



Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

TÜRKIYE

This report, prepared for the seventh Trade Policy Review of Türkiye, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Türkiye on its trade policies and practices.

Any technical questions arising from this report may be addressed to Mark Koulen (tel. 022 739 5224), Ricardo Barba (tel.022 739 5088), Katie Waters (tel. 022 739 5067), and Fatima Chaudhri (tel. 022 739 6384).

Document WT/TPR/G/439 contains the policy statement submitted by Türkiye.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Türkiye. This report was drafted in English.

CONTENTS

| | |
|--|-----------|
| SUMMARY | 9 |
| 1 ECONOMIC ENVIRONMENT | 14 |
| 1.1 Main features of the economy | 14 |
| 1.2 Recent economic developments | 15 |
| 1.2.1 Monetary and exchange rate policies | 17 |
| 1.2.2 Fiscal policy | 19 |
| 1.2.3 Balance of payments | 20 |
| 1.3 Trade and investment performance | 20 |
| 1.3.1 Trade in goods | 20 |
| 1.3.2 Trade in services | 24 |
| 1.3.3 Foreign direct investment..... | 24 |
| 2 TRADE AND INVESTMENT REGIMES..... | 27 |
| 2.1 General framework | 27 |
| 2.2 Trade policy formulation and objectives | 30 |
| 2.3 Trade agreements and arrangements | 31 |
| 2.3.1 WTO | 31 |
| 2.3.2 Regional and preferential trade agreements..... | 32 |
| 2.3.2.1 Regional trade agreements..... | 32 |
| 2.3.2.1.1 RTA developments over the review period..... | 33 |
| 2.3.2.2 Preferential trade arrangements | 37 |
| 2.3.3 Other agreements and arrangements..... | 38 |
| 2.4 Investment regime | 38 |
| 2.4.1 Overview and framework for FDI..... | 38 |
| 2.4.2 Investment policy and promotion | 39 |
| 2.4.3 Investment incentive schemes..... | 39 |
| 2.4.4 Investment zones | 41 |
| 2.4.4.1 Technology Development Zones (TDZs) | 42 |
| 2.4.4.2 Organized Industrial Zones..... | 42 |
| 2.4.4.3 Free Zones (FZs) | 43 |
| 2.5 E-commerce developments | 44 |
| 3 TRADE POLICIES AND PRACTICES BY MEASURE..... | 46 |
| 3.1 Measures directly affecting imports | 46 |
| 3.1.1 Customs procedures, valuation, and requirements..... | 46 |
| 3.1.1.1 Customs procedures | 46 |
| 3.1.1.2 Trade facilitation | 48 |
| 3.1.1.3 Customs valuation..... | 49 |
| 3.1.2 Rules of origin | 49 |
| 3.1.3 Tariffs | 49 |
| 3.1.3.1 Applied MFN duties..... | 49 |

| | | |
|-----------|--|----|
| 3.1.3.2 | WTO bound duties..... | 54 |
| 3.1.3.3 | Tariff reductions and exemptions..... | 55 |
| 3.1.3.4 | Preferential tariffs | 55 |
| 3.1.3.5 | Other duties and charges (ODCs) | 56 |
| 3.1.3.6 | Tariff rate quotas (TRQs)..... | 57 |
| 3.1.4 | Other charges affecting imports | 57 |
| 3.1.4.1 | Value added tax..... | 57 |
| 3.1.4.2 | Special Consumption Tax | 59 |
| 3.1.4.3 | Digital Services Tax..... | 60 |
| 3.1.4.4 | Strip stamps for alcoholic beverages and tobacco products..... | 60 |
| 3.1.4.5 | Other taxes and charges on imports | 60 |
| 3.1.5 | Import prohibitions, restrictions, and licensing | 61 |
| 3.1.5.1 | Import licensing..... | 62 |
| 3.1.6 | Anti-dumping, countervailing, and safeguard measures | 63 |
| 3.1.6.1 | Anti-dumping and countervailing measures..... | 63 |
| 3.1.6.2 | Safeguard measures..... | 65 |
| 3.1.7 | Other measures affecting imports | 66 |
| 3.1.7.1 | Local content measures | 66 |
| 3.2 | Measures directly affecting exports | 67 |
| 3.2.1 | Customs procedures and requirements | 67 |
| 3.2.2 | Taxes, charges, and levies | 69 |
| 3.2.3 | Export prohibitions, restrictions, and licensing..... | 69 |
| 3.2.3.1 | Export prohibitions | 69 |
| 3.2.3.2 | Export quotas..... | 70 |
| 3.2.3.3 | Export licensing | 70 |
| 3.2.3.3.1 | Export support and promotion..... | 70 |
| 3.2.4 | Export finance, insurance, and guarantees | 72 |
| 3.3 | Measures affecting production and trade..... | 74 |
| 3.3.1 | Incentives | 74 |
| 3.3.1.1 | Introduction | 74 |
| 3.3.1.2 | TÜBİTAK support schemes..... | 74 |
| 3.3.1.3 | KOSGEB support schemes | 77 |
| 3.3.1.4 | WTO notifications on subsidies | 79 |
| 3.3.2 | Standards and other technical requirements | 80 |
| 3.3.2.1 | Legal and institutional framework | 80 |
| 3.3.2.2 | Standards | 82 |
| 3.3.2.3 | Technical regulations | 82 |
| 3.3.2.4 | Conformity assessment and inspection | 83 |
| 3.3.2.5 | Market surveillance | 83 |
| 3.3.2.6 | Labelling requirements..... | 84 |

| | | |
|-----------|---|------------|
| 3.3.2.7 | WTO and bilateral agreements | 84 |
| 3.3.3 | Sanitary and phytosanitary requirements | 85 |
| 3.3.3.1 | Legal and institutional framework | 85 |
| 3.3.3.2 | Developments over the review period | 85 |
| 3.3.3.3 | Genetically modified organisms | 87 |
| 3.3.3.4 | WTO, regional, and bilateral agreements | 87 |
| 3.3.4 | Competition policy and price controls | 88 |
| 3.3.4.1 | Price controls | 88 |
| 3.3.4.2 | Competition policy | 89 |
| 3.3.4.2.1 | Legal and institutional framework | 89 |
| 3.3.5 | State trading, state-owned enterprises, and privatization | 92 |
| 3.3.5.1 | State trading | 92 |
| 3.3.5.2 | State-owned enterprises | 92 |
| 3.3.5.2.1 | Public economic enterprises under the MoTF portfolio | 92 |
| 3.3.5.2.2 | SOEs under the privatization portfolio | 93 |
| 3.3.5.2.3 | SOEs under the Türkiye Wealth Fund | 93 |
| 3.3.5.2.4 | Other SOEs | 94 |
| 3.3.5.3 | Privatization | 95 |
| 3.3.6 | Government procurement | 96 |
| 3.3.6.1 | Basic legal and institutional framework | 96 |
| 3.3.6.2 | Procurement market and statistics | 98 |
| 3.3.6.3 | National preferences | 99 |
| 3.3.6.4 | Recent developments | 99 |
| 3.3.7 | Intellectual property rights | 100 |
| 3.3.7.1 | Legal and institutional framework | 102 |
| 3.3.7.2 | International agreements and conventions | 105 |
| 3.3.7.3 | Border measures and enforcement | 105 |
| 4 | TRADE POLICIES BY SECTOR | 109 |
| 4.1 | Agriculture | 109 |
| 4.1.1 | Features | 109 |
| 4.1.2 | Production | 109 |
| 4.1.3 | Trade | 111 |
| 4.1.3.1 | Overview | 111 |
| 4.1.4 | Institutional and legal framework | 113 |
| 4.1.5 | Agriculture policy | 114 |
| 4.1.6 | Market access | 115 |
| 4.2 | Support programmes | 117 |
| 4.2.1 | Export subsidies | 120 |
| 4.3 | Manufacturing | 121 |
| 4.3.1 | Features | 121 |

| | | |
|-----------|--|------------|
| 4.3.2 | Trade..... | 122 |
| 4.3.3 | Policy and institutional developments..... | 123 |
| 4.3.4 | Automotive..... | 123 |
| 4.3.5 | Chemicals..... | 124 |
| 4.3.6 | Textiles and clothing | 125 |
| 4.4 | Services..... | 126 |
| 4.4.1 | Financial services..... | 126 |
| 4.4.1.1 | Features | 126 |
| 4.4.1.2 | Institutional and legal framework | 127 |
| 4.4.1.3 | Specific sectors..... | 127 |
| 4.4.1.3.1 | Banking | 127 |
| 4.4.1.3.2 | Securities..... | 132 |
| 4.4.2 | Telecommunications..... | 134 |
| 4.4.2.1 | Features | 134 |
| 4.4.3 | Institutional and legal framework | 136 |
| 4.4.4 | Transport services | 138 |
| 4.4.4.1 | Main features | 138 |
| 4.4.4.2 | Maritime transport | 139 |
| 4.4.4.3 | Road | 140 |
| 4.4.4.4 | Air transport..... | 141 |
| 4.4.5 | Health services..... | 144 |
| 4.4.5.1 | Features | 144 |
| 4.4.5.2 | Policy and regulatory framework | 145 |
| 4.4.5.3 | Health tourism subsector | 146 |
| 4.4.6 | Tourism services..... | 148 |
| 4.4.6.1 | Features | 148 |
| 4.4.6.2 | Institutional and legal framework | 149 |
| 5 | APPENDIX TABLES | 153 |

CHARTS

| | | |
|-----------|--|-----|
| Chart 1.1 | Gross domestic product by economic activity (at basic current prices), 2021..... | 14 |
| Chart 1.2 | Merchandise trade by main products, 2016 and 2021 | 22 |
| Chart 1.3 | Direction of merchandise trade, 2016 and 2021..... | 23 |
| Chart 1.4 | FDI stock and flows, 2015-21 | 26 |
| Chart 3.1 | Distribution of MFN tariff rates, 2015 and 2022 | 53 |
| Chart 3.2 | Average applied MFN tariff rates, by HS section, 2015 and 2022 | 53 |
| Chart 3.3 | Anti-dumping measures in force, by product, 30 June 2022..... | 65 |
| Chart 3.4 | Charges for the use of intellectual property rights, 2013-21 | 101 |
| Chart 3.5 | The number of applications for action, 2017-21 | 106 |
| Chart 3.6 | IPR seizures, 2017-21 | 106 |

| | |
|--|-----|
| Chart 4.1 Trade in agriculture, 2016-21 | 112 |
| Chart 4.2 Support to agriculture, 2016-21 | 119 |
| Chart 4.3 SMEs' and large-scale enterprises' participation in the manufacturing industry by technology level, 2020 | 122 |
| Chart 4.4 Structure of financial services regulation | 127 |
| Chart 4.5 Tourism: Incoming tourists and domestic visitors by purpose of visit, 2021 | 149 |

TABLES

| | |
|---|----|
| Table 1.1 Selected macroeconomic indicators, 2016-21 | 16 |
| Table 1.2 Balance of payments, 2016-21 | 20 |
| Table 1.3 Trade in services, 2016-21 | 24 |
| Table 1.4 FDI stock by sector and origin, 2016-21 | 25 |
| Table 2.1 Türkiye's participation in WTO dispute settlement cases, January 2016 to October 2022 | 32 |
| Table 2.2 Entry into force of new, and expansion of existing RTAs, 2016-22 | 34 |
| Table 2.3 Overview of Türkiye's investment incentive schemes | 40 |
| Table 2.4 Overview of fixed capital investments under the incentive schemes, 2018 to August 2022 | 41 |
| Table 2.5 Overview of Technology Development Zones, 2016-21 | 42 |
| Table 2.6 Overview of Free Zones, 2016-21 | 44 |
| Table 3.1 Tariff lines subject to AFLs, 2022 | 50 |
| Table 3.2 Tariff lines subject to ACDs, 2022 | 51 |
| Table 3.3 Structure of MFN tariffs in Türkiye, 2015 and 2022 | 52 |
| Table 3.4 Tariff lines where applied tariff rates exceed bound tariff rates, 2022 | 54 |
| Table 3.5 Key features of concessional entry schemes, 2022 | 55 |
| Table 3.6 Summary analysis of the Turkish preferential tariffs, 2022 | 56 |
| Table 3.7 Türkiye's TRQs on industrial products, 2022 | 57 |
| Table 3.8 VAT rates, 2022 | 58 |
| Table 3.9 New VAT exemptions, 2016 to 2022 | 58 |
| Table 3.10 Strip stamp price list, 2015 and 2002 | 60 |
| Table 3.11 Import prohibitions, 2022 | 61 |
| Table 3.12 Imports requiring a licence, 2022 | 62 |
| Table 3.13 Anti-dumping original investigations and measures, 1 January 2016-1 July 2022 | 64 |
| Table 3.14 Anti-dumping measures in force, by trading partner/region, January 2016-July 2022 | 64 |
| Table 3.15 Safeguard activity, 1 January 2016-1 September 2022 | 65 |
| Table 3.16 FIT rates and local content support under the Renewable Energy Law and Presidential Decree No. 3453, 1 July 2021-December 2025 | 67 |
| Table 3.17 Türk Eximbank overview, credits, loans, and export credit insurance, 2016-21 | 73 |
| Table 3.18 Key features of TÜBİTAK support schemes | 75 |
| Table 3.19 Key features of KOSGEB support schemes, 2022 | 78 |

| | |
|---|-----|
| Table 3.20 Files concluded by the TCA, 2016-21 | 91 |
| Table 3.21 Capital injections to SOEs, 2016-21 | 92 |
| Table 3.22 Public economic enterprises under the MoTF portfolio | 93 |
| Table 3.23 SOEs under the privatization portfolio, October 2022 | 93 |
| Table 3.24 TWF Portfolio of companies, 2022 | 94 |
| Table 3.25 Privatization activity, 2016-22 | 95 |
| Table 3.26 Procurement values, 2016-21 | 98 |
| Table 3.27 Domestic preferences, 2016-21 | 98 |
| Table 3.28 Major procurement suppliers, 2016-21 | 98 |
| Table 3.29 Appeals to the Public Procurement Authority, 2016-21 | 99 |
| Table 3.30 GII rankings for Türkiye, 2019-2022 | 100 |
| Table 3.31 Applications for trademarks, industrial designs, and patents, and patents granted, 2017-21 | 101 |
| Table 3.32 Nationwide operations related to copyright crimes carried out by police, 2020-22 | 108 |
| Table 3.33 Nationwide operations related to industrial property crimes carried out by police, 2020-22 | 108 |
| Table 4.1 Major crop production, 2016-21 | 110 |
| Table 4.2 Major animal production, 2016-20 | 111 |
| Table 4.3 Exports of agricultural products, 2016-21 | 112 |
| Table 4.4 Imports of agricultural products, 2016-21 | 113 |
| Table 4.5 Agriculture in the Eleventh Development Plan, 2019 and 2023 | 114 |
| Table 4.6 Autonomous tariff rate quotas, 2016-22 | 116 |
| Table 4.7 Türkiye agriculture support programmes, 2021 | 117 |
| Table 4.8 Total PSE and SCT values for selected commodities, 2016-21 | 119 |
| Table 4.9 Türkiye's export subsidies on agricultural products, as notified to the SCM Committee, 2016-21 | 120 |
| Table 4.10 Manufacturing's contribution to GDP and employment, 2016-21 | 121 |
| Table 4.11 Financial intermediary institutions statistics, 2016-21 | 126 |
| Table 4.12 Banking sector – main indicators, 2019-21 | 128 |
| Table 4.13 Top 10 banks by total assets, 2021 | 128 |
| Table 4.14 Insurance sector – number of companies, 2019-22 | 130 |
| Table 4.15 Main indicators – Borsa Istanbul | 132 |
| Table 4.16 Institutions in the securities market, December 2021 | 133 |
| Table 4.17 Telecommunications indicators, 2016-21 | 134 |
| Table 4.18 Interconnection fees, 2022-24 | 135 |
| Table 4.19 Basic indicators for transport services sector, 2016-21 | 138 |
| Table 4.20 Trade by mode of transport, 2016-22 | 138 |
| Table 4.21 National fleet, 2016-21 | 139 |
| Table 4.22 Air transport statistics, 2016-21 | 142 |
| Table 4.23 Air transport agreements concluded between 2016 and 2021 | 143 |
| Table 4.24 Overview of health services sector, 2016-20 | 144 |

| | |
|---|-----|
| Table 4.25 Structure of healthcare sector, 2016-21..... | 144 |
| Table 4.26 Health tourism statistics, 2016-21 | 146 |
| Table 4.27 Health tourism incentives, 2022 | 147 |
| Table 4.28 Main tourism indicators, 2016-21..... | 148 |

BOXES

| | |
|--|----|
| Box 3.1 Goods subject to export registration..... | 68 |
| Box 3.2 Government bodies and their areas of activity on TBT matters | 80 |

APPENDIX TABLES

| | |
|---|-----|
| Table A1.1 Merchandise exports by group of products, 2016-21..... | 153 |
| Table A1.2 Merchandise exports by destination, 2016-21 | 154 |
| Table A1.3 Merchandise imports by group of products, 2016-21 | 155 |
| Table A1.4 Merchandise imports by origin, 2016-21 | 156 |
| Table A2.1 Notifications made by Türkiye to the WTO, 1 January 2016 to 31 October 2022..... | 157 |
| Table A3.1 Tax revenue, 2016-21 | 159 |
| Table A3.2 MFN applied tariff summary, 2022 | 160 |
| Table A3.3 Export prohibitions notified to the WTO, 2022 | 161 |
| Table A3.4 Exports requiring a licence, 2022..... | 162 |
| Table A3.5 Communiqués on product safety and inspection, 2022..... | 164 |
| Table A3.6 Summary of Türkiye's protection of IPRs, 2022..... | 166 |

SUMMARY

1. The period covered by this Review¹ witnessed important changes in the structure of Türkiye's economy and the role of trade. While the services sector is the main contributor to GDP, with a share of 59.0% in 2021 (61.2% in 2016), during 2016-21, there was a 6 percentage point increase in the share of the manufacturing sector in GDP, reaching 24.8% in 2021.

2. Trade as a share in GDP increased substantially, from 48.0% in 2016 to 69.8% in 2021. The relatively big size of the economy and Türkiye's strategic location with close access to large markets and suppliers have helped firms to participate in global value chains (GVCs) and exploit economies of scale and to export. Exports of goods grew 47.2% in value terms between 2016 and 2021 while imports of goods increased by 31.9% over the same period. In 2021, base metals and articles thereof and textiles and textile articles represented about one third of Türkiye's total merchandise exports while almost 40% of its imports were petroleum and mineral products, and machinery and electrical equipment. The EU-27 remains Türkiye's largest trading partner, accounting for 41.9% and 31.5% of total merchandise exports and imports, respectively. Türkiye remains a net exporter of services, an important source of foreign exchange. As a result of the COVID-19 pandemic, the services surplus declined significantly in 2020 before recovering in 2021. The most important services export sectors are travel and transport, which in 2021 accounted for, respectively, 43.4% and 39.8% of total services exports.

3. Over the review period, Türkiye had positive GDP growth rates despite the pandemic. Indeed, Türkiye was one of the few countries with a positive growth performance in 2020, estimated at 1.9%, mainly due to large interest rate cuts, rapid monetary and credit expansion, and extensive liquidity support. In 2021, Türkiye's real GDP growth was 11.4%, the highest rate among G20 countries, boosted by high consumer spending and strong exports. According to the authorities, monetary policy aims to enable Turkish firms to increase investment, production, and export capacity so as to benefit from recent international trade developments that are favourable to Türkiye. Nonetheless, the loose monetary strategy adopted has also caused deteriorating macro-financial conditions, particularly record depreciation of the lira, and record inflation that reached 85.5% in October 2022. At the same time, exports of goods have grown considerably over the last few years supported by external demand, with Türkiye benefitting from supply chain disruptions elsewhere and its strong export capacity.

4. In March 2021, Türkiye's Economic Reform Package (ERP) 2021-23 was launched to tackle inflation, promote de-dollarization of the economy, and place the country among the world's top 10 economies in 2023 by fostering local and foreign investment, production, employment, exports, and current account surplus. According to the authorities, the ERP is being implemented to ensure macroeconomic stability, increase competition and efficiency in the economy, take advantage of the opportunities that emerged after the pandemic, encourage high value-added production, and promote further integration into GVCs.

5. During the review period, Türkiye took steps to facilitate foreign direct investment (FDI), notably through the Investment Office of the Presidency and its FDI Strategy 2021-23, and the development of public-private partnerships for major infrastructure projects. Türkiye has also been benefitting from its position as a relatively low-cost manufacturing hub close to EU markets. Nonetheless, Türkiye's stock of FDI decreased in 2021, after peaking in 2020, despite the global economic uncertainty caused by the pandemic. According to the OECD, recent unorthodox economic policies have discouraged investors, and Türkiye would also benefit from reinforcing the governance environment as envisaged in the Eleventh Development Plan (2019-23), which requires improvements, *inter alia*, regarding rule of law, judicial credibility, and corruption.

6. Amendments to the Turkish Constitution in 2018 resulted in the introduction of a presidential system of government. Executive power has been concentrated in the Presidency with the abolition of the Council of Ministers and the Office of Prime Minister. The President, *inter alia*, has the authority to make high-level appointments and issue presidential decrees under certain conditions. There have been changes to the legislative and judicial branches of government, as well as to the legislative process and the hierarchy of laws. Trade and investment policies are now largely regulated through presidential decrees and decisions. In 2018, the President created new policy councils and

¹ The review period covers January 2016 to end-October 2022, subject to data availability.

restructured several government ministries and agencies. This included merging of the Ministry of Customs and Trade and the Ministry of Economy to form the Ministry of Trade.

7. Turkish trade policy as set out in its Exports Strategy for 2023 and its Eleventh Development Plan (2019-23) is geared towards an export-oriented transformation of the Turkish economy. It seeks to increase exports of high value-added goods as well as services, improve Türkiye's position in the hierarchy of GVCs, and make the country a regional hub for trade in e-commerce.

8. With respect to its WTO-related activities, Türkiye accepted the 2014 Protocol concerning the Trade Facilitation Agreement (TFA) in 2016. It supports the Buenos Aires Declaration on Women and Trade and actively participates in several Joint Statement Initiatives and in the Trade and Environmental Sustainability Structured Discussions. Over the review period, Türkiye was involved in four new dispute settlement cases as complainant and in three cases as respondent. It maintained a solid record of notifications to the WTO, with some outstanding in the areas of agriculture, intellectual property rights, and regional trade agreements.

9. Türkiye has 26 RTAs in force with 63 trading partners. The Türkiye-EU Customs Union (in force since 1996) constitutes the main legal basis for Türkiye's regional trade agreements (RTAs) and GSP scheme since it has provisions obliging Türkiye to align its commercial policy with the European Union's Common Commercial Policy. This alignment has become more challenging from the Turkish perspective as a consequence of the European Union's conclusion of deep and comprehensive RTAs with third countries. Modernization of the Customs Union agreement has not progressed and Türkiye's accession negotiations to the European Union have been at a standstill since 2018. Nevertheless, legislative alignment with the EU *acquis* continues in areas such as technical regulations and sanitary and phytosanitary measures.

10. Over the review period, new RTAs entered into force with the Republic of Moldova, the Faroe Islands, Singapore, Kosovo², the Bolivarian Republic of Venezuela, the United Kingdom, Azerbaijan, the Organisation of Islamic Cooperation Trade Preferential System partners, and the Developing-8 members. Moreover, some existing RTAs were expanded to include services, investment, and/or increased agricultural liberalization. Until 2017, Türkiye's RTAs only covered goods, and a key trend during this review period is the inclusion of services provisions and liberalization commitments. Türkiye's RTA with Jordan was terminated in 2018. While Türkiye applies the same GSP rules as the European Union, it narrowed the scope of beneficiary countries and product groups in 2018, including terminating GSP+ preferences. In 2022, it provided unilateral preferences to 66 economies, compared with 88 in 2015. Overall, preferences granted under RTAs are more extensive than under unilateral preference schemes.

11. There have been no changes to FDI restrictions in Türkiye since its previous Review. The restrictions apply to 12 sectors: TV broadcasting, civil aviation, maritime transport, port services, fishing, accounting, auditing and book-keeping services, financial services, mining, real-estate trading, electricity, and education.

12. Türkiye provides support to business through various schemes or special zones, *inter alia*, to attract investment; promote regional development; encourage domestic manufacturing of specific products; stimulate research and development; support small and medium-sized enterprises (SMEs); and promote exports. In 2016, Türkiye operationalized a project-based investment incentive scheme that supports the production of high value-added or strategic products. Other support schemes have been modified.

13. E-commerce-related developments over the review period included legislative reforms to ensure fair competition in digital markets/e-commerce and to protect data, new fiscal and export incentive measures, the introduction of data localization and product safety requirements, new registration and data collection requirements, and the introduction of a trust stamp system.

14. Over the review period, Türkiye's Single Window System, which allows traders to obtain the required import documents and licences through a single point, was extended to include more documents used in import and export transactions. Pre-arrival processing has been implemented for

² References to Kosovo shall be understood to be in the context of UN Security Council Resolution 1244 (1999).

imports of raw and semi-finished goods arriving by air and sea to speed up customs clearance. A Port Single Window System was established in July 2018, and an electronic portal was launched for the submission and issuance of advance rulings on tariff classification. A Coordination Committee on Trade Facilitation was established to enable the implementation of the TFA and other international regulations on simplification of border procedures. Türkiye continues to engage in efforts to facilitate trade with bordering nations, through simplified customs procedures and through cooperation protocols/agreements, and to monitor the import prices of selected goods under its import surveillance mechanism. Surveillance certificates must be obtained for the import of certain products, which involves the provision of additional data and/or information. These data are used to evaluate domestic producers' claims of injury that might lead Türkiye to initiate a safeguard or anti-dumping investigation or to monitor if there is circumvention of trade remedy measures already in place.

15. Türkiye applies three different types of duty on imports only: (i) customs duties; (ii) additional financial liabilities (AFLs); and (iii) additional customs duties (ACDs). The combination of these different types of duty comprises Türkiye's MFN tariff, and marks a significant change from the situation at the time of Türkiye's previous Review when the MFN applied tariff was calculated as being composed of the customs duty and the "Fund as Agricultural Component" as applied to processed agricultural products. Consequently, Türkiye's average applied MFN tariff is considerably higher in 2022 than at the time of its previous Review. Its simple average MFN applied tariff rate, including the customs duty, AFLs, and ACDs, was 19.6% in 2022, compared with 12.8% in 2015. International tariff peaks now affect 36.2% of tariff lines, up from 16.1% in 2015. Applied rates range from 0 to 225%. There has also been a reduction in the number of duty-free lines from 23.5% in 2015 to 18.8% in 2022.

16. While average MFN tariff rates remain high on live animals, vegetable products, and prepared food and beverages, reflecting the situation at the time of Türkiye's previous Review, the inclusion of ACDs in the applied tariff has significantly increased tariff protection in other HS sections, notably hides and skins, pulp and paper, textiles and articles, footwear and headgear, and miscellaneous manufactured products. Türkiye has bound 50.4% of its tariff lines at rates ranging from 0 to 225%. Applied MFN rates exceed bound rates in certain instances.

17. Major changes to other types of internal tax falling on imports (and domestic products) included a substantial increase of the Special Consumption Tax on alcoholic beverages and strip stamp prices for tobacco and alcohol, as well as the introduction of a Digital Services Tax in 2020, which is applied to revenue generated from the sale of specific digital services.

18. Türkiye continues to be a major user of trade remedies. As of July 2022, 131 anti-dumping definitive measures, affecting imports from 23 economies, notably China, were in force. Textile products accounted for most of these measures, followed by mining and metals, and plastic and rubber products. At this time, it continued to enforce one countervailing measure, following a sunset review, and enforced five final safeguard measures.

19. Over the review period, changes to Türkiye's export regime included an increase in the goods subject to export registration; the launch of a paperless customs project and an automation system for certificates of origin and movement certificates; the implementation of export bans, mostly temporary, on some food products to stabilize domestic prices of agricultural products; and the introduction and removal of non-automatic licensing requirements on lemons, onions, and potatoes, and on personal protective and certain medical equipment and devices. Export taxes are applied to hazelnuts, raw hides and skins, and wet-blue products.

