

Why Turkey?

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Doing business in Turkey has never been easier and now is the right time to explore the prospects for your business in Turkey. With its many and varied opportunities, doing business in Turkey can be highly rewarding for those who are well prepared.

Turkey is a large rapidly developing country and EU accession negotiations are leading to significant opportunities for UK companies in a broad range of sectors. Indeed, the country is already Europe's seventh and the world's eighteenth largest economy. Its recent economic growth record, its talented, young workforce and its geographical location as a prime hub for regional market access, make Turkey a hugely attractive destination for UK and European trade and investment. Turkey is Europe's BRIC.

The business environment is little different from anywhere else. In fact it is often said that it is easier to do business in Turkey than other emerging markets. In Turkey you will find the same keen competitiveness, the same thirst for high quality and the same insatiable appetite for trade. Like any new market, if you want to be successful and fully realise your potential, it is crucial to understand the culture and how business operates locally. However, the challenges of market entry should not be underestimated, and UK Trade & Investment (UKTI) provides a full service to prospective investors in Turkey.

Economy

- Turkish GDP expanded 1.70% in the first quarter of 2014 over the previous quarter, and 4.3% year-on-year in the first quarter of 2014
- Turkey is expected to be the fastest growing economy among OECD members during 2011-2017, with an annual average growth rate of 6.7%
- According to HSBC's "The World in 2050" report, Turkey will be the world's 12th and Europe's 4th biggest Economy by 2050. Turkey aims to be among the world's 10

largest economies by 2023, on the 100th anniversary of the foundation of the Republic.

The ongoing EU accession talks are also a key driver for the modernisation of Turkey's economy and business environment. With a large domestic market of 74 million people, Turkey is also a springboard to the markets of Central Asia & the Middle East.

Trade and Economic Relations

- According to the IMF, by end of 2013, Turkey was the world's 16th largest economy (and Europe's 6th). It is forecast to be in the world's top 10 by 2023.
- Turkey has the youngest and fastest growing population in Europe (700,000 graduates per year).
- Istanbul's economy alone is larger than the collective economies of 12 EU countries.
- Turkey will be the second fastest growing country in the World by 2018 (OECD figures).
- Turkey is the World's second largest construction and contracting sector.

Trade between the UK and Turkey is growing rapidly and increased by almost 40% since 2009. The current value of UK-Turkey trade is worth over \$11 billion a year.

There are a significant number of large business links between the UK and Turkey. Over 2,500 UK companies are currently operating here including BP, Shell, Rolls-Royce, Vodafone, Unilever (UK), BAE, HSBC, Aviva and Diageo. Several retail giants/high street names such as TESCO, Harvey Nichols, M&S, and Laura Ashley also have significant operations in Turkey.

Turkish Businesses

- Turkish companies are becoming major players in the global market place.
- There are currently 145,000 Turkish entrepreneurs operating in Europe, employing 627,000 people and running €63 billion worth of businesses.
- Starting a business in Turkey takes an average of six days, compared to the world average of 30.6 days and OECD average of 12 days.
- FDI inflows to Turkey amounted to \$15 billion by the end of 2012.
- Three quarters of Turkey's overall FDI comes from the EU.

Export Market

- Turkey's export volume was \$163.3 billion in 2012, \$20 billion more than the amount registered for 2011.
- The EU is Turkey's biggest import and export partner, and Turkey ranks 7th in the EU's top import and 5th in export markets (EC Commission, May 2014)
- Turkey has been in a customs union with 27 EU countries since 1995 and has free trade agreements with 19 other countries

Turkey has many of the characteristics of both a European and a Middle Eastern country. It lives with the cultures of both secularity and Islam. It has a rich and varied history and has seen many different empires rise and fall. It is a country of profound international pride and a unique location as the bridge between Europe and Asia.

Doing Business

With a large domestic consumer market of 74 million, Turkey is also a springboard to the markets of central Asia and the Middle East.

Given the existence of the Customs Union, since 1995, a pre-requisite for EU accession, EU companies do not experience many of the same obstacles they face in other high growth markets. However challenges such as, regulatory hurdles, decision making paralysis and sudden changes to legislation and regulations, without warning and consultation, can be frustrating.

