

I- FOREIGN DIRECT INVESTMENT DEFINITIONS

The terms “foreign direct investor”, “foreign direct investment” and “foreign capital” have been defined within international standard in Foreign Direct Investment law No: 4875, enacted on 17th June 2003.

The Foreign Direct Investment Law No: 4875 defines foreign direct investor as real persons who possess foreign nationality, Turkish nationals resident abroad and foreign legal entities established under the laws of foreign countries as well as international institutions.

Foreign direct investment is defined as; “establishing a new company or a branch office, share acquisitions, out of stock exchanges, participating into a company by owning 10 percent or more of the shares or voting power in stock exchanges, by means of, but not limited to the following economic assets brought by the foreign investor:

- Capital in cash in the form of convertible currency bought and sold by the Central Bank of Turkey,
- Stocks and bonds of foreign companies (except government bonds),
- Machinery and equipment,
- Industrial and intellectual property rights,
- Reinvested earnings, revenues, financial claims,
or any other investment-related rights of financial value acquired in Turkey,
- Commercial rights for the exploration and extraction of natural resources”.

II- FOREIGN DIRECT INVESTMENT STATISTICS

I- ESTABLISHMENT OF COMPANIES AND PARTICIPATIONS

2.461 companies and branch offices with foreign capital have been established within the period between 17 June 2003, on which The Foreign Direct Investment Law No: 4875 came into power and 31 December 2004. Besides, 634 foreign capital participations into existing companies incurred. (Table-1)

Table-1 : Number of Companies with Foreign Capital

(Number)

	Company Establishment	Branch Office Establishment	Participation	Grand Total
2003	761	23	175	959
June	15	1	4	20
July	110	4	20	134
August	135	4	19	158
September	125	4	31	160
October	138	6	38	182
November	90	3	21	114
December	148	1	42	191
2004	1.615	62	459	2.136
January	110	4	39	153
February	94	2	21	117
March	153	2	43	198
April	137	5	51	193
May	160	12	48	220
June	169	15	60	244
July	123	1	31	155
August	114	1	26	141
September	151	7	35	193
October	160	1	34	195
November	123	7	36	166
December	121	5	35	161
Grand Total	2.376	85	634	3.095

Companies and branch offices with foreign capital and participations after 17 June 2003
Provisional Data

Out of 3,095 companies with foreign capital, 2,226 operate in services, 591 in manufacturing sector and 278 in other sectors.

Table-2 : Number of Companies with Foreign Capital by Sector

(Number)

	Manufacturing	Services	Other	Grand Total
2003	230	662	67	959
June	4	16	0	20
July	23	102	9	134
August	46	103	9	158
September	41	113	6	160
October	47	117	18	182
November	30	74	10	114
December	39	137	15	191
2004	361	1564	211	2136
January	31	111	11	153
February	23	85	9	117
March	26	161	11	198
April	25	151	17	193
May	33	165	22	220
June	36	185	23	244
July	27	112	16	155
August	30	96	15	141
September	31	136	26	193
October	39	132	24	195
November	34	115	17	166
December	26	115	20	161
Grand Total	591	2226	278	3095

Companies and branch offices with foreign capital and participations after 17 June 2003
Provisional Data

The total registered capital of the companies with foreign capital which were established or participated into between 17.06.2003 and 31.12.2004 amounted to US \$ 1.379,9 million. For the same period the amount of the capital committed by the foreign direct investors was US \$732,1 million, of which \$ 495, 8 million was in manufacturing sector.

Table-3 : Sectoral Breakdown of Companies with Foreign Capital By Total Registered Capital

(Million \$)

	<i>Total Registered Capital*</i>				<i>Foreign Direct Investors' Equity Capital</i>			
	Manufacturing	Services	Other	Total	Manufacturing	Services	Other	Total
2003	82,9	117,6	19,9	220,4	59,5	93,1	9,8	162,4
June	1,2	6,2	0,0	7,4	0,9	2,8	0,0	3,7
July	1,7	13,4	2,6	17,7	1,2	8,0	1,4	10,7
August	17,6	6,9	0,5	25,0	16,7	5,4	0,3	22,4
September	13,7	17,9	0,2	31,8	11,3	14,8	0,1	26,2
October	17,5	7,0	0,8	25,3	14,5	5,9	0,6	21,0
November	2,9	20,5	0,2	23,6	2,2	18,7	0,1	21,1
December	28,4	45,6	15,6	89,6	12,7	37,5	7,3	57,4
2004	880,5	160,9	118,2	1.159,5	436,3	84,5	48,9	569,6
January	4,4	6,1	0,6	11,2	1,6	3,7	0,3	5,6
February	3,3	8,3	2,5	14,1	2,7	7,3	1,3	11,2
March	2,4	23,0	1,3	26,7	1,6	5,1	1,0	7,8
April	759,8	10,7	2,4	772,8	390,2	6,2	1,2	397,6
May	61,8	14,7	6,6	83,1	4,2	9,7	4,4	18,4
June	3,9	37,9	15,5	57,3	2,7	11,4	4,5	18,6
July	9,5	7,5	23,1	40,1	9,1	4,6	5,8	19,5
August	3,5	11,3	1,6	16,4	2,8	7,8	1,3	12,0
September	7,5	7,8	48,6	64,0	4,8	4,0	15,2	24,0
October	11,7	6,3	5,1	23,0	6,4	3,7	4,4	14,5
November	10,4	19,8	6,7	36,9	8,9	16,1	6,2	31,2
December	2,1	7,5	4,2	13,8	1,2	4,9	3,3	9,4
Grand Total	963,4	278,5	138,1	1.379,9	495,8	177,6	58,7	732,1

* Committed capital, according to the Turkish Commercial Code (TCC), of foreign companies with foreign capital which are established and participated into after the law no:4875. According to the TCC, 1/4 of capital is paid following the first three months of establishment, the rest is paid at last within three years.