20. Türk Eximbank, a state-owned bank, continues to be the sole official provider of export credit. In 2021, it supported 14,092 exporting companies, providing USD 22.5 billion in credit and USD 23.5 billion in insurance/reinsurance. An Export Development Corporation was established in October 2021, which is jointly owned by banks, exporters associations, and Eximbank, to help exporters lacking capital or collateral to access Eximbank's services.

21. With respect to standards and technical regulations, a new Product Safety and Technical Regulations Law entered into force in 2021, which transposes EU rules on harmonized products. A Presidential Decree on the Regime Regarding Technical Regulations was issued in 2022, which replaces previous legislation and contains new provisions on responsibilities of exporters and

importers and fines to be applied. Various new implementing regulations have been issued. Additionally, a new Halal Accreditation Agency was established in 2018 to accredit halal conformity assessment bodies. Specific trade concerns were raised over the review period regarding energy labelling regulations, inspection requirements on toys, and cosmetic product requirements. Türkiye now requires labels and price lists of goods offered for retail sale to include a "domestic production logo" if the goods are produced within Türkiye.

22. Over the review period, Türkiye issued a handful of food-related SPS regulations that impose higher than international standards. It also developed its own SPS measures in areas where no international standards exist or where regulations are not harmonized with the EU *acquis*. The Biosafety Board was abolished in 2018 and responsibility for approving GMOs and GM products now rests with the Ministry of Agriculture and Forestry. As of end-October, there were 45 GM approvals for maize, soybeans, and genetically modified microorganisms. Specific trade concerns were raised in the WTO Committee on Sanitary and Phytosanitary measures about Turkish import restrictions on sheep meat, rough rice, and cows for fattening and slaughter.

23. In 2020, Türkiye's law on the Protection of Competition underwent a major revision introducing, *inter alia*, the concept of the *de minimis* principle and new provisions on settlement and remedies. According to the authorities, the amendments were made with the aim of increasing the effectiveness of competition law instruments and ensuring compliance with EU regulations. Various new implementing regulations were also issued.

24. There were significant changes to the ownership of State-Owned Enterprises (SOEs) over the review period, with five SOEs being transferred from the Ministry of Treasury and Finance portfolio to the Türkiye Wealth Fund (TWF), created in 2016. Major capital injections from the Government were related to increased investments in the railway company and capital transfers to the natural gas importing company to ensure energy supply. Privatization activity has continued, largely focused on energy (mainly hydroelectric power plants), maritime ports and marinas, and sugar factories. The TWF falls under the responsibility of the Presidency; it has expanded and diversified its portfolio to include 26 companies in a variety of sectors.

25. With respect to government procurement procedures, the main developments over the review period were the introduction of e-tendering in 2019, and the requirement to use e-procurement for open and negotiated tendering procedures in 2022. The size of Türkiye's public procurement market, as a percentage of GDP, dropped significantly over the review period. Since 2016, new mandatory national preferences have been introduced. The percentage of international tenders where domestic price advantages are applied increased from 37% in 2017 to 45% in 2021. On average, 98% of annual procurement is from Turkish suppliers. Türkiye is not a party to the Agreement on Government Procurement; it has observer status.

26. While Türkiye is a net importer of intellectual property (IP), it has made concrete progress in developing its capacity for innovation as shown by improved rankings in international indexes. Moreover, the review period saw an overall growth in the use of most forms of IP. A new Industrial Property Code entered into force in 2017, replacing a series of laws, executive decrees, and regulations. It covers all matters related to trademarks, geographical signs, designs, patents, utility models, and traditional product names, harmonizing national legislation with EU standards and introducing various new provisions. The Copyright Law was amended in 2021 to reflect the EU Information Society Directive and cover all works, performances, phonograms, productions, and broadcasts. In 2021, Türkiye ratified the WIPO Marrakesh Treaty to Facilitate Access to Published Works for Persons who are Blind, Visually Impaired or Otherwise Print Disabled.

27. Agriculture continues to play an important role in Türkiye's economy, accounting for 5.5% of GDP. Trade is important to the sector; both imports and exports grew over the period 2016-21, contributing to a growing trade surplus in agricultural products with exports of USD 24.2 billion and imports of USD 20.2 billion in 2021. Türkiye continued to support the agriculture sector, and the value of support programmes doubled during the review period. Export subsidies continued to be granted to reduce exporters' debts (such as taxes, and telecommunications or energy costs) to public corporations. There were no changes to the percentage share of products eligible to receive subsidies, except honey, where the share declined.

28. SMEs continue to play an important role in the manufacturing sector. Slightly more than 12% (12.3%) of all SMEs participated in the sector, accounting for 42% of the production value. Türkiye is a large exporter of manufacturing goods, which accounted for 94.5% of total exports of goods in 2021. Key exports in the sector are machinery and transport equipment, automotive, textiles and clothing, chemicals, iron and steel, electronics, and jewellery. In 2021, 36% of manufacturing exports consisted of medium-tech products and 3% of high-tech products.

29. The value added of financial and insurance services activities more than doubled from 2016 to 2020, and the number of enterprises also increased. Bank assets are now equivalent to 127.8% of GDP and, according to the IMF, growth was mostly driven by state-owned banks. Between 2016 and 2021, foreign presence in the banking subsector increased and, as of October 2022, 3 of the top 10 banks are foreign owned. The banking sector is adequately capitalized with a capital adequacy ratio well above the levels stipulated by international standards. The ratio of non-performing loans to total lending stood at 3.9% in December 2021. As of 2016, Türkiye's risk-based capital regulations and liquidity coverage ratio regulation are considered by the Basel Committee as being fully in line with Basel III standards.

30. The review period witnessed strong growth in the telecommunications market, as reflected in the substantial increases in revenue, number of subscriptions (particularly mobile and fixed broadband), and investments. Fixed-line services continued to be dominated by a single supplier. However, the market has more players in mobile and Internet services. International trade in telecommunications services declined during the review period, with a particularly drastic decrease in imports.

31. During the review period, the transport services sector's contribution to GDP increased slightly. Transport is Türkiye's largest services exports category, and both exports and imports increased during the review period, except in 2020 due to the COVID-19 pandemic. Maritime transport was the main mode of transportation for exports of goods between 2016 and 2021, followed by air and road transportation.

32. The health services sector is a priority in the diversification process of the economy and between 2016 and 2021 the sector continued to grow in terms of health expenditures and number of hospitals. The authorities place priority on universal health coverage and in 2020 98.8% of the population was covered by government health insurance. The Ministry of Health continued to be the main provider of healthcare. Recent regulatory developments include the procedures and principles regarding the provision of remote health services and supervision of health facilities. Health tourism subsector revenues increased during the review period, except in 2020 due to COVID-19 restrictions. Health services commitments under the GATS are only included in hospital services, which have market access restrictions.

33. Tourism is the second-largest category in Türkiye's exports of services and accounts for more than half of its net trade balance in services in 2021. Türkiye ranked 7th among the top 10 European countries for tourism FDI between 2016 and 2020, with 36 FDI projects. The tourism sector expanded significantly from 2016 to 2019; however, it suffered a severe decline in 2020 as a consequence of COVID-19-related travel restrictions, and rebounded in 2021, when its share of GDP reached 3.7%. Travel agencies and tour operator services have certain limitations on market access or national treatment.

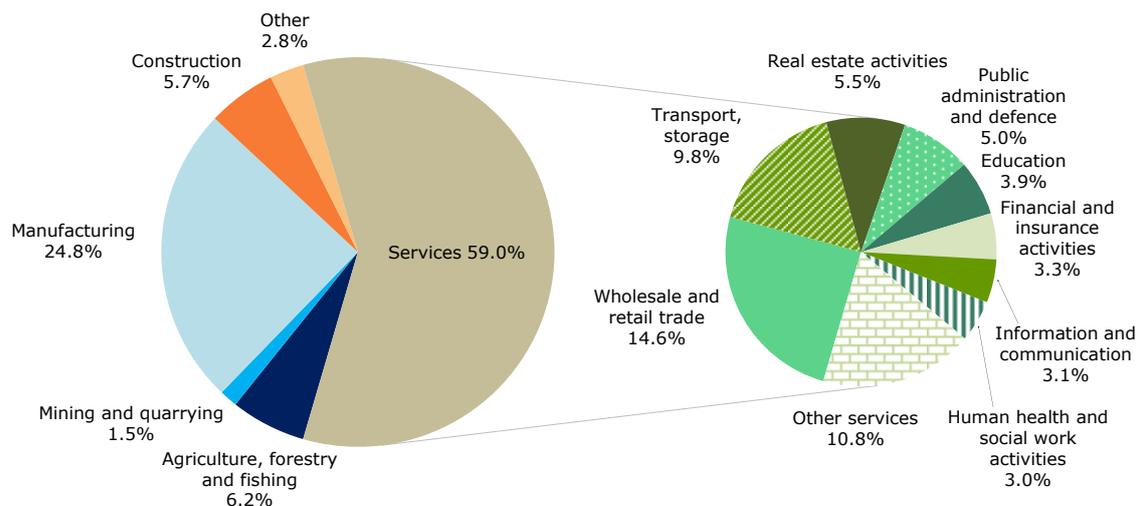
1 ECONOMIC ENVIRONMENT

1.1 Main features of the economy

1.1. The Republic of Türkiye¹ covers an area of over 784,000 km² (including lakes). It has a relatively young population of almost 85 million, with median age of 31.5 years in 2021. Population growth has been declining steadily in recent years, and currently averages 1.1% per year.² Workers' remittances, once an important source of foreign exchange, have continued to steadily decline, reaching USD 181 million in 2021 (down from USD 575 million in 2016). There are around four million refugees in Türkiye, the largest refugee hosting country in the world for the past eight years.³ According to one study, in the short term, migration, *inter alia*, increases inflation and unemployment and later on it can stimulate the economy depending on how quickly refugees find jobs and integrate into the labour market.⁴ Türkiye ranks 54th among 189 countries on the basis of the latest UNDP Human Development Index.⁵

1.2. During the review period, there was a substantial increase in the share of the manufacturing sector to GDP from 18.8% in 2016 to 24.8% in 2021, partly due to Türkiye's improved position in global value chains (GVCs), especially after the COVID-19 pandemic (Section 1.3.1). Nonetheless, as shown in Chart 1.1, the services sector remains the main contributor (59.0% in 2021, compared with 61.2% in 2016). The participation of construction in the economy decreased from 9.6% in 2016 to 5.7% in 2021, while that of agriculture, forestry, and fishing also went down from 7.0% in 2016 to 6.2% in 2021. Mineral resources are abundant but remain underexploited, with mining and quarrying contributing 1.5% to GDP in 2021 (0.9% in 2016). The recent discovery of natural gas in the Black Sea could help to further increase this activity's share in the economy.

Chart 1.1 Gross domestic product by economic activity (at basic current prices), 2021



Source: WTO Secretariat calculations based on Turkish Statistical Institute, *National Accounts*. Viewed at: <https://www.tuik.gov.tr/>.

¹ Formerly "Turkey". See Membership of the World Trade Organization (WTO document WT/INF/43/Rev.23, 4 June 2022). We refer to "Türkiye" in this Review, except when citing original sources that refer to "Turkey".

² Nearly 67% of the population is aged between 15 and 64 years old, and 8.7% is over 65 years old. Around two thirds of the inhabitants live in urban areas, the largest cities being Istanbul, Ankara, and Izmir. More than 6.5 million Turks live abroad, including around 5.5 million in Western Europe. Ministry of Foreign Affairs, *Turkish Citizens Living Abroad*. Viewed at: <https://www.mfa.gov.tr/the-expatriate-turkish-citizens.en.mfa>.

³ UNHCR, *Türkiye*. Viewed at: <https://reporting.unhcr.org/turkey>.

⁴ F. Tanrikulu (2020), "The Political Economy of Migration and Integration: Effects of Immigrants on the Economy in Turkey", *Journal of Immigrant & Refugee Studies*, 27 August. Viewed at: <https://www.tandfonline.com/doi/abs/10.1080/15562948.2020.1810840>.

⁵ Between 1990 and 2019, life expectancy at birth increased by 13.4 years, mean years of schooling increased by 3.6 years, and expected years of schooling increased by 7.7 years. UNDP, *Human Development Index: Turkey*. Viewed at: <https://hdr.undp.org/data-center/specific-country-data/#/countries/TUR>.

1.3. The size of the informal sector, difficult labour market conditions (particularly among females and young people), low levels of workforce productivity, and income inequality remain long-standing challenges. According to the OECD, "low labour force participation of women, widespread informality, weak skills, rigid employment rules hampering reallocation and large share of low-quality employment have to be addressed for a more inclusive and sustained recovery".⁶ According to OECD estimates, productivity per hour worked is 30% lower than that of OECD best performers, while the poorest 20% of households earn 6.1% of total income.⁷

1.4. Businesses can be broadly classified into three categories: large firms, which account for one quarter of employment, one half of the business sector's value added, and are diversified across industries and export markets; medium-sized family firms, with some formal and informal workforce; and small, mostly unregistered firms, with low productivity.⁸

1.5. Türkiye is located in the Mediterranean Basin, one of the regions in the world expected to be most affected by climate change.⁹ Recent floods, forest fires, and sea pollution have also shown how highly vulnerable the country is to the impacts of climate change. In addition, energy supply disruptions and fuel price increases because of geopolitical conflicts have underscored the urgency of climate action in support of energy security and affordability. As part of its efforts to tackle these challenges, Türkiye adopted its Green Deal Action Plan in August 2021 to comply with the European Union's European Green Deal. Some of the main actions under the Green Deal Action Plan include limiting carbon emissions; promoting green financing and circular economy; encouraging clean, economic, and safe energy supply; supporting sustainable agriculture; and fostering sustainable smart travels.¹⁰

1.6. Türkiye ratified the Paris Agreement in October 2021 and has committed to net zero emissions by 2053.¹¹ Nonetheless, there is no target for phasing out coal, the most polluting way of producing electricity. Moreover, in June 2022 a new coal-fired power plant became operational.¹² According to the authorities, Türkiye's new long-term National Energy Plan is soon to be published.

1.2 Recent economic developments

1.7. At the time of the previous Review in 2016, the Turkish economy had grown every year except in 2009. However, since 2009, GDP growth has fluctuated from 9.2% in 2010 to 2.1% in 2012, reflecting the economy's vulnerability to capital inflows and contraction in agricultural output due to adverse weather conditions. Furthermore, a high current account deficit, although declining, had left the country exposed to external shocks in an environment of increased currency and financial market volatility coupled with high inflation since mid-2013. Geopolitical crises in the region and the associated influx of refugees were also posing challenges to sustained economic growth.¹³

1.8. During 2016-21, Türkiye enjoyed positive GDP growth rates despite the pandemic. Nonetheless, GDP per capita declined in the period (Table 1.1).¹⁴ According to the IMF, before the pandemic, productivity growth had slowed as reform momentum waned and economic growth

⁶ OECD, *Going for Growth 2021 – Turkey*. Viewed at: <https://www.oecd.org/economy/growth/Turkey-country-note-going-for-growth-2021.pdf>.

⁷ OECD, *Türkiye Economic Snapshot*. Viewed at: <https://www.oecd.org/economy/turkey-economic-snapshot/>.

⁸ OECD, *Türkiye Economic Snapshot*.

⁹ The Intergovernmental Panel on Climate Change (IPCC) estimates an increase of 2.5°C-4°C in annual average temperatures in Türkiye, and that the country will be hotter and more arid and have a more uncertain climate structure in terms of precipitation. İklimin (2019), *Türkiye's Climate Change Policy, Legal and Institutional Framework*. Viewed at: http://www.iklimin.org/wp-content/uploads/2020/03/modul_04_en-1.pdf.

¹⁰ M. Arseven (2021), "Turkey Adopts Action Plan to Comply with European Green Deal", *Lexology*, 17 August. Viewed at: <https://www.lexology.com/library/detail.aspx?q=1d5cf7b3-0fc7-40b1-9385-cadd2760443>.

¹¹ World Bank Group, *Türkiye: Country Climate and Development Report*. Viewed at: <https://openknowledge.worldbank.org/bitstream/handle/10986/37521/T%C3%BCrkiye%20CCDR%20Executive%20Summary.pdf?sequence=2&isAllowed=y>.

¹² The USD 2.17 billion Hunutlu power plant, the largest FDI project in Türkiye by China, consists of two power generation units, the second of which is not yet operational. *Financial Times* (2022), "Turkey's New Power Plant Exposes 'Huge Contradictions' of Net Zero Pledge", 27 July.

¹³ WTO document WT/TPR/S/331/Rev.1, 9 August 2016.

¹⁴ The OECD estimates that GDP per capita in Türkiye is 46% lower than that of OECD best performers. OECD, *Türkiye Economic Snapshot*. Viewed at: <https://www.oecd.org/economy/turkey-economic-snapshot/>.

became increasingly dependent on externally funded credit and demand stimulus.¹⁵ In addition, an exchange rate crisis in the second half of 2018 resulted in weak GDP growth performance in 2019.¹⁶ By early 2020, the economy had started to recover, just as it was hit by the pandemic. Also, rapid credit growth, led by state-owned banks, and high inflation undermined monetary policy credibility and caused deposit dollarization (Section 1.2.1).¹⁷ Furthermore, according to the OECD, recent unorthodox economic policies have discouraged FDI inflows into Türkiye's economy (Section 1.3.3).¹⁸

Table 1.1 Selected macroeconomic indicators, 2016-21

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---------|---------|---------|---------|---------|---------|
| GDP at current prices (TRY billion) | 2,626.6 | 3,133.7 | 3,758.8 | 4,311.7 | 5,048.2 | 7,248.8 |
| GDP at current prices (USD billion) | 869.2 | 859.1 | 797.2 | 759.3 | 717.1 | 807.1 |
| Real GDP (% change in chain linked volume 2009=100) | 3.3 | 7.5 | 3.0 | 0.8 | 1.9 | 11.4 |
| Population (million) | 79.3 | 80.3 | 81.4 | 82.6 | 83.4 | 84.1 |
| GDP per capita (USD) | 10,965 | 10,696 | 9,793 | 9,195 | 8,600 | 9,592 |
| Unemployment rate | 10.9 | 10.9 | 11.0 | 13.7 | 13.2 | 12.0 |
| Inflation, (CPI % change, period average) | 7.8 | 11.1 | 16.3 | 15.2 | 12.3 | 19.6 |
| Inflation, (CPI % change, end of period) | 8.5 | 11.9 | 20.3 | 11.8 | 14.6 | 36.1 |
| GDP by expenditure approach (% of GDP at current prices) | | | | | | |
| Final consumption expenditure of resident households | 59.1 | 58.3 | 55.8 | 56.6 | 56.4 | 54.9 |
| Final consumption expenditure of non-profit institutions serving households | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.3 |
| Government final consumption expenditure | 14.7 | 14.4 | 14.7 | 15.4 | 15.2 | 13.1 |
| Gross fixed capital formation | 29.1 | 29.9 | 29.7 | 25.9 | 27.4 | 28.1 |
| Change in stocks | -1.1 | 0.8 | -0.3 | -0.7 | 4.1 | 3.7 |
| Exports of goods and services | 23.1 | 26.0 | 31.2 | 32.5 | 28.7 | 35.3 |
| Imports of goods and services | 25.2 | 29.7 | 31.4 | 30.2 | 32.2 | 35.5 |
| GDP by expenditure approach (% change in chain linked volume 2009=100) | | | | | | |
| Gross domestic product (TRY '000) | 3.3 | 7.5 | 3.0 | 0.8 | 1.9 | 11.4 |
| Final consumption expenditure of resident households | 3.7 | 5.9 | 0.5 | 1.5 | 3.2 | 15.3 |
| Final consumption expenditure of non-profit institutions serving households (NPISH) | 11.6 | 7.1 | 13.4 | -1.2 | 12.1 | 14.1 |
| Government final consumption expenditure | 9.5 | 5.0 | 6.5 | 3.8 | 2.5 | 2.6 |
| Gross fixed capital formation | 2.2 | 8.3 | -0.2 | -12.5 | 7.4 | 7.4 |
| Exports of goods and services | -1.7 | 12.4 | 8.8 | 4.2 | -14.4 | 24.9 |
| Imports of goods and services | 3.0 | 10.6 | -6.2 | -5.0 | 6.7 | 2.4 |
| Central government budget (% of GDP) | | | | | | |
| Revenue | 21.1 | 20.1 | 20.2 | 20.3 | 20.4 | 19.3 |
| Expenditure | 22.2 | 21.6 | 22.1 | 23.2 | 23.9 | 22.2 |
| Primary expenditure | 20.3 | 19.8 | 20.1 | 20.8 | 21.2 | 19.7 |
| Balance | -1.1 | -1.5 | -1.9 | -2.9 | -3.5 | -2.8 |
| Primary balance | 0.8 | 0.3 | 0.0 | -0.6 | -0.8 | -0.2 |
| Total debt stock | 28.9 | 28.0 | 28.4 | 30.8 | 35.9 | 37.9 |
| Domestic debt stock | 17.8 | 17.1 | 15.6 | 17.5 | 21.0 | 18.1 |
| External debt stock | 11.1 | 10.9 | 12.8 | 13.3 | 14.9 | 19.8 |
| Money and interest rate | | | | | | |
| Broad money growth (annual %) | 17.2 | 15.5 | 18.6 | 29.5 | 32.8 | 51.1 |
| Broad money (% of GDP) | 55.2 | 53.5 | 52.9 | 59.6 | 67.7 | 71.7 |
| CBRT 1-week repo interest rate | 8.0 | 8.0 | 24.0 | 12.0 | 17.0 | 14.0 |
| Weighted average cost of the CBRT funding | 8.3 | 12.8 | 24.1 | 11.4 | 17.0 | 14.0 |
| External sector | | | | | | |
| Current account (% of GDP) | -3.1 | -4.7 | -2.6 | 1.4 | -4.4 | -0.9 |
| Trade (goods and services, BOP) (% of GDP) | 48.0 | 55.6 | 62.4 | 62.1 | 60.3 | 69.8 |
| Exports/imports ratio (goods and services, BOP) | 91.1 | 87.4 | 95.7 | 107.6 | 88.6 | 99.0 |
| Exports/imports ratio (goods, BOP) | 79.3 | 74.3 | 81.5 | 91.6 | 81.6 | 88.5 |
| Real effective exchange rate (year-on-year % change) | 0.0 | -10.3 | -14.4 | -2.7 | -10.3 | -10.2 |
| TYR/USD (period average) | 3.0 | 3.6 | 4.8 | 5.7 | 7.0 | 8.9 |
| TYR/EUR (period average) | 3.3 | 4.1 | 5.7 | 6.4 | 8.0 | 10.5 |

¹⁵ IMF (2021), *Turkey: Staff Report for the 2021 Article IV Consultation*, IMF Country Report No. 21/110, p. 4. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2021/06/11/Turkey-2021-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-50205>.

¹⁶ In general, an unstable currency discourages capital from foreign investors affecting GDP growth.

¹⁷ IMF (2021), "IMF Executive Board Concludes 2021 Article IV Consultation with Turkey", Press Release 21/169, 11 June.

¹⁸ OECD (2021), *Türkiye: Executive Summary*. Viewed at: <https://www.oecd.org/economy/surveys/TURKEY-2021-OECD-economic-survey-executive-summary.pdf>.

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|-------|-------|-------|-------|-------|-------|
| Total reserves including gold (USD billion) | 104.8 | 107.7 | 93.0 | 105.6 | 93.5 | 109.5 |
| in months of imports | 5.4 | 4.8 | 4.2 | 5.1 | 4.6 | 4.3 |
| Gross external debt stock (USD billion) | 405.9 | 450.9 | 426.8 | 415.9 | 432.8 | 442.5 |
| Gross external debt stock (% of GDP) | 46.7 | 52.5 | 53.5 | 54.7 | 60.4 | 55.1 |
| Net external debt stock (USD billion) | 245.0 | 280.8 | 253.0 | 220.7 | 244.0 | 222.5 |
| Net external debt stock (% of GDP) | 28.2 | 32.7 | 31.7 | 29.0 | 34.0 | 27.7 |

Source: Central Bank of the Republic of Türkiye (CBRT), *Electronic Data Delivery System*. Viewed at: <https://evds2.tcmb.gov.tr>; Turkish Statistical Institute, *Data Portal for Statistics*. Viewed at: <https://data.tuik.gov.tr/>; Ministry of Treasury and Finance, *Statistics*. Viewed at: <https://en.hmb.gov.tr/>; World Bank, *DataBank World Development Indicators*. Viewed at: <https://databank.worldbank.org/source/world-development-indicators>; and information provided by the authorities.

1.9. The initial economic and financial impact of the pandemic was acute: GDP fell sharply in Q2 2020, as containment measures were put in place and external demand and tourism plummeted. Employment registered its largest fall on record in the first half of 2020, while poverty is estimated by the IMF to have risen by about 1.5 million people due to the pandemic.¹⁹ The policy response to the pandemic relied initially on loosening the monetary policy framework (Section 1.2.1), while fiscal support was relatively modest (Section 1.2.2). Türkiye was one of the few countries with a positive growth performance in 2020, estimated at 1.9%, mainly due to large interest rate cuts, rapid monetary and credit expansion, and extensive liquidity support. According to the IMF, quasi-fiscal measures were also used, including loan guarantees to firms and loan service deferrals by state-owned banks; these measures came to nearly 10% of GDP, among the highest in emerging markets.²⁰

1.10. In 2021, Türkiye's real GDP growth rate was the highest among G20 countries, boosted by high consumer spending, a large domestic market, and strong exports. Indeed, exports of goods reached a record high in 2021 supported by external demand, including from the Russian Federation and Asia, with Türkiye benefitting from supply chain disruptions elsewhere and its strong export capacity (Section 1.3.1). As a result of the surge in economic activity, the unemployment rate decreased in 2021 and is forecast to further fall to 11% in 2022. Real GDP growth is estimated by the IMF at 5.0% for 2022 and 3.5% for 2023.²¹

1.11. In March 2021, Türkiye's New Economic Reform Package (ERP) 2021-23 was launched to tackle inflation, fortify financial stability, promote de-dollarization of the economy, and place the country among the world's top 10 economies by promoting local and foreign investment, production, employment, exports, and current account surplus.²² According to the authorities, the ERP is being implemented to ensure macroeconomic stability, increase competition and efficiency in the economy, take advantage of the opportunities that emerged after the pandemic, encourage high value-added production, and promote further integration to GVCs. Some of the measures in the ERP include establishing a new Price Stability Committee (Section 1.2.1); reforming both SOEs and public procurement tenders; enacting the Public-Private Partnership (PPP) Framework Law; restructuring the Credit Guarantee Fund to focus on high value-added investment; prioritizing import substitution and exports in less developed regions; and reductions in social security and unemployment insurance contributions for new hires.²³

1.2.1 Monetary and exchange rate policies

1.12. The Central Bank of the Republic of Türkiye (CBRT) is responsible for conducting monetary and exchange rate policies; its primary objective is to achieve and maintain price stability.²⁴ The CBRT is responsible for taking precautionary measures to enhance the stability in the financial system and for taking regulatory measures with respect to money and foreign exchange markets. It also determines the exchange rate regime jointly with the Government. In addition, the CBRT is

¹⁹ IMF Country Report No. 21/110, p.5.

²⁰ IMF Country Report No. 21/110, p. 7.

²¹ IMF (2022), *World Economic Outlook Update*, July. Viewed at: <https://www.imf.org/en/Publications/WEO/Issues/2022/07/26/world-economic-outlook-update-july-2022>.

²² Investment Office (2022), *Invest in Türkiye*, Issue 95, January. Viewed at: <https://www.invest.gov.tr/en/news/newsletters/lists/investnewsletter/investment-office-jan-2022-newsletter.pdf>.

²³ IMF Country Report No. 21/110, p. 14.