Feedback from some Turkish companies suggested that British companies are perceived as risk-averse, over cautious and slow to make decisions. Although requisite due diligence is advised UK business needs to demonstrate a commitment to the market, either by having a visible presence here or building and maintaining strong relationships. This means regular visits to the market; and a willingness to commit to projects or business opportunities early on – by demonstrating a key products/skills-set and capability to fulfil Turkish requirements with an indication that they are prepared to discuss and tailor the final solution to Turkish needs. Having a Turkish partner will ensure that British companies will be in a position to react to very short tender timelines in Turkey and will be well placed to provide defined specifics later.

Turkey's Competitiveness and Transparency

Turkey is ranked as 69 out of 189 in the World Bank's "Doing Business 2013 Report", placed above other high growth markets. Key indicators include ease of starting a business. "Turkey made starting a business less costly by eliminating notarisisation fees"

and paying taxes “Turkey lowered the social security contribution rate for companies by offering them a 5% rebate”.

Turkey ranks 44 out of 148 in the 2013-14 Global Competitiveness index compiled by the World Economic Forum.

Transparency International corruption indicators, rate Turkey 53rd out of 177 countries in their 2013 index – up from 77th out of 133 countries ten years ago, and 56th out of 178 in 2010.

New Turkish Commercial Code

The New Turkish Commercial Code (which came into force on 1 July 2012) goes some way to addressing the need for greater transparency and reduced bureaucracy in Turkish business as well as flexibility in directorship. Increasingly more Turkish companies have strong corporate governance and social responsibility structures in place. Turkish companies are now subject to Corporate Governance Compliance legislation and in due course conformity to international financial reporting standards (IFRS) which should ensure increased international confidence in the market. www.mondaq.com/x/160770/

While the New Code has been praised by all stakeholders for increasing transparency and access to commercial information, the extent of effectiveness will be in execution and implementation. SMEs, which account for the majority of Turkish business, are the most likely to find the new requirements challenging.

UK-based research firm Oxford Business Group (www.oxfordbusinessgroup.com/economicupdates) has commented that “The Commercial Code should mitigate some of the legal problems historically faced by investors”.

The main motivators behind this major overhaul are:

- To increase transparency, auditing, corporate governance and accountability
- To harmonise the Commercial Code with the new corporate income, civil and penal codes
- To ease the bureaucratic procedures, end disputes over intellectual property, increase shareholder rights and encourage FDI

Business and Human Rights

Turkey is a member of the Council of Europe and subject to the European Convention on Human Rights which sets out key fundamental rights and freedoms. It has signed and ratified the International Covenant on Civil and Political Rights. As a participating State of the OSCE, it has ratified the eight core ILO Conventions on Labour standards.

Turkey is working to meet relevant standards through the EU reform process. It had signed and ratified OPCAT but has yet to implement it. (Optional Protocol to the Convention Against Torture.)

Turkish law provides for assembly and association. However, the government required significant prior notification for gatherings and in some cases restricted meetings to designated sites. The law provides most but not all workers (certain public employees such as military and police) with the right to form and join unions of their choice, to conduct their activities without interference, and to bargain collectively. There are no restrictions on membership or participation of people or unions in regional, national, or international labour organisations, but such participation must be certified by a notary public and reported to the government.

Turkish law protects children from exploitation in the workplace, and prohibits children under 18 from working in certain professions or under hazardous conditions. The government effectively implements the law, but child labour continues to exist.

Greater regulation and adherence to health and safety standards is important and respect for the UN Guiding Principles which set a global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity.

The constitution permits measures, including positive discrimination, to advance gender equality. While women enjoy the same rights as men under the law, societal and official discrimination continues in employment and are generally under-represented in managerial-level positions in business and government. LGBT individuals continue to suffer discrimination and intimidation, including incidents of hate speech and attacks.

The government has taken several steps in recent years to improve the rights of its Kurdish citizens, including through provision of Kurdish language media and a gradual increase of its use in education; e.g. elective lessons in schools.

However, arrests of Kurdish activists and politicians under anti-terrorist laws, regular legal action against parties standing on a Kurdish platform, lengthy trials and the impact of the security response to the PKK terrorist threat remains a significant source of tension.

There are increasing concerns about freedom of expression in Turkey. While diverse media exists across print and broadcast outlets and social media publications are highly polarised and there is an increasing environment of self-censorship. Turkey was

judged to be 154th out of 179 countries in the Reporters without Borders Press Freedom Index for 2013 (down from 148th in 2011-12).

Source - UKTI

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