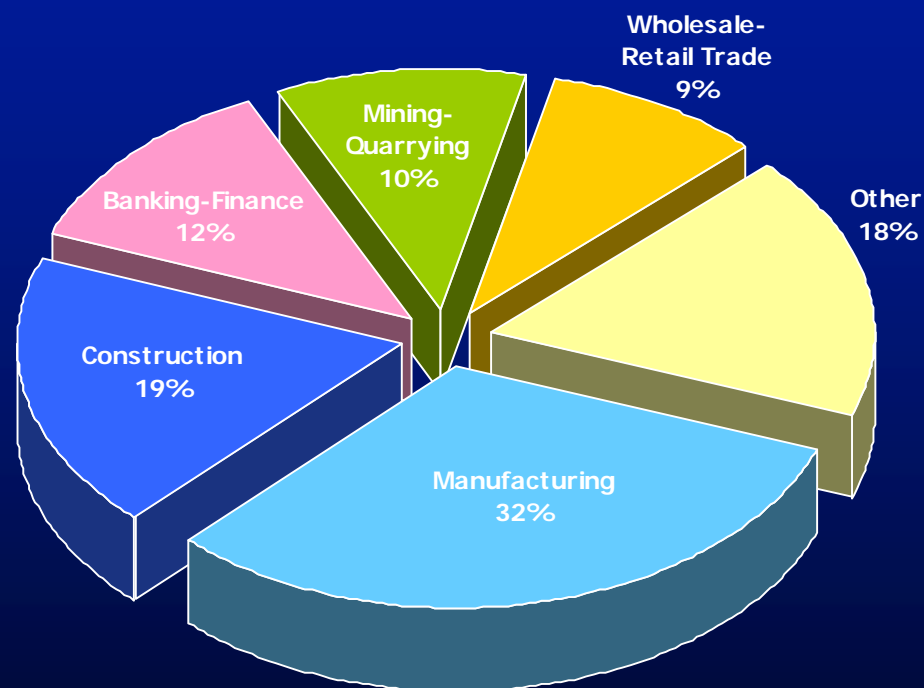


Top Five Sectors

Top Five Sectors in 2009



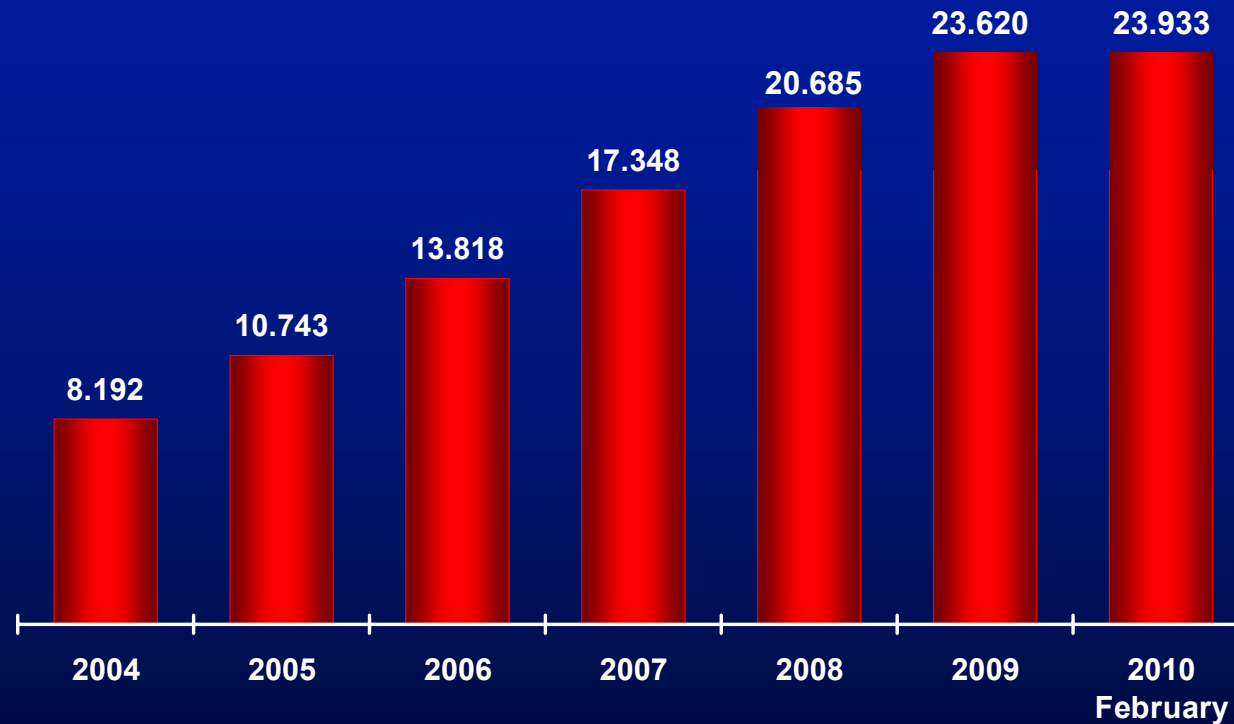
Top Five Sectors in 2010 (At the end of February)



Ordering is based on equity capital inflow.