²⁴ Price stability refers to an inflation rate low enough to be ignored in economic decisions.

responsible for keeping and managing Türkiye's gold and foreign exchange reserves.²⁵ Since 10 July 2018, the CBRT Governor is appointed for a four-year term by presidential decree.²⁶

1.13. According to the IMF, the *de jure* exchange rate arrangement is free floating; the *de facto* exchange rate arrangement is floating. Türkiye accepted the obligations of Article VIII of the IMF Articles of Agreement on 22 March 1990. The exchange system is free of restrictions on the making of payments and transfers for current international transactions except for those maintained solely for the preservation of national or international security.²⁷ The CBRT does not have a nominal or real exchange rate target.

1.14. In May 2018, the CBRT simplified its monetary policy framework with the aim of enhancing its predictability and reinforcing the transmission mechanism.²⁸ Since 1 June 2018, the one-week repo auction rate has become the CBRT's key policy interest rate. Moreover, it was decided that the CBRT's overnight-borrowing and lending rates would be set with a margin of +/- 150 basis points around the one-week auction repo rate. Since then, this interest rate has fluctuated from as low as 8.75% to a peak of 24%. The CBRT's Monetary Policy Committee gradually reduced its main interest rate from 19% in September 2021 to 9% on 24 November 2022. According to the authorities, Türkiye's monetary policy aims to enable Turkish firms to increase investment, production, and exports so as to benefit from recent international trade developments that are favourable to Türkiye. Also, the authorities are using a targeted credit approach and aim at achieving price stability in the medium-term. According to the OECD, Türkiye would benefit from bringing the real policy interest rate into positive territory as long as inflation and inflation expectations diverge from official projections and targets. Restoring the independence of the CBRT would also be important.²⁹

1.15. The loose monetary strategy adopted has also caused deteriorating macro-financial conditions, particularly record depreciation of the lira, and the highest inflation rate since 1998. With the exception of 2016, the real effective exchange rate depreciated throughout the review period (Table 1.1). In 2021, the lira depreciated 26.8% against the US dollar. In the first eight months of 2022, the lira depreciated 74.8% *vis-à-vis* the US dollar.³⁰

1.16. Between 2016 and the end of 2020, the inflation rate, as measured by the Consumer Price Index (CPI), increased to a level well above the CBRT's medium-term target of 5% by 2023 (Table 1.1). The inflation rate soared to 36.1% at the end of 2021 and reached 85.5% in October 2022³¹, the biggest annual increase since 1998. According to the OECD, the big jump in the inflation rate has largely been driven by the loose monetary policy strategy adopted by the CBRT, which involved dipping into foreign reserves to support the lira, with excess money fed into increased demand for imports and foreign assets.³² According to the CBRT, inflation has been largely the result of rising food and energy costs "resulting from geopolitical developments [and] temporary effects of pricing formations that are not supported by economic fundamentals".³³ For 2022, the IMF estimates

²⁵ The Grand National Assembly of Türkiye has indefinitely delegated its authority to print and issue banknotes to the CBRT. It is responsible for establishing payment and securities settlement systems to ensure fast and secure transfer and settlement of funds and securities, and for introducing necessary regulations to ensure the uninterrupted operation and oversight of the existing or future systems. CBRT, *At a Glance*. Viewed at: <https://www.tcmb.gov.tr/wps/wcm/connect/EN/TCMB+EN/Main+Menu/About+the+Bank/At+a+Glance>.

²⁶ The Governor may be reappointed upon the expiration of this term. CBRT, *Governor*. Viewed at: <https://www.tcmb.gov.tr/wps/wcm/connect/EN/TCMB+EN/Main+Menu/About+The+Bank/Organization/Decision+Making/Governor>.

²⁷ Notified to the IMF pursuant to Executive Board Decision No. 144-(52/51). IMF Country Report No. 21/110.

²⁸ Monetary policy transmission mechanisms are the channels through which changes in the policy rate affect the behaviour of other economic variables, mainly prices and output. Before the change in its monetary policy, the CBRT relied on a different system with four main key interest rates, with the late liquidity window lending rate being one of the most followed.

²⁹ The CBRT Governor was replaced more than once during the review period. The last time was in March 2021. OECD (2021), *Türkiye: Executive Summary*. Viewed at: <https://www.oecd.org/economy/surveys/TURKEY-2021-OECD-economic-survey-executive-summary.pdf>.

³⁰ Trading Economics, *Turkish Lira*. Viewed at: <https://tradingeconomics.com/turkey/currency>.

³¹ CBRT, *Consumer Prices*. Viewed at: <https://www.tcmb.gov.tr/wps/wcm/connect/EN/TCMB+EN/Main+Menu/Statistics/Inflation+Data>.

³² OECD (2021), *Türkiye: Executive Summary*. Viewed at: <https://www.oecd.org/economy/surveys/TURKEY-2021-OECD-economic-survey-executive-summary.pdf>.

³³ CBRT (2022), *Press Release on Interest Rates*, No. 2022-26, 26 May.

an average inflation rate of 73.1%.³⁴ In October 2022, the authorities' inflation rate forecast for 2022 ranged from 60.4% (CBRT) to 72.0%.³⁵

1.17. In June 2021, a new Price Stability Committee was established and tasked with "advancing and maintaining domestic price stability by identifying threats to price stability, structuring, and implementing appropriately coordinated fiscal and monetary policies and price controls".³⁶

1.18. The depreciation of the lira has boosted the debts of companies and the Government, which have increased their foreign borrowings.³⁷ Dollarization has also increased, reaching 64.5% of bank deposits at the end of 2021, with the authorities taking measures to curb it, decreasing this share to 54.0% as of 20 September 2022. In January 2022 exporters were asked to hand over 25% of their hard currency earnings to the CBRT, which was raised to 40% in April 2022. On 24 June 2022, the Banking Regulation and Supervision Agency also announced a new directive banning lira-based commercial loans to some firms. According to the directive, a company with foreign-currency cash assets of more than TRY 15 million (about USD 895,000) and exceeding 10% of total assets or annual sales will not be able to obtain a new local-currency loan.³⁸

1.2.2 Fiscal policy

1.19. A prudent fiscal policy has been a strong anchor of Türkiye's economy for many years. This was also the case during the review period, including in the pandemic. Revenues were stronger than expected, helped by solid value-added and Special Consumption Tax revenues (Section 3.1.4), as well as large transfers from the CBRT and high interest receipts. At the same time, direct fiscal support has been modest, with spending on healthcare and on direct support to household firms and employees amounting to about 2% of GDP, among the lowest in emerging markets.³⁹ Tax and social security premium deferrals were used to support the most vulnerable segments of society during the pandemic, while fuel subsidies were deployed to dampen the impact of inflation.⁴⁰

1.20. As a result of modest spending and robust revenues, the overall central government deficit, as a share of GDP, decreased in 2021. Because of the prudent fiscal policy, total government debt stock is relatively low (Table 1.1). The composition of the government debt deteriorated during the review period due to a reduction in the average borrowing maturities⁴¹, and an increase in the share of the external government debt stock due to dollarization (Table 1.1). According to the authorities, one of the main pillars of Türkiye's borrowing strategy is to decrease the share of foreign currency denominated debt stock in total stock.

1.21. According to the OECD, Türkiye could use the room available in public finances for transparent, temporary, and targeted direct fiscal support to continue tackling the pandemic and resume fiscal tightening once the recovery is firmly under way.⁴² According to the authorities, fiscal consolidation will be the priority as soon as market conditions allow, in order to again set the trend of public debt on a downward trajectory. Fiscal risk assessments will continue to be scrutinized carefully, including the contingencies from PPPs and SOEs.⁴³

³⁴ IMF (2022), *World Economic Outlook Database*, April.

³⁵ Data provided by the Ministry of Treasury and Finance.

³⁶ Article 2 of Presidential Decree No. 74 published in Official Gazette dated 30 June 2021. The Committee, under the coordination of the Ministry of Treasury and Finance, also includes members from the Ministries of Industry and Technology, Energy and Natural Resources, and Trade and Agriculture.

³⁷ According to OECD estimates, since the pandemic started and until 2021, non-financial corporate debt had risen by 20 percentage points of GDP, the highest among emerging economies. OECD (2021), *Turkey: Executive Summary*. Viewed at: <https://www.oecd.org/economy/surveys/TURKEY-2021-OECD-economic-survey-executive-summary.pdf>.

³⁸ DW News (2022), "Turkey Mulls Capital Controls amid Currency Crisis and Record Inflation", 1 July. Viewed at: <https://www.dw.com/en/turkey-mulls-capital-controls-amid-currency-crisis-and-record-inflation/a-62326997>.

³⁹ IMF Country Report No. 21/110, p. 8.

⁴⁰ IMF Country Report No. 21/110, p. 8.

⁴¹ IMF Country Report No. 21/110, p. 9.

⁴² OECD (2021), *Turkey: Executive Summary*. Viewed at:

<https://www.oecd.org/economy/surveys/TURKEY-2021-OECD-economic-survey-executive-summary.pdf>.

⁴³ Currently, all revenue guarantee payments for PPPs are budgeted in a three-year rolling horizon.

1.2.3 Balance of payments

1.22. Traditionally, Türkiye has run a current account deficit, reflecting a long-standing structural savings-investment imbalance financed by overseas borrowing. This was also the case during most of the review period, fuelled by a large foreign trade deficit arising from imports of intermediate goods coupled with high dependence on energy products. Nonetheless, in 2019 the current account registered a surplus for the first time since 2002 (Table 1.2), on account of weak domestic demand. As a percentage of GDP, the current account deficit decreased in 2021 (Table 1.1). As already indicated, a key aim under the ERP 2021-23 is to achieve a current account surplus. According to the authorities, Türkiye's current account is structurally positive abstracting from temporary factors such as energy prices.

Table 1.2 Balance of payments, 2016-21

(USD million)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 ^a |
|---|---------|---------|---------|---------|---------|-------------------|
| Current account | -26,668 | -39,955 | -20,114 | 10,798 | -31,878 | -7,231 |
| Balance on goods | -39,923 | -58,575 | -40,726 | -16,781 | -37,863 | -29,313 |
| Exports | 152,645 | 169,214 | 178,909 | 182,200 | 168,387 | 224,686 |
| Imports | 192,568 | 227,789 | 219,635 | 198,981 | 206,250 | 253,999 |
| Balance on services | 20,893 | 26,823 | 30,888 | 38,560 | 14,359 | 31,812 |
| Credit | 46,698 | 53,971 | 59,341 | 67,217 | 38,243 | 61,408 |
| Debit | 25,805 | 27,148 | 28,453 | 28,657 | 23,884 | 29,596 |
| Primary income | -9,181 | -10,728 | -11,038 | -11,844 | -8,569 | -10,678 |
| Secondary income | 1,543 | 2,525 | 762 | 863 | 195 | 948 |
| Capital account | 22 | 15 | 80 | 34 | -36 | -64 |
| Financial account | -17,537 | -41,458 | 11,427 | -1,269 | -7,618 | -29,260 |
| Direct investment, net | | | | | | |
| Net acquisition of financial assets | 3,138 | 2,703 | 3,590 | 2,945 | 3,239 | 6,447 |
| Net incurrence of liabilities | 13,835 | 11,190 | 12,505 | 9,573 | 7,831 | 13,224 |
| Portfolio investment | | | | | | |
| Net acquisition of financial assets | -329 | -583 | 1,092 | 6,342 | 2,894 | 2,260 |
| Net incurrence of liabilities | 8,083 | 23,857 | 176 | 3,579 | -6,662 | 3,011 |
| Other investment, net | | | | | | |
| Net acquisition of financial assets | 7,956 | 4,605 | 12,281 | 8,789 | -1,884 | 13,409 |
| Net incurrence of liabilities | 6,384 | 13,136 | -7,145 | 6,193 | 10,698 | 35,141 |
| Current, capital and financial accounts | -9,109 | 1,518 | -31,461 | 12,101 | -24,296 | 21,965 |
| Net errors and omissions | 9,922 | -9,725 | 21,084 | -5,777 | -7,566 | 1,365 |
| Reserve assets | 813 | -8,207 | -10,377 | 6,324 | -31,862 | 23,330 |

a Provisional.

Source: CBRT, *Statistics: Balance of Payments*. Viewed at: <https://www.tcmb.gov.tr/>; and information provided by the authorities.

1.23. Over the last few years, the current account deficits have been financed mainly by debt, which led in turn to high external financing needs, and by increases in net errors and omissions inflows in some years (Table 1.2).⁴⁴ Moreover, according to the IMF, recently the quality of external financing worsened, with increased reliance on short-term funding and a slowdown in net FDI inflows. Weaker monetary policy credibility led to a surge in gold imports, adding to the current account deficit.⁴⁵

1.24. Official external reserves increased from USD 104.8 billion in 2016 (5.4 months of imports) to USD 109.5 billion (4.3 months of imports) in 2021 (Table 1.1). According to the IMF, this level of gross international reserves is well below the recommended adequacy range; net international reserves are negative once foreign exchange swaps with the CBRT are subtracted.⁴⁶

1.3 Trade and investment performance

1.3.1 Trade in goods

1.25. International trade plays an important role in the economy. Trade (exports and imports of goods and services), as a share of GDP, increased from 48.0% in 2016 to 69.8% of GDP in 2021 (Table 1.1) reflecting Türkiye's strong export capacity, improved position in GVCs, and despite the

⁴⁴ Net errors and omissions reflect the imbalances resulting from imperfections in source data and compilation of the balance of payments accounts.

⁴⁵ IMF Country Report No. 21/110, p. 19.

⁴⁶ IMF Country Report No. 21/110, p. 20.

negative impact the pandemic had on both exports and imports of goods (Tables A1.1 to A1.4) and services (Table 1.3). The relatively big size of the economy and Türkiye's strategic location with close access to large markets and suppliers have facilitated the ability of firms to participate in GVCs and exploit economies of scale and to export.⁴⁷ According to the OECD, Türkiye increased its participation in GVCs from 8.8% in 1995 to 20.9% in 2018, mostly due to the manufacturing sector whose domestic share of value-added meeting foreign final demand rose from 33.8% to 41.7% over the period.⁴⁸

1.26. According to the World Bank, Türkiye's rising GVC participation coincides with increased value-added from exports. It has significant potential to expand exports, and GVC exports, especially in higher technology sectors. Nonetheless, its GVC participation remains relatively low, its products are of limited sophistication, and innovation earnings are limited. Domestic GVC supply chains have expanded, but GVC suppliers can do more to realize productivity gains. Even though exports are sizeable, they are still 50% below potential.⁴⁹ The Government's Eleventh Development Plan (2019-23), *inter alia*, aims to improve Türkiye's position in the hierarchy of GVCs (Section 2.2).

1.27. In 2021, Türkiye ranked 23rd among world merchandise exporters and 17th among importers (considering the member States of the European Union together and excluding intra-EU trade). In services trade, Türkiye ranked 14th among exporters and 24th among importers.⁵⁰ Services exports, mainly tourism, are also a significant source of foreign exchange earnings.

1.28. Since most of Türkiye's exports are tied to imports of intermediate, semi-finished, or raw products, the evolution of its trade balance is sensitive to movements in foreign exchange rates, notably the lira's value against the US dollar and the euro.⁵¹ According to the authorities, the real effective exchange rate is not a major factor explaining export performance. The global spread of the pandemic and the resulting containment measures took a toll on Türkiye's merchandise exports and imports but not as much as expected, partly because the country benefited from supply chain disruptions in Asia⁵², and also from recent international trade developments favourable to Türkiye.

1.29. Türkiye's trade balance has not been in surplus since 2001. Based on balance-of-payments figures, exports of goods in value terms grew 47.2% between 2016 and 2021, while imports increased by 31.9% between the same years. As a result, the trade deficit decreased during the period (Table 1.2), with a depreciating lira pressuring imports and making exports more competitive. The trade deficit decreased despite higher oil prices, which drove up the cost of energy imports.

1.30. Base metals and articles thereof are the most important contributor to export earnings, representing 15.8% of total merchandise exports in 2021 (compared with 10.5% in 2016). Next comes textiles and textile articles, which contributed 15.3% of total merchandise exports in 2021 (down from 18.1% in 2016), followed by machinery and electrical equipment (14.6% in 2021). The share of transport equipment in total merchandise exports decreased from 15.0% in 2016 to 12.8% in 2021 (Table A1.1 and Chart 1.2).

⁴⁷ OECD, *Going for Growth 2021 – Turkey*. Viewed at: <https://www.oecd.org/economy/growth/Turkey-country-note-going-for-growth-2021.pdf>.

⁴⁸ Trade in Value Added indicators provide a proxy about the creation of value along each stage of GVCs. OECD (2022), *Trade in Value Added: Turkey*. Viewed at: https://www.oecd.org/sti/ind/CN2021_TUR.pdf, p. 1.

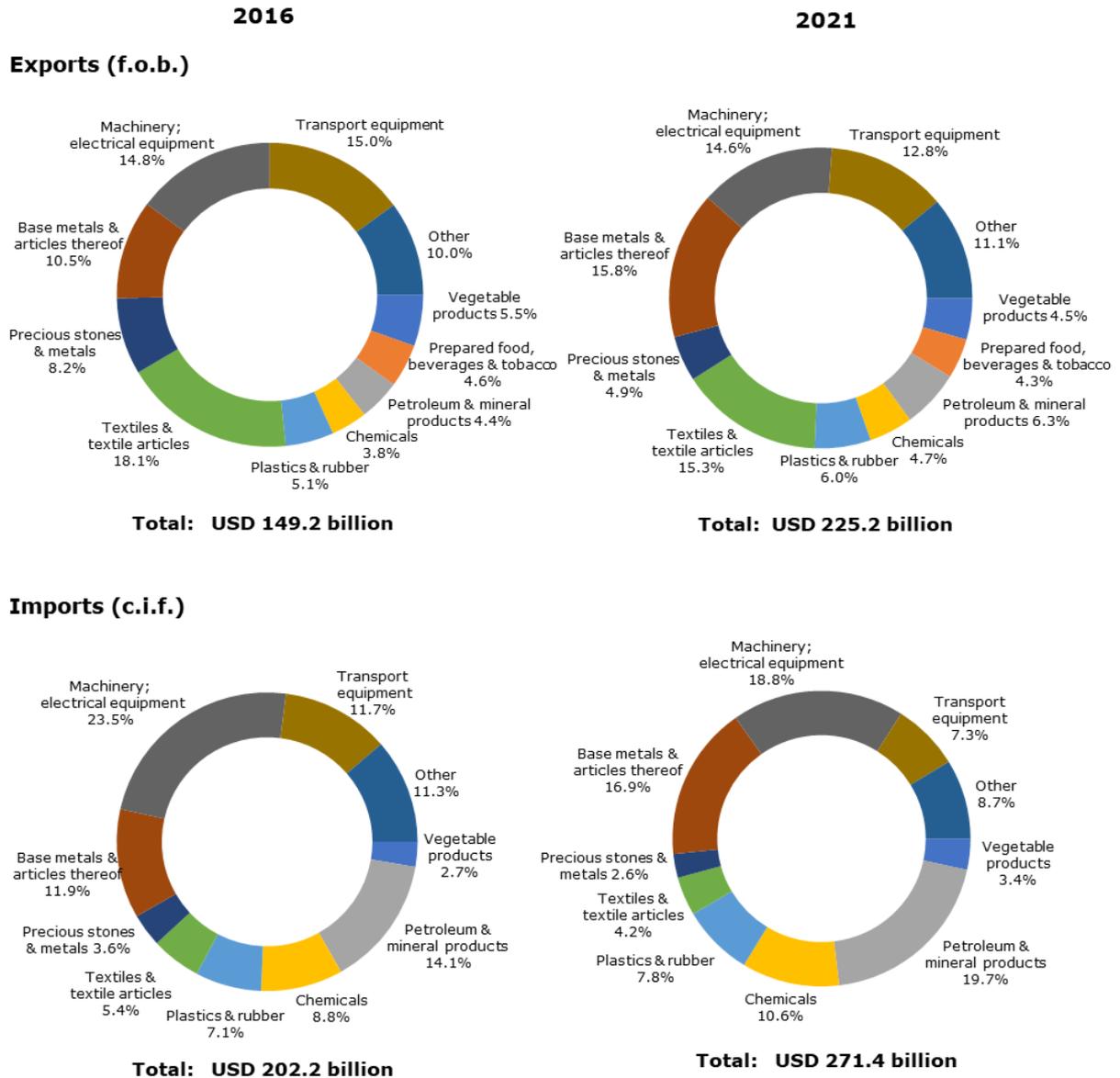
⁴⁹ World Bank (2022), *Country Economic Memorandum: Leveraging Global Value Chains for Growth in Turkey*. Viewed at: <https://www.worldbank.org/en/country/turkey/publication/-country-economic-memorandum-leveraging-global-value-chains-for-growth-in-turkey>.

⁵⁰ WTO Statistics database, *Trade Profiles: Turkey*. Viewed at: https://www.wto.org/english/res_e/statis_e/daily_update_e/trade_profiles/TR_e.pdf.

⁵¹ Due to imports of fuels and energy products, and trade with Asian countries, Türkiye's imports are mainly denominated in US dollars. On the other hand, exports of manufactures to traditional markets, primarily in Europe, result in exports being, to a large extent, settled in euro.

⁵² OECD (2021), *Turkey: Executive Summary*. Viewed at: <https://www.oecd.org/economy/surveys/TURKEY-2021-OECD-economic-survey-executive-summary.pdf>.

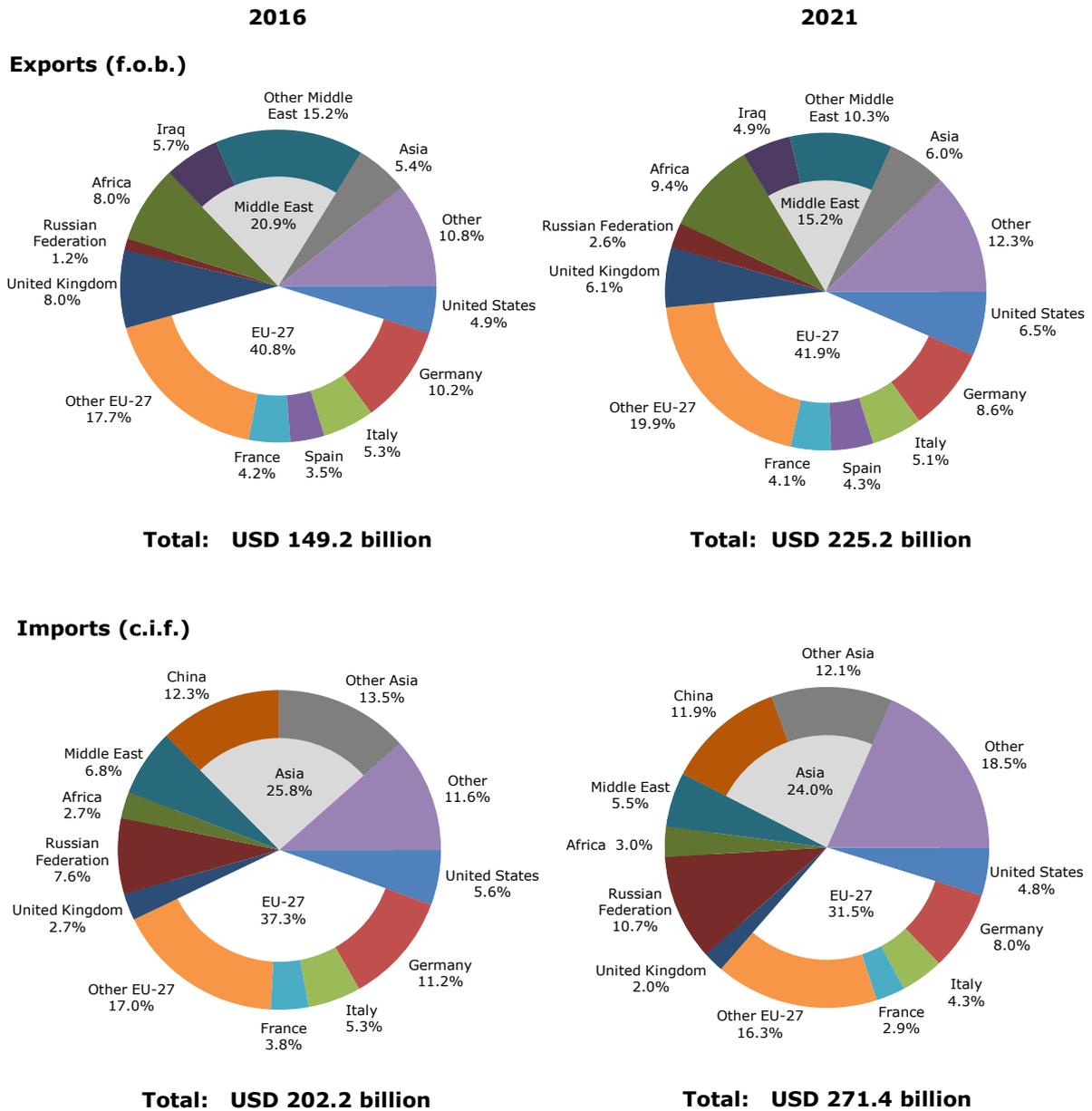
Chart 1.2 Merchandise trade by main products, 2016 and 2021



Source: WTO Secretariat calculations, based on UN Comtrade database.

1.31. The EU-27 remains Türkiye's largest trading partner, accounting for 41.9% of total merchandise exports in 2021 (up from 40.8% in 2016). Germany continues to be its largest export market, taking 8.6% of total exports in 2021 (down from 10.2% in 2016), followed by the United States (6.5%) and Italy (5.1%). Other important export destinations in 2021 were Iraq (4.9%) and other Middle East economies, while Asia's share rose from 5.4% in 2016 to 6.0% in 2021 (Table A1.2 and Chart 1.3). The Russian Federation also increased its share from 1.2% to 2.6% over the period. Moreover, during January-September 2022, Türkiye's exports to the Russian Federation grew 43.2% compared with the same period in 2021.⁵³

⁵³ WTO Secretariat calculations, based on UN Comtrade database.

Chart 1.3 Direction of merchandise trade, 2016 and 2021

Source: WTO Secretariat calculations, based on UN Comtrade database.

1.32. Türkiye's imports are dominated by petroleum and mineral products, representing 19.7% of the total in 2021 (up from 14.1% in 2016). Next comes machinery and electrical equipment with 18.8% share in 2021 (down from 23.5% in 2016), and base metals and articles thereof with 16.9% share in 2021 (up from 11.9% in 2016). The share of chemical products in total merchandise imports increased from 8.8% in 2016 to 10.6% in 2021, while transport equipment decreased its participation from 11.7% to 7.3% during the period (Table A1.3 and Chart 1.2).

1.33. The EU-27 was the source of 31.5% of Türkiye's total merchandise imports in 2021 (down from 37.3% in 2016), partly due to the reduction in Germany's share from 11.2% to 8.0% during the period. Led by China (11.9%), Asia represented 24.0% of total merchandise imports in 2021, compared with 25.8% in 2016. The participation of the United States decreased from 5.6% in 2016 to 4.8% in 2021, while that of the Russian Federation increased from 7.6% in 2016 to 10.7% in 2021 (Table A1.4 and Chart 1.3).

1.3.2 Trade in services

1.34. Türkiye remains a net exporter of services, an important source of foreign exchange. Unsurprisingly, the trading sectors hardest hit by the pandemic have been the services sectors, where restrictions on international travel significantly impaired the ability to trade. Indeed, the services surplus peaked in 2019, declined significantly in 2020, and recovered in 2021 (Table 1.3).

