

What are the challenges?

Challenges and risks of doing business in Turkey

In the World Bank's 2018 Ease of Doing Business report, Turkey is ranked 60th out of 190 markets. See: <http://www.doingbusiness.org/data/exploreeconomies/turkey>.

Due to the Customs Union with the EU, at the moment UK companies do not experience the same obstacles they may face in other high-growth markets – see: <http://ec.europa.eu/trade/policy/countries-and-regions/countries/turkey/>. However, there are certain unique challenges when doing business in or with Turkey. These include:

- regulatory issues
- bureaucracy
- sudden changes to legislation and regulations without warning and consultation
- a need to demonstrate a commitment to the market, either by having a visible presence in the country or building and maintaining strong relationships
- necessity of regular market visits to fulfil Turkish requirements

Regulatory hurdles, decision-making paralysis and sudden changes to legislation and regulations can be frustrating. Additional duties, applied to protect domestic industry, can apply to EU companies if their products are manufactured outside the EU.

Investors have expressed concern at frequent regulatory changes that occur with short implementation timeframes and insufficient evaluation of the wider consequences for the sectors concerned. Some have expressed concern over rule of law, including independence and impartiality of state institutions.

Feedback from some Turkish companies shows that British companies are perceived as risk-averse, over cautious and slow to make decisions. Although requisite due diligence is advised, UK business does need 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. This could include demonstrating a key product or skill-set and capability to fulfil Turkish requirements with an indication that they are prepared to discuss and tailor the final solution to Turkish needs. In doing so, British companies will need to be in a position to react to short tender timelines in Turkey and be well-placed to provide defined specifics later. Turkish companies are often

interested in partnerships and knowledge transfer, rather than a purely transactional commercial relationship.

To help mitigate these challenges, you are advised to appoint and work with competent local partners and seek the assistance of experienced commercial lawyers.

You should also ensure you take the necessary steps to comply with the requirements of the UK Bribery Act:
<https://www.gov.uk/government/publications/bribery-act-2010-guidance>.

Read the latest Foreign and Commonwealth Office's (FCO) Overseas Business Risk report for Turkey at:
<https://www.gov.uk/government/publications/overseas-business-risk-turkey>.

[Source – DIT/FCO/gov.uk]

Overseas business risk

New Turkish Commercial Code

The New Turkish Commercial Code (which came into force on 1st July 2012) goes some way to addressing the need for greater transparency and reduced bureaucracy in Turkish business as well as flexibility in directorship.

Turkish companies increasingly 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.

[Source – FCO Overseas Business Risk/gov.uk]

Bribery and corruption

Under the UK Bribery Act, bribery is illegal and it is an offence for British nationals or someone who is ordinarily resident in the UK, a body incorporated in the UK or a Scottish partnership, to bribe anywhere in the world.

In addition, a commercial organisation carrying on a business in the UK can be liable for the conduct of a person who is neither a UK national or resident in the UK or a body incorporated or formed in the UK. In this case it does not matter whether the acts or omissions which form part of the offence take place in the UK or elsewhere.

The OECD has assessed Turkey to have made significant progress since 2007 in its efforts to combat bribery in international business deals by fully implementing all but one of the recommendations of the OECD's Working Group on Bribery.

Transparency International Turkey's recent "National Integrity System (NIS)" report indicated that the influence of the executive over other institutions, such as legislature, judiciary, ombudsman and media is undermining rule of law and the functioning of the democratic process. In recent years, the reform process on anti-corruption has declined, as amendments to the legal system framework have weakened rather than strengthened the NIS.

According to the latest 2017 Transparency International Corruption Perceptions Index (CPI), Turkey is ranked 81st out of 180 countries: https://www.transparency.org/news/feature/corruption_perceptions_index_2017.

Visit the Business Anti-Corruption portal page at: <https://www.business-anti-corruption.com/country-profiles/turkey> providing advice and guidance about corruption in Turkey and some basic effective procedures you can establish to protect your company.

The information provided on the UK Government's bribery and corruption page is also useful. See: <https://www.gov.uk/anti-bribery-policy>.

[Source – FCO Overseas Business Risk/gov.uk]

Protective security advice

The Centre for the Protection of National Infrastructure also provides protective security advice to businesses. See: <https://www.cpni.gov.uk/>.

Crime levels in Turkey are generally quite low. The main issues are:

- burglaries
- demonstrations, which can occur regularly in major cities

[Source – FCO Overseas Business Risk/gov.uk]

Intellectual property

IP rights are territorial, that is they only give protection in the countries where they are granted or registered. If you are thinking about trading internationally, they you should consider registering your IP rights in your export markets.

IP rights have been protected under the general rules of Turkish law since the beginning of the Turkish Republic. Turkey is a party to a number of international

agreements, conventions and treaties related to intellectual property rights. Under Turkish law, the main intellectual property rights that are capable of protection are patents, trademarks, registered and unregistered designs, copyrights and confidential information.

The Turkish Patent and Trademark Office registers trademarks, patents, license agreements and such rights upon application. The protection starts when the application is lodged with the Turkish Patent Institute. See: <http://www.turkpatent.gov.tr/TURKPATENT/?lang=en>.

See the GCC Patents Office website: <http://www.gccpo.org/DefaultEn.aspx> and also the website of the World Intellectual Property Organization (WIPO) at: <http://www.wipo.int/portal/en/index.html> and the information provided on the gov.uk Intellectual Property page at: <https://www.gov.uk/intellectual-property-an-overview>.

[Source – FCO Overseas Business Risk/gov.uk]

Payment risks in Turkey

UKEF helps UK companies get paid by insuring against buyer default.

You may have difficulty accessing foreign exchange. Be confident you will get paid for your export contract. Speak to one of UKEF's export finance advisers at: <https://www.gov.uk/government/publications/find-an-export-finance-manager> for free and impartial advice on your insurance options, or contact one of UKEF's approved export insurance brokers at: <https://www.gov.uk/government/publications/uk-export-finance-insurance-list-of-approved-brokers/export-insurance-approved-brokers>.

Currency risks when exporting to Turkey

If you have not fixed your exchange rate you have not fixed your price.

You should consider whether the best option for you is to agree terms in Sterling or Turkish Lira in any contract. You should also consider getting expert financial advice on exchange rates (sometimes called FX).

Government support

The government can provide finance or credit insurance specifically to support UK exports through UK Export Finance at: <https://www.gov.uk/government/organisations/uk-export-finance> – the UK's export credit agency. For up-to-date country-specific information on the support available see: <https://www.gov.uk/guidance/country-cover-policy-and-indicators#turkey>.

[Source – FCO Overseas Business Risk/gov.uk]

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