Source: CBRT, 2010 February

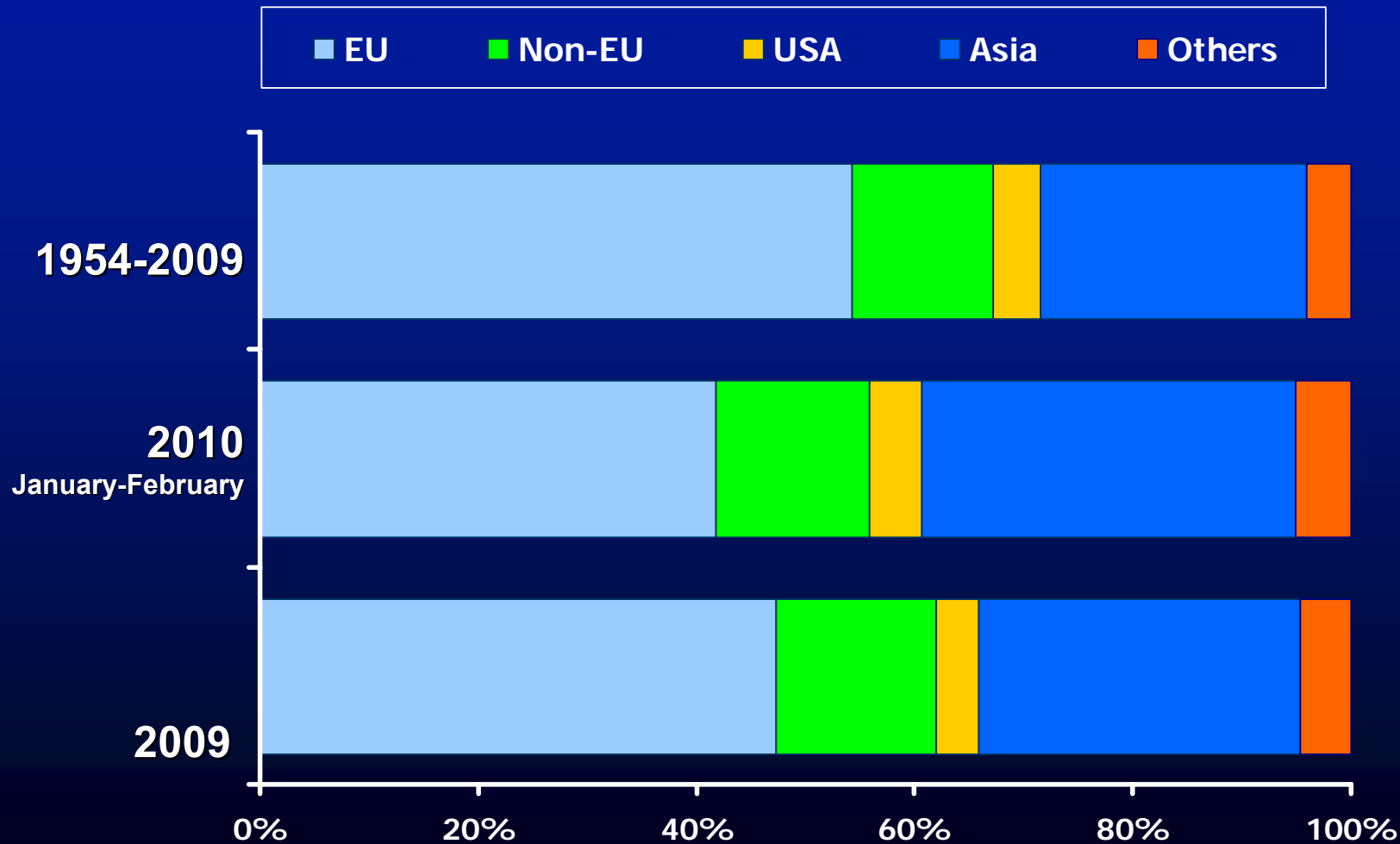
Number of Companies with Foreign Capital (Cumulative)



Source: Turkish Treasury, 2010 February

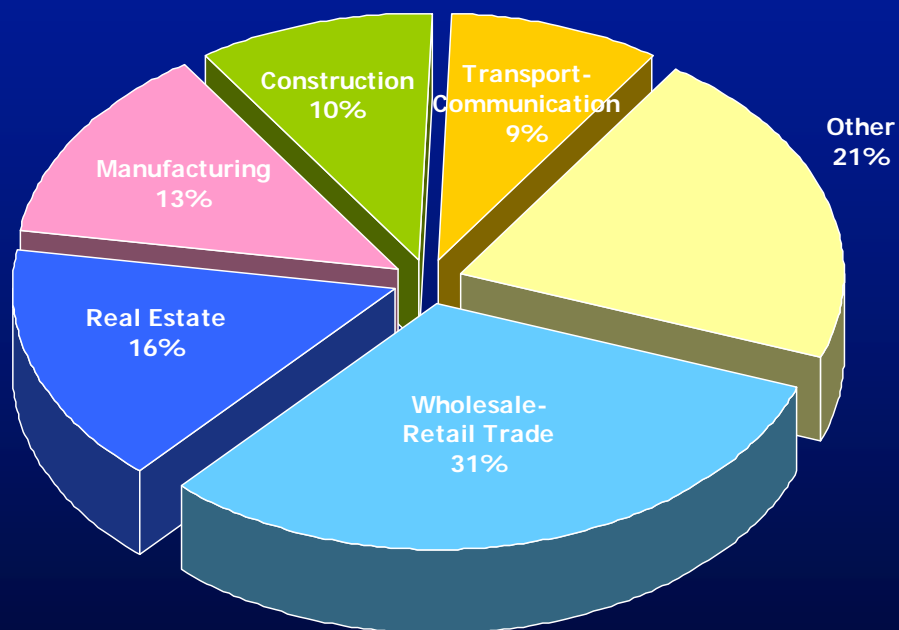
Compared to the last 10 years, the average annual number of companies with foreign capital in Turkey in the 2000s has increased about sevenfold.

Shares of Home Country Groups in the Number of Companies

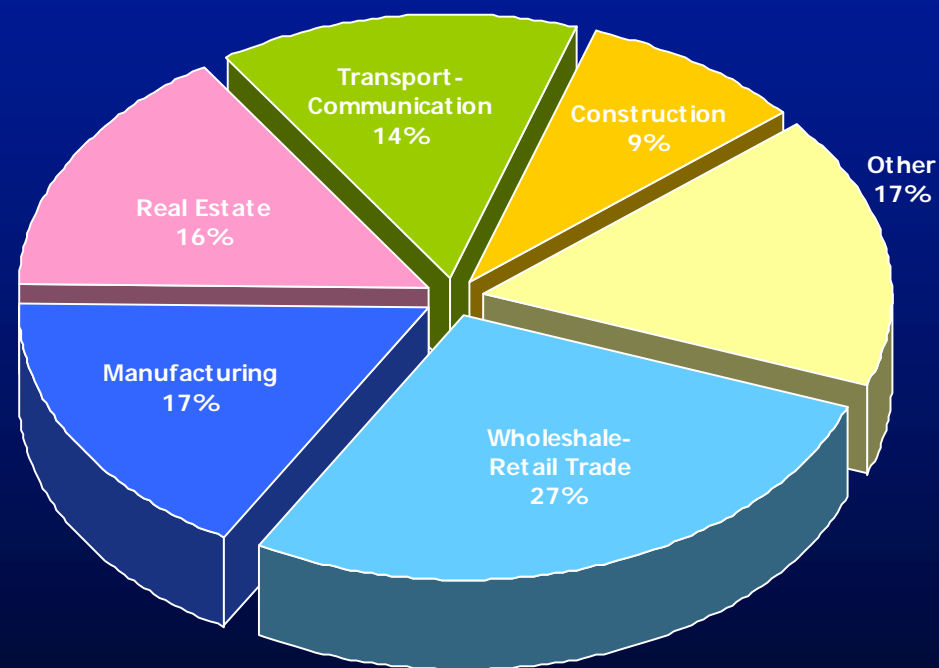


Top Five Sectors

Top Five Sectors in 2009



Top Five Sectors in 2010 (At the end of February)