Table 1.3 Trade in services, 2016-21

(USD million)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 ^a |
|---|----------------------|---------------|---------------|---------------|---------------|-------------------|
| Trade balance in services | 20,893 | 26,823 | 30,888 | 38,560 | 14,359 | 31,812 |
| Services exports | 46,698 | 53,971 | 59,341 | 67,217 | 38,243 | 61,408 |
| | (% of total exports) | | | | | |
| Manufacturing services on physical inputs owned by others | 0.8 | 0.6 | 0.5 | 0.5 | 0.7 | 0.5 |
| Maintenance and repair services | 1.7 | 1.9 | 1.9 | 1.8 | 3.0 | 2.3 |
| Transport | 42.3 | 41.0 | 41.0 | 34.8 | 42.1 | 39.8 |
| Passenger | 16.6 | 17.6 | 19.5 | 17.1 | 8.9 | 11.5 |
| Freight | 17.6 | 16.6 | 15.3 | 12.4 | 24.5 | 20.9 |
| Other | 8.1 | 6.8 | 6.2 | 5.3 | 8.7 | 7.4 |
| Travel | 40.9 | 42.6 | 43.7 | 51.0 | 34.9 | 43.4 |
| Construction | 1.0 | 1.0 | 0.9 | 0.5 | 0.6 | 0.4 |
| Insurance and pension services | 2.0 | 2.5 | 2.2 | 1.9 | 2.5 | 1.6 |
| Financial services | 0.8 | 0.9 | 0.9 | 0.7 | 1.0 | 0.6 |
| Charges for the use of intellectual property | 0.2 | 0.2 | 0.3 | 0.3 | 0.7 | 0.6 |
| Telecommunications, computer, and information services | 2.3 | 2.2 | 2.4 | 2.2 | 5.5 | 4.2 |
| Other business services | 5.8 | 5.5 | 4.6 | 4.7 | 7.6 | 5.7 |
| Personal, cultural, and recreational services | 0.3 | 0.3 | 0.2 | 0.3 | 0.4 | 0.3 |
| Government goods and services | 1.9 | 1.4 | 1.3 | 1.2 | 1.0 | 0.6 |
| Services imports | 25,805 | 27,148 | 28,453 | 28,657 | 23,884 | 29,596 |
| | (% of total imports) | | | | | |
| Manufacturing services on physical inputs owned by others | 0.6 | 0.5 | 0.5 | 0.2 | 0.3 | 0.5 |
| Maintenance and repair services | 3.3 | 2.4 | 2.6 | 2.7 | 2.5 | 2.3 |
| Transport | 27.3 | 28.9 | 33.2 | 33.4 | 33.5 | 36.9 |
| Passenger | 3.5 | 3.8 | 5.2 | 4.0 | 1.5 | 1.5 |
| Freight | 18.2 | 18.2 | 19.6 | 21.1 | 26.8 | 29.5 |
| Other | 5.6 | 6.9 | 8.4 | 8.3 | 5.1 | 5.9 |
| Travel | 18.5 | 17.8 | 16.1 | 14.3 | 4.4 | 5.6 |
| Construction | 0.8 | 0.5 | 0.7 | 0.2 | 0.1 | 0.1 |
| Insurance and pension services | 7.8 | 9.2 | 6.9 | 6.5 | 8.5 | 7.7 |
| Financial services | 3.8 | 2.5 | 2.4 | 1.7 | 2.5 | 1.8 |
| Charges for the use of intellectual property | 7.3 | 6.5 | 7.4 | 7.6 | 9.8 | 9.3 |
| Telecommunications, computer, and information services | 7.9 | 8.8 | 7.5 | 9.3 | 13.1 | 11.0 |
| Other business services | 17.1 | 18.3 | 18.4 | 19.2 | 20.2 | 20.3 |
| Personal, cultural, and recreational services | 0.6 | 0.5 | 0.4 | 0.6 | 1.1 | 1.0 |
| Government goods and services | 5.1 | 4.1 | 3.8 | 4.2 | 4.0 | 3.5 |

a Provisional.

Source: CBRT, *Statistics: Balance of Payments*. Viewed at: <https://www.tcmb.gov.tr/>; and information provided by the authorities.

1.35. Despite the pandemic, travel (tourism) was the most important services category, contributing 43.4% of total services exports in 2021, followed by transport with 39.8%. Imports of services are led by transport, accounting for 36.9% of total services imports in 2021, followed by other business services with 20.3% (Table 1.3).

1.3.3 Foreign direct investment

1.36. During the review period, Türkiye took steps to facilitate FDI, notably through the Investment Office of the Presidency and its FDI Strategy 2021-23 (Section 2.4.1), and the development of PPPs for major infrastructure projects. In addition, Türkiye has been benefitting from its position as a relatively low-cost manufacturing hub close to EU markets. Nonetheless, according to the OECD, recent unorthodox economic policies have discouraged investors; Türkiye would also benefit from reinforcing the governance environment as envisaged in the Eleventh Development Plan (2019-23), which requires improvements, *inter alia*, regarding rule of law, judicial credibility, and

corruption (e.g. money laundering and terrorism financing).⁵⁴ Türkiye's stock of FDI decreased in 2021, after peaking in 2020 (Table 1.4 and Chart 1.4), despite the global economic uncertainty caused by the pandemic.

Table 1.4 FDI stock by sector and origin, 2016-21

(USD million)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Total FDI stock^a | 136,435 | 182,721 | 132,203 | 148,934 | 217,743 | 129,761 |
| | (% of total) | | | | | |
| By sector | | | | | | |
| Agriculture, forestry, and fishing | 0.5 | 0.7 | 0.3 | 0.5 | 0.6 | 0.8 |
| Mining and quarrying | 1.6 | 2.5 | 2.5 | 2.3 | 1.2 | 1.5 |
| Manufacturing, of which: | 31.4 | 31.5 | 23.3 | 23.5 | 35.4 | 36.1 |
| Transport equipment | 6.4 | 6.7 | 4.6 | 4.4 | 4.6 | 6.9 |
| Food products, beverages, and tobacco | 7.0 | 6.4 | 4.4 | 4.9 | 9.3 | 6.2 |
| Chemicals, chemical products, and basic pharmaceutical products, and materials | 3.5 | 3.9 | 3.5 | 2.6 | 4.0 | 6.2 |
| Manufacturing | 0.8 | 0.9 | 1.3 | 2.4 | 5.1 | 5.1 |
| Computers, electronic-electrical and optical equipment | 3.9 | 3.6 | 2.2 | 2.0 | 2.3 | 3.6 |
| Coke, refined petroleum products and nuclear fuel | 4.1 | 3.9 | 3.5 | 2.7 | 3.8 | 2.8 |
| Electricity, gas, steam, and air-conditioning supply | 8.2 | 9.9 | 3.8 | 5.4 | 5.8 | 7.0 |
| Water supply; sewerage, waste management and remediation | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Services, of which: | 58.3 | 55.3 | 70.1 | 68.2 | 57.0 | 54.5 |
| Construction | 0.4 | 0.3 | 0.2 | 0.1 | 0.1 | 0.7 |
| Wholesale and retail trade | 22.6 | 21.1 | 32.9 | 24.5 | 21.5 | 27.6 |
| Transportation and storage | 1.3 | 2.7 | 1.7 | 0.6 | 0.4 | 1.5 |
| Accommodation and food service activities | 0.2 | 0.4 | 0.2 | 0.4 | 0.8 | 2.2 |
| Information and communication services | 8.2 | 8.1 | 5.8 | 4.5 | 2.9 | 4.3 |
| Financial and insurance activities | 22.9 | 20.2 | 27.9 | 36.1 | 29.5 | 16.3 |
| Financial service activities (Banks) | 15.4 | 13.3 | 21.9 | 28.2 | 24.2 | 12.5 |
| Insurance, reinsurance, and pension funding (except compulsory social security) | 4.0 | 3.6 | 2.8 | 2.4 | 2.2 | 1.6 |
| Activities of holding companies | 2.9 | 2.8 | 2.3 | 3.0 | 1.5 | 1.5 |
| Other activities auxiliary to financial services | 0.6 | 0.5 | 0.9 | 2.5 | 1.5 | 0.6 |
| Other activities auxiliary to financial services | 0.6 | 0.6 | 0.4 | 0.3 | 0.4 | 0.3 |
| Real estate activities | 4.0 | 3.6 | 2.8 | 2.4 | 2.2 | 1.6 |
| By origin | | | | | | |
| Netherlands | 18.4 | 22.2 | 29.0 | 21.7 | 17.5 | 18.7 |
| Germany | 10.0 | 9.7 | 8.0 | 9.8 | 9.7 | 10.2 |
| Qatar | 3.6 | 3.1 | 4.7 | 14.8 | 15.2 | 8.0 |
| Singapore | 0.6 | 0.7 | 0.7 | 1.3 | 1.9 | 8.3 |
| United Kingdom | 5.3 | 4.8 | 4.1 | 4.9 | 8.4 | 5.6 |
| Luxembourg | 5.8 | 6.7 | 4.1 | 5.1 | 6.1 | 5.3 |
| Russian Federation | 7.6 | 6.9 | 12.1 | 3.7 | 3.5 | 5.3 |
| France | 4.1 | 4.0 | 3.0 | 3.2 | 3.7 | 4.3 |
| Switzerland | 3.5 | 4.2 | 4.4 | 4.7 | 5.1 | 4.3 |
| Spain | 6.1 | 6.5 | 4.9 | 4.7 | 3.5 | 3.7 |
| Azerbaijan | 4.2 | 5.1 | 4.4 | 3.2 | 3.5 | 3.6 |
| United States | 3.4 | 3.9 | 3.2 | 2.0 | 2.4 | 3.3 |

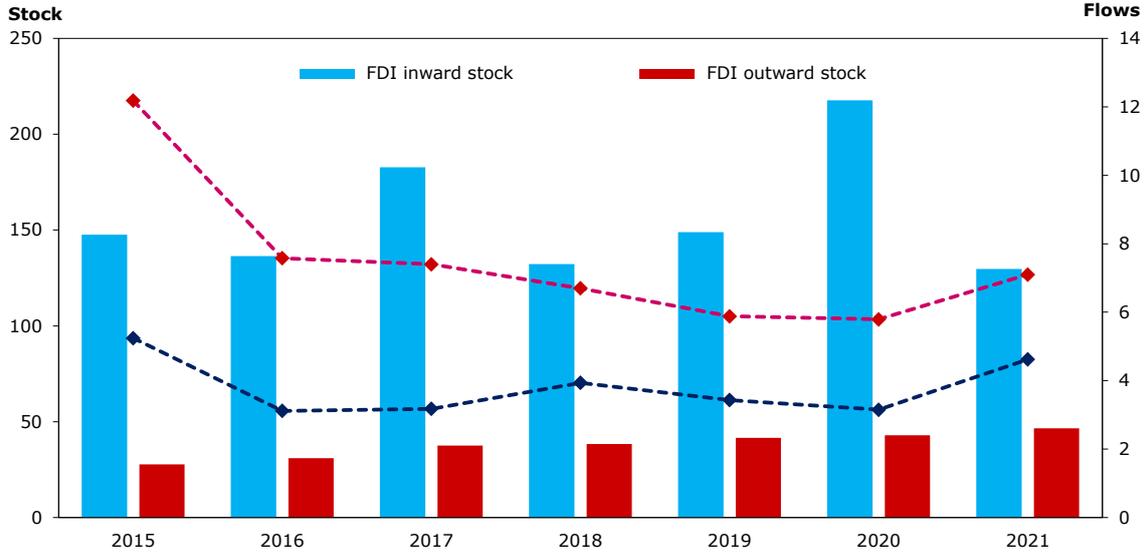
a Figures refer to equity capital (excluding "other capital", which covers inter-company loans between direct investment enterprises and direct investors).

Source: CBRT, *Statistics: International Investment Position*. Viewed at: <https://www.tcmb.gov.tr/>; and information provided by the authorities.

⁵⁴ OECD (2021), *Turkey: Executive Summary*. Viewed at: <https://www.oecd.org/economy/surveys/TURKEY-2021-OECD-economic-survey-executive-summary.pdf>.

Chart 1.4 FDI stock and flows, 2015-21

(USD billion)



Source: CBRT, Electronic Data Delivery System. Viewed at: <https://evds2.tcmb.gov.tr>.

1.37. The number of companies with foreign capital in Türkiye went up from 5,600 in 2002 to 73,675 in 2020. The sectoral breakdown of FDI has become more diversified in line with the country's position in GVCs.⁵⁵ Services (led by wholesale and retail trade and financial and insurance activities) is the sector that attracts the highest amount of FDI stock in Türkiye, accounting for 54.5% of the total in 2021, followed by manufacturing (36.1%) and electricity (7.0%). European economies continue to account for the majority of inward FDI stock in 2021, led by the Netherlands (18.7%), Germany (10.2%), and the United Kingdom (5.6%). Qatar, Singapore, the Russian Federation, Azerbaijan⁵⁶, and the United States are also significant investors.

⁵⁵ Investment Office, *FDI in Türkiye*. Viewed at: <https://www.invest.gov.tr/en/whyturkey/pages/fdi-in-turkey.aspx>.

⁵⁶ Recently, FDI increased due to the refinancing of project debt across several oil and gas assets in Türkiye by Socar, based in Azerbaijan.

2 TRADE AND INVESTMENT REGIMES

2.1 General framework

2.1. While Türkiye's Constitution sets out the shared powers among the legislature, executive, and judiciary, amendments in 2018 significantly strengthened the executive branch, which was consolidated into the Presidency.¹ The rationale of the proponents for constitutional change was that the move to a presidential system of government was needed to ensure a strong and stable Türkiye. However, concerns have been expressed about a resulting erosion of the separation of powers, as well as the environment in which constitutional amendments took place, *inter alia*, during a state of emergency.²

2.2. Constitutional amendments made the President the Head of Government in addition to being the Head of State and abolished the Council of Ministers and the Office of Prime Minister within the executive branch. The President has been given the authority to appoint and dismiss ministers and the Vice President(s) and high-level state officials without parliamentary approval, issue presidential decrees (see below), as well as to declare a state of emergency, subject to limitations.³ As before, the President is responsible for promulgating laws adopted by the Parliament. The President can resend laws back to Parliament within 15 days to be debated again if s/he considers the laws fully or partially unsuitable. Constitutional changes made in 2018 require an absolute majority (301 out of 600 votes) of Parliament to re-adopt the same bill, rather than a simple majority under the previous Constitution.⁴ Eligibility requirements for presidential candidates have been modified, and elected Presidents now do not need to end their party membership. The President also has new powers to: (i) propose a budget to Parliament; (ii) determine national security policies and take the necessary measures; (iii) appoint 4 of the 13 members of the Council of Judges and Prosecutors; and (iv) dissolve Parliament (triggering elections).

2.3. Changes to the legislative branch have included, *inter alia*, the extension of the term of Parliament from four years to five, an increase in the number of parliamentary seats, and changes to the eligibility of Members of Parliament (MPs). Elections for both the President and MPs are now held on the same day. The ability of MPs to pose oral questions to the executive has been abolished; instead, written requests for information may be addressed to the Vice President(s). Parliament's powers to open investigations and to indict the President have been amended, including by requiring an absolute majority vote by Parliament to open an investigation rather than a one-third vote as previously.

2.4. Constitutional changes also affected the judicial branch, principally with respect to appointment processes (see above) and the abolition of the supreme military courts (the High Military Administrative Court and the Military Court of Cassation). The Constitution now specifies that independent courts must be impartial.

2.5. Work is ongoing to draft a new Constitution; as of November 2022, a draft text had not been revealed.

¹ The draft law (No. 6771) amending the Constitution was adopted by Parliament on 21 January 2017. It is composed of 18 articles that modified around 50 constitutional provisions and repealed a further 21. It was signed by the President on 10 February 2017. It was then submitted to a national referendum on 16 April 2017. All constitutional amendments became effective on 9 July 2018. The text (in English) of the amended Constitution may be viewed at: <https://global.tbmm.gov.tr/constitution>.

² For example, see Venice Commission (2017), *Turkey: Opinion on the Amendments to the Constitution Adopted by the Grand National Assembly on 21 January 2017 and to Be Submitted to a National Referendum on 16 April 2017*. Viewed at: [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=cdl-ad\(2017\)005-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=cdl-ad(2017)005-e); and Yazici, S. (2017), *Constitutional Amendments of 2017: Transition to Presidentialism in Turkey*. Viewed at: https://www.nyulawglobal.org/globalex/2017_Turkiye_Constitution_Amendments.html.

³ Under the Constitution as amended in 2011, the Council of Ministers under the Chairmanship of the President could declare a state of emergency in the event of natural disaster, dangerous epidemic diseases, or a serious economic crisis. With the 2018 constitutional amendments, the President can declare a state of emergency under a broader range of circumstances. Presidential decrees issued during a state of emergency may cover the fundamental, individual, and political rights and duties that are excluded during normal circumstances, but require the approval of Parliament (Article 119).

⁴ Previously, the requirement was half plus one of those attending the meeting, provided that it is not less than one fourth (150) of the total number of MPs.

2.6. Constitutional amendments and the move to a presidential system in Türkiye have resulted in fundamental changes to the legislative process and the hierarchy of laws. Certain legislative instruments issued by the executive branch were abolished (decree-laws, by-laws, and Cabinet decisions) and new ones introduced (presidential decrees and presidential decisions⁵). The President has the authority to issue presidential decrees on all matters excluding: (i) fundamental rights, individual rights, and duties included in the first and second chapters of the Constitution; (ii) political rights and duties listed in the fourth chapter of the second part of the Constitution; and (iii) matters stipulated in the Constitution to be explicitly regulated by law.⁶ In addition, there are several issues that can only be regulated through presidential decree: (i) the procedures and principles governing the appointment of high-ranking executives; (ii) the establishment, abolition, the duties and powers, the organization structure of ministries, and the establishment of their central and provincial organizations; (iii) the functioning of the State Supervisory Council, the term of office of its members, and other personnel matters relating to their status; and (iv) the organization and duties of the General Secretariat of the National Security Council. The power to propose laws, which previously belonged to the executive branch and members of the legislative branch, has been given to the Turkish Grand National Assembly (TGNA). In the case of a discrepancy between provisions of presidential decrees and laws, the provisions in laws shall prevail. In addition, a presidential decree becomes null and void if the TGNA enacts a law on the same matter. The authority to establish public corporate bodies is granted to both the TGNA and to the President.

2.7. To a large extent trade and investment policy is now regulated through presidential decrees and decisions. Presidential decrees regulate the organization and duties of public institutions that direct trade and investment policies such as the Ministry of Trade, the Ministry of Industry and Technology, the Economic Policies Council, and the Investment Office. Presidential decisions, which are not directly aimed at policy making, are published on various issues that affect the commercial and investment environment, such as codes of practice regarding imports and exports, reducing and raising customs duties, introducing additional customs duties and additional financial liabilities on the import of certain goods (Section 3.1.3), and implementing government incentives for investments (Section 2.4.3).

2.8. The President has the power to ratify, promulgate, terminate, and withdraw from international treaties, including trade or investment-related ones; the ratification of such treaties is subject to approval by the TGNA.⁷ The only change over the review period is that the ratification process is regulated by a presidential decree (Presidential Decree No. 9 on the Procedures and Principles Regarding the Approval of International Treaties), instead of a law.

2.9. Regulations regarding the organization of the Presidency were implemented through Decree Law No. 703 and presidential decrees.⁸ With the presidential decrees, the Vice Presidency, the Directorate of Administrative Affairs, policy councils, and several new offices were established. The newly established position of Vice President(s) performs the duties assigned by the President and is accountable to him/her. The Directorate of Administrative Affairs takes over many of the responsibilities of the Secretariat General of the Presidency and the Prime Ministry (both of which were abolished). Nine policy councils were established under the Presidency in the following areas: health and food; culture and arts; education and training; economy; science, technology, and innovation; social policy; foreign and security policy; local government; and legal policy. These councils are obliged to work closely with the Ministries, other public institutions, state economic enterprises, and other administrative units on matters they oversee.⁹ Four new offices were

⁵ Presidential decisions are regulatory actions to implement laws and presidential decrees. As indicated by the authorities, they are effectively the same as the former Council of Ministers' decisions. They are subject to judicial review.

⁶ The issues that can only be regulated by law include, *inter alia*, limitation of fundamental rights and freedoms, personal immunity, material and spiritual existence, prohibition of forced labour, personal freedom and security, privacy of private life, inviolability of domicile, freedom of communication, freedom of residence and travel, freedom of expression and dissemination, freedom of the press, temporary and indefinite broadcasting rights, property rights, principles regarding crime and punishment, the right to education and training, use of coasts, and land ownership.

⁷ The responsibilities of the President and the TGNA with respect to ratification and approval of international treaties are set out in Articles 87, 90, and 104 of the Constitution. Viewed at: <https://global.tbmm.gov.tr/DownloadFile?fileId=a880a8e4-7e68-45ae-8f38-0182f7e0d82f>.

⁸ Decree Law No. 703. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2018/07/20180709M3-1.pdf>.

⁹ These councils were established under Presidential Decree No. 1 about the Organization of the Presidency (*Official Gazette* (2018), No. 3047, 7 October). Their duties are to: (i) receive feedback from ministries, public institutions, civil society and representatives of relevant business sectors, and specialists;

established as public corporate bodies with private budgets attached to the Presidency, namely the Digital Transformation Office, the Finance Office, the Human Resources Office, and the Investment Office. Various changes were made to the organization of Ministries and public institutions; among the changes relevant to economic, trade, and investment policy are:

- The Türkiye Wealth Fund Management Co. was attached to the Presidency (without changes);
- The Ministry of Development was abolished. Most of its duties and responsibilities, together with the budgetary responsibilities of the Ministry of Finance, were transferred to the Strategy and Budgeting Directorate under the Presidency;
- Some changes were made to the service units in the Ministry of Justice including, *inter alia*, the transfer of the Personal Data Protection Authority to the Ministry of Justice (previously it was an affiliated institution of the Prime Ministry);
- The Ministry of Environment and Urbanization was renamed the Ministry of Environment, Urbanization and Climate Change. Its competences were enlarged to include a new mission on climate change. It took over the Ministry of Interior's responsibilities for local administrations, the Ministry of Finance's responsibilities for public/treasury-owned properties, and the Ministry of Agriculture and Forestry's duties for tackling desertification and erosion and also for housing the General Directorate of Meteorology. The Turkish Environmental Agency was established under the Ministry to combat environmental pollution, and the Climate Change Presidency was established as an affiliated institution;
- The Ministry of European Union Affairs was abolished. Its duties were taken over by the Directorate for EU Affairs, which became an affiliated institution of the Ministry of Foreign Affairs;
- The Turkish Accreditation Agency was assigned to the Ministry of Foreign Affairs;
- Within the Ministry of Energy and Natural Resources, the General Directorate of Mining Affairs and the General Directorate of Petroleum Affairs were merged to form the General Directorate of Mining and Petroleum Affairs as the Ministry's affiliated institution. The Nuclear Regulatory Authority was established as the Ministry's associated institution. The Turkish Atomic Energy Authority, the Boron Research Institute, and the Rare Earth Elements Research Institute were merged to form the Turkish Energy, Nuclear, and Mineral Research Agency which was created as a related institution of the Ministry. Additionally, the Clean Energy Research Institute and the Energy Research Institute operate within this institution;
- The Ministry of Treasury and Finance was established by merger of the Ministry of Finance and the Undersecretariat of the Treasury. It is now responsible for the Turkish Statistical Institute (previously under the Ministry of Development), the Capital Markets Board, the Development Bank of Türkiye, and the Banking Regulation and Supervision Authority (previously under the Office of the Prime Minister), the Central Bank of the Republic of Türkiye (CBRT), Ziraat Bank, Halk Bank, and Vakıflar Bank. The General Directorate of Insurance and the Insurance Supervisory Board were abolished, and their duties were transferred to the Insurance and Private Pension Regulation and Supervision Agency. The Turkish Statistical Institute was turned into a related institution of the Ministry;
- The Ministry of Culture and Tourism has taken on various institutions previously affiliated with the Prime Ministry. The Türkiye Tourism Promotion and Development

(ii) monitor policy implementation and developments and report them to the President; (iii) invite representatives of ministries, public institutions, civil society and relevant business sectors, experts, and other stakeholders to extended council meetings; (iv) analyse demands, needs, and impacts related to their missions; and (v) make necessary research and recommendations about the issues within their responsibility.

Agency was established to support and develop tourism activities as a related institution of the Ministry;

- The International Health Services Joint Stock Company (USHAS) was established as a related company of the Ministry of Health; it became operational in February 2019 (Section 4.4.5);
- The Ministry of Industry and Technology was changed to Ministry of Industry and Technology. It took over responsibility for investment incentives from the abolished Ministry of Economy and the coordination of sectoral and regional growth and development agencies from the abolished Ministry of Development. The Turkish Space Agency was created and is related to the Ministry; it is responsible for executing the aviation and space-related activities previously carried out by the Ministry of Transportation and Infrastructure. The Ministry is also assigned responsibilities for implementing the National Technology Move Programme¹⁰, which is aimed at developing high value-added local production of critical technical products (Section 2.4.3);
- The Ministry of Food, Agriculture and Livestock and the Ministry of Forestry and Water were merged under the Ministry of Agriculture and Forestry;
- The Ministry of Customs and Trade and Ministry of Economy were merged under the Ministry of Trade; and
- The Ministry of Transport and Communications was renamed the Ministry of Transportation and Infrastructure. The task of installing intelligent transportation systems was assigned to the Ministry.

2.10. In February 2022, a Regulation on the Procedures and Principles of Preparation of Legislation was issued through Presidential Decision No. 5210, which, *inter alia*, introduces new provisions that principles of consultation and participation of governmental and non-governmental stakeholders should be taken into account while drafting legislation, and that a reasonable period of time should be left, where possible, between the publication date and the entry into force of draft legislation affecting the economic and commercial areas and the business and investment environment. Under Article 26 of the Regulation, the preparation of a regulatory impact analysis (RIA) for draft laws and presidential decrees is envisaged. In this regard, a Presidential Decision on Procedures and Principles for the Preparation of Regulatory Impact Analysis was issued in June 2022; this, *inter alia*, specifies the draft laws or presidential decrees for which RIAs are required and the issues to be included in the analysis.¹¹ As indicated by the authorities, RIAs will be undertaken once guidance on how to conduct them has been issued, and they will be publicly available.

2.11. Since January 2016, new trade and investment-related laws have entered into force in the areas of product safety and technical regulations (Section 3.3.2); industrial property (Section 3.3.7); and data protection (Section 2.5). Existing laws have been amended in the areas of customs (Section 3.3.1), Technology Development Zones (Section 2.4.4.1), Free Zones (Section 2.4.4.3), anti-dumping (Section 3.1.6), local content measures (Section 3.1.7.1), competition policy (Section 3.3.4.2), and copyright (Section 3.3.7.1).

2.2 Trade policy formulation and objectives

2.12. The Ministry of Trade has responsibility for customs and foreign trade in Türkiye. Its mandate is set out in Presidential Decree No. 1¹², and includes: (i) determining and implementing policies regarding domestic and foreign trade and customs, in coordination with other stakeholders; (ii) maintaining commercial and customs relations with other countries and international

¹⁰ Digital Transformation Office (2021), *Türkiye's First Artificial Intelligence Strategy*, 20 August. Viewed at: <https://cbddo.gov.tr/en/news/6135/turkiye-nin-ilk-yapay-zeka-stratejisi#:~:text=The%20National%20Technology%20Move%20aims,to%20breakthroughs%20in%20critical%20technologies>.

¹¹ Presidential Decision No. 5681. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2022/06/20220604-13.pdf>.

¹² Presidential Decree No. 1 on Organization of the Presidency. *Official Gazette* (2018), No. 30474, 10 July.

organizations; (iii) overseeing domestic and foreign goods and services trade; (iv) ensuring the policies of other national public institutions are in conformity with Türkiye's international obligations, including those arising from WTO agreements; (v) ensuring efficient customs services and monitoring thereof; (vi) implementing customs controls and undertaking inspections; (vii) preparing customs tariff schedules and collecting tariffs and related fees; and (viii) monitoring and inspection of goods that are sold in the internal market.

2.13. Trade policy objectives are contained in the Turkish Exports Strategy for 2023, which was launched by the Ministry of Trade (the Ministry of Economy at the time) and the Turkish Exporters Assembly in 2009. It sets a long-term target of Türkiye having a 1.5% share in world trade and an 80% export/import ratio for goods by 2023¹³, *inter alia*, through shifting production from low-technology sectors to high value-added areas and generating investments in high-tech sectors.¹⁴ To reach these targets, the Government is supporting firms to expand their production capacity, particularly in the target sectors of machinery, automotive, electric-electronic, chemicals, and food.