Provisional Data

Table-4 : Breakdown of Equity Capital Committed by Foreign Direct Investors by Country

(Million \$)

	Country*	Number of Companies**	Total Foreign Capital	% Breakdown
1	EUROPEAN UNION COUNTRIES	1.416	542,1	74,0
	GERMANY	506	410,3	56,1
	THE NETHERLANDS	193	38,2	5,2
	GREECE	80	26,9	4,0
	THE UNITED KINGDOM	200	22,5	3,0
	BELGIUM	59	14,6	1,9
	OTHER E. U. COUNTRIES	378	29,7	4,0
2	U.S.A.	154	43,5	5,9
3	SWITZERLAND	43	22,2	3,0
4	RUSSIAN FEDERATION	151	14,4	2,0
5	ICELAND	2	13,8	1,9
6	SAUDI ARABIA	22	12,0	1,6
7	IRAN	245	9,7	1,3
8	KAZAKHSTAN	24	8,0	1,1
9	ISRAEL	53	5,4	0,7
10	KUWAIT	6	5,3	0,7
11	BULGARIA	47	4,6	0,6
12	SOUTH KOREA	30	3,7	0,5
13	JAPAN	19	3,6	0,5
14	IRAQ	90	3,5	0,5
15	PEOPLE'S REPUBLIC OF CHINA	105	3,4	0,5
16	AZERBAIJAN	92	3,1	0,4
17	NORWAY	14	2,9	0,4
18	SYRIA	37	2,7	0,4
19	PEOPLE'S REPUBLIC OF NORTH KOREA	4	2,3	0,3
20	VIRGIN ISLANDS	19	2,3	0,3
21	CANADA	15	2,1	0,3
22	TURKMENĪSTAN	5	1,9	0,3
23	LIBERIA	1	1,8	0,2
24	LEBANON	20	1,6	0,2
25	KYRGYZSTAN	14	1,4	0,2
	OTHER COUNTRIES	467	14,7	2,0
Grand Total		3.095	732,1	100,0

* Listed by capital committed by foreign shareholders

** Determined by dominant foreign shareholders

Provisional Data

Dominant shareholders of 506 companies with foreign capital out of 3.095 since the enactment of the Foreign Direct Investment Law No: 4875 are German. In the same way, US \$ 410,3 million out of US \$ 732,1 million, i.e. the total registered capital by foreign direct investors, belongs to German investors.

Table-5 : Breakdown of Companies with Foreign Capital by Total Registered Capital

	<i>(Number)</i>					
	<i>Less than 50.000 \$</i>	<i>50.000 - 100.000 \$</i>	<i>100.000 - 200.000 \$</i>	<i>200.000 - 500.000 \$</i>	<i>More Than 500.000 \$</i>	<i>Total</i>
2003	616	161	102	39	40	959
June	3	8	5	2	2	20
July	73	28	21	7	5	134
August	101	28	21	5	3	158
September	104	20	20	9	7	160
October	123	36	11	7	5	182
November	79	16	10	3	6	114
December	133	25	14	6	13	191
2004	1.481	315	146	100	95	2.136
January	103	30	11	5	4	153
February	87	16	1	8	5	117
March	139	30	19	6	4	198
April	140	25	11	8	9	193
May	133	45	18	12	12	220
June	175	33	11	11	14	244
July	102	27	10	8	8	155
August	104	11	14	6	6	141
September	135	34	10	6	8	193
October	139	24	14	14	4	195
November	118	11	15	9	13	166
December	106	29	12	7	7	161
Grand Total	2.097	476	248	139	135	3.095

Companies with foreign capital which are established after 17 June 2003
Provisional Data

The capital committed by foreign shareholders of 135 companies whose registered capital is over US \$ 500.000, is US \$ 638 million. (Table-5, 6)

Table-6 : Breakdown of Companies with Foreign Capital by Total Registered Capital and Foreign Direct Investors' Equity Capital

(17 June 2003 - 31 December 2004)

(Million \$)