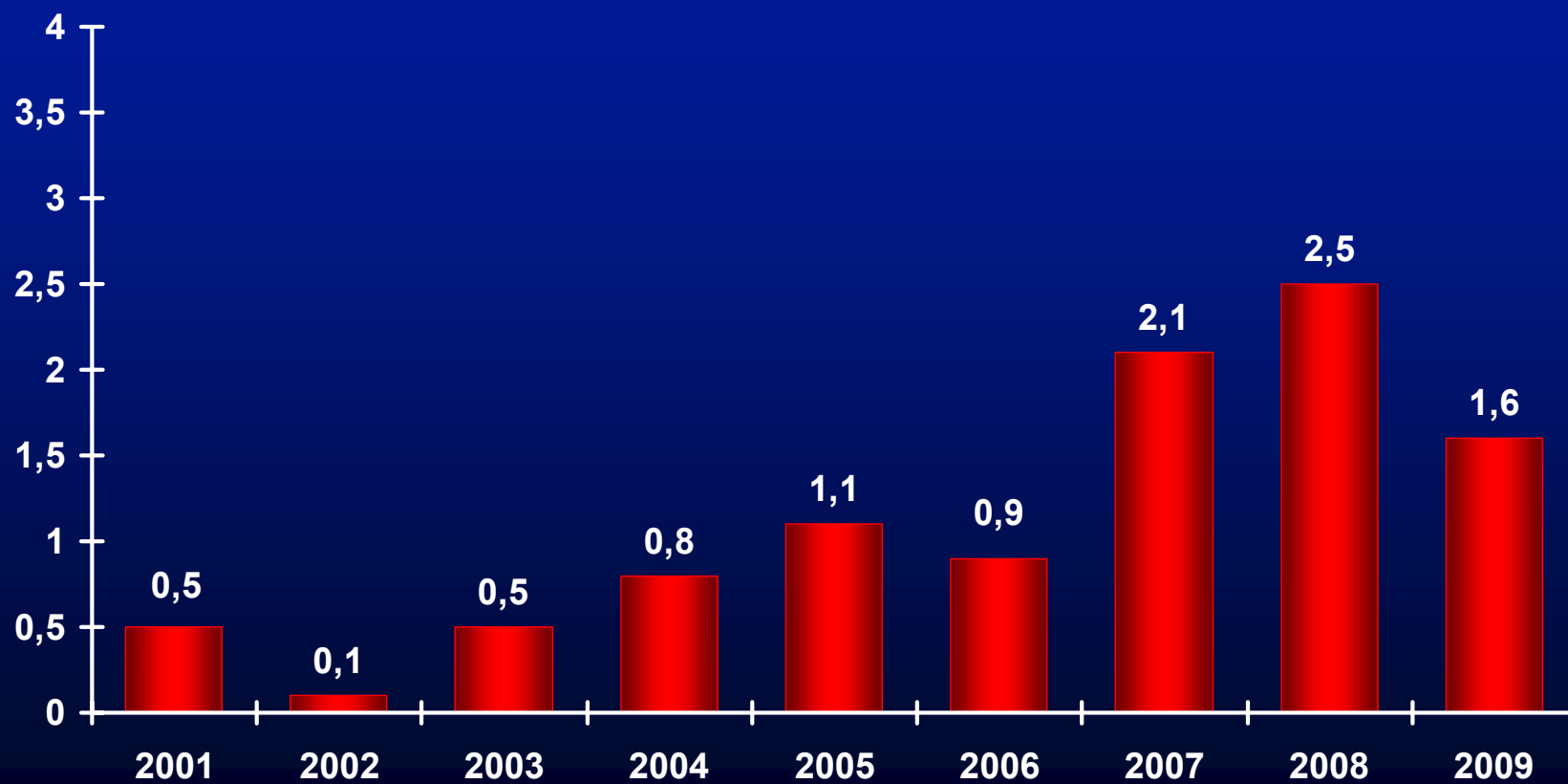


Source: Turkish Treasury, 2010 February

FDI Outflows



USD Billion



Source: CBRT, 2010 February

UNCTAD World Investment Report 2009



- Published in September 2009
- Turkey was ranked 20th in the world, and 9th among the developing countries in terms of annual volume of FDI inflow in 2008.

Estimates for 2010



- 2008 → \$1.7 trillion
2009 → \$1.0 trillion (UNCTAD estimate as of 2010)

- 2009 FDI inflows to Turkey → \$7.6 billion

- FDI inflows to Turkey have become increasingly healthier in terms of balance between number of investors and amount of inflow.

Share of large scale cross border merger&acquisitions in total inflow in Turkey

- 2006 → **83,3%**
 - 2007 → **73,3%**
 - 2008 → **59,8%**
 - 2009 → **30,8%**
- Turkey's share in total world FDI stabilized around 1% in the last four years



Publications

1-“Foreign Direct Investments in Turkey 2009” will be published in June, 2010.

OUTLINE

- 2009 OVERVIEW
 - *World FDI Flows*
 - *FDI Inflows to Turkey*
 - *Number of Companies with Foreign Capital in Turkey*
 - *Investment Projects of the Foreign Investors in Turkey*

- INVESTING COUNTRIES IN TURKEY

- SECTORS WITH THE HIGHEST LEVEL OF FDI IN TURKEY IN 2009

- ACTIVITIES TO INCREASE THE FDI
 - *Improving the Investment Environment*
 - *International Agreements for the Promotion of FDI*

web: www.treasury.gov.tr (FDI in Turkey)



Publications

2- "International Direct Investment Information Bulletin" is published monthly.