2.14. Trade policy objectives are also contained in the Government's Eleventh Development Plan (2019-23), which emphasizes the importance of exports of goods and services for ensuring balanced economic growth and in improving Türkiye's position in the hierarchy of GVCs. It foresees an export-orientated transformation of the Turkish economy, *inter alia*, through policies to increase the competitiveness and productivity of the industrial sector as well as through support to sectors with a competitive potential and a high foreign trade deficit. The Plan also envisages the negotiation of new, and expansion of existing, free trade agreements, as well as the Government's aim to make the country a regional hub for trade in e-commerce.¹⁵

2.15. Türkiye has also been implementing a new guiding strategy for faraway countries since July 2022. This lists countries of focus for Turkish exports, based on the following criteria: countries that are more than 2,500 km from Türkiye, that import over USD 60 billion of merchandise from all over the world, and that Türkiye has a share of less than 1% in their imports. The 18 countries selected are Australia, Brazil, Canada, China, Chile, India, Indonesia, Japan, the Republic of Korea, Malaysia, Mexico, Nigeria, Pakistan, Philippines, Thailand, Viet Nam, South Africa, and the United States. With this strategy, Türkiye aims to quadruple the exports of Turkish goods to these countries from recent levels (approximately USD 20 billion on average in 2018-20) to around USD 80 billion.¹⁶

2.16. As indicated by the authorities, the Ministry of Trade has institutional ties with the Turkish Exporters Assembly (TIM), the Foreign Economic Relations Board (DEIK), and the chambers of commerce, and it consults on trade policy issues on an *ad hoc* basis on specific issues. Türkiye's WTO Coordination Council was renewed by Presidency Circular No. 2019/7. Its role is to ensure policy coherence and information-sharing among relevant stakeholders regarding WTO Agreements and negotiations. As indicated by the authorities, besides the relevant public institutions, NGOs, universities, business associations, and private sector representatives could be included in the meetings depending on the agenda. In case technical expertise and evaluations are needed in the negotiations, sub-working groups can be established, which are composed of relevant stakeholders, including NGOs. There has been no recent meeting of the Council.

2.3 Trade agreements and arrangements

2.3.1 WTO

2.17. Türkiye, a contracting party to the GATT since 1951, has been a WTO Member since 1995. It is a participant in the Information Technology Agreement and is an observer to the Agreement on Government Procurement and the Agreement on Trade in Civil Aircraft. Türkiye accepted the 2014 Protocol concerning the Trade Facilitation Agreement on 16 March 2016 and it participated in the

¹³ This ratio considers the total value of exports of goods divided by the total value of imports of goods.

¹⁴ Ministry of Trade, *The Exports Strategy of Turkey for 2023*. Viewed at: <https://www.trade.gov.tr/data/5b90d2eb13b8760beca887fd/2023%20EXPORT%20STRATEGY-15%20%C5%9Eubat%202022.pdf>.

¹⁵ Presidency of Strategy and Budget, *Eleventh Development Plan (2019-2023)*. Viewed at: <https://www.sbb.gov.tr/kalkinma-planlari/>.

¹⁶ Ministry of Trade, *Strategy for Far Away Countries*. Viewed at: <https://ticaret.gov.tr/ihracat/uzak-ulkeler-stratejisi>.

following Joint Statement Initiatives issued at the WTO's 11th Ministerial Conference in December 2017: e-commerce; investment facilitation for development; micro, small, and medium-sized enterprises; domestic regulation of trade in services; and trade and environmental sustainability. It supported the Buenos Aires Declaration on Women and Trade and is a participant in the Trade and Environmental Sustainability Structured Discussions. During the 2022 WTO 12th Ministerial Conference, the Minister of Trade of Türkiye emphasized the importance of strengthening and reforming the multilateral trading system, including by reforming the dispute settlement mechanism, updating the WTO rule-book in certain fields such as agriculture, establishing new rules to reflect today's global conditions, and delivering solutions to pressing global issues including pandemic-related problems, global overfishing, and food security.¹⁷

2.18. Since 1 January 2016, Türkiye has been involved in 4 new dispute settlement cases as complainant, 3 cases as respondent, and 37 cases as third party (Table 2.1). It has maintained a solid record of notifications to the WTO (Table A2.1), with those outstanding in the areas of agriculture (export subsidies notifications from 2016-21 and domestic support notifications from 2017-21) and intellectual property rights (Industrial Property Code (Section 3.3.7)). Additionally, Türkiye's regional trade agreements (RTAs) with the Bolivarian Republic of Venezuela, Azerbaijan, and the Islamic Republic of Iran; its participation in the Developing 8 (D-8) preferential agreement and the Organisation of Islamic Cooperation's Trade Preferential System (OIC-TPS); and recent amendments to its RTAs with Bosnia and Herzegovina and with Montenegro have not yet been notified to the WTO.

Table 2.1 Türkiye's participation in WTO dispute settlement cases, January 2016 to October 2022

| | Cases (date consultations requested) |
|----------------|--|
| As complainant | DS595 <i>European Union – Safeguard Measures on Certain Steel Products</i> (13/03/2020) DS564 <i>United States – Certain Measures on Steel and Aluminium Products</i> (15/08/2018) DS523 <i>United States – Countervailing Measures on Certain Pipe and Tube Products</i> (08/03/2017) DS513 <i>Morocco – Anti-Dumping Measures on Certain Hot-Rolled Steel from Turkey</i> (03/10/2016) |
| As respondent | DS583 <i>Turkey – Certain Measures Concerning the Production, Importation and Marketing of Pharmaceutical Products</i> (02/04/2019). Complainant: European Union DS573 <i>Turkey – Additional Duties on Imports of Air Conditioning Machines from Thailand</i> (05/12/2018). Complainant: Thailand DS561 <i>Turkey – Additional Duties on Certain Products from the United States</i> (16/07/2018). Complainant: United States |
| As third party | DS602 (22/06/2021); DS600 (15/01/2021); DS597 (30/10/2020); DS593 (09/12/2019); DS592 (22/11/2019); DS591 (15/11/2019); DS590 (11/09/2019); DS588 (02/09/2019); DS585 (03/07/2019); DS584 (10/05/2019); DS582 (02/04/2019); DS577 (29/01/2019); DS576 (28/01/2019); DS567 (01/10/2018); DS566 (27/08/2018); DS560 (16/07/2018); DS559 (16/07/2018); DS558 (16/07/2018); DS557 (16/07/2018); DS556 (09/07/2018); DS554 (29/06/2018); DS552 (12/06/2018); DS551 (05/06/2018); DS550 (01/06/2018); DS548 (01/06/2018); DS547 (18/05/2018); DS544 (05/04/2018); DS543 (04/04/2018); DS542 (23/03/2018); DS533 (28/11/2017); DS526 (31/07/2017); DS516 (12/12/2016); DS512 (14/09/2016); DS511 (13/09/2016); DS501 (09/09/2016); DS505 (30/03/2016); DS504 (15/03/2016) |

Source: WTO, *Türkiye and the WTO*. Viewed at: https://www.wto.org/english/thewto_e/countries_e/turkey_e.htm.

2.3.2 Regional and preferential trade agreements

2.3.2.1 Regional trade agreements

2.19. Türkiye has 26 RTAs in force with 63 trading partners. It continues to negotiate RTAs, which it considers provide multiple benefits including increased productivity and reduced costs through enabling economies of scale in production; increased national income, social welfare, and competitiveness; a more attractive environment for investment; and strengthened ties between trading partners and their respective business communities.

2.20. As indicated by the authorities, without prejudice to WTO provisions, the Türkiye-EU Customs Union, in force since 1996, constitutes the main legal basis for Türkiye's RTAs

¹⁷ WTO document WT/MIN(22)/ST/32, 12 June 2022.

and preferential trade agreements (PTAs), since it has provisions obliging Türkiye to align its commercial policy with the European Union's Common Commercial Policy. In the context of this Review, the Turkish authorities indicated that this alignment has become more challenging from the Turkish perspective since the European Union started concluding deep and comprehensive RTAs. They noted some of the European Union's RTA partners have been reluctant to negotiate RTAs with Türkiye, as once their industrial products have entered the EU market, they can then enter the Turkish market free of customs duties. They emphasized the need to address this asymmetric structure of the Customs Union. The European Union is by far Türkiye's main trading partner, accounting for 31.5% of imports of goods and 41.9% of exports of goods in 2021 (Section 1.3.1). Türkiye's 1995 Customs Union Agreement with the European Union covers only liberalization of goods and not services. Tariffs on industrial goods and processed agricultural products have been abolished under the agreement, and these goods are subject to the European Union's common external tariff. Agricultural, coal, and steel products are governed by bilateral trade concessions.¹⁸ Türkiye has additional RTAs in force with Israel, North Macedonia, Bosnia and Herzegovina, Palestine, Tunisia, Morocco, Egypt, Albania, Georgia, Montenegro, Serbia, the Republic of Korea, Mauritius, the Islamic Republic of Iran, Malaysia, the D-8, the Republic of Moldova, Faroe Islands, Singapore, the European Free Trade Association (EFTA), Kosovo¹⁹, the Bolivarian Republic of Venezuela, the United Kingdom, Azerbaijan, and the OIC-TPS.

2.21. Most of Türkiye's RTAs cover goods only, with services provisions and commitments contained only in the recent RTAs with Bosnia and Herzegovina, Montenegro, Serbia, the Republic of Korea, Singapore, and the modernized RTA with EFTA. In recent years, some RTAs have included provisions on the environment (Chile, the Republic of Korea, Malaysia, and EFTA), e-commerce (Serbia, the Republic of Korea, Malaysia, Singapore, and EFTA), labour (Chile, the Republic of Korea, and EFTA), and investment liberalization (the Republic of Korea and Singapore). Several of Türkiye's RTAs contain provisions on SMEs and investment promotion. Factual presentations on all but a few of these agreements have been issued by the WTO Secretariat.²⁰ Some RTAs have not been notified to the WTO (Section 2.3.1).

2.3.2.1.1 RTA developments over the review period

2.22. In 2016, the European Commission proposed to modernize the Türkiye-EU Customs Union to extend bilateral trade relations to services, public procurement, and sustainable development. However, the European Council has not yet adopted the mandate.²¹ Türkiye has been a candidate for accession to the European Union since 1999; however, accession negotiations have been at a standstill since 2018.²² In 2021, Türkiye and the European Commission signed agreements granting Türkiye association status to three programmes for the period 2021-27, namely the European Union's Framework Programme for Research and Innovation (Horizon Europe Programme); the EU programme for education, training, youth, and sport (ERASMUS+); and the Solidarity Corps.²³

2.23. Over the review period, new RTAs entered into force with the Republic of Moldova, the Faroe Islands, Singapore, Kosovo²⁴, the Bolivarian Republic of Venezuela, the United Kingdom,

¹⁸ The Customs Union Agreement is described in detail in Türkiye's previous Review. WTO document WT/TPR/S/331/Rev.1, 9 August 2016.

¹⁹ References to Kosovo shall be understood to be in the context of UN Security Council Resolution 1244 (1999).

²⁰ As of 1 August 2022, the only agreements for which factual presentations had not been issued were the RTAs between Türkiye and Palestine, Serbia (services); the Faroe Islands; the Republic of Korea (services); EFTA (modernized); Kosovo; and the Bolivarian Republic of Venezuela. (Note that references to Kosovo shall be understood to be in the context of UN Security Council Resolution 1244 (1999).)

²¹ European Commission, *EU Trade by Country/Region*. Viewed at: <https://ec.europa.eu/trade/policy/countries-and-regions/countries/Türkiye/>.

²² European Commission, *European Neighbourhood Policy and Enlargement Negotiations: Turkey*. Viewed at: https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/negotiations-status/Türkiye_en; and Council of the European Union (2018), *Council Conclusions on Enlargement and Stabilisation and Association Process*. Viewed at: <https://www.consilium.europa.eu/media/35863/st10555-en18.pdf>.

²³ European Commission (2021), "Turkey Joins the Horizon Europe, Erasmus+ and Solidarity Corps Programmes", 27 October. Viewed at: https://research-and-innovation.ec.europa.eu/news/all-research-and-innovation-news/turkey-joins-horizon-europe-erasmus-and-solidarity-corps-programmes-2021-10-27_en.

²⁴ References to Kosovo shall be understood to be in the context of UN Security Council Resolution 1244 (1999).

Azerbaijan, OIC-TPS partners, and the D-8. Moreover, some existing RTAs were expanded to include provisions on services and/or investment and in some cases increased agricultural liberalization (Table 2.2). In addition, the RTA between Türkiye and Morocco was amended in April 2022 to enable Morocco to reintroduce customs duties (at the MFN level of 90%) on certain industrial products originating in Türkiye for a five-year period.²⁵ The RTA with Jordan was terminated in 2018.

Table 2.2 Entry into force of new, and expansion of existing RTAs, 2016-22

| Trading partner(s) | Developments |
|------------------------|--|
| OIC-TPS ^a | <p>Entry into force of the OIC-TPS – July 2022 The OIC-TPS provides for reciprocal preferential access by providing a margin of preference on 2003 MFN duty rates. The tariff preferences apply to goods covering 7% of each contracting member's total HS lines with tariff rates above 10%. Each country is free to choose which tariff lines to liberalize. Tariffs above 25% are reduced to 25%; tariffs above 15% and up to 25% are reduced to 15%; and tariffs above 10% and up to 15% are reduced to 10%. Completion of the tariff liberalization transition period for Türkiye is 2025.</p> |
| Montenegro | <p>Entry into force of a revised Protocol I (on liberalization of agricultural products) and a new Protocol III (on trade in services) to the RTA between Türkiye and Montenegro – December 2021 - Under the revised Protocol I, further concessions were provided on certain agricultural and processed agricultural products, such as meat, fruits, vegetables, chocolates, pasta, and mushrooms. - Schedules of services specific commitments follow a positive list approach. GATS+ commitments in business tax planning and consulting services; architectural services, integrated engineering services; landscape architecture services; veterinary services; certain database services; research and development services (excluding R&D financed in whole or in part by public funds); rental/leasing services without operators; some subsectors of technical testing and analysis services; maintenance and repair of equipment (not including maritime vessels, aircraft or other transport equipment); building-cleaning services; photographic services except speciality photography services; printing services; publishing services; convention services; translation and interpretation services; combined postal and courier services with further commitments; audio-visual services (excluding broadcasting); distribution services; adult education services; some sectors of recreational, cultural and sporting services; supporting services for road transport; and services auxiliary to all modes of transport. - Annexes on telecommunications services, financial services, e-commerce, co-production, and movement of natural persons.</p> |
| Bosnia and Herzegovina | <p>Entry into force of revisions to the RTA between Türkiye and Bosnia and Herzegovina to incorporate a chapter on trade in services – August 2021 - Schedules of services specific commitments follow a positive list approach. GATS+ commitments in business tax planning and consulting services; architectural services, integrated engineering services; landscape architecture services; veterinary services; certain database services; rental/leasing without operators; some subsectors of technical testing and analysis services; maintenance and repair of equipment (not including maritime vessels, aircraft or other transport equipment); building-cleaning services; photographic services (except speciality photography services); printing services; publishing services; convention services; translation and interpretation services; combined postal and courier services with further commitments; audio-visual services (excluding broadcasting); distribution services; adult education services; some subsectors of recreational, cultural and sporting services; ground handling services (excluding flight operations, crew administration and flight planning); airport operation and management services; supporting services for road transport; services auxiliary to all modes of transport. - Full MFN commitment. Annexes on telecommunications services, financial services, road transport and logistics services, e-commerce, domestic regulation and movement of natural persons.</p> |
| Azerbaijan | <p>Entry into force of an RTA between Türkiye and Azerbaijan – March 2021 - Reciprocal liberalization of a limited range of agricultural and food products.</p> |
| United Kingdom | <p>Entry into force of an RTA between Türkiye and the United Kingdom – May 2021 The agreement was provisionally put into effect on 1 January 2021 before entering into force in May. It provides for liberalization of goods only with elimination of customs duties on industrial products (with exceptions) and elimination/reduction of customs duties on agricultural products (with exceptions) upon entry into force of agreement. Tariff rate quotas (TRQs) are applied. 2,750 of Türkiye's tariff lines remain dutiable (17.2% of total).</p> |
| Moldova, Republic of | <p>Entry into force of an RTA between Türkiye and the Republic of Moldova – May 2021 The agreement provides for liberalization of goods only with elimination of customs duties on industrial products and some agricultural products (meat, dairy products, fruits, cereals, oil, prepared agricultural goods, wine, and tobacco) by Türkiye upon entry into force of agreement. TRQs are applied. 2,825 tariff lines remain dutiable (17.1% of total).</p> |

²⁵ Official Gazette (2022), No. 31819, 24 April. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2022/04/20220424-2.pdf>.

| Trading partner(s) | Developments |
|----------------------------------|--|
| Bolivarian Republic of Venezuela | <p>Entry into force of an RTA between Türkiye and the Bolivarian Republic of Venezuela – August 2020</p> <p>The agreement provides for liberalization of goods only. Elimination of customs duties or partial tariff reductions upon entry into force of the agreement for certain tariff lines and staged liberalization over a three- to seven-year period until 2027, for others. Certain products are excluded from liberalization. TRQs are applied.</p> |
| Kosovo ^b | <p>Entry into force of an RTA between Türkiye and Kosovo – September 2019</p> <p>The agreement provides for liberalization of goods only. Türkiye abolished customs duties on imports of all industrial goods, and selected agricultural goods upon entry into force of the agreement. No TRQs are applied.</p> |
| Serbia | <p>Entry into force of a revised Protocol I (on liberalization of agricultural products) and a new Protocol III (on services) to the RTA between Türkiye and Serbia – June 2019</p> <p>- Liberalization of various agricultural products as set out in Protocol I, including flowers, trees, seeds, fruits and fruit juices, vegetables, dairy products, fish, confectionery, infant preparations, pasta, bread, nuts, soup, and wine.</p> <p>- Schedules of services specific commitments follow a positive list approach. GATS+ commitments in business tax planning and consulting services; architectural services, integrated engineering services; landscape architecture services; veterinary services; certain database services; R&D services (excluding R&D financed in whole or in part by public funds); rental/leasing services without operators; some subsectors of technical testing and analysis services; maintenance and repair of equipment (not including maritime vessels, aircraft, or other transport equipment); building-cleaning services; photographic services except speciality photography services; printing services; publishing services; convention services; translation and interpretation services; combined postal and courier services with further commitments; distribution services; adult education services; some sectors of recreational, cultural, and sporting services; supporting services for road transport; and services auxiliary to all modes of transport.</p> <p>- Annexes on telecommunications services, financial services, road transport and auxiliary services, e-commerce, domestic regulation, and movement of natural persons and co-production on film or TV series.</p> |
| EFTA ^c | <p>Entry into force of the modernized RTA between Türkiye and EFTA to include services, a new chapter on trade and sustainable development and updated agricultural agreements with Switzerland – 1 October 2018</p> <p>- Schedules of services specific commitments follow a positive list approach. GATS+ commitments in taxation services; integrated engineering services; landscape architecture services; veterinary services; database services including data storage, data hosting and web hosting services; R&D services (excluding R&D financed in whole or in part by public funds); rental/leasing without operators; composition and purity testing and analysis services; building-cleaning services; printing publishing services; convention services; translation and interpretation services; combined postal and courier services with further commitments; audio-visual services except broadcasting; distribution services; some subsectors of recreational, cultural, and sporting services; maritime auxiliary services; ground-handling services; airport management services; supporting services for road transport; services auxiliary to all modes of transport except maritime and internal waterways; and hairdressing and other beauty services. Annexes on telecommunications services, financial services, e-commerce, movement of natural persons, international road transport and logistics services, co-production, healthcare services, recognition of qualifications, and tourism and travel services.</p> <p>The bilateral agricultural agreements have been updated to include concessions previously granted autonomously through an exchange of letters, as well as new concessions for Switzerland on imports into Türkiye of certain vegetables, meat products, cheeses, fruit juices, wine, and other alcoholic beverages.</p> |
| Korea, Republic of | <p>Expansion of RTA with Republic of Korea to include services and investment – August 2018</p> <p>- Schedules of services specific commitments follow a positive list approach. GATS+ commitments in integrated engineering services; veterinary services; R&D services on natural sciences; rental/leasing services without operators; building-cleaning services; printing services; publishing services; convention services; translation and interpretation services; audio-visual services except broadcasting; and some subsectors of recreational, cultural, and sporting services.</p> <p>- Annexes on telecommunication services, financial services, and temporary movement of natural persons.</p> <p>- The chapter on investment replaces a 1991 agreement on reciprocal promotion and investments between the two countries; it incorporates principles of national treatment and most-favoured-nation (MFN) treatment for investors and investments during the market access stage, with some listed exceptions.</p> |

| Trading partner(s) | Developments |
|--------------------|--|
| Singapore | <p>The entry into force of an RTA with Singapore – October 2017</p> <ul style="list-style-type: none"> - Covers liberalization of goods and services, and <i>inter alia</i> has chapters on investment and e-commerce. - Staged annual customs duty liberalization from entry into force of agreement until 2027 for Türkiye. At the end of this transition period, 828 of its tariff lines will remain subject to duties. No TRQs are applied. - Negative list approach to scheduling of services commitments. GATS+ commitments for Modes 1-3 in professional services, computer and related services, R&D services, other business services, telecommunications services, audio-visual services, construction and related engineering services, distribution services, and other environmental services. - Sector-specific chapters on telecommunications and financial services. - The investment chapter replaces the bilateral investment treaty previously in force and incorporates principles of national treatment and most-favoured-nation (MFN) treatment for investors and investments during the market access stage, with some listed exceptions. |
| Faroe Islands | <p>The entry into force of an RTA with Faroe Islands – October 2017</p> <ul style="list-style-type: none"> - Elimination of customs duties on imports of industrial goods upon entry into force of agreement. With respect to agricultural goods, Türkiye committed to give preferential treatment not less favourable than accorded in January 2014 to EFTA member states. |
| D-8 ^d | <p>The entry into operation of the D-8 Preferential Agreement – July 2016</p> <p>The agreement provides for a margin of preference on MFN duty rates through tariff reductions to 8% of the tariff lines in each country's tariff schedule that exceed 10%. The member states are free to choose their designated tariff lines. Tariffs are reduced within three bands: (i) from above 25% down to 25%; (ii) from between 15%-25% to 15%; and (iii) from 10%-15% to 10%. LDC members have longer timeframes to reduce or eliminate tariffs.²⁶ Türkiye reduced its tariffs in four annual instalments ending in 2020.</p> |

- a OIC-TPS participants are the Kingdom of Bahrain, Bangladesh, the Islamic Republic of Iran, Jordan, the State of Kuwait, Malaysia, Morocco, Oman, Pakistan, Qatar, the Kingdom of Saudi Arabia, Türkiye, and the United Arab Emirates.
- b References to Kosovo shall be understood to be in the context of UN Security Council Resolution 1244 (1999).
- c EFTA comprises Switzerland, Norway, Iceland, and Liechtenstein.
- d The D-8 participating economies are Bangladesh, Egypt, Indonesia, the Islamic Republic of Iran, Malaysia, Nigeria, Pakistan, and Türkiye; however, as of September 2022, only the Islamic Republic of Iran, Malaysia, and Türkiye were implementing the agreement.

Note: RTAs are reciprocal preferential trade agreements between two or more partners.

Source: WTO RTA database. Viewed at: <http://rtais.wto.org>; Ministry of Trade, *Free Trade Agreements*. Viewed at: <https://www.trade.gov.tr/free-trade-agreements>; UN Comtrade database; and information provided by the authorities on GATS+ commitments.

2.24. RTAs have been signed with Lebanon, Qatar, Sudan, Ukraine, Pakistan, and Uzbekistan and are awaiting ratification. Negotiations are ongoing to conclude RTAs with Cameroon, Colombia, Djibouti, Ecuador, the Gulf Cooperation Council, Indonesia, Japan, MERCOSUR, Mexico, Peru, Seychelles, Somalia, Thailand, and the United Arab Emirates. A stand-alone trade in services agreement with Belarus is under negotiation. Additionally, the following RTAs are being modernized:

- Negotiations on trade in services and investment under the Türkiye-Malaysia RTA have been concluded and the expansion protocol was signed in September 2022.
- A protocol on services to the Türkiye-Georgia RTA and revised product lists regarding concessions on agricultural products were signed in September 2022. As of November 2022, the protocol had not yet been ratified.
- Negotiations have started to update the Türkiye-North Macedonia RTA to include trade in services and additional agricultural products.
- Negotiations have started to update the Türkiye-Republic of Moldova RTA to include trade in services and additional agricultural products.

²⁶ Ministry of Foreign Affairs, *Developing Eight (D-8): General*. Viewed at: https://www.mfa.gov.tr/d-8_en.mfa.

2.25. A Memorandum of Understanding (MOU) was signed between Türkiye and Azerbaijan in 2021 to promote cooperation in the field of digital trade; this is a first step in exploring the launch of negotiations on a Digital Economy Partnership Agreement.²⁷

2.26. Türkiye is a signatory to the Economic Cooperation Organization (ECO) Trade Agreement (ECOTA) with Afghanistan, the Islamic Republic of Iran, Pakistan, and Tajikistan.²⁸ The Agreement falls under the auspices of the ECO, which has a broader membership than just these countries and a larger remit.²⁹ The ECOTA provides for tariff liberalization over an eight-year period to achieve a maximum tariff of 15% on 80% of tariff lines. The agreement was signed in 2003 and entered into force *de jure* by virtue of Article 39 in 2008, when the Islamic Republic of Iran submitted its instrument of ratification (being the fifth member state to do so). However, it could not enter into force *de facto* since concession lists were not negotiated or exchanged among the parties. Hence, there are no trade preferences currently being provided under the Agreement. As set out in the ECO's Vision 2025, adopted in 2017, efforts to enhance trade involve the "early operationalization of ECOTA followed by further incremental trade liberalization to ultimately make ECO a free trade area".³⁰ As indicated by the authorities, no progress has been achieved since the Vision's adoption and the Agreement is not expected to become operational soon.

2.27. Türkiye remains 1 of 13 members of the Black Sea Economic Cooperation (BSEC).³¹ As indicated in Türkiye's previous Review, a declaration to launch an RTA was made in 1997. However, as of August 2022, this initiative had still not been implemented. The authorities indicated that establishing an RTA among interested members remains a long-term objective.

2.3.2.2 Preferential trade arrangements

2.28. EU Regulation No. 978/2012/EU, as amended, remains the basis for Türkiye's GSP scheme (including the Everything But Arms (EBA) scheme), which is contained in Import Communiqué 2015/1.³² Rules of origin requirements to benefit from unilateral preferences have not changed since 2014³³, and were notified by Türkiye to the WTO in 2019.³⁴ While Türkiye applies the same GSP rules as the European Union, it narrowed the scope of beneficiary countries and product groups in 2018, including terminating GSP+ preferences to the Plurinational State of Bolivia, Cabo Verde, and Mongolia.

2.29. Türkiye's preferences are extended to a total of 66 economies in 2022 compared to 88 in 2015. Azerbaijan, China, Colombia, Costa Rica, Ecuador, Guatemala, Honduras, India, Indonesia, the Islamic Republic of Iran, Iraq, Maldives, Marshall Islands, the Republic of Moldova, Nicaragua, Panama, Paraguay, Peru, El Salvador, Thailand, Turkmenistan, Ukraine, and Viet Nam have been graduated from the scheme, and Kenya was added to the list. Sectoral exclusions apply for Bangladesh (textiles and clothing); Cambodia (clothing and footwear); Ethiopia (certain textiles); Nepal (certain textiles); Pakistan (textiles, clothing, leather products, and furs/skins); and Sri Lanka (clothing). Each year, the beneficiary countries and exempt product groups are reconsidered and listed in the annexes of the Import Regime (Section 3.1.3), which is published in the Official Gazette.³⁵

²⁷ *Official Gazette* (2021), No. 31579, 25 August. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2021/08/20210825-2.pdf>.