	Total Registered Capital						Foreign Direct Investors' Equity Capital					
	Less Than 50.000 \$	50.000 - 100.000 \$	100.000 - 200.000 \$	200.000 - 500.000 \$	More Than 500.000 \$	Total	Less Than 50.000 \$	50.000 - 100.000 \$	100.000 - 200.000 \$	200.000 - 500.000 \$	More Than 500.000 \$	Total
2003	10,0	11,2	12,8	11,6	174,8	220,4	7,1	8,7	8,8	7,2	130,6	162,4
June	0,1	0,5	0,6	0,7	5,6	7,4	0,1	0,5	0,5	0,5	2,2	3,7
July	1,3	2,0	2,6	2,0	9,8	17,7	1,0	1,5	1,8	1,8	4,5	10,7
August	1,7	1,9	2,7	1,5	17,2	25,0	1,3	1,6	1,5	0,8	17,1	22,4
September	1,5	1,3	2,6	2,6	23,8	31,8	1,2	0,9	1,6	1,3	21,2	26,2
October	2,0	2,5	1,4	2,2	17,2	25,3	1,3	1,9	1,2	1,6	15,0	21,0
November	1,0	1,1	1,3	0,7	19,4	23,6	0,7	0,8	1,1	0,4	18,2	21,1
December	2,3	1,8	1,8	1,9	81,8	89,6	1,5	1,4	1,1	0,9	52,5	57,4
2004	24,3	22,0	19,6	31,2	1.062,4	1.159,5	16,1	14,8	12,7	18,7	507,4	569,6
January	2,0	2,1	1,5	1,7	3,9	11,2	1,3	1,1	1,1	1,2	0,9	5,6
February	1,6	1,1	0,1	2,9	8,4	14,1	1,2	0,8	0,1	2,0	7,2	11,2
March	2,4	2,1	2,8	2,1	17,4	26,7	1,6	1,4	1,8	1,2	1,7	7,8
April	2,5	1,9	1,6	2,8	764,1	772,8	1,5	1,3	0,8	1,6	392,3	397,6
May	2,0	3,3	2,3	3,5	72,0	83,1	1,4	2,4	1,5	1,9	11,2	18,4
June	2,8	2,2	1,6	3,3	47,4	57,3	1,8	1,4	1,0	1,8	12,6	18,6
July	1,4	1,9	1,3	2,2	33,2	40,1	0,8	1,4	0,8	1,4	15,1	19,5
August	1,7	0,8	1,7	1,9	10,4	16,4	1,0	0,5	1,2	1,4	7,8	12,0
September	2,3	2,4	1,4	1,5	56,4	64,0	1,6	1,7	0,8	0,7	19,2	24,0
October	2,1	1,7	2,0	4,4	12,8	23,0	1,4	1,1	1,2	2,3	8,3	14,5
November	1,7	0,8	1,8	2,7	29,8	36,9	1,1	0,4	1,1	1,8	26,9	31,2
December	1,8	2,0	1,5	2,1	6,5	13,8	1,2	1,3	1,3	1,3	4,3	9,4
Grand Total	34,3	33,2	32,4	42,8	1.237,2	1.379,9	23,2	23,5	21,5	26,0	638,0	732,1

Foreign companies, branch offices which are established and participations after 17 June 2003
Provisional Data

2- LIASION OFFICES

As stated in the article 3 of the Foreign Direct Investment Law No:4875, the Undersecretariat of Treasury is authorized to permit foreign companies established under the laws of foreign countries to open liaison offices, provided that they do not engage in commercial activities in Turkey.

154 permissions for setting up a liasion offices were given for the period 17 June 2003 – 31 December 2004 . The breakdowns of these offices based on the country of origin, location by city and the field of activity are as follows:

Table-7 : Breakdown of Liasion Offices by Country

COUNTRY	NUMBER	COUNTRY	NUMBER
UNITED KINGDOM	21	FRANCE	6
GERMANY	21	BRITISH VIRGIN ISLANDS	5
U.S.A	20	CANADA	5
HONG-KONG	8	NETHERLANDS	4
REBUPLIC OF SOUTH KOREA	8	JAPAN	4
ITALY	8	OTHER	44

Provisional Data

Table-8 : Breakdown of Liasion Offices by City

CITY	NUMBER	CITY	NUMBER
İSTANBUL	120	MUĞLA	1
ANKARA	20	ORDU	1
İZMİR	5	VAN	1
KOCAELİ	2	ESKİŞEHİR	1
ADANA	1	KONYA	1
GAZİANTEP	1	TOTAL	154

Provisional Data

Table-9 : Sectoral Breakdown of Liasion Offices

SECTOR	NUMBER
Wholesale trade and commission trade, except motor vehicles and motorcycles	19
Manufacture of textiles	14
Other Bussine Activities	11
Manufacturing of chemicals and chemical products	7
Activities auxiliary to financial intermediation n.e.c.	6
Supporting and auxiliary transport activities; activities of travel agencies	6
Unclassified Manufacture of machinery and equipment	6
Manufacture of motor vehicles, trailers and semi-trailers	5
Unclassified Manufacture of electrical machinery and apparatus n.e.c.	5
Manufacturing of food products and beverages	5
Computer and related activities	5
Agriculture, hunting and related service activities	4
Financial intermediation, except insurance and pension funding	4
Research and development activities	4
Post and telecommunications	4
Other	49
Total	154

Provisional Data

3- INFLOWS

According to the balance of payment statistics published by the Central Bank of the Republic of Turkey, the capital (inflow) of US \$ 546 million in 2003 has increased by 103,11 % in 2004 and reached to US \$ 1.109 million. Total direct foreign capital has reached to US \$2.766 million with the composition of US \$1.009 million capital (net), US \$ 413 million other capital (net) and real estate sales of US \$ 1.343 million. (Table-10)

Table-10 : Foreign Direct Investment (Inflow)