OUTLINE

- **INTERNATIONAL DIRECT INVESTMENT INFLOW**
 - *Developments in February 2010*
 - *Developments in the 2010 January-February Period*

- **NUMBER OF COMPANIES WITH INTERNATIONAL CAPITAL**
 - *Developments in February 2010*
 - *Developments in the 2010 January-February Period*
 - *Companies with international capital in Turkey*

- **INVESTMENT PROJECTS**

web: www.treasury.gov.tr (FDI in Turkey)

**Prime Ministry
Undersecretariat of Treasury**



Contact Info:

Ali Caner GÜRER
Head of Department
Statistics and Research
General Directorate of Foreign Investment
E-mail: caner.gurer@hazine.gov.tr
Phone: 0 312 212 5875
Fax: 0 312 212 8916

STATISTICS AND RESEARCH

**Prime Ministry
Undersecretariat of Treasury**



**FOREIGN DIRECT INVESTMENT
AND
INVESTMENT CLIMATE REFORM**

**Mehmet DÜNDAR
Head of Department
YOIKK, IAC & FDI Legislation**

May 11, 2010

No More Red Tape



OUTLINE

- **Reform Program for Improvement of the Investment Environment- Turkey**
 - ▶ **Coordination Council for the Improvement of Investment Environment (YOIKK)**
 - **Structure of YOIKK**
 - **YOIKK Working Principles**
 - **Action Plans**
 - ▶ **Investment Advisory Council**
 - ▶ **YOIKK Portal**
- **Experience Sharing Program**
- **Improvement in International Indices**



Reform Program



- Reform Program for Improvement of the Investment Environment was initiated in 2001, by a Council of Ministers Decision.

The Purpose of the Reform Program

- To streamline the investment-related procedures,
- To eliminate administrative and bureaucratic bottlenecks,
- To attract more domestic and foreign investment,
- To promote public-private partnership,
- To help growth of SMEs,
- To contribute to sustainable economic growth.

To create an investor friendly environment



To increase competitiveness



Structure of YOIKK



YOIKK Working Principles

AGENDA SETTING

- Recommendations of public institutions
- Recommendations of private sector
- Assessments in international indices and publications
- IAC recommendations
- Technical Committee Action Plans
- Basic policy guides

WORKING



OUTCOMES

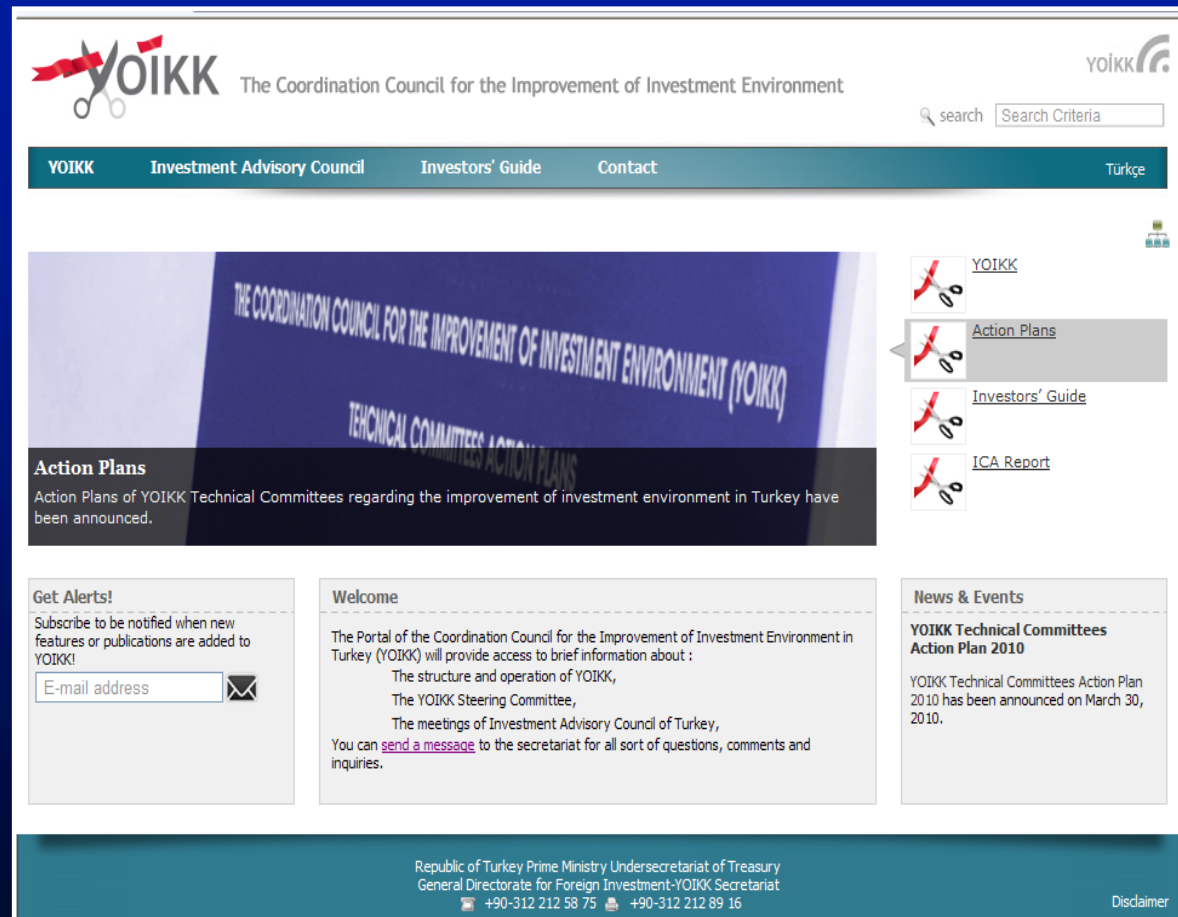
- Draft regulations
- Institutional capacity building
- Recommendations related to enforcement

Council of Ministers is regularly informed about YOIKK studies.

Monitoring & Performance Evaluation

Annual Action Plans since 2007 to provide monitoring and performance evaluation

YOIKK Technical
Committee
Action Plans-2010



The screenshot displays the YOIKK website interface. At the top, the YOIKK logo is accompanied by the text 'The Coordination Council for the Improvement of Investment Environment'. A search bar and a navigation menu with links for 'YOIKK', 'Investment Advisory Council', 'Investors' Guide', 'Contact', and 'Türkçe' are visible. The main content area features a large banner image of a blue folder labeled 'THE COORDINATION COUNCIL FOR THE IMPROVEMENT OF INVESTMENT ENVIRONMENT (YOIKK) TECHNICAL COMMITTEES ACTION PLANS'. Below the banner, the 'Action Plans' section is highlighted, with a sub-header 'Action Plans' and a brief announcement: 'Action Plans of YOIKK Technical Committees regarding the improvement of investment environment in Turkey have been announced.' To the right, a vertical menu lists 'YOIKK', 'Action Plans', 'Investors' Guide', and 'ICA Report'. Below the main content, there are three boxes: 'Get Alerts!' with a subscription form, 'Welcome' with introductory text and contact information, and 'News & Events' with a specific announcement about the 2010 Action Plan. The footer contains contact details for the YOIKK Secretariat and a disclaimer.



Investment Advisory Council



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



Investment Advisory Council of Turkey had 5 meetings so far.