²⁸ ECOTA. Viewed at: <https://www.worldtradelaw.net/document.php?id=fda/agreements/ecota.pdf>.

²⁹ The ECO has nine members and promotes economic, technical, and cultural cooperation. See WTO document WT/TPR/S/331/Rev.1, 9 August 2016.

³⁰ ECO (2017), *ECO Vision 2025: An Overview*. Viewed at: http://www.eco.int/parameters/eco/modules/cdk/upload/content/general_content/3624/150814561891935csf_dk3kfkqbq3np70hjp595.pdf.

³¹ The BSEC members are Albania, Armenia, Azerbaijan, Bulgaria, Greece, the Republic of Moldova, North Macedonia, Romania, the Russian Federation, Serbia, Türkiye, and Ukraine.

³² EU Regulation No. 978/2012/EU, as amended. Viewed at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02012R0978-20220101>; and Import Communiqué 2015/1, *Official Gazette* (2014), No. 29222bis 2, 31 December.

³³ These are contained in Ministerial Decree No. 2014/7064 on Determination of Origin of Goods Benefiting from Preferential Regime for the Purposes of the Generalized System of Preference. *Official Gazette* (2014), No. 29222bis 4, 31 December.

³⁴ WTO document G/RO/LDC/N/TUR/1, 18 September 2019.

³⁵ GSP country beneficiaries for 2022 are listed in the *Official Gazette* (2021), No. 31706, 31 December 2021, pp. 518-541.

2.3.3 Other agreements and arrangements

2.30. Over the review period, Türkiye ratified or approved trade and economic cooperation agreements with Zimbabwe, Togo, Sao Tomé and Príncipe, Lesotho, Mozambique, Jordan, Burundi, and Myanmar. These agreements provide for strengthened cooperation in specific areas that differ in each respective agreement. Some of the areas of cooperation are trade development, investment, promotion of employment and competitiveness, infrastructure development, customs, consumer protection, intellectual property rights, human resources, science and technology, SME development, and specific sectors/economic activities. Türkiye also signed an MOU on trade and economic cooperation with Nigeria, a protocol on the development of trade and economic cooperation with Northern Cyprus, an agreement on economic cooperation with Bulgaria, and an agreement on mutual trade promotion with Belarus.

2.4 Investment regime

2.4.1 Overview and framework for FDI

2.31. Türkiye continues to recognize the importance of attracting FDI for its economic growth and has in place several schemes and initiatives in this regard (see below). The stock of FDI is concentrated in the services sector, particularly in wholesale and retail trade services and financial and insurance activities (Section 1.3.3).

2.32. The Investment Office of the Presidency is responsible for promoting investment opportunities in Türkiye and for assisting investors, both domestic and foreign.³⁶ It houses the secretariat of the Investment Advisory Council, which brings together senior executives from multinational companies to address investment barriers and reforms.³⁷ In 2021, the Investment Office of the Presidency released its Foreign Direct Investment Strategy for the period 2021-23. The Strategy's aim is to increase Türkiye's share in global FDI inflows to 1.5% in 2023 (from an estimated 0.8% in 2020) and to attract quality FDI, which is defined as investments supporting technological transformation, employment, and the current account balance. It also highlights the importance of aligning the business environment with the United Nations Sustainable Development Goals (SDGs), especially the green economy and sustainable development, to meet the needs of foreign investors. It contains 11 strategies and 72 actions, as well as a framework for monitoring and evaluation.³⁸ The authorities indicate that they anticipate all targets will be fully achieved by end-2023.

2.33. The legal framework governing foreign investment is composed of the Foreign Direct Investment Law No. 4875 (last amended in 2003)³⁹ and its implementing regulation, the Regulation for Implementation of the Foreign Direct Investment Law.⁴⁰ Türkiye does not have an investment screening process. FDI restrictions are contained in various laws, and apply to 12 sectors: TV broadcasting, civil aviation, maritime transport, port services, fishing, accounting, auditing and

³⁶ The Support and Promotion Agency was established in 2006 under the Prime Minister's Office; it was restructured in 2019 through Presidential Decree No. 1 of 24 October 2019 to become the Investment Office of the Presidency.

³⁷ Coordination Council for the Improvement of the Investment Environment (YOİKK), *Investment Advisory Council of Turkey (IAC)*. Viewed at: <https://www.yoikk.gov.tr/Home/Detay/514?MID=7>.

³⁸ Investment Office, *Foreign Direct Investment (FDI) Strategy of Turkey, 2021-2023*. Viewed at: <https://www.invest.gov.tr/en/library/publications/lists/investpublications/Türkiye-foreign-direct-investment-strategy-2021-2023.pdf>.

³⁹ Law No. 4875, *Official Gazette* (2003), No. 25141, 16 June. As indicated in Türkiye's previous Review, the main provisions of the Law provide for national treatment, free transfer of proceeds, dispute settlement, compensation in the case of expropriation or nationalization, employment of expatriates, and the submission of statistical information. The Regulation requires companies to provide FDI-related data. It stipulates that foreign investors may set up any of the types of company set out in the Turkish Commercial Code. These are corporate forms (joint-stock company and limited liability company) and non-corporate forms (general partnership, limited partnership, and partnership limited by shares).

⁴⁰ Regulation for Implementation of Foreign Direct Investment Law. Viewed at:

book-keeping services, financial services, mining, real-estate trading, electricity, and education. These restrictions are described in Türkiye's previous Review and remain unchanged.⁴¹

2.34. To build a more secure climate for foreign investors, Türkiye has bilateral investment treaties (BITs) in force with 88 economies and double taxation agreements in force with 89 economies. Türkiye has a model BIT that it keeps up to date by observing developments in international investment agreements. Over the review period, new BITs entered into force between Türkiye and Bangladesh, China, Djibouti, Gambia, Georgia, Guatemala, Guinea, Kyrgyz Republic, Mauritius, Mexico, Montenegro, Tanzania, Uzbekistan, Viet Nam, and Zambia.⁴² Over the review period, Türkiye ratified the United Nations Convention on International Settlement Agreements Resulting from Mediation; it entered into force in April 2022.⁴³

2.4.2 Investment policy and promotion

2.35. The Coordination Council for the Improvement of the Investment Environment (YOIKK) continues to provide the policy dialogue platform through which the private sector can suggest improvements to the investment climate. In 2018, its structure was revised; the Presidency of YOIKK now falls under the Deputy President with the aim of increasing political ownership of the reform process. It brings together government (10 Ministers/Presidents of Presidential Offices) and non-government entities (6 presidents of business-related institutions). YOIKK's secretariat is housed within the Ministry of Industry and Technology, and its work is carried out through annual actions plans. As indicated by the authorities, over the review period several legislative changes were made as a result of YOIKK studies either directly or indirectly, including in the areas of litigation processes; access to finance; data protection; simplification of company establishment procedures; bankruptcy; construction, telecommunications and infrastructure permits; foreign trade; mediation; Organized Industrial Zones and Technology Development Zones; land transfer; R&D activities; remote work; and e-communications and e-commerce.

2.36. Under Türkiye's New Economic Reform Package 2021-23 (Section 1.2), new initiatives to encourage investments (both foreign and domestic) will include the enactment of a law on the protection of private sector investments to enhance the predictability in investments, reduce red tape, and offer solutions to issues encountered during the investment process.⁴⁴ No information was available on the state-of-play of legislative reform in this area.

2.4.3 Investment incentive schemes

2.37. Türkiye has four investment incentive schemes that fall under the Decree on State Aid for Investments and aim to promote regional development; these are the General Investment Incentive Scheme, the Regional Investment Incentive Scheme, the Strategic Investment Incentive Scheme, and the Priority Investment Incentive Scheme. All of these schemes were operational at the time of Türkiye's previous Review, although some modifications have been introduced (Table 2.3). The Large-Scale Investment Incentive Scheme was discontinued in 2019.

2.38. A Project-Based Investment Incentive Scheme was introduced in 2016 and falls under the Council of Ministers Decree No. 7495 Granting Project-Based Government Support for the Investment Decision. It is designed to encourage production in Türkiye of certain high value added or strategic products (Table 2.3).

2.39. All of the above schemes fall under the responsibility of the Ministry of Industry and Technology. In 2019, the Technology-Orientated Industry Move Program (TFIMP) was launched; this seeks to focus the Ministry of Industry and Technology's incentives and support to the medium-high

⁴¹ WTO document WT/TPR/S/331/Rev.1, 9 August 2016, Table A2.3.

⁴² UNCTAD Investment Policy Hub, *International Investment Agreements Navigator: Türkiye*. Viewed at: <https://investmentpolicy.unctad.org/international-investment-agreements/countries/214/Türkiye>.

⁴³ United Nations Information Service (2021), "Turkey Ratifies the United Nations Convention on International Settlement Agreements Resulting from Mediation", 13 October. Viewed at: <https://unis.unvienna.org/unis/en/pressrels/2021/unis1322.html>; *Official Gazette* (2021), No. 31462, 22 April. Viewed at: <https://www.resmigazete.gov.tr/22.04.2021>.

⁴⁴ Investment Office (2021), *Invest in Türkiye*, Issue 86. Viewed at: <https://www.invest.gov.tr/en/news/newsletters/lists/investnewsletter/investment-office-apr-2021-newsletter.pdf>.

and high-tech manufacturing sectors to expand value-added domestic production. The Program is based on thematic calls with priority lists announced for each call. It provides a single channel to reach different incentive mechanisms (those run by the Ministry of Industry and Technology (Table 2.3)), the Scientific and Technological Research Institution of Türkiye (TÜBİTAK) (Section 3.3.1.2), and the Turkish Small and Medium Enterprises Development and Support Administration (KOSGEB) (Section 3.3.1.3).

Table 2.3 Overview of Türkiye's investment incentive schemes

| Scheme | Overview | Main benefits | Changes since 2016 |
|--|--|---|---|
| Investment incentives under the Decree on State Aid | | | |
| General Investment Incentive Scheme | General scheme for a minimum fixed investment of TRY 3 million in Regions I and II, and TRY 1.5 million in Regions III, IV, V, and VI. | VAT exemption, customs duty exemption, and income tax withholding support only for Region VI. | Increase in minimum fixed investment from TRY 1 million in Regions I and II and from TRY 1.5 million in Regions III, IV, V, and VI. |
| Regional Investment Incentive Scheme | Supports different sectors, depending on the potential in different regions. Level of support and length dependent on the region. Fixed investment amounts are defined separately for each sector and each region. | VAT exemption; customs duty exemption; income tax withholding support only for Region VI; tax deduction; social security premium support (employer's share); social security premium support (employees share) only for Region IV; interest support for investment loans Region III, IV, V, or VI; and land allocation. | A district-based regional (attractions centres) incentive programme was introduced within the Regional Investment Incentive Scheme in 2018. |
| Strategic Investment Incentive Scheme | Supports production of strategically important intermediate and final products and high-tech and high-value-added investments. Contingent on a minimum investment of TRY 50 million, minimum of 40% value-added, and that the goods have a USD 50 million import value in the last year. | VAT exemption; customs duty exemption; income tax withholding support only for Region VI; tax deduction; social security premium support (employer's share); social security premium support (employee's share) only for TFIMP incentive scheme; interest support; land allocation; and VAT refund for fixed investments of at least TRY 500 million. | Upper limit of total value of support has been revised. |
| Priority Investment Incentive Scheme | Supports priority investments in certain listed areas. | VAT exemption; customs duty exemption; tax deduction; social security premium support (employer's share); interest support for investment loans in Region V; and land allocation. | Topics added to the list: (i) investments subject to environmental licence; (ii) investments in the production of software and IT products to be made in free zones without a minimum investment requirement; (iii) R&D and environmental investments; and (iv) data centre investments that meet international technical standards and a minimum white space requirement of 5,000 m ² . |
| Large-Scale Investment Incentive Scheme | n.a. | n.a. | Terminated in August 2019. |

| Scheme | Overview | Main benefits | Changes since 2016 |
|---|---|--|---|
| Investment incentives under Council of Ministers Decree on Granting Project-Based Government Support for the Investment Decision | | | |
| Project-Based Investment Incentive Scheme | Supports investments that are in line with targets in development plans and annual programmes: meet Türkiye's current/future critical needs; ensure the security of supply; implement technological transformation; or are innovative, R&D intensive, or high value-added. Minimum fixed investment required. | Customs duty exemption; VAT exemption; VAT refund; tax deduction; social security premium support (employer's share); income tax withholding support; qualified personnel employment support; interest support; capital contribution support; grant support; energy support; purchasing guarantee; land allocation; infrastructure support; facilitation for the permissions, licences, allocations and registrations. | New scheme that entered into force in 2016. Minimum fixed investment was increased to TRY 1 billion (except for investments falling under the scope of the TFIMP where the minimum fixed investment is TRY 50 million). |

n.a. Not applicable.

Source: Information provided by the Ministry of Industry and Technology; and Esin Attorney Partnership (2019), "New Amendments to the Investment Incentive Legislation", 9 August. Viewed at: <https://esinexchange.com/rv/ff004ff0abb50d3c8673f58ccb408e463f54e91d>.

2.40. The use of investment schemes varies each year. As before, the General Investment Scheme and the Regional Investment Scheme were the most used. Beneficiaries of the schemes are largely domestic investors (Table 2.4).

Table 2.4 Overview of fixed capital investments under the incentive schemes, 2018 to August 2022

(TRY million)

| | 2018 | 2019 | 2020 | 2021 | 2022 (August) |
|--|--------|--------|---------|---------|---------------|
| General Investment Incentive Scheme | | | | | |
| - Foreign investment | 2,563 | 2,800 | 6,946 | 4,585 | 2,454 |
| - Domestic capital | 47,314 | 88,479 | 99,215 | 81,578 | 55,543 |
| Regional Investment Incentive Scheme | | | | | |
| - Foreign investment | 7,456 | 11,465 | 18,046 | 12,607 | 18,671 |
| - Domestic capital | 74,336 | 78,712 | 170,235 | 183,270 | 166,434 |
| Strategic Investment Incentive Scheme | | | | | |
| - Foreign Investment | 23,098 | 1,573 | 0 | 611 | 129 |
| - Domestic capital | 9,093 | 5,763 | 5,403 | 3,550 | 2,521 |
| Project-Based Investment Incentive Scheme | | | | | |
| - Foreign investment | 10,790 | 2,035 | 1,874 | 33,335 | 10,108 |
| - Domestic capital | 14,981 | 16,343 | 33,136 | 25,902 | 164,947 |
| Priority Investment Incentive Scheme | | | | | |
| - Foreign investment | 21,329 | 6,087 | 4,787 | 12,381 | 1,922 |
| - Domestic capital | 22,017 | 36,788 | 47,320 | 46,004 | 58,773 |
| Large-Scale Investment Incentive Scheme | | | | | |
| - Foreign investment | 1,924 | 2,916 | 0 | 0 | 0 |
| - Domestic capital | 7,513 | 515 | 0 | 0 | 0 |

Source: Information provided by the Ministry of Industry and Technology.

2.41. A Technological Product Investment Support Programme was introduced in 2014 and amended in 2022; no further information on this programme was available. In 2018, to encourage foreign investment and boost the real estate sector, Türkiye introduced a scheme to grant citizenship to persons making a fixed capital investment of USD 500,000 or equivalent in foreign currency or Turkish lira.⁴⁵ There is no limitation on the sectors that can be invested in. Real estate investments must be in commercial not residential property and in a foreign currency.

2.4.4 Investment zones

2.42. Türkiye continues to maintain special zones that provide support services or incentives to attract investment (both domestic and foreign). These are Technology Development Zones (TDZs),

⁴⁵ Regulation Amending the Regulation on the Implementation of the Turkish Citizenship Law, *Official Gazette* (2018), No. 30540, 19 September. See also Ministry of Industry and Technology. Viewed at: <https://www.sanayi.gov.tr/destek-ve-tesvikler/yatirim-tesvik-sistemleri>.

Organized Industrial Zones (OIZs), and Free Zones (FZs). If a company is simultaneously a participant in an investment scheme (Section 2.4.3) and is also a beneficiary under an OIZ or TDZ, benefits may be adjusted.

2.4.4.1 Technology Development Zones (TDZs)

2.43. As at end-2021, there were 73 TDZs operational in Türkiye dedicated to developing the high-technology sector through support to R&D.⁴⁶ The governing legislation is the Technology Development Zones Law of 2001 and its implementing regulation.⁴⁷ The Law was amended in 2021 to extend the scope of incentives and exemptions set to expire in 2023, until 2028; provide support for employment of R&D graduates; and provide subsidies for the employment of doctoral students, the construction of workshops and R&D buildings in technoparks, and the financing of the machinery, equipment, and software to be used in these workshops. The implementing regulation was amended to reflect changes to the law.

2.44. The benefits for companies establishing in TDZs are the following tax exemptions until 31 December 2028: (i) personal and corporate income tax exemptions for profits derived from software development, R&D, and design activities; (ii) VAT exemptions for sales of application software produced exclusively in TDZs; (iii) full tax exemptions for remuneration of R&D, design, and support personnel, with limitations on the number of support personnel who may benefit; and (iv) payment by the Government of 50% of the employer's share of the social security premium. Companies are eligible for non-time-limited customs duty exemptions on imports, and stamp duty exemptions for certain documents relating to R&D, design, and software development projects. Additionally, production of the R&D product in the TDZ may be permitted. An overview of the evolution of TDZs over the review period is contained in Table 2.5.

Table 2.5 Overview of Technology Development Zones, 2016-21

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|--------|---------|----------|----------|----------|---------|
| TDZs established in operation at the end of the year (No.) | 52 | 56 | 61 | 67 | 72 | 73 |
| Companies operating in TDZs (No.) | 4,011 | 4,433 | 5,010 | 5,460 | 6,251 | 7,363 |
| Foreign companies operating in TDZs (No.) | 185 | 250 | 288 | 310 | 321 | 282 |
| Tax exemptions (TRY billion) ^a | | | | | | |
| VAT | 0.4 | 0.5 | 0.6 | 0.8 | 1.0 | 1.7 |
| Corporate tax | 0.6 | 0.8 | 0.9 | 1.2 | 2.7 | 4.7 |
| Personal income tax | 7 | 39 | 31 | 95 | 102 | 196 |
| Social security tax | 0.6 | 0.7 | 0.9 | 1.2 | 1.6 | 2.7 |
| Loan amounts (TRY '000) | 88,222 | 130,656 | 56,228.8 | 67,661.5 | 59,947.7 | 152,000 |
| Trade | | | | | | |
| Total exports (annually; USD million) | .. | 0.5 | 0.8 | 0.7 | 1.1 | 1.3 |
| Total exports (cumulative; USD billion) | 2.4 | 2.9 | 3.7 | 4.4 | 5.5 | 6.8 |

.. Not available.

a Represents forgone revenue.

Source: Information provided by the authorities.

2.4.4.2 Organized Industrial Zones

2.45. Türkiye's OIZs were established by law in 2000 to provide an investor-friendly environment with well-established infrastructure for businesses, as well as to allow for planned development in different regions. The zones are established in different areas pursuant to approval of the Ministry of Industry and Technology, which also provides loans to firms for the establishment, construction, and operation of OIZs. As of 2022, loan interest rates were 3% with 3 years non-payable followed by a 13-year repayment period.

⁴⁶ As indicated in Türkiye's previous Review, among the main objectives of TDZs are to develop innovative products and production methods, enhance quality standards, decrease production costs, develop and commercialize technical know-how, support entrepreneurship, and create investment opportunities in technology-intensive areas.

⁴⁷ Law No. 4691 of 6 July 2001 (last amended in 2021 (*Official Gazette* (2021), No. 31384, 3 February)) and Technology Development Zones Implementation Regulation (*Official Gazette* (2014), No. 28939, 12 March) (last amended in 2018 (No. 30340, 22 February)).

2.46. Changes to the Organized Industrial Zones Implementation Regulation over the review period have, *inter alia*, (i) lifted restrictions on the types of activities that could not be established in an OIZ (previously these were refining, nuclear power generation, cement manufacturing, petrochemical complexes, and integrated sugar factories), and (ii) simplified provisions on interest support given by the Ministry to the loans used by OIZs from banks for their investment projects. Incentives available in OIZs are VAT exemptions for land acquisitions, a five-year exemption from real estate duties, no tax payable in cases of merging and/or separation of plots, exemption from municipality tax in certain cases, and an exemption from building tax. As of 2022, there were 264 OIZs in operation. The main business activities in OIZs are the production of food, textiles, leather products, furniture and wood products, paper, chemicals, pharmaceutical products, plastic, basic metal industry, electric-electronics, automobile sub-industry activities, and land vehicle manufacturing.

2.4.4.3 Free Zones (FZs)

2.47. Türkiye continues to operate FZs, which are defined as special sites within the country that are deemed to be outside the customs territory with respect to import measures and foreign exchange legislation. They aim to provide a supportive environment for export-orientated investment and production, through exemptions from the following taxes/fees: customs duties and other assorted duties, corporate income tax for manufacturing companies, VAT and Special Consumption Tax, stamp duties for applicable documents, real estate tax, income and corporate tax for certain logistics services offered in FZs provided they are export-orientated, income tax on employee's wages for companies that export 85% of the f.o.b. value of the goods they produce in the FZs, title deed fees when buying and selling a property, VAT exemption for services rendered in FZs, and VAT and other taxes for available infrastructure (i.e. electricity, water, gas, and sewage). Goods may remain in FZs for an unlimited period and companies may freely transfer profits generated from FZs abroad.

2.48. The legal framework remains the Law on Free Zones (Law No. 3128 of 1985) and the Free Zones Implementation Regulation. Amendments to this Law in 2017⁴⁸: (i) authorized the President to decrease to zero the free zone fee rates for strategic, large-scale, or priority investments, and for project-based scheme investments (Table 2.3)⁴⁹; (ii) made it possible to establish FZs, special zones, foreign trade centres, and logistics centres abroad; and (iii) gave the President authority to modify income tax rates on employee salaries for companies that export at least 85% of the f.o.b. value of goods produced in FZs.⁵⁰ Further amendments to the Law on Free Zones in 2021 limit corporate and income tax exemptions provided to companies operating in FZs to a maximum of 30 years; this applies only to FZs operational after 2021.

2.49. As at mid-2022, there were 18 operational FZs in Türkiye. In 2020, an existing FZ (the Istanbul Atatürk Airport Free Zone) was designated as a "specialized free zone" for information technology.⁵¹ The West Anatolian Free Zone is in the establishment phase.

2.50. In 2021, there were 1,958 companies operating within Türkiye's FZs, employing over 85,000 persons. Continuing a trend evident at the time of Türkiye's previous Review, employment in FZs has steadily increased. In 2021, 70% of sales by companies operating within FZs were exports (Table 2.6). No information was available on the main industries operating in FZs.

⁴⁸ Law on Amending Free Zones Law and Some Laws and Decrees No. 6772. *Official Gazette* (2017), No. 29989, 24 February.

⁴⁹ As set out in Law No. 3218, free zone fees are fees equal to 0.1% of the c.i.f. value of goods entering the free zone from abroad; fees equal to 0.9% of the f.o.b. value of goods leaving the free zones towards Türkiye; payments specified in the contracts made by the free zone operator companies; and other revenues obtained from the zone activities.

⁵⁰ An export-linked income tax exemption was already provided for under Law No. 3218. The amendment made in 2017 allowed the President to reduce the rate to 50% and to increase it to its statutory level. The rate can also be differentiated according to the region, sector, or field of activity of strategic, large-scale, or priority investments, and to project-based investment incentives.

⁵¹ Presidential Decree No. 2117 of 19 February 2020.

Table 2.6 Overview of Free Zones, 2016-21

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|--------|--------|--------|--------|--------|--------|
| Total trade volume (imports and exports) (USD million) | 19,033 | 20,376 | 20,929 | 19,656 | 22,058 | 24,618 |
| Sales to third countries (USD million) | 7,041 | 7,525 | 8,147 | 7,978 | 7,727 | 9,755 |
| Sales to Türkiye (USD million) | 3,999 | 4,073 | 3,766 | 3,379 | 4,729 | 4,325 |
| Employment (No.) | 66,095 | 66,984 | 70,808 | 74,214 | 79,553 | 85,248 |
| Total companies (No.) | 2,025 | 1,989 | 1,912 | 1,869 | 1,901 | 1,958 |
| Total foreign companies (No.) | 530 | 542 | 528 | 505 | 499 | 502 |

Source: Information provided by the Ministry of Trade.

2.5 E-commerce developments

2.51. Türkiye is ranked 57th out of 152 economies included in UNCTAD's B2C Ecommerce Index 2020 and is among the top 10 developing and transition economies within the West Asia region.⁵² As noted by UNCTAD, Türkiye also has laws in place in the four key e-commerce-facilitating areas of: (i) e-transactions (Law No. 5070 of 2004 on Electronic Signature); (ii) consumer protection (Law No. 6502 on Consumer Protection); (iii) data protection and privacy (Law No. 6698 of 2016 on Protection of Personal Data); and (iv) cybercrime (the Turkish Criminal Law).⁵³ Payment systems for electronic commerce are governed by Law No. 6493 of 2015 on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions; Law No. 5464 of 2006 on Bank Cards and Credit Cards; Law No. 5651 of 2007 on the Regulation of Broadcasts via Internet and Prevention of Crimes Committed Through These Broadcasts; and Law No. 5809 on Electronic Communication.

2.52. There were several e-commerce-related developments over the review period, including:

- Significant changes were made to the 2014 Law on the Regulation of Electronic Commerce in 2022, which regulates e-commerce principles and procedures. Except for a few provisions, the new Law will come into effect on 1 January 2023. As indicated by the authorities, these changes were largely in response to concerns regarding the tendency of the e-commerce market towards monopolistic market structure and the need to ensure a well-functioning and fair competition environment in digital markets and e-commerce. The Ministry of Trade has been given the responsibility to ensure the development of e-commerce in a way that maintains an effective and fair competition environment and to regulate the activities of e-commerce service providers and intermediary service providers. The Law also imposes various new obligations on e-commerce intermediary service providers. They must (i) prevent intellectual and industrial property rights violations and the existence of illegal content on e-commerce marketplaces; (ii) refrain from engaging in unfair trade practices; (iii) make payments to sellers within five business days of receiving payment from payment service providers; (iv) refrain from unfair competition with sellers by using sellers' data obtained on online marketplaces; (v) protect the ability of sellers to transfer their data to other e-commerce platforms; (vi) enable sellers to offers goods or services at the same or different prices through alternative channels; and (vii) submit an annual audit report prepared by an independent audit firm the Ministry. In addition, both e-commerce intermediary services providers and e-commerce service providers with a gross merchandise volume of TRY 10 billion and over must obtain an e-commerce licence from the Ministry;
- The implementation of e-export incentives (Section 3.2.4.1) in 2022;
- An amendment to VAT legislation requires services providers not resident in Türkiye to pay VAT on electronic services provided to final consumers (Section 3.1.4.1);

⁵² UNCTAD, *The UNCTAD B2C E-Commerce Index*. Viewed at: https://unctad.org/system/files/official-document/tn_unctad_ict4d17_en.pdf.

⁵³ UNCTAD, *Global Cyberlaw Tracker*. Viewed at: <https://unctad.org/page/cyberlaw-tracker-country-detail?country=tr>. The Cyberlaw Tracker is UNCTAD's database on e-commerce-facilitating laws.