(Million \$)											
	Capital									Real Estate (Net)	Total (Net)
	Equity Capital			Other Capital* (Inter company loans)			Total				
	Inflow	Outflow	Net	Usage	Back pay	Net	Inflow	Outflow	Net		
1995	934	-49	885	--	--	--	934	-49	885	--	885
1996	914	-192	722	--	--	--	914	-192	722	--	722
1997	852	-47	805	--	--	--	852	-47	805	--	805
1998	953	-13	940	--	--	--	953	-13	940	--	940
1999	813	-30	783	--	--	--	813	-30	783	--	783
2000	1.707	-725	982	--	--	--	1.707	-725	982	--	982
2001	3.288	-22	3.266	--	--	--	3.288	-22	3.266	--	3.266
2002	590	-5	585	488	-35	453	1.078	-40	1.038	--	1.038
2003											
January	43	-1	42	11	-10	1	54	-11	43	47	90
February	20	--	20	10	-12	-2	30	-12	18	54	72
March	46	--	46	3	-3	--	49	-3	46	53	99
April	41	--	41	15	-3	12	56	-3	53	13	66
May	52	--	52	30	-1	29	82	-1	81	28	109
June	42	--	42	18	-35	-17	60	-35	25	41	66
July	32	-4	28	30	-3	27	62	-7	55	102	157
August	64	--	64	58	-21	37	122	-21	101	167	268
September	26	--	26	25	-8	17	51	-8	43	133	176
October	16	--	16	4	-10	-6	20	-10	10	192	202
November	34	--	34	70	-4	66	104	-4	100	100	200
December	130	-3	127	8	-3	5	138	-6	132	57	189
TOTAL	546	-8	538	282	-113	169	828	-121	707	987	1.694
2004											
January	49	--	49	66	-2	64	115	-2	113	55	134
February	363	-1	362	48	-16	32	411	-17	394	46	428
March	26	--	26	27	-9	18	53	-9	44	54	81
April	40	-2	38	29	-1	28	69	-3	66	70	116
May	57	--	57	13	--	13	70	--	70	114	180
June	201	-2	199	39	-5	34	240	-7	233	135	350
July	19	--	19	193	--	193	212	--	212	113	317
August	24	--	24	10	--	10	34	--	34	158	185
September	117	--	117	21	-7	14	138	-7	131	129	260
October	46	-69	-23	28	--	28	74	-69	5	258	254
November	46	-25	21	24	-4	20	70	-29	41	121	148
December	121	-1	120	3	-43	-40	124	-44	80	90	170
TOTAL	1.109	-100	1.009	502	-89	413	1.611	-188	1.423	1.343	2.766

Source: Central Bank Of the Republic Of Turkey (CBRT)

* Credits which foreign firms take from foreign partners
Provisional Data

Capital inflow realization was US \$ 1.009 million of which US \$ 272 million (26,95%) in manufacturing sector, US \$ 766 million (75,91%) in services sector and US \$ 71 million (7,03%) in other sectors in 2004, except for the intra company loans and the real estate revenues. (Table-11)

Table-11 : Sectoral Breakdown of Foreign Direct Investment Inflow

(Million \$)

	<i>Manufacturing</i>	<i>Services</i>	<i>Other</i>	<i>Grand Total</i>
1995	388	534	12	934
1996	424	467	23	914
1997	349	456	47	852
1998	553	362	38	953
1999	353	447	13	813
2000	932	763	12	1.707
2001	846	2.439	3	3.288
2002	78	510	2	590
2003				
January	27	16	--	43
February	12	8	--	20
March	24	20	2	46
April	28	13	--	41
May	35	17	--	52
June	12	29	1	42
July	22	10	--	32
August	20	44	--	64
September	17	7	2	26
October	9	6	1	16
November	20	13	1	34
December	112	13	5	130
Total	338	196	12	546
2004				
January	39	5	5	49
February	8	355	--	363
March	9	15	2	26
April	7	33	--	40
May	54	3	--	57
June	13	185	3	201
July	14	4	1	19
August	20	3	1	24
September	18	49	50	117
October	11	33	2	46
November	17	24	5	46
December	62	57	2	121
Total	272	766	71	1.109

Source: CBRT
Provisional Data

Table-12 : Breakdown of Foreign Direct Investment Inflow by Country Group

(Million \$)

	<i>European Union Countries</i>	<i>Other OECD Countries</i>	<i>Other</i>	<i>Grand Total</i>
1995	704	218	12	934
1996	491	229	194	914
1997	522	290	40	852
1998	553	391	9	953
1999	386	258	169	813
2000	1.172	210	325	1.707
2001	2.613	280	395	3.288
2002	455	60	75	590
2003				
January	27	16	--	43
February	12	8	--	20
March	24	20	2	46
April	28	13	--	41
May	35	17	--	52
June	12	29	1	42
July	22	10	--	32
August	20	44	--	64
September	17	7	2	26
October	9	6	1	16
November	20	13	1	34
December	112	13	5	130
Total	338	196	12	546
2004				
January	37	12	--	49
February	358	5	--	363
March	14	12	--	26
April	35	5	--	40
May	54	3	--	57
June	182	19	--	201
July	12	7	--	19
August	16	8	--	24
September	19	56	42	117
October	40	6	--	46
November	21	25	--	46
December	72	49	--	121
Total	860	207	42	1.109

Source: CBRT
Provisional Data

In year 2004, 85,23% of the inflows was from the EU countries. This ratio realized as 78% in 2003.