V. Meeting	June 18, 2008
IV. Meeting	June 11, 2007
III. Meeting	June 29, 2006
II. Meeting	April 29, 2005
I. Meeting	March 15, 2004

The 6th meeting will be held in June, 2010.



Investment Advisory Council



List of Countries

Canada
France
Germany
Holland
Israel
Italy
Japan
Kuwait
Luxembourg
S.Korea
Spain
Switzerland
UK
USA

List of Companies

Alshaya	Indesit Company SpA
American International Group	ISCAR Ltd.
Arcelor Mittal	ITOCHU Corporation
Benetton Group SpA	Mango
BNP Paribas	Metro Group
Cisco Systems	Mitsui Co. Ltd.
Citigroup Inc.	Nestlé
Corus Group	Newmont Mining Corporation
Daimler Chrysler AG	Nortel Networks Corporation
Danone Group	Novartis International AG
Eldorado Gold Corporation	Nunhems BV
Fiat SpA	Renault Group
Finmeccanica SpA	Rio Tinto
Ford Motor Company	Siemens AG
GE Money	Toyota Motor Corporation
Hyundai Motor Company	Unicredit Group
	Unilever N.V



IAC Progress Reports

IAC Progress Report 2009

Recommendations of the Council members, which are aroused during the IAC meetings, are announced to the public at the end of each meeting via declaration of outcomes. These recommendations are assessed by YOIKK Technical Committees and relevant institutions via YOIKK action plans measured annually. Results and achievements recorded during the year are presented in the IAC progress reports. Investment Advisory Council for Turkey Progress Report can be reached at www.yoikk.gov.tr/eng.



YOIKK Portal



The Coordination Council for the Improvement of Investment Environment



search

- YOIKK
- Investment Advisory Council
- Investors' Guide
- Contact
- Türkçe



YOIKK

YOIKK portal presents information on works of YOIKK Technical Committees and Investment Advisory Council.

- [YOIKK](#)
- [Action Plans](#)
- [YOIKK Bulletin](#)
- [Investors' Guide](#)

Get Alerts!

Subscribe to be notified when new features or publications are added to YOIKK!

Welcome

The Portal of the Coordination Council for the Improvement of Investment Environment in Turkey (YOIKK) will provide access to brief information about :

- The structure and operation of YOIKK,
- The YOIKK Steering Committee,
- The meetings of Investment Advisory Council of Turkey,

You can [send a message](#) to the secretariat for all sort of questions, comments and inquiries.

News & Events

YOIKK Technical Committees Action Plan 2010

YOIKK Technical Committees Action Plan 2010 has been announced on March 30, 2010.





YOİKK Bulletin

The first YOİKK Bulletin was published.

Index

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[YOİKK](#)



[Action Plans](#)



[YOİKK Bulletin](#)



[Investors' Guide](#)

News & Events

YOİKK

The Coordination Council for the Improvement of Investment Environment (YOİKK) Portal is re-designed!

Home » Investor' Guide



Get Alerts!













Subscribe to be notified when new features or publications are added to YOIKK!



News & Events

YOIKK Technical Committees Action Plan 2010

YOIKK Technical Committees Action Plan 2010 has been announced on March 30, 2010.

<p>Company Registration</p> 	<p>Work Permits</p> 
<p>Licences</p> 	<p>Land for Investment</p> 
<p>Real Estate & Registering Property</p> 	<p>Taxation & Government Incentives</p> 
<p>Foreign Trade</p> 	<p>Intellectual Property Rights</p> 
<p>Establishment of Liaison Offices</p> 	<p>SMEs</p> 
<p>Corporate Governance</p> 	<p>R&D Law</p> 



Get Alerts!

Subscribe to be notified when new features or publications are added to YOIKK!



News & Events

FDI Bulletin April 2010

FDI Bulletin April 2010 has been published.

Company Registration



Turkey's Experience Sharing Program on Investment Climate Reform

Content of the Program

Two main linkages: Global trends and Turkey's experience in the improvement of investment climate.

The program aims at providing information on:

- Importance of investment climate on FDI inflows,
- Success stories on the country experiences,
- Corporate capacity requirements,
- Importance of public private partnership in reform process,
- Turkey's hands-on experience in the investment climate reforms,
- The main criteria behind Turkey's success in implementing reform program,
- Awareness building in disseminating the improvements in the investment climate reform program.



Kyrgyz Delegation-2008



Iraqi Delegation-2008



Improvement in International Indices



	Ranking of Turkey/2010	no of Countries/2010	Change (2006-2010)
Economic Freedom Index – Heritage Foundation	67	183	18
Ease of Doing Business Index - Doing Business Report	73	183	11
World Economic Forum - Global Competitiveness Report	61	133	10

**Prime Ministry
Undersecretariat of Treasury**



Contact Info:

Mehmet DÜNDAR
Head of Department
YOIKK, IAC & FDI Legislation
General Directorate of Foreign Investment
Web: www.yoikk.gov.tr/eng
E-mail: info@yoikk.gov.tr
Phone: 0 312 212 5877
Fax: 0 312 212 8916

**Prime Ministry
Undersecretariat of Treasury**



**DEPARTMENT OF INTERNATIONAL
RELATIONS**

**Zergül Özbilgiç
Head of Department**

May 2010

OUTLINE



INTERNATIONAL RELATIONS

- ✓ **Bilateral Investment Treaties (BITs)**
- ✓ **Relations with Multinational Organizations**
- ✓ **Negotiations with the EU**

BITs



- Wide web of Bilateral Investment Treaties (BITs)
- An important tool;
 - to promote foreign investors to invest in Turkey and protect their investments
 - to protect Turkish investments abroad