- The introduction of new provisions regulating product safety in e-commerce under the 2021 Product Safety and Technical Regulation Law (Section 3.3.2.1);
- The introduction in 2020 of new obligations on large foreign social media companies; these include data localization requirements and the requirement to appoint a local representative in Türkiye. The latter effectively enables the Turkish Information and Communication Technologies Authority (ICTA) to block content accessed on these platforms from within the country⁵⁴;
- The launch in 2020 of an Electronic Commerce Information Platform as an information resource for use by consumers and businesses who want to move their businesses to the digital environment;
- The introduction of a Digital Services Tax in March 2020 (Section 3.1.4.3);
- The implementation of an Electronic Commerce Information System (ETBIS) in 2017 to collect and analyse electronic commerce data and register service and intermediary service providers.⁵⁵ E-commerce enterprises must be registered before they start their activities and must notify the system about the websites, mobile sites, or mobile applications they operate as well as their contact details; this is accessible to the public on www.eticaret.gov.tr. Enterprises must report additional information, which reportedly is used by the Government to make sustainable e-commerce policies and strategies⁵⁶;
- The introduction of a trust stamp system in 2017 to encourage online transactions by building consumer trust. Online sites that have obtained the authorization to use this marking must meet minimum security and quality service standards.⁵⁷ Trust stamps are provided by the Union of Chambers and Commodity Exchanges of Türkiye (TOBB) as the entity designated by the Ministry of Commerce⁵⁸; and
- The entry into force of Law No. 6698 on Protection of Personal Data in 2016.⁵⁹ Previously data protection fell under the legal framework of the Constitution and other sectoral laws and regulations.

⁵⁴ An amendment in 2020 to Law No. 5651 on regulating Internet Publications and Combatting Crimes Committed by Means of Such Publication. Library of Congress (2020), "Turkey: Parliament Passes Law Imposing New Obligations on Social Media Companies", 6 August. Viewed at: <https://www.loc.gov/item/global-legal-monitor/2020-08-06/turkey-parliament-passes-law-imposing-new-obligations-on-social-media-companies/>.

⁵⁵ *Official Gazette* (2017), No. 30151, 11 August. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2017/08/20170811-7.htm>.

⁵⁶ This additional information includes types of goods and services offered on e-commerce platforms; cargo and logistics information; transactions related to cross-border e-commerce; production location; warehouse address; and payment methods.

⁵⁷ Communiqué on Trust Stamp in Electronic Commerce, *Official Gazette* (2017), No. 30088, 6 June. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2017/06/20170606-12.htm>, as amended in 2020 (<https://www.resmigazete.gov.tr/eskiler/2020/08/20200813-6.htm>) and 2021 (<https://www.resmigazete.gov.tr/eskiler/2021/02/20210225-4.htm>).

⁵⁸ TOBB. Viewed at: <https://www.guvendamgasi.org.tr/index.php>.

⁵⁹ Law No. 6698 on Protection of Personal Data, *Official Gazette* (2016), No. 29677, 7 April. An English version of the Law was viewed at: <https://www.kvkk.gov.tr/Icerik/6649/Personal-Data-Protection-Law>.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures directly affecting imports

3.1.1 Customs procedures, valuation, and requirements

3.1.1.1 Customs procedures

3.1. The Ministry of Trade is responsible for customs procedures in Türkiye, through its directorates general of customs and customs enforcement.

3.2. The Law on Customs and the Customs Regulation continue to provide the main legal and regulatory framework for customs procedures.¹ As indicated by the authorities, the main changes to the Law on Customs over the review period were to expand the exceptional circumstances under which goods can remain under the temporary admission procedure for more than 24 hours and to modify penalties applied to goods that fail import inspections.² The main changes to the Customs Regulation were related to proof of origin documentary requirements (Section 3.1.2).

3.3. A summary pre-arrival declaration must be submitted online through the Computerized Customs Operations System (BILGE) system (see below) for all goods entering the Turkish customs territory, except for cargo in transit; this enables Customs to undertake risk analysis for safety and security purposes. The timeframe for submitting this declaration depends on the mode of transport. Imports into Türkiye must be accompanied by a customs declaration, a preferential or non-preferential certificate of origin, a commercial invoice, a customs value statement of imported goods, and a bill of lading or airway bill. Other documents that may be required include certificates for SPS reasons (Section 3.3.3), certification to prove conformity with the CE mark (Section 3.3.2), and import licences or additional documentary requirements for restricted imports (Section 3.1.5) or imports subject to surveillance (see below). The use of customs brokers is not compulsory.

3.4. Türkiye's Single Window System allows traders to obtain the required import documents and licences through a single point. Once such applications have been submitted and approved through the system, an e-document number is generated. This number is then declared in the relevant customs declaration, which is then processed through BILGE. According to the authorities, since Türkiye's previous Review, the Single Window System has been extended to include more documents used in import and export transactions.

3.5. Certain goods must be imported through specialized customs offices. The General Directorate of Customs within the Ministry of Trade has responsibility for authorizing new customs offices as specialized ones or removing this designation. These goods are: (i) motor vehicles, tractors, motorcycles, and their spare parts and accessories³; (ii) textile products⁴; (iii) fertilizers⁵; and (iv) solvents and petrochemical products and products to be used in the food industry.⁶ The authorities indicate that the rationale for port of entry requirements is to ensure the availability of specialized customs expertise. These requirements are not applied to the European Union, the United Kingdom, and in some instances, Switzerland; reportedly this is because there is not the same need for specialized controls.

¹ Law No. 4458 of 27/10/1999 on Customs. Viewed (in Turkish) at: <https://kms.kayis.gov.tr/Home/Kurum/24308261#collapse1>. The Customs Regulation is contained in the *Official Gazette* (2009), No. 27369, 7 October. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2009/10/20091007M1-1.htm>.

² The amount of administrative penalties charged was reduced in certain cases. Additionally, it is stipulated that the penalty will be applied at a rate of 10% if the violation is reported by the declarant prior to its detection. Violating goods may now be returned to their country of export or transited to a third country upon the request of the economic operator, instead of being confiscated.

³ Customs General Communiqué on Customs Procedures No. 94. Viewed at: <https://mevzuat.gov.tr/mevzuat?MevzuatNo=16460&MevzuatTur=9&MevzuatTertip=5>.

⁴ Customs General Communiqué on Customs Procedures No. 105. Viewed at: <https://mevzuat.gov.tr/mevzuat?MevzuatNo=17158&MevzuatTur=9&MevzuatTertip=5>.

⁵ Customs General Communiqué on Customs Procedures No. 105.

⁶ Customs General Communiqué on Customs Procedures No. 100. Viewed at: <https://mevzuat.gov.tr/mevzuat?MevzuatNo=16761&MevzuatTur=9&MevzuatTertip=5>.

3.6. Risk assessment of imports of various industrial goods for product safety purposes and risk assessment of imports and exports of certain agricultural commodities for quality control purposes are undertaken by the online Risk-Based Trade Control System (TAREKS). Importers (and exporters) of these items must apply through the system to have their products inspected. TAREKS categorizes the imports with a level of risk (low to high) and determines which imported goods must be physically inspected.⁷ Within the customs administration, a different customs module is used to undertake risk assessment of all imports.

3.7. At the time of Türkiye's previous Review, import clearance was normally completed within 24 hours for imports of goods through all transport modes, provided documentary requirements were met. In 2021, 25% of imports passed through the "green channel", which is reserved for authorized economic operators (AEOs) (Section 3.1.1.2) and involves immediate release without examination; 60% passed through the "yellow channel", which entails documentary checks, and 15% passed through the "red channel" and were subject to physical inspections. Pre-arrival processing has been implemented for imports of raw and semi-finished goods (goods that are inputs to production) arriving by maritime transport (from 2019) and air transport (from 2021). Declaration data must be submitted prior to arrival and the aim is to speed up customs clearance of these items. To simplify the exchange of messages and data that need to be submitted by ships and shipping agents, a Port Single Window System was established in July 2018.

3.8. The Law on Customs and its implementing regulation provide for Customs to issue advance rulings on both tariff classification and rules of origin.⁸ Over the review period, an electronic portal was established for the submission and issuance of advance rulings on tariff classification.⁹ The Law on Customs provides for the right of appeal for customs decisions. Over the period 2016-21, there were an average of 35 such appeals per year.

3.9. Fees levied by customs include a bill of lading fee of USD 100 per customs declaration and a stamp duty of TRY 176. Customs clearance outside normal working hours incurs charges of TRY 50.99 per hour for imports, TRY 21.83 per hour for exports, and TRY 50.99 per hour for other operations.¹⁰ Costs for analyses or examination carried out in customs laboratories or outsourced units are borne by declarants.

3.10. Türkiye continues to monitor the import prices of, and collect specific data on, selected goods under its import surveillance mechanism.¹¹ Under the system, surveillance certificates must be obtained for the import of certain products; to obtain this certificate, additional data and/or information must be provided. As indicated by the authorities, data collected during this surveillance process are used to evaluate domestic producers' claims on injury that might lead Türkiye to initiate a safeguard or anti-dumping investigation. Surveillance is also used to monitor if there is circumvention of trade remedy measures already in place. For some products, import surveillance is implemented to products below a certain c.i.f. value. For other products, there is no set price criteria. According to the authorities, this determination is made based on the characteristics of the product itself or the target of the surveillance application. For the products for which surveillance is applied to products below a certain c.i.f. value, the authorities indicate that this is to have the least effect on other trade. However, concerns have been expressed that this may lead to over-invoicing, as importers may choose to declare a customs value above the c.i.f. threshold to avoid the process of obtaining a certificate and providing the associated information.¹² A list of the items currently subject to import surveillance was not available.

⁷ UNESCAP (2017), *Facilitating Export & Import Inspection Procedures through Risk Assessment and Paperless Documentation*, Brief No. 20. Viewed at: <https://www.unescap.org/sites/default/d8files/knowledge-products/UNNExT%20Brief%20No.20.pdf>.

⁸ Law on Customs, Article 8; and Customs Regulation, Articles 28 and 29.

⁹ Customs General Communiqué (Tariffs) (No. 14). *Official Gazette* (2016), No. 29731, 3 June.

¹⁰ Customs General Communiqué (Customs Clearance) (Serial No. 181). Viewed at: <https://mevzuat.gov.tr/mevzuat?MevzuatNo=39150&MevzuatTur=9&MevzuatTertip=5>.

¹¹ The import surveillance system is based on Council of Ministers Decision No. 2004/7304. *Official Gazette* (2004), No. 25476, 29 May.

¹² This issue was, for example, raised in a complaint by the Confederation of European Paper Industries in 2017. Viewed at: https://trade.ec.europa.eu/doclib/docs/2018/march/tradoc_156626.02.23%20REPORT%20TO%20THE%20COMMITTEE%20NON-CONF.pdf. A working paper by staff of the Central Bank of Türkiye concluded that the import surveillance mechanism was resulting in

3.1.1.2 Trade facilitation

3.11. Türkiye ratified the Agreement on Trade Facilitation (TFA) on 16 March 2016; it notified all provisions of the TFA in category A, which signifies that it is implementing the Agreement in full.¹³ It continues to maintain an AEO scheme to enhance security and facilitate trade; as at end-September 2022, there were 647 AEOs, whose imports and exports covered around 32.62% of the value of total trade. Eligibility for and benefits from AEO status are described in Türkiye's previous Review.¹⁴ The Regulation on the Facilitation of Customs Procedures, which regulates the AEO programme in Türkiye was amended several times over the review period. These did not result in changes to the eligibility criteria, benefits granted, or application/assessment procedures for AEOs.¹⁵

3.12. A Coordination Committee on Trade Facilitation was established in 2016 to enable the implementation of the TFA and other international regulations on simplification of border procedures. Following a reorganization in 2019, the Committee now brings together 23 members, of which 12 are from the private sector, ranging from exporters to road transporters to customs brokers. Each member has an equal weight of vote in the decisions taken within the meetings. As indicated by the authorities, these experts, who come from different parts of the international supply chain, help to identify deficient border procedures and suggest solutions for these bottlenecks, while representatives at the political level ensure implementation of these solutions. The Committee has issued a National Trade Facilitation Strategy and Action plan that serves both as a roadmap for its own work as well as having broader application. It has 46 actions, 16 of which have been completed.

3.13. Simplified customs procedures apply to border trade through authorized customs gates between the Turkish provinces in the eastern and south-eastern Anatolian regions and their neighbouring countries. The legal basis for this measure is Presidential Decree No. 2021/4874 on the Regulation of Border Trade and the Communiqué on the Implementation of Border Trade No. 2016/11. The import of certain products (both agricultural and industrial) is prohibited within the scope of border trade to protect domestic production and manufacturing and to prevent unfair competition. These products are contained in the Communiqué.

3.14. Türkiye has continued to engage in efforts to facilitate trade with bordering nations. In this regard, it signed a protocol with Azerbaijan and Georgia on the establishment of a Trilateral Committee on Customs Matters in 2022 which, *inter alia*, aims to enhance customs cooperation and enforcement and facilitate trade.¹⁶ It has approved agreements with Azerbaijan and Georgia on simplified customs corridors, allowing participating and eligible economic operators from the countries to benefit from priority at customs points, facilitated customs formalities, and reduced customs examination.¹⁷ The agreement with Azerbaijan is being implemented in a pilot phase and the agreement with Georgia has not yet entered into force.

3.15. Türkiye applies the Common Transit Procedure for goods moved between EU member States, EFTA countries, North Macedonia, and Serbia. Under this regime, customs formalities are reduced, and customs duties and other charges are suspended while the goods are being moved between

over-invoicing and estimated that Turkish import figures were inflated by around USD 2 billion-USD 3 billion in 2011.

¹³ WTO TFA database. Viewed at: <https://tfadatabase.org/members/turkey>.

¹⁴ WTO document WT/TPR/S/331/Rev.1, 9 August 2016, Section 3.1.2.

¹⁵ Amendments to Regulation on the Facilitation of Customs Procedures are contained in *Official Gazette* (2017) No. 30209, 13 October; *Official Gazette* (2018) No. 30459, 25 June; and *Official Gazette* (2020) No. 31046, 21 February. Main changes were extension of time periods for monitoring of AEO holders; procedural changes regarding AEO annual activity reports; and matters relating to local clearance of imports and exports.

¹⁶ *Official Gazette* (2022), No. 31712, 7 January. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2022/01/20220107-3.pdf>.

¹⁷ Agreement Between the Government of the Republic of Türkiye and the Government of Georgia on Simplified Customs Corridor. *Official Gazette* (2022), No. 31712, 7 October. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2022/01/20220107-2.pdf>; and Decision on Approval of the Memorandum of Understanding of the Government of Türkiye and the Government of the Republic of Azerbaijan on the Simplified Customs Line. *Official Gazette* (2020), No. 30996, 2 January. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2020/01/20200102-6.pdf>.

participating nations. This is supported by the New Computerized Transit System, an online IT system through which transit documents are submitted and processed.

3.1.1.3 Customs valuation

3.16. There were no changes to Türkiye's rules on customs valuation over the review period.¹⁸

3.1.2 Rules of origin

3.17. As indicated in the previous Review, the legal provisions on Türkiye's non-preferential rules of origin are contained in the Law on Customs and the Customs Regulations.¹⁹ Non-preferential rules of origin regulate trade policy measures, such as surveillance and safeguard measures, quotas, and anti-dumping duties, against third countries beyond the preferential regime. They are applied to the countries that have not signed any preferential trade agreements with Türkiye.

3.18. Each of Türkiye's RTAs (Section 2.3.2) sets out the applicable preferential rules of origin. As indicated in Türkiye's previous Review, these are normally based on a wholly obtained or substantial transformation criterion, with scope for cumulation. Türkiye is part of the Regional Convention on the Pan-Euro-Mediterranean (PEM) Cumulation System, which allows the use of a material from countries with which Türkiye has an RTA within the PEM zone. However, for diagonal cumulation to be operational, rules of origin need to be identical, and this is being achieved through the incorporation of the uniform rules of origin of the PEM Convention into Türkiye's RTAs.

3.19. Türkiye amended certain provisions of the Customs Regulation in December 2020 so that certificates of origin are not required from 1 January 2021 for goods that are subject to additional financial liabilities (AFLs) and additional customs duties (ACDs) (Section 3.1.3.1) if the status of the goods with respect to free circulation is proved through an A.TR Movement Certificate. Türkiye has been applying the same rules of origin as the European Union to third countries since 1 January 1996.

3.1.3 Tariffs

3.1.3.1 Applied MFN duties

3.20. Türkiye's tariff is based on HS22 nomenclature. The 2022 tariff, as notified to the WTO, comprises 11,581 tariff lines at the 10-digit level. As the 2015 tariff analysed at the time of Türkiye's previous Review was notified at the 12-digit level and comprised 16,515 tariff lines, certain comparisons between the 2015 and 2022 tariff cannot be made.²⁰ The first six digits of the 2022 tariff reflect the HS nomenclature, the 7th and 8th digits correspond to the combined nomenclature of the European Union, and the 9th and 10th digits are used to display taxation subheadings. In 2021, customs duties accounted for 3% of total government tax revenue, up from 2% in 2016 (Table A3.1).

3.21. Türkiye applies three different types of duty on imports only: (i) customs duties; (ii) additional financial liabilities (AFLs); and (iii) additional customs duties (ACDs). The combination of these different types of duty comprises Türkiye's MFN tariff, and marks a significant change from the situation at the time of Türkiye's previous Review when the MFN applied tariff was calculated as being composed of the customs duty and the "Fund as Agricultural Component" as applied to processed agricultural products. Consequently, Türkiye's average applied MFN tariff is considerably higher in 2022 than at the time of its previous Review. It has also been observed that Türkiye's import regime is marked by relatively frequent unilateral variations in tariffs.²¹

¹⁸ A description of Türkiye's customs valuation provisions is contained in WTO document WT/TPR/S/331/Rev.1, 9 August 2016.

¹⁹ Legal provisions on origin are contained in the Customs Law (Articles 17 to 22) and in the Customs Regulations (Articles 29 and 33-42).

²⁰ At the time of Türkiye's previous Review, the 2015 tariff schedule was based on the HS12 nomenclature consisting of 16,515 tariff lines at the 12-digit tariff line level, with the 11th and 12th digits being used for data collection. The 2022 tariff has been notified to the WTO at the 10-digit level.

²¹ World Bank (2022), *Leveraging Global Value Chains for Growth in Turkey. A Turkey Country Economic Memorandum*, p. 121.

3.22. Türkiye's customs duty and AFL rates are issued within the framework of annual updates to Türkiye's overall Import Regime. The regulatory framework for the Import Regime is Presidential Decision No. 3350 of 2020.²² This Decision contains rules on the regulation of imports and has seven attached lists as well as annexes, tables, and communiqués. The seven lists attached to the Import Regime Decision indicate the rates of customs duties applied to certain product category groups based on the country or country groups where the products originate.²³ Each year the lists, tables, annexes, and communiqués to the Import Regime are updated by the Ministry of Trade, in collaboration with relevant Ministries. Once approved by the President, they are published in the Official Gazette on 31 December of each year and enter into force on 1 January of the subsequent year as an Additional Decision to Presidential Decision No. 3350. Parliamentary approval of customs duties is no longer required.²⁴ The Import Regime Decision in force for 2022 is contained in Presidential Decision 5052 of 2021.²⁵ Outside of this annual exercise, customs duties and AFLs can be modified by an additional Presidential Decision to the Import Regime. Over the review period, rates have been modified (increased or lowered) on an *ad hoc* basis several times, either on a permanent or temporary basis.²⁶

3.23. Customs duty rates comprise the EU common external tariff (CET) rates for industrial and processed agricultural products, and Türkiye's independently set rates for agricultural products. AFLs are levied on: (i) processed agricultural products covered by List III of the Import Regime as an agricultural share on a specific duty basis (i.e. the specific duty is applied to the agricultural component used in processed agricultural products depending on the content of starch, glucose, milkfat, milk protein, and/or sucrose); (ii) fish and fishery products covered under List IV of the Import Regime on an *ad valorem* basis (these were previously levied under the Mass Housing Fund as other duties and charges (ODCs)); and (iii) some basic agricultural products covered by List I of the Import Regime on a specific duty basis (Table 3.1).²⁷ AFLs are levied on 598 tariff lines at the HS 10-digit level, representing 5.2% of all tariff lines (Table 3.1).²⁸ Reduced or eliminated AFLs can be applied depending on the concessions given to the European Union and RTA partners.

Table 3.1 Tariff lines subject to AFLs, 2022

(No. of tariff lines at the 10-digit level)

| Category | Additional financial liabilities | | | |
|------------------------------|----------------------------------|---|----------------|---|
| | Total | List III (processed agri. products) | List IV (fish) | List I with AFL (some other products – List I) |
| Total | 598 (5.2%) | 162 | 410 | 26 |
| By WTO definition | | | | |
| WTO agriculture | 187 | 161 | 0 | 26 |
| WTO non-agriculture | 411 | 1 | 410 | 0 |
| By HS level | | | | |
| HS 01-24 | 581 | 145 | 410 | 26 |
| HS 25-97 | 17 | 17 | 0 | 0 |
| By HS section | | | | |
| 01 Live animals and products | 425 | 15 | 410 | 0 |
| 02 Vegetable products | 25 | 2 | 0 | 23 |
| 03 Fats and oils | 2 | 2 | 0 | 0 |

²² Viewed at: <https://www.resmigazete.gov.tr/eskiler/2020/12/20201231M3-1.pdf>.

²³ List I: agricultural products; List II: industrial products; List III: processed agricultural products; List IV: fish and fishery products; List V: industrial products on which customs duties are suspended in accordance with Council Regulation 1255/96/EE; List VI: products for use in civil aircraft that benefit from reduced customs duties within the scope of end-use application; and List VII: agricultural products that will benefit from reduced customs duties within the scope of end-use application.

²⁴ As indicated in Türkiye's previous Review, prior to constitutional amendments and the transition to a presidential system of government, customs duties were adopted annually by the Council of Ministers and were authorized by the TGNA. WTO document WT/TPR/M/331/Add.1, 9 May 2016.

²⁵ *Official Gazette* (2021), No. 31706, 31 December. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2021/12/20211231M3-1.pdf>.

²⁶ Further information on *ad hoc* tariff changes over the review period is contained in the WTO Trade Monitoring database. Viewed at: <https://tmdb.wto.org/en>.

²⁷ It should be noted however that in 2018 Türkiye introduced a second, different type of AFL. This AFL is applied to certain goods originating in Indonesia, India, Sri Lanka, Viet Nam, Bangladesh, Cambodia, and Pakistan that are imported into Türkiye from an EU member State accompanied by an A.TR certificate to compensate for differences between the European Union and Türkiye in the GSP treatment accorded to these products.

²⁸ The legal basis for levying AFLs is Law No. 2976 on Foreign Trade Regulations.

| Category | Additional financial liabilities | | | |
|---|----------------------------------|---|----------------|---|
| | Total | List III (processed agri. products) | List IV (fish) | List I with AFL (some other products – List I) |
| 04 Prepared food, beverages and tobacco | 129 | 126 | 0 | 3 |
| 05 Mineral products | | | | |
| 06 Chemicals and products thereof | 17 | 17 | 0 | 0 |

Note: Figures refer only to dutiable lines. Figures in parentheses denote the share of total lines.

Source: WTO Secretariat calculations, based on tariff information provided by the authorities.

3.24. Additional customs duties (ACDs) are applied to imports from all trading partners, except the European Union and certain countries with which Türkiye has an RTA (for whom an ACD zero rate is applied).²⁹ ACDs are introduced, amended, or abolished by Presidential Decision and are not part of the annual Import Regime decisions. According to the authorities, the purpose of these duties is to defend domestic producers' interests against imports that cause injury to the domestic industry. ACDs are applied to 3,206 tariff lines (at the HS 10-digit level), representing 27.7% of all tariff lines. Rates ranging from 2% to 30% (Table 3.2).³⁰

Table 3.2 Tariff lines subject to ACDs, 2022

| HS Section | No. of tariff lines | Averages for dutiable lines (%) | Range (%) |
|---|---------------------|---------------------------------|-----------|
| Total | 3,206 | 16.3 | 2-30 |
| 02 Vegetable products | 1 | 20.0 | 20.0 |
| 04 Prepared food, beverages and tobacco | 17 | 8.6 | 4.3-20 |
| 05 Mineral products | 8 | 22.5 | 5-25 |
| 06 Chemicals and products thereof | 76 | 19.9 | 5-25 |
| 07 Plastics, rubber, and articles thereof | 182 | 11.2 | 5-25 |
| 08 Raw hides and skins, leather, and its products | 116 | 20.0 | 10-30 |
| 09 Wood and articles of wood | 25 | 20.0 | 20.0 |
| 10 Pulp of wood, paper and paperboard | 73 | 16.5 | 5-25 |
| 11 Textiles and textile articles | 1,098 | 19.7 | 2-30 |
| 12 Footwear, headgear, etc. | 110 | 25.4 | 8-30 |
| 13 Articles of stone, plaster, cement | 83 | 18.6 | 2-25 |
| 14 Precious stones and metals, pearls | 25 | 11.0 | 5-15 |
| 15 Base metals and articles thereof | 393 | 15.4 | 5-25 |
| 16 Machinery, electrical equipment, etc. | 640 | 9.4 | 2.1-30 |
| 17 Transport equipment | 44 | 13.7 | 5-21 |
| 18 Precision equipment | 112 | 11.0 | 5-25 |
| 20 Miscellaneous manufactured articles | 203 | 21.1 | 5-30 |

Note: ACD rates are those that were revised in February 2022.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.25. Türkiye's applied MFN tariff mainly consists of *ad valorem* rates; these apply to 97.9% of all tariff lines. Its simple average MFN applied tariff rate, including the customs duty, AFLs, and ACDs, in 2022 was 19.6%. This shows a considerable increase compared with the previous Review (12.8% in 2015) and is due to the inclusion of AFLs and ACDs into the applied MFN tariff. International tariff peaks now affect 36.2% of tariff lines, up from 16.1% in 2015. There has been a reduction in the number of duty-free lines from 23.5% in 2015 to 18.8% in 2022. There remains a marked difference between tariff protection to agricultural products (WTO definition) as compared with the non-agricultural sector (Table 3.3).

²⁹ RTA partners for which ACDs are zero-rated are Albania, Bosnia and Herzegovina, Chile, EFTA, Egypt, Faroe Islands, Georgia, Israel, the Republic of Korea, Kosovo, Malaysia, Mauritius, the Republic of Moldova, Morocco, Montenegro, North Macedonia, Palestine, Serbia, Singapore, Tunisia, the United Kingdom, and the Bolivarian Republic of Venezuela.

³⁰ Presidential Decision No. 5207. *Official Gazette* (2022), No. 31760, 24 February. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2022/02/20220224-27.pdf>.

Table 3.3 Structure of MFN tariffs in Türkiye, 2015 and 2022

(%)

| | Applied MFN tariff | | Final bound ^c |
|---|--------------------|------------------------------------|--------------------------|
| | 2015 ^a | 2022 incl. all duties ^b | |
| 1 - Bound tariff lines (% of all tariff lines) | n.a. | n.a. | 50.4 |
| 2 - Simple average tariff rate | 12.8 | 19.6 | 37.5 |
| Agricultural products (WTO definition) | 49.0 | 49.2 | 72.1 |
| Non-agricultural products (WTO definition) | 5.5 | 12.3 | 17.6 |
| Agriculture, hunting, forestry and fishing (ISIC 1) | 27.1 | 29.4 | 46.2 |
| Mining and quarrying (ISIC 2) | 0.2 | 1.7 | 9.3 |
| Manufacturing (ISIC 3) | 12.1 | 19.1 | 36.8 |
| 3 - Duty-free tariff lines (% of all tariff lines) | 23.5 | 18.8 | 2.8 |
| 4 - Non- <i>ad valorem</i> tariffs (% of all tariff lines) | 1.7 | 2.1 | 0.2 |
| 5 - Non- <i>ad valorem</i> tariffs with no AVEs (% of all tariff lines) | 0.2 | 1.1 | 0.2 |
| 6 - Simple average rate of dutiable lines only | 16.8 | 24.1 | 39.8 |
| 7 - Tariff quotas (% of all tariff lines) | .. | .. | 0 |
| 8 - Domestic tariff peaks (% of all tariff lines) ^d | 9.0 | 5.6 | 3.7 |
| 9 - International tariff peaks (% of all tariff lines) ^e | 16.1 | 36.2 | 32.7 |
| 10 - Overall standard deviation of applied rates | 27.6 | 30.3 | 44.7 |
| 11 - Nuisance applied rates (% of all tariff lines) ^f | 5.5 | 3.5 | 0.04 |
| 12 - Total number of tariff lines at the national tariff line level | 16,515 | 11,581 | 12,407 |
| Duty-free rates | 3,882 | 2,177 | 351 |
| <i>Ad valorem</i> rates (> than 0%) | 12,358 | 9,162 | 5,881 |
| Specific rates | 24 | 20 | 23 |
| Compound rates | 110 | 119 | 0 |
| Mixed rates | 48 | 34 | 0 |
| Other (variable rates for applied MFN tariff) | 93 | 69 | 6,152 (Unbound) |

.. Not available.

n.a. Not applicable.

a Calculations include "tariff rate" and agricultural components for processed agricultural products (List III).

b Calculations include customs duties, AFLs, and ACDs. ACD rates are those that were revised in February 2022.

c Calculations for final bound rates are taken from the CTS database. The final bound schedule is based on HS02 nomenclature (at the 10-digit tariff line level) and consists of 12,407 tariff lines, of which 6,255 are bound (at the 10-digit tariff line level).

d Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.

e International tariff peaks are defined as those exceeding 15%.

f Nuisance rates are those greater than zero, but less than or equal to 2%.