4- INVESTMENT INCENTIVE CERTIFICATES ISSUED FOR FOREIGN DIRECT INVESTMENT

In year 2004, 249 incentive certificates were issued for investments to be carried out by companies with foreign capital, and the estimated total value of these investments within these certificates amount to US\$ 3.882,9 million, of which 42,4% will be undertaken by foreign shareholders.

Table-13 : Investment Incentive Certificates Issued for Companies with Foreign Capital

	<i>Number of Certificates</i>	<i>Estimated Total Investment (Million \$)</i>	<i>Share of Foreign Direct Investors %</i>
2000	251	11.459,6	45,6
2001	197	2.546,9	38,6
2002	228	1.429,7	40,5
2003			
January	9	13,1	43,3
February	26	86,7	53,8
March	30	298,4	35,5
April	35	742,6	95,2
May	18	105,3	81,3
June	12	33,1	52,3
July	15	105,7	59,4
August	15	59,9	85,5
September	12	32,0	32,9
October	14	43,8	81,6
November	17	47,2	70,5
December	22	179,3	57,6
Total	225	1.747,1	72,4
2004			
January	22	86,3	45,4
February	23	279,7	55,5
March	21	126,5	33,5
April	25	132,9	40,3
May	24	130,9	56,7
June	21	304,0	47,0
July	22	149,6	55,6
August	9	193,2	30,3
September	16	43,9	60,3
October	17	92,0	67,0
November	23	236,9	86,4
December	26	2.107,1	33,4
Total	249	3.882,9	42,4

Table-14 : Sectoral Breakdown of Investment Incentive Certificates Issued for Companies with Foreign Capital in 2003 (01.01.2003-31.12.2003)

<i>Sector</i>	<i>Number of Certificates</i>	<i>Estimated Total Investment (Million \$)</i>	<i>Contribution of Foreign Direct Investors (Million \$)</i>	<i>Estimated Employment (Number of Person)</i>
<i>Agriculture</i>	7	20,6	14,4	174
<i>Mining</i>	7	623,1	622,1	365
<i>Manufacturing</i>	178	907,5	532,6	14.204
<i>Services</i>	33	195,9	95,8	3.195
<i>Total</i>	225	1.747,1	1.265,0	17.938

Table-15 : Sectoral Breakdown of Investment Incentive Certificates Issued for Companies with Foreign Capital in 2004 (01.01.2004-31.12.2004)

<i>Sector</i>	<i>Number of Certificates</i>	<i>Total Investment (Million \$)</i>	<i>Foreign Capital (Million \$)</i>	<i>Employment (Number of Person)</i>
<i>Agriculture</i>	9	19,4	11,0	290
<i>Mining</i>	7	66,3	53,2	696
<i>Manufacturing</i>	179	1.171,6	617,2	25.461
<i>Services</i>	54	2.625,6	963,1	290
<i>Total</i>	249	3.882,9	1.644,5	26.737

225 investment incentive certificates were issued for an estimated total investment of US \$1.747,1 million in 2003 and the distribution of these certificates is 179 for manufacturing, 33 for services, 7 for agricultural and 7 for mining sectors. As of year 2004, on the other hand, 249 Investment Incentive Certificates were issued for an estimated total investment of US \$ 3.882,9 million and the distribution of these certificates is 179 for manufacturing, 54 for services, 9 for agriculture and 7 for mining sectors.

5- COMPANIES WITH FOREIGN CAPITAL IN THE TOP 500 INDUSTRIAL COMPANIES OF TURKEY IN 2003

According to the results of a survey undertaken by the Chamber of Industry of Istanbul for identification of top 500 industrial companies of Turkey in 2003, 145 companies with foreign capital equivalent to 29% of the total are among the 94 of these 145 companies, on the other hand have a foreign partner share of more than 50%.

The companies with foreign capital listed in the top 500 are mainly concentrated in the automotive sector.

Table-16 : Sectoral Breakdown of Companies with Foreign Capital in the 500 Industrial Companies Of Turkey

<i>Sector</i>	<i>Total</i>	<i>Companies with Foreign Capital</i>	(Number)
			<i>Firms in which Foreign Partner Shares Exceed 50%</i>
- Automotive (including Autoparts industry)	32	26	16
- Food and Beverage Products	68	19	11
- Chemicals and Chemical Products	53	17	13
- Metal Industry	43	15	6
- Textile Products	95	13	7
- Non Metallic other Mineral Products (Glass, Cement, construction supplies.)	37	10	6
- Other	172	45	35
Grand Total	500	145	94

Source: Chamber of Industry of Istanbul (CII), Top Of The 500 Large Industrial Concern of Turkey 2003

In terms of equity, the automotive sector is in the first place, followed by the primary metal sector. With respect to companies with foreign partner share of more than 50%, the automotive sector still remains the leader, but followed by the chemicals and chemical product sector.

Table-17 : Equity Capital of Companies with Foreign Capital in the 500 Industrial Companies Of Turkey

<i>Sector</i>	<i>Total</i>	<i>Companies with Foreign Capital</i>	(Trillion TL)
			<i>Firms in which Foreign Partner Shares Exceed 50%</i>
- Automotive (including Autoparts industry)	4.019	3.461	1.808
- Metal Industry	8.019	3.075	464
- Food and Beverage Products	4.118	1.529	617
- Chemicals and Chemical Products	3.892	1.226	249
- Non Metallic other Mineral Products (Glass, Cement, construction supplies.)	5.222	927	777
- Chemicals and Chemical Products	5.195	858	519
- Textile Products	17.230	3.263	2.594
- Other			
Grand Total	47.695	14.369	7.028

Source: CII, Top Of The 500 Large Industrial Concern of Turkey 2003

24,7% of the employment provided by the Top 500 industrial companies is created by companies with foreign capital.