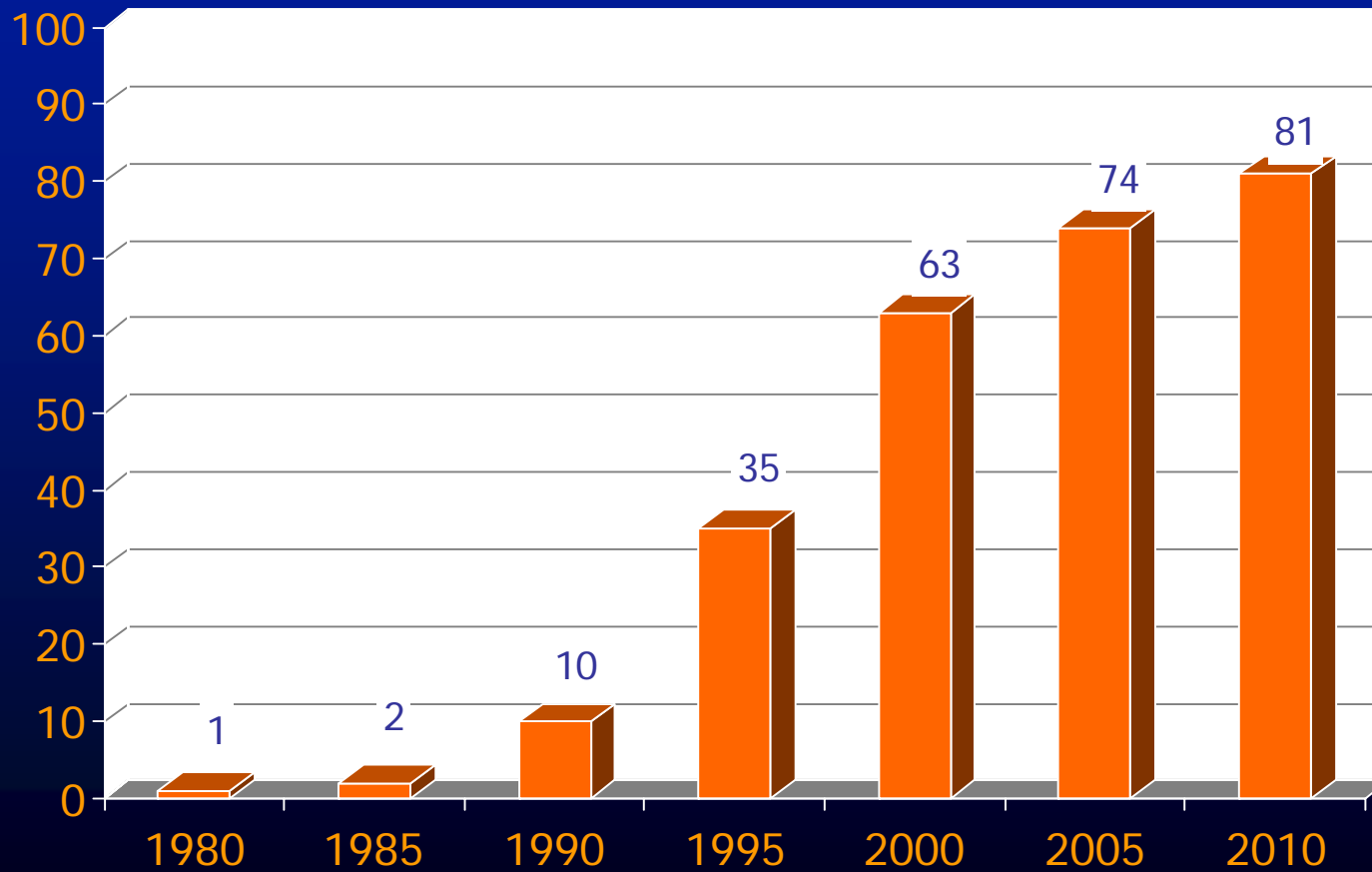


Main Principles of Turkey's BITs

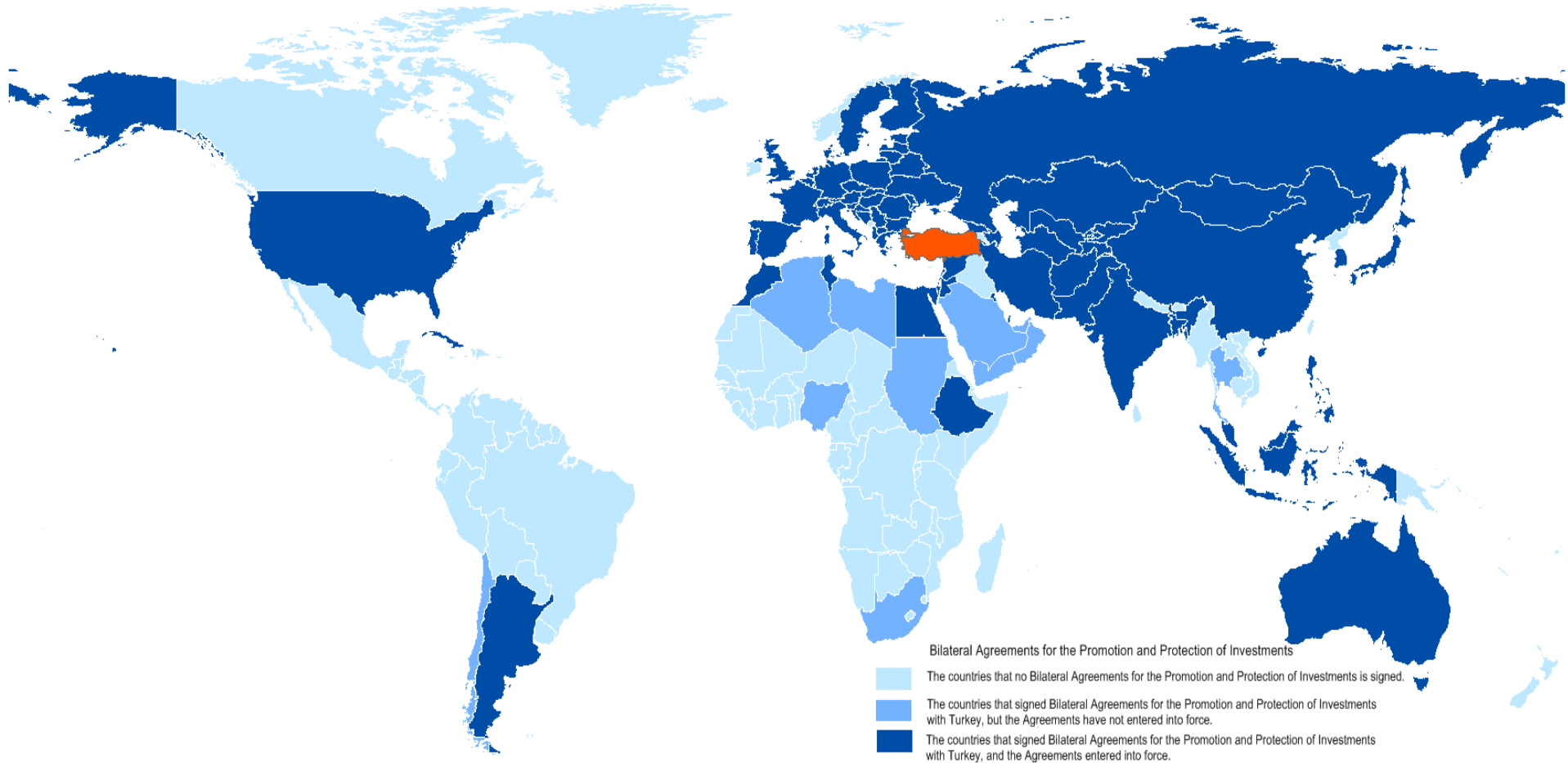


- FAIR AND EQUITABLE TREATMENT OF FOREIGN DIRECT INVESTMENTS
- MOST FAVORED NATION AND NATIONAL TREATMENT FOR FOREIGN DIRECT INVESTMENTS
- PROTECTION AGAINST EXPROPRIATION
- COMPENSATION FOR LOSSES
- GUARANTEE FOR TRANSFER OF RETURNS & PROFITS
- ACCESS FOR FOREIGN INVESTORS TO INTERNATIONAL ARBITRATION
(ICSID & Ad Hoc Arbitration)