Table-18 : Employment of Companies with Foreign Capital in the 500 Industrial Company Of Turkey

<i>Sector</i>	<i>Total</i>	<i>Companies with Foreign Capital</i>	(Person)
			<i>Firms in which Foreign Partner Shares Exceed 50%</i>
- Automotive (including Autoparts industry)	44.756	36.982	21.255
- Metal Products	59.952	18.476	4.330
- Food and Beverage Products	67.427	14.327	6.343
- Textile Products	119.839	12.548	6.033
- Chemicals and Chemical Products	38.748	9.938	8.208
- Non Metallic other Mineral Products (Glass, Cement, construction supplies.)	23.404	7.679	1.512
- Other	152.333	25.480	20.150
Grand Total	506.179	125.430	67.831

Source: CII, Top Of The 500 Large Industrial Concern of Turkey 2003

45% of the total export of US million \$ 23,283 by the Top 500 in 2003 (US million \$ 10,429) was realized by foreign capital companies (Table-19).

Table-19 : Export of Companies with Foreign Capital in the 500 Industrial Companies Of Turkey

(Million \$)

<i>Sector</i>	<i>Total</i>	<i>Companies with Foreign Capital</i>	<i>Firms in which Foreign Partner Shares Exceed 50%</i>
- Automotive (including Autoparts industry)	4.988	4.853	2.919
- Metal Industry	4.260	1.436	492
- Textile Products	3.714	561	395
- Non Metallic other Mineral Products (Glass, Cement, construction supplies.)	1.324	422	88
- Food and Beverage Products	1.184	385	138
- Chemicals and Chemical Products	1.488	208	171
- Other	6.325	2.564	2.377
Grand Total	23.283	10.429	6.580

Source: CII, Top Of The 500 Large Industrial Concern of Turkey 2003

Table-20, the profitability status of the companies shows that, the automotive sector (including side industry) takes the first place once again, followed by primary metal industry. Among companies with more than 50% foreign-partner shares, the automotive sector is followed by the chemicals and chemical products sector.

Table-20 : Profitability Status of Companies with Foreign Capital in the 500 First Industrial Companies Of Turkey

(Trillion TL)

<i>Sector</i>	<i>Total</i>	<i>Companies with Foreign Capital</i>	<i>Firms in which Foreign Partner Shares Exceed 50%</i>
-Automotive (include Autoparts industry)	963	785	351
- Metal Industry	1.660	514	51
- Non Metallic other Mineral Products (Glass, Cement, construction supplies.)	690	241	44
- Food and Beverage Products	758	237	131
- Chemicals and Chemical Products	1.076	210	186
-Textile Products	258	114	52
- Other	2.682	1.098	883
Grand Total	8.087	3.199	1.698

Source: CII, Top Of The 500 Large Industrial Concern of Turkey 2003

III- AGREEMENTS ON RECIPROCAL PROMOTION AND PROTECTION OF INVESTMENT

Encouraging Turkish investors to invest in foreign countries, as well as active participation of our economy in the globalizing world economy with foreign capital inflows and advanced technology are among the main objectives of our general economic policy. Within this framework, in order to protect the foreign investments made in our country and encourage new investments, Agreements on Reciprocal Promotion and Protection of Investments (ARPPi) were started to be signed in 1962 with countries with which we had intense investment and commercial relations or with countries which have been considered to have a potential for the improvement of such relations. As Turkey became a capital exporter, this process has been accelerated and to date, ARPPis have been signed with 70 countries, and 49 of these Agreements have already been put into effect. The ratification process still continues for 21 of the agreements, and negotiations are still going on with 12 countries. (Table 21, 22).

Table-21 : Agreements on Reciprocal Promotion and Protection of Investments Put into Effect.

	Country	Date of Entry into Force	Country	Date of Entry into Force	Country	Date of Entry into Force		
1	U.S.A	18.05.1990	18	Georgia	28.07.1995	34	Macedonia	27.10.1997
2	Germany	05.12.1965	19	Croatia	21.04.1998	35	Malaysia	09.09.2000
3	Argentina	01.05.1995	20	Holland	14.11.1989	36	Misir	31.07.2002
4	Albania	26.12.1996	21	United Kingdom	22.10.1996	37	Mongolia	22.05.2000
5	Austria	01.01.1992	22	Spain	03.03.1998	38	Moldovia	16.05.1997
6	Azerbaijan	08.09.1997	23	Israel	27.08.1998	39	Uzbekistan	18.05.1995
7	Bangladesh	21.06.1990	24	Sweden	08.10.1998	40	Pakistan	03.09.1997
8	Belarus	20.02.1997	25	Switzerland	21.02.1990	41	Poland	19.08.1994
9	Belgium-Luxemburg	04.05.1990	26	Italy	02.03.2004	42	Portugal	19.01.2004
10	Bosnia-Herzegovina	29.01.2002	27	Japan	12.03.1993	43	Romania	07.04.1996
11	Bulgaria	22.09.1997	28	Kazakhstan	10.08.1995	44	Russian Federation	17.05.2000
12	Czech Republic	01.08.1997	29	Kyrgyzstan	31.10.1996	45	Slovakia	23.12.2003
13	China	20.08.1994	30	Kuwait	25.04.1992	46	Tajikistan	24.07.1998
14	Denmark	01.08.1992	31	Cuba	23.10.1999	47	Turkmenistan	13.03.1997
15	Indonesia	28.09.1998	32	Latvia	03.03.1999	48	Ukraine	21.05.1998
16	Estonia	29.04.1999	33	Hungary	22.02.1995	49	Greece	24.11.2001
17	South Korea	04.06.1994						

Table-22 : Agreements on Reciprocal Promotion and Protection of Investments in Process of Negotiations or Ratification

<i>Country</i>		<i>Date of Beginning of the Negotiations</i>	<i>Country</i>		<i>Date of Beginning of the Negotiations</i>
1	Afghanistan	10.06.2003	18	Mauritius	16.12.1999
2	Australia	14.03.2001	19	Nigeria	08.10.1996
3	Bahrain	12.02.2000	20	Norway	03.04.1991
4	U.A.E	07.06.1995	21	Oman	15.02.1999
5	Algeria	22.07.1993	22	Singapore	15.05.1997
6	Ethiopia	10.10.2000	23	Slovenia	21.10.1999
7	Morocco	14.11.1996	24	Sudan	19.12.1999
8	Philippines	08.12.1998	25	Syria	07.05.2001
9	Finland	05.04.1989	26	Chile	19.06.1995
10	France	02.09.1987	27	Thailand	01.11.1994
11	Rep. South Africa	01.11.1999	28	Tunisia	20.02.1990
12	India	03.08.1998	29	Uruguay	26.06.1996
13	Iran	19.12.1996	30	Jordan	02.08.1993
14	Qatar	04.12.1995	31	Vietnam	28.02.2000
15	Latvia	14.10.1993	32	Yemen	18.02.1998
16	Lebanon	17.02.2004	33	Fed. Rep. Yugoslavia	26.03.1998
17	Malta	14.04.2000			

In this regard, first round of the negotiations between Turkey and Lebanon on the Agreement on the Promotion and Protection of the Investments was held in Beirut between 17-19 February 2004 and the Agreement was signed on 12 May 2004. Moreover, the second round of the negotiations between Turkey and the Netherlands to review the existing Agreement demanded by the Dutch side, was held in the Hague on 27-28 September 2004.

IV- INVESTMENT ADVISORY COUNCIL AND ACTIVITIES TO IMPROVE THE INVESTMENT ENVIRONMENT

An initiative has been launched in Turkey in 2004 to introduce an international perspective to the activities carried out within the scope of improving the investment environment. An Investment Advisory Council comprised of the top-level executives of 20 multinational companies, who have decision making power in identifying the location investments, was established (Table 23), and the Council made its inaugural meeting on 15 March 2004, chaired by the Prime Minister R. Tayyip Erdoğan. The aim of the Council is to build a platform for exchange of ideas between top policy-makers and investors about steps to be taken in order to increase the competitive power of Turkey in the world economy, through the evaluation of studies conducted to improve the investment environment in Turkey by foreign investors who are members of the Council. At the end of the meeting in which a total of 20 BOD Chairmen or CEOs from 11 countries and 10 different sectors participated, the priority issues requiring attention were announced with a Outcomes Declaration.

In the Declaration, the following priorities on which attention should be focused were identified:

- Removal of red tape and bureaucracy, with a focus on streamlining procedures at the sectoral level**
- Improvement of the implementation of laws and dispute resolution mechanisms**
- Development of a corporate taxation regime (particularly issues related to double-taxation agreements) and incentive structure (especially R&D) comparable to those of competitor countries**
- Harmonization of standards and regulations with those of the EU**
- Improvements in the efficiency of customs, particularly import procedures and licensing**
- To improve its export potential and to use its human skills, develop a program to build the research and development base of the country**
- Create an investment promotion agency, to examine and service the needs of existing investors and draw new companies to Turkey**
- Improve the country's infrastructure, such as telecommunications, power and transportation**

- **Invest further in education and training**
- **Secure the availability of land for investment**
- **Protection of intellectual property rights**
- **Acceleration of the privatization program**
- **Develop a program to strengthen the role of SMEs in the overall supply chain of the economy.**

The priority issues declared by the Investment Advisory Council are mostly in line with the fields of activity of the Technical Committees that continue their work under the Coordination Council for the Improvement of the Investment Environment (YOIKK). Therefore, for follow up, they agreed on a link between the Council and the YOIKK.

The “Progress Report” prepared by the Undersecretariat of Treasury that carries out the secretarial works for the Council and the YOIKK has been submitted to Mr. Prime Minister and the Council Members.

In line with the views of the Investment Advisory Council, the ten technical Committees working under YOIKK have continued their work and significant developments have been achieved. In the YOIKK meeting held on 28 August 2004, the Technical Committee Chairs provided information on the progress made to date.