Cumulative Number of Bilateral Investment Treaties



Turkey's Web of BITs



Turkey's Web of BITs





Negotiations

- Negotiations with EU Countries to Renew Existing BITs:
 - Austria
 - Belgium-Luxembourg
 - Finland
 - The Netherlands

Negotiations



- Negotiations with the Countries Around the Globe:
 - People's Republic of China
 - Kuwait
 - Mexico
 - Socialist Republic of Vietnam

Relations With Africa



- “Opening up to Africa Policy” since 1998.
- In this context:
 - BIT Agreements under negotiation
 - Senegal,
 - Democratic Republic of Congo
 - East African Community (Burundi, Kenya, Rwanda, Tanzania, Uganda)

Relations With International Organizations



- Donor country in the OECD-MENA, OECD-EURASIA Program;
- Active participant of the OECD Committees on FDI related issues:
 - OECD Investment Committee;
 - OECD Working Group on International Investment Statistics;
 - OECD Working Party on Globalization of Industry;
- National Contact Point for the OECD Guidelines for Multinational Enterprises.

Relations With International Organizations



- Active participant of UNCTAD Conferences & Seminars on International Investment Agreements;
- Participated negotiations for the finalization of Regional Investment Promotion and Protection Agreement between Economic Cooperation Organization (ECO) countries;
- Participant of the Standing Committee for Economic and Commercial Cooperation (COMCEC) activities among Organization of Islamic Countries (OIC).

Negotiation With EU



Chapters Involved

- Free Movement of Workers
- Right of Establishment and Freedom To Provide Services
- *Free Movement of Capital (Opened in December 2008)*
- Company Law
- Competition Policy
- Energy
- Statistics
- Enterprise and Industry Policies
- External Relations

**Prime Ministry
Undersecretariat of Treasury**



Contact Info:

Zergül ÖZBİLGİÇ
Head of Department
International Relations
General Directorate of Foreign Investment
E-mail: zergul.ozbilgic@hazine.gov.tr
Phone: 0 312 212 5879
Fax: 0 312 212 8916

INTERNATIONAL RELATIONS

**Prime Ministry
Undersecretariat of Treasury**



INVESTMENT INCENTIVE SYSTEM

**Dr. Erdal Bal
General Directorate of Foreign Investment**

May 11, 2010

OUTLINE



1. **The goals of new system**
2. **Incentive measures**
3. **The structure of new system**
4. **Regional system**
5. **Large scale investments**
6. **General System**

Goals



- **To diminish regional development discrepancies**
- **To ensure sectoral clustering**
- **To prioritize economies of scale criteria in investments and to support technology and R&D based large scale investments**

Incentive Measures



- I. **Customs Duty Exemption**
- II. **VAT Exemption**
- III. **Reduced Corporate/Income Tax Rate**
- IV. **Support for Employer's Contribution for Social Security**
- v. **Interest Rate Support**
- VI. **Land Allocation**

Incentive Measures



I. Customs Duty Exemption

Exemption of Customs Duty for imported machinery and equipment

Incentive Measures



II. VAT Exemption

VAT exemption for both imported and domestically procured machinery and equipment

Incentive Measures



III. Reduced Tax Rate

- Reduction of Corporate Tax Rate at a rate within a range from 25% to 90%
- Percentage of support for investments changing from 10% to 70%
- Practice of a reduced corporate or income tax rate until the cumulative reduction is reached to a certain percentage of investment amount
- Applies only to earnings pertaining to supported investment

Incentive Measures



IV. Support for Employer's Contribution for Social Security

Payment of employer's share for social security contribution by Treasury

Incentive Measures



V. Interest Rate Support

For the credits that are used by the investor within the scope of the Incentive Certificate

- 3 to 5 points of interest for TL denominated loans
- 1 to 2 points of interest for foreign currency denominated loans

Incentive Measures



VI. Land Allocation

For the projects that satisfy certain conditions, free allocation of land

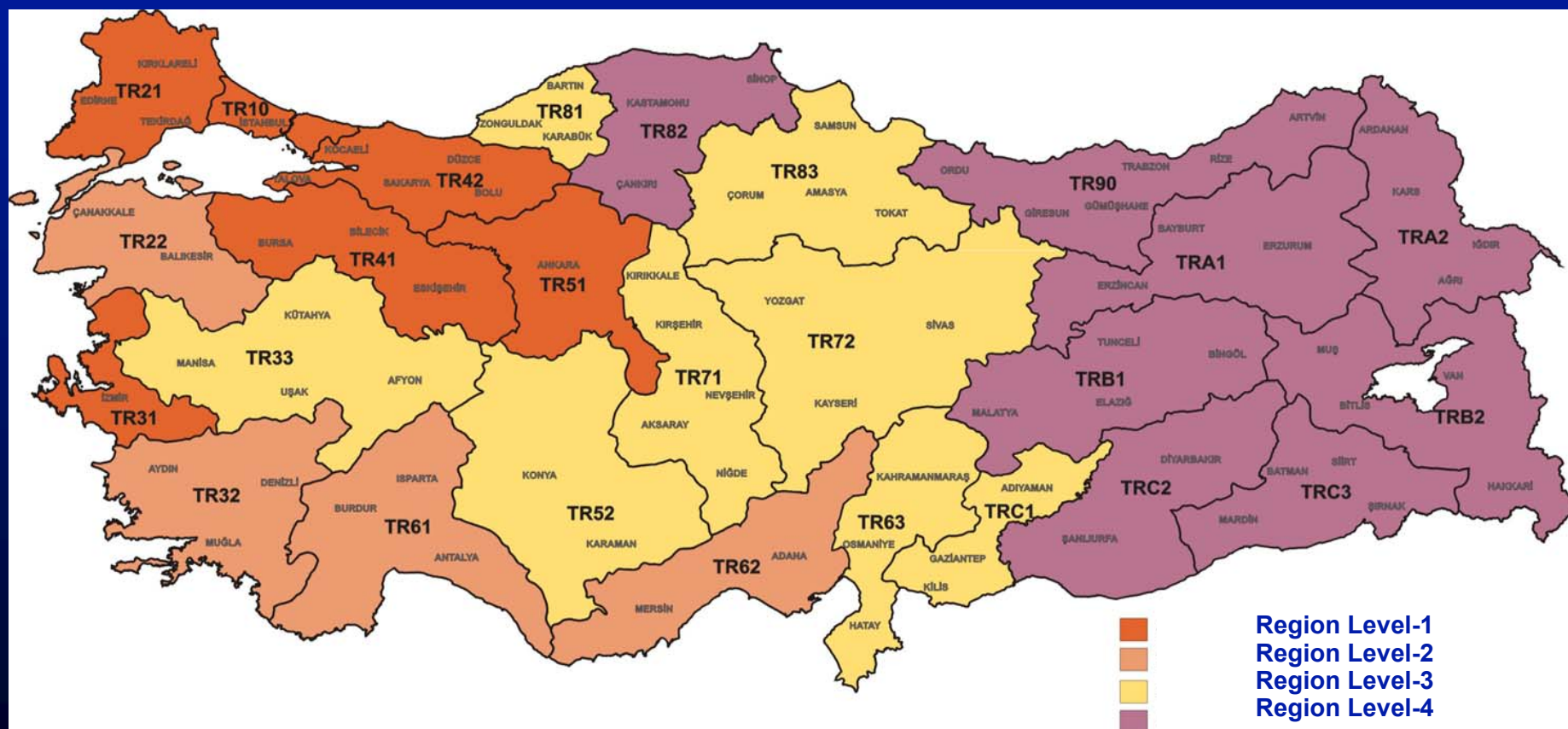
The Structure



- **Regional System**
- **Large Scale Investments**
- **General System**

Regional Classification

4 Regions have been established depending on development level



An user-friendly, interactive map: www.hazine.gov.tr

Regional System



- Potentials of the regions
- Economies of scale
- Positive list approach

Regional System



- **Customs Duty Exemption**
- **VAT Exemption**
- **Reduced Corporate/Income Tax Rate**
- **Support for Employer's Contribution for Social Security**
- **Interest Rate Support (3rd and 4th Regions)**
- **Land Allocation**

Regional System



INCENTIVE MEASURES	FOR INVESTMENTS STARTING BEFORE 31.12.2010				FOR INVESTMENTS STARTING AFTER 31.12.2010			
	REGION I	REGION II	REGION III	REGION IV	REGION I	REGION II	REGION III	REGION IV
REDUCED TAX RATE								
Percentage of Support Ratio (%)	20	30	40	60	10	15	20	25
Tax Reduction Ratio (%)	50	60	80	90	25	40	60	80
SUPPORT FOR EMPLOYER'S CONTRIBUTION ON SOCIAL SECURITY	2 YRS	3 YRS	5 YRS	7 YRS	-	-	3 YRS	5 YRS
INTEREST RATE SUPPORT								
TL Denominated Loans (points)	-	-	3	5	-	-	3	5
Foreign Currency Denominated Loans (points)	-	-	1	2	-	-	1	2
LAND ALLOCATION	FOR ALL THE INVESTMENTS THAT UTILIZE FROM REGIONAL INCENTIVE SYSTEM				FOR ALL THE INVESTMENTS THAT UTILIZE FROM REGIONAL INCENTIVE SYSTEM			
VAT EXEMPTION	FOR ALL THE INVESTMENTS				FOR ALL THE INVESTMENTS			
CUSTOMS DUTY EXEMPTION	FOR ALL THE INVESTMENTS				FOR ALL THE INVESTMENTS			

Large Scale Investments



Goals:

- **Improvement of Technology and R&D Capacity**
- **Improvement of Competitiveness**

Large Scale Investments



1	CHEMICAL PRODUCTS
2	REFINED PETROLEUM PRODUCTS
3	TRANSIT PIPE LINE TRANSPORTATION SERVICES
4	AUTOMOTIVE OEM
5	RAILWAY AND TRAM LOCOMOTIVES AND/OR RAILWAY CARS
6	HARBOURS AND HARBOUR SERVICES
7	ELECTRONICS
8	MEDICAL, HIGH PRECISION AND OPTICAL EQUIPMENT
9	PHARMACEUTICALS
10	AIRCRAFT AND SPACE VEHICLES
11	MACHINERY
12	MINING INVESTMENTS

Large Scale Investments



The Incentive Measures for Large Scale Investments:

- **Customs Duty Exemption**
- **VAT Exemption**
- **Reduced Corporate/Income Tax Rate**
- **Support for Employer's Contribution for Social Security**
- **Land Allocation for Investors**

Large Scale Investments



LARGE SCALE INVESTMENTS INCENTIVE MEASURES	FOR INVESTMENTS STARTING BEFORE 31.12.2010				FOR INVESTMENTS STARTING AFTER 31.12.2010			
	REGION I	REGION II	REGION III	REGION IV	REGION I	REGION II	REGION III	REGION IV
REDUCED TAX RATE								
Percentage of Support Ratio (%)	30	40	50	70	25	30	40	45
Tax Reduction Ratio (%)	50	60	80	90	25	40	60	80
SUPPORT FOR EMPLOYER'S CONTRIBUTION ON SOCIAL SECURITY	2 YRS	3 YRS	5 YRS	7 YRS	-	-	3 YRS	5 YRS
LAND ALLOCATION	FOR ALL THE LARGE SCALE INVESTMENTS				FOR ALL THE LARGE SCALE INVESTMENTS			
VAT EXEMPTION	FOR ALL THE LARGE SCALE INVESTMENTS				FOR ALL THE LARGE SCALE INVESTMENTS			
CUSTOMS DUTY EXEMPTION	FOR ALL THE LARGE SCALE INVESTMENTS				FOR ALL THE LARGE SCALE INVESTMENTS			

INVESTMENT INCENTIVE SYSTEM

General System



- **Customs Duty Exemption**
- **VAT Exemption**

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Contact Info:

Dr. Erdal BAL

General Directorate of Foreign Investment

E-mail: erdal.bal@hazine.gov.tr

Phone: 0 312 204 6661

Fax: 0 312 212 8916

INVESTMENT INCENTIVE SYSTEM