In this context,

- **The simplification concerning the permission processes that companies have to obtain during the identification and commissioning phases of their investments under the “Single Authority, Single Permission” concept at the provincial level is in the final stages.**
- **Establishment of the company procedures were simplified so as to be completed in one day with 3 steps instead of 18.**
- **The Ministry of Justice is in the final stages of preparing a new “Turkish Commercial Code” that takes into account the directives of European Union on corporate law. Now that the timeframe for establishment of a company has been drastically reduced, work is underway to similarly streamline the procedures involved in company liquidation processes.**

- **By a legal amendment in 2003, the time required to obtain an Environmental Impact Assessment (EIA) Report was brought down to 33 days from the earlier 6-7 months, provided that the filling include all necessary documents.**
- **By a legal amendment on June 5th, 2004, the permission procedures in the mining sector are decided to be concluded within three months. An amendment on June 8th, 2004 to the Pasture Law, conditions for allocating the pasture lands to mine and petroleum prospecting activities were made more flexible.**
- **Secondary legislative works relating to the Labour Law which were published in June 10th, 2003 are underway. In this context, only 3 documents shall be required instead of 18 separate documents in order to obtain a business place opening license, and the review should be completed within 30 days.**
- **The Law on Work Permits of Foreigners which went to effect on September 6th, 2003 significantly harmonizes the legislation on the issue with that of the European Union. Necessary works are started to remedy problems in the practice of permission and complement the shortages of institutional capacity.**
- **Under legislation that went into effect on June 5th, 2004, the Ministry of Agriculture and Village Affairs is now the only institution in the field of inspection and permission actions regarding food productions.**
- **Food industry products such as food additives, aromatizing additives, colorants etc and food-contacting materials such as plastic, paper, porcelain and glass have been taken out of the “control certificate” scope and red tape and bureaucracy have been reduced.**
- **By an amendment to legislation on April 16th, 2004, the production facilities of poultry meat and meat products were allowed trial production and distribution while the permission process is under way.**

- **By the Law No: 5228, new provisions were added to the Corporate Tax Law and with this amendment the enterprises whose paid capital is at least 100 million \$US (or equivalent foreign currency corresponding to Turkish Liras) where at least 40% of the capital belongs to nonresidents in Turkey are allowed to keep their ledgers in a currency other than Turkish Liras.**
- **By the same arrangement the enterprises whose paid capital is at least 100 million \$US (or equivalent foreign currency corresponding to Turkish Liras) where at least 40% of the capital belongs to nonresidents Turkey are allowed to keep their ledgers in a currency other than Turkish Liras by the permission of the Council of Ministers.**
- **The corporate tax rate which is currently 33% shall be taken down to 30% by a reduction of 3 points from January 1st, 2005. Thus, Turkey shall get a bit closer to competing countries in terms of corporate taxation rates.**
- **Turkey has double taxation agreements in force with 60 countries. There are 12 agreements which have been signed and are expected to enter into force soon. Efforts to enlarge the network of double taxation agreements continue with ongoing negotiations with other new 10 countries. In this context, it is possible to say that the Turkish double taxation agreement network continues to be expanded and updated.**
- **By a legislation that went into effect on February 6th, 2004 to increase employment and close the development gap between regions, those entrepreneurs who will invest and produce in 36 provinces where per capita income is less than 1.500 USD are given reductions in taxes and insurance premiums, energy support and charge-free lands.**
- **Within the context of the “Customs Administrations Modernization Project”, significant increase in efficiency has been achieved in 2004 by directing controls in high risk areas, the implementation of The Electronic Data Exchange and simplifying the customs procedures.**

- YOIKK Technical Committee members, considering the necessity of strengthening Turkey’s capacity on investment promotion, agreed to implement an approach in the following basis: The investment promotion function which is currently carried out in the Undersecretariat of Treasury jointly with the other foreign investment transaction shall be redesigned to reflect the approach of the Technical Committee and its capacity would be strengthened. Within this context, “The Foreign Direct Investment Promotion Strategy and Action Plan” is being prepared by the General Directorate of Foreign Investments. Activities in the plan shall be realized in cooperation with the civil society organizations representing the private sector in the Technical Committee, and support from all public institutions shall be obtained along the requirements that may arise.
- Legislation (that enables the deduction of R&D expenses from the income/corporate tax base) went into effect on July 31st, 2004. This new legislation allows taxpayers to deduct 40% of R&D expenses directed exclusively at new technologies and knowledge from income declared in their annual statement.
- By a legal amendment on January 2nd, 2004, the additional tax exemptions were accorded to the Technology Development Zones Management Company and the firms active in the zone.
- The Industrial Zones Law which went into effect on January 19th, 2002 was amended by a new legislation which went into effect on July 1st, 2004 to smooth discrepancies in practice and make the measures on provision of investment site effective.
- The amendments were made to the Intellectual and Art Works Law on March 12th, 2003 considering the dynamic nature of the intellectual property rights, relevant international conventions, EU acquis and sectoral demands aim to remedy problems experienced between the users and the professional associations representing the producer sectors on the issue of products subject to intellectual property protected by the Law and preventing piracy.

- **The legislation that ensures protection of Integrated Circuitry Topographies at international standards went into effect on April 30th, 2004.**
- **Turkey had become a signatory on April 14th, 2004 to the Brands Law Agreement which aims to harmonize brand actions with the world practice and simplify administrative actions.**
- **The legislation regarding the participation of Turkey in the Hague Agreement on International Registration of Industrial Designs (Geneva Text) went into effect on April 14th, 2004.**
- **Significant progress has been made on improving the country's infrastructure such as telecommunications, energy and transportation; increasing the quality of education infrastructure and accelerating the privatization program.**