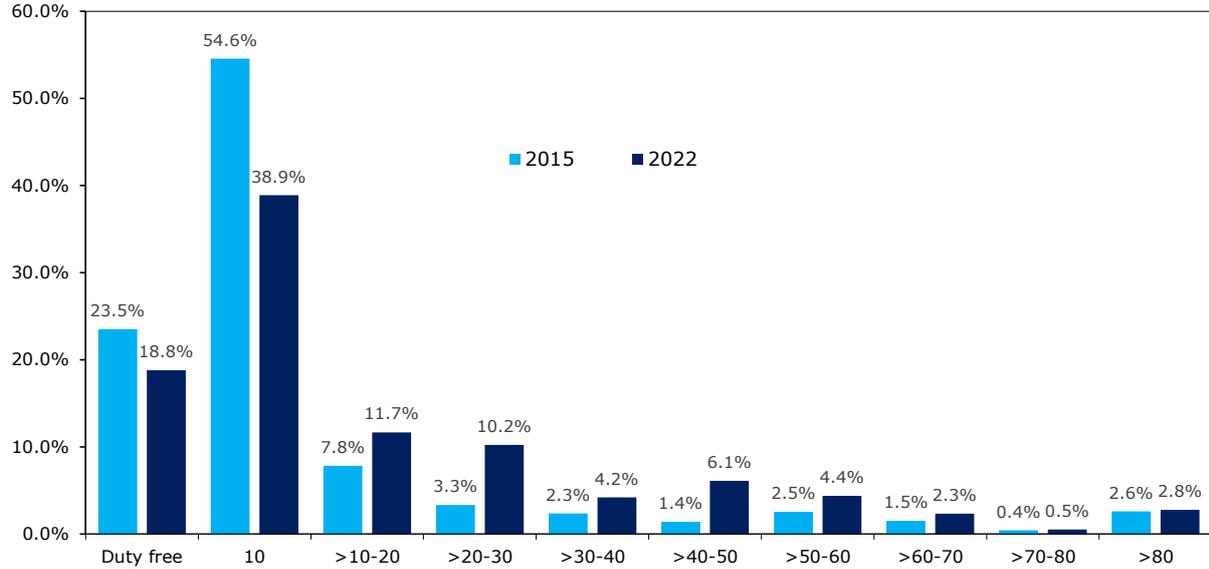
Note: Calculations are based on the national tariff line level (12-digit for 2015; 10-digit for 2022). The 2015 and 2022 tariffs are based on the HS12 and HS22 nomenclatures, respectively. For 2015, *ad valorem* equivalents (AVEs) were provided by the authorities; for 2022, AVEs were estimated by the WTO Secretariat based on 2021 import data at the 10-digit tariff from the authorities. In case of unavailability of AVEs, the *ad valorem* part is used for compound and mixed duty rates.

Source: WTO Secretariat calculations, based on data provided by the authorities and WTO CTS database.

3.26. Chart 3.1 shows the distribution of applied MFN tariff rates in 2015 and 2022. There was a significant decrease over the review period in tariffs falling within the duty-free and up to 10% bands, and a corresponding increase in tariffs falling with the bands from over 10% to over 70%. The highest tariffs are found in HS Sections 01 (live animals and products) with tariffs ranging from 0 to 225%, 02 (vegetable products) with a tariff range from 0-175.5%, and 04 (prepared food, beverages and tobacco) with a range of 0 to 135.9% (Table A3.2). The very highest tariffs of 225% apply to 68 tariff lines at the HS 10-digit level: bovine meat (fresh, chilled, and frozen); meat of swine, sheep, goats, horses, asses, mules or hinnies (fresh, chilled and frozen); and fresh, chilled or frozen edible offal of the aforementioned animals.

Chart 3.1 Distribution of MFN tariff rates, 2015 and 2022

(% of total lines)

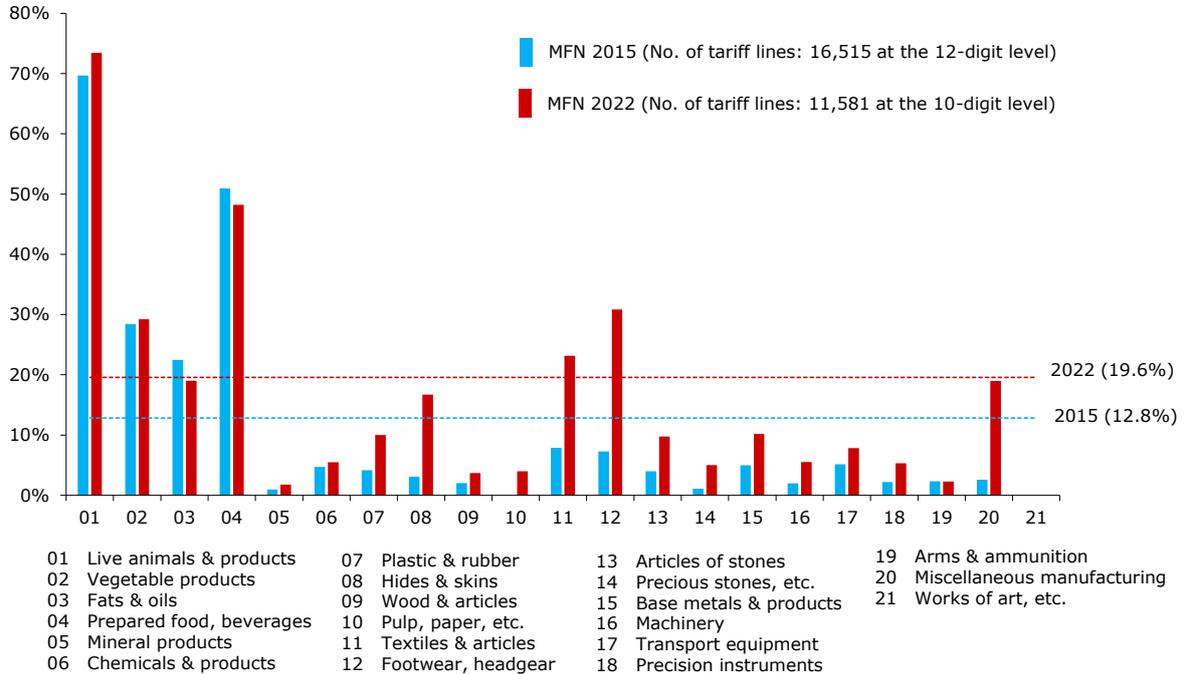


Note: 2015 tariff at the 12-digit level (total lines: 16,515) is based on HS12 nomenclature; 2022 tariff at the 10-digit level (total lines: 11,581) is based on HS17. Calculations include AVEs. In case of unavailability, the *ad valorem* part is used for compound and mixed rates. They do not add to 100% due to unavailability of AVEs for tariff lines (0.1% of total tariff lines).

Source: WTO Secretariat calculations, based on data provided by the authorities.

Chart 3.2 Average applied MFN tariff rates, by HS section, 2015 and 2022

(% of total lines)



Note: Duty-free treatment applied to HS Section 10 in 2015 and HS Section 21 in 2015 and 2021.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.27. While average MFN tariff rates remain high on live animals, vegetable products, and prepared food and beverages, reflecting the situation at the time of Türkiye's previous Review, the inclusion of ACDs in the applied tariff has significantly increased tariff protection in other HS sections, notably

hides and skins, pulp and paper, textiles and articles, footwear and headgear, and miscellaneous manufacturing (Chart 3.2).

3.28. Türkiye made some changes regarding low-value imports transported via mail or express cargo in March 2022. The import of goods of a non-commercial nature worth up to EUR 150 and weighing up to 30 kg (including business-to-consumer, and consumer-to-consumer transactions) is subject to a fixed duty rate of 18% for goods coming directly from the European Union, and 30% for all other goods. If the goods are subject to the Special Consumption Tax (SCT) on durable consumer goods (SCT List IV), an additional 20% SCT is charged. The rationale behind fixed rate duty implementation is to facilitate customs transactions for low-value shipments.

3.1.3.2 WTO bound duties

3.29. Türkiye bound 50.4% of its tariff lines in the Uruguay Round at rates ranging from zero to 225%. The final bound schedule is based on the HS02 nomenclature and contains bindings for 100% of agricultural tariff lines and 33.5% of industrial product tariff lines.³¹ The simple average bound tariff rate on agricultural products (WTO definition) is 72.1%, while on non-agricultural products it is 17.6% (Table 3.3).

3.30. As at the time of the previous Review, a full comparison between Türkiye's bound and applied rates was not possible due to nomenclature differences (Türkiye's schedule of bound commitments is in the HS02 nomenclature, while its MFN applied tariff is based on the HS22 nomenclature). As such, about 36% of tariff lines could not be compared. This notwithstanding, it appears that for at least 31 tariff lines the applied MFN rates exceed bound rates (Table 3.4).

Table 3.4 Tariff lines where applied tariff rates exceed bound tariff rates, 2022

| | 2022 applied tariff rates (%) | Bound tariff rates (%) |
|---|-------------------------------|------------------------|
| HS 2938 Glycosides, natural or reproduced by synthesis, and their salts, ethers, esters and other derivatives | | |
| 2938100000 | 6.5 | 5.0 |
| HS 2941 Antibiotics | | |
| 2941203000 | 5.3 | 0.0 |
| HS 3701 Photographic plates and film in the flat, sensitized, unexposed; for X-ray | | |
| 3701100000 | 6.5 | 0.0 |
| HS 5607 Twine, cordage, ropes and cables; Binder or baler twine | | |
| 5607210000 | 12.0 | 10.0 |
| HS 5911 Textile products and articles, for technical uses | | |
| 5911100000 | 5.3 | 5.0 |
| 5911311100 | 5.8 | 5.0 |
| 5911311900 | 5.8 | 5.0 |
| 5911321100 | 5.8 | 5.0 |
| 5911321900 | 5.8 | 5.0 |
| 5911400000 | 6.0 | 5.0 |
| 5911901000 | 6.0 | 5.0 |
| 5911909900 | 6.0 | 5.0 |
| HS 7202 Ferro-alloys | | |
| 7202210000 | 5.7 | 0.0 |
| 7202291000 | 5.7 | 0.0 |
| 7202299000 | 5.7 | 0.0 |
| HS 8104 Magnesium and articles thereof, including waste and scrap | | |
| 8104110000 | 5.3 | 5.0 |
| HS 8482 Ball or roller bearings | | |
| 8482101000 | 8.0 | 5.0 |
| 8482109000 | 8.0 | 5.0 |
| 8482200000 | 8.0 | 5.0 |
| 8482300000 | 8.0 | 5.0 |
| 8482400000 | 8.0 | 5.0 |
| 8482500000 | 8.0 | 5.0 |
| 8482800000 | 8.0 | 5.0 |
| 8482911000 | 8.0 | 5.0 |
| 8482919000 | 7.7 | 5.0 |
| 8482990000 | 8.0 | 5.0 |

³¹ Türkiye has submitted its schedule of commitments based on the HS07. It is being reviewed by the WTO Secretariat.

| | 2022 applied tariff rates (%) | Bound tariff rates (%) |
|---|-------------------------------|------------------------|
| HS 8528 Monitors and projectors, not incorporating television reception apparatus; other, monochrome 8528730000 | 2.0 | 0.0 |
| HS 8540 Thermionic, cold cathode or photo-cathode valves and tubes 8540110000 | 14.0 | 10.0 |
| HS 8706 Chassis fitted with engines, for the motor vehicles of headings 87.01 to 87.05 8706001100 | 19.0 | 10.0 |
| HS 9011 Compound optical microscopes, including those for photomicrography, cinephotomicrography or microprojection 9011800000 | 6.7 | 5.0 |
| HS 9022 Apparatus based on the use of X-rays 9022300000 | 2.1 | 0.0 |

Source: WTO Secretariat calculations, based on data provided by the authorities and the WTO CTS database.

3.1.3.3 Tariff reductions and exemptions

3.31. Türkiye maintains tariff exemptions under different laws, programmes, and schemes (Table 3.5). Additionally, exemptions are available under Türkiye's investment incentive schemes and for operators within special zones (Section 2.4). Tariff exemptions for various industrial and agricultural products are also contained in the annual Import Regime Decision in footnotes to List No. II (Industrial Products) and List No. VII (Agricultural Products to Benefit from the Reduced Customs Tax within the Scope of End-Use Practice). Additions and modifications to the latter lists may be made on an *ad hoc* basis through Presidential Decision. There are temporary customs duty reductions for some iron and steel products destined to be used as inputs in the specific production within the scope of end-use practice. In addition, another tariff suspension application is conducted with the European Commission under the European Tariff Questions Group (ETOG); under ETOG, customs duties of some industrial goods (raw and intermediate goods) are suspended only if there is no production of the good within the EU member States and Türkiye. The list of the suspended customs duties is published annually in the Import Regime Decision (List No. V).

Table 3.5 Key features of concessional entry schemes, 2022

| Scheme | Eligibility | Benefits |
|--------------------------|---|---|
| Inward processing regime | Conditional exemptions for imports (suspension scheme for goods to be re-exported). Available to all exporters. | Suspension of duty and VAT on raw materials, auxiliary materials, semi-finished and finished products, and packaging materials. |
| | Use of equivalent goods. Available to all exporters. Repayment of duties collected on imports. Available to all exporters. | Suspension of customs duties and VAT on imported inputs after the export of compensating products. Refund of customs duty and VAT paid on imported inputs, after export of goods with imported inputs, based on drawback method. |
| Financial leasing | Vessels, air carriers, and railway vehicles for commercial use. Available to all importers. | Total or partial relief from import duties up to the date the leasing contract is over; VAT reductions. |
| | Moveable and immovable property. Available to all importers. | Suspension of all customs duties and exemption from duties, charges and fees for the leasing contract up to the date the leasing contract is over. |
| Temporary imports | Certain commercial or personal items. Available to all importers. | Temporary or partial relief from import duties on imports for temporary use without any change, except normal depreciation resulting from use. |

Source: Information provided by the authorities.

3.1.3.4 Preferential tariffs

3.32. Under Türkiye's RTAs, preferential tariffs significantly increase market access for most trading partners. While the percentage of duty-free rates under the MFN tariff was 18.8% in 2022, it ranged from 70.4% to 97.4% for RTA partners (except for the limited agreements with the Islamic Republic of Iran, the D-8 economies, and most likely Azerbaijan and Organisation of Islamic Cooperation's (OIC) Trade Preferential System (OIC-TPS) countries for which data are not available). While tariff liberalization is extensive for non-agricultural products, there has been considerably less liberalization of agricultural commodities and processed agricultural products (WTO agriculture) (Table 3.6).

3.33. Overall, preferences granted under RTAs are more extensive than under unilateral preference schemes. The percentage of duty-free rates ranges from 39.8% under the GSP scheme to 49.1% under its preferences for LDCs. As with RTA partners, tariff liberalization is concentrated in non-agricultural products (Table 3.6).

Table 3.6 Summary analysis of the Turkish preferential tariffs, 2022

| | Overall | | WTO agriculture | | WTO non-agriculture | |
|-----------------------------------|-------------|----------------------------------|-----------------|----------------------------------|---------------------|----------------------------------|
| | Average (%) | Duty-free rates (%) ^a | Average (%) | Duty-free rates (%) ^a | Average (%) | Duty-free rates (%) ^a |
| MFN | 19.6 | 18.8 | 49.2 | 13.7 | 12.3 | 20.1 |
| EU | 10.9 | 79.9 | 48.0 | 19.8 | 2.2 | 94.6 |
| RTAs | | | | | | |
| Albania | 11.9 | 79.0 | 49.1 | 15.7 | 2.8 | 94.5 |
| Azerbaijan | .. | .. | .. | .. | .. | .. |
| Bosnia and Herzegovina | 1.5 | 97.4 | 7.7 | 86.9 | 0.0 | 100.0 |
| Chile | 11.9 | 79.0 | 49.1 | 15.7 | 2.8 | 94.5 |
| Developing-8 (D-8) ^b | 19.4 | 18.8 | 48.5 | 13.7 | 12.3 | 20.1 |
| EFTA | 9.4 | 84.2 | 49.3 | 19.9 | 0.0 | 100.0 |
| Egypt | 11.9 | 79.0 | 49.1 | 15.7 | 2.8 | 94.5 |
| Faroe Islands | 9.4 | 84.2 | 49.3 | 19.9 | 0.0 | 100.0 |
| Georgia | 10.0 | 82.2 | 42.5 | 32.0 | 2.0 | 94.5 |
| Iran, Islamic Rep. of | 18.9 | 18.8 | 50.0 | 13.7 | 11.5 | 20.1 |
| Israel | 11.9 | 79.0 | 49.1 | 15.7 | 2.8 | 94.5 |
| Korea, Republic of | 7.0 | 80.9 | 35.6 | 24.9 | 0.3 | 94.6 |
| Kosovo ^c | 7.4 | 86.8 | 26.2 | 54.9 | 2.7 | 94.7 |
| Malaysia | 9.4 | 76.2 | 46.3 | 23.7 | 0.7 | 89.1 |
| Mauritius | 11.9 | 79.0 | 49.1 | 15.7 | 2.8 | 94.5 |
| Moldova, Republic of | 11.9 | 79.0 | 49.1 | 15.7 | 2.8 | 94.5 |
| Montenegro | 11.9 | 79.0 | 49.1 | 15.7 | 2.8 | 94.5 |
| Morocco | 11.9 | 79.0 | 49.1 | 15.7 | 2.8 | 94.5 |
| North Macedonia | 11.9 | 79.0 | 49.1 | 15.7 | 2.8 | 94.5 |
| OIC-TPS ^d | .. | .. | .. | .. | .. | .. |
| Palestine | 11.9 | 79.0 | 49.1 | 15.7 | 2.8 | 94.5 |
| Serbia | 11.9 | 79.0 | 49.1 | 15.7 | 2.8 | 94.5 |
| Singapore | 6.0 | 78.7 | 25.8 | 21.0 | 1.1 | 92.8 |
| Tunisia | 11.9 | 79.0 | 49.1 | 15.7 | 2.8 | 94.5 |
| United Kingdom | 10.9 | 79.9 | 48.0 | 19.8 | 2.2 | 94.6 |
| Venezuela, Bolivarian Republic of | 9.2 | 70.4 | 41.1 | 29.7 | 1.3 | 80.3 |
| Unilateral preference schemes | | | | | | |
| GSP | 17.8 | 39.8 | 48.8 | 16.0 | 10.2 | 45.7 |
| LDC (EBA) | 16.7 | 49.1 | 49.7 | 19.0 | 8.9 | 56.5 |

.. Not available.

a Duty-free lines as a percentage of total tariff lines.

b The D-8 group includes Indonesia, the Islamic Republic of Iran, Malaysia, Nigeria, and Pakistan. However, as of mid-August 2022, the agreement was only being implemented by Türkiye, the Islamic Republic of Iran, and Malaysia.

c References to Kosovo shall be understood to be in the context of UN Security Council Resolution 1244 (1999).

d OIC-TPS includes the Kingdom of Bahrain, Bangladesh, the Islamic Republic of Iran, Jordan, the State of Kuwait, Malaysia, Morocco, Oman, Pakistan, Qatar, the Kingdom of Saudi Arabia, Türkiye, and the United Arab Emirates.

Note: The 2022 tariff schedule is based on HS22 nomenclature (at the 10-digit tariff line level). *Ad valorem* equivalents (AVEs) were estimated based on 2021 import data at the 10-digit tariff from the authorities.

3.1.3.5 Other duties and charges (ODCs)

3.34. For all tariff items in its Goods Schedule, Türkiye has bound "other duties and charges" (Article II.1(b) of the GATT) at non-zero rates for all items except for those marked "free" (646 tariff lines according to the latest certified bound schedule). As indicated above, the Mass Housing Fund levy has been abolished, and has effectively been integrated into the MFN applied tariff as part of the AFLs. As indicated in Türkiye's previous Review, taxes of 4% applied to imports

arriving by maritime transport and 3% for imports arriving by road, rail, or air transport. Information was not available on whether these taxes are still levied.³²

3.1.3.6 Tariff rate quotas (TRQs)

3.35. Türkiye does not have any TRQs in its WTO Schedule of tariff commitments. However, it does have autonomous TRQs and TRQs pursuant to RTAs. In 2022 autonomous TRQs were applied on several tariff lines, mainly agricultural products (see Section 4.1.3.2 for the description of autonomous agricultural TRQs and their administration). There were 10 industrial tariff lines with autonomous quotas in place (Table 3.7). These TRQs provide for a zero rate of duty, for a limited quantity of the product, to industrialists or importers based on the production capacity or past performance methods of allocation. These TRQs are available to imports from all countries.

Table 3.7 Türkiye's TRQs on industrial products, 2022

| HS 2-digit | Product description | No tariff lines (12-digit) | In-quota rate average (%) | Range (%) | Out-of-quota rate average (%) | Range (%) | Volume |
|------------|--|----------------------------|---------------------------|-----------|-------------------------------|-----------|--|
| 28 | Inorganic chemicals | 1 | 0 | 0 | 5.3 | 0-5.5 | 2,000 (tonnes) |
| 29 | Organic chemicals | 7 | 0 | 0 | 6 | 0-6.5 | 1,100; 70,000; 100,000; 65,000; 120,000; 5,000 800; 3,500 (tonnes) |
| 38 | Miscellaneous chemical products | 3 | 0 | 0 | 5.6 | 0-6.5 | 1,800 40,000 450 (tonnes) |
| 39 | Plastics and articles thereof | 4 | 0 | 0 | 6.5 | 0-6.5 | 4,000; 800; 14,500; 700 (tonnes) |
| 76 | Aluminium and articles thereof | 1 | 0 | 0 | 7.5 | 7.5 | 15 (tonnes) |
| 84 | Nuclear reactors, boilers, machinery and mechanical appliances, parts thereof | 1 | 0 | 0 | 2.2 | 2.2 | 1,000,000 (pieces) |
| 85 94 | Electrical machinery/equipment/parts; sound and TV image recorders and reproducers/parts/accessories; certain stuffed furnishings; lamps, lighting fittings, illuminated signs and nameplates; and prefabricated buildings | 1 | 0 | 0 | 4.7-5 | 4.7-5 | 40,000,000 (pieces) |
| 59 | Impregnated, coated, covered or laminated textile fabrics; textile articles suitable for industrial use | 3 | 0 | 0 | 14 | 0 | 10,000,000 m ² |
| 39 59 | Plastics and articles thereof; impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use | 3 | 0 | 0 | 12.6 | 10-14 | 5,000,000 m ² |

Source: Information provided by the authorities.

3.1.4 Other charges affecting imports

3.1.4.1 Value added tax

3.36. In 2021, VAT revenue contributed 33.1% to total government revenue, with just over two thirds of VAT revenue falling on imports of goods and services³³, and just under one third falling on domestic production (Table A3.1). The applicable legislation is Law No. 3065 of 1984 on Value Added Tax (VAT Law). The VAT Law was amended in 2017 to require service providers not resident/based in Türkiye to declare and pay the VAT on electronic services provided to final

³² WTO document WT/TPR/S/331/Rev.1, 9 August 2016.

³³ As indicated in the previous Review, the VAT on imports is calculated on the import price, inclusive of customs duties and Special Consumption Tax, if applicable.

consumers.³⁴ The VAT Law has also been amended various times to introduce new or extend existing VAT exemptions (see below).

3.37. VAT rates are contained in the Council of Ministers Decision No. 2007/13033 of 24 December 2007 on Determination of Value Added Tax Rates to be Applied to Goods and Services, as amended. Amendments to VAT rates are made through Presidential Decision.³⁵ The general VAT rate remains 18% with reduced rates of 8% and 1% applying to specific products (Table 3.8). There have been various changes to VAT rates since 2016 (either temporary or permanent), in several cases to mitigate the impact of the COVID-19 pandemic and of rising prices.

Table 3.8 VAT rates, 2022

| Rate | Products |
|------|--|
| 18% | General rate |
| 8% | Clothing products; some furniture; healthcare services; pharmaceuticals and medical devices; care services for the young, elderly, sick or disabled provided by nursing homes and orphanages; educational services and related services; admission charges for cinemas, operas, operettas, ballets and museums; restaurants and catering services (excluding alcoholic beverages); accommodation services; textile and confection products and custom manufacturing of them; some construction and agricultural machines; stationery goods; waste water services; residences up to 150 m ² ; tolls of bridges built in the build-operate-transfer model framework; LPG deliveries to be used in houses; some furniture; plot and land deliveries; electricity delivery to residences and agriculture irrigation subscribers; certain attorney services; and basic cleaning and hygiene products |
| 1% | All foodstuffs, agricultural products, and livestock; certified seeds; residences up to 150 m ² built in risky areas and within the scope of transformation projects for risky buildings; funeral services; used mobile phones under certain conditions; construction contracting works for urban transformation projects; leasing of machinery and equipment covered by the Investment Incentive Certificate related to the financial leasing legislation |

Source: Information provided by the authorities.

3.38. Various new VAT exemptions were introduced over the review period (Table 3.9).

Table 3.9 New VAT exemptions, 2016 to 2022

| Legal basis | VAT exemptions introduced |
|---|--|
| Law 7394 <i>Official Gazette</i> (2022), No. 31810, 15 April | - Temporary VAT exemptions until end-December 2025 for the supply of goods and services related to construction works to taxpayers holding investment incentive certificates for manufacturing and tourism - The purchase of technologies that eliminate greenhouse gas emissions as well as engineering services provided to taxpayers who manufacture electric motor vehicles in Türkiye, based on R&D undertaken in the country |
| Law No. 7104 <i>Official Gazette</i> (2018), No. 30383, 6 April | - Preventative medicine, diagnosis, treatment, and rehabilitation services that are provided exclusively by health institutions to foreign persons who are not resident in Türkiye - The supply of new machinery and equipment to those who engage in R&D, innovation, and design activities in Technology Development Zones; R&D and design centres within the scope of Law No. 5746 on Supporting Research, Development and Design Activities; and in research laboratories within the scope of Law No. 6550 on Supporting Research Infrastructures |
| Law No. 6824 <i>Official Gazette</i> (2017), No. 30001, 8 March | - Purchase of houses and offices in Türkiye by Turkish citizens living abroad and foreign investors that are paid for in foreign currency |
| Law No. 6761 <i>Official Gazette</i> (2016), No. 29898, 24 November | - Freight transport to FZs and freight transport from FZs for export |
| Law No. 6663 <i>Official Gazette</i> (2016), No. 29620, 10 February | - Supply of fertilizer and raw materials to fertilizer manufacturers as well as for the supply of animal feed |

Source: Information provided by the authorities.

3.39. As indicated in Türkiye's previous Review, other goods and services exempt from VAT are transactions effected by banks and insurance companies; goods imported in accordance with an investment incentive certificate; exported goods and services; goods in transit; goods purchased by tourists; mobile telephone roaming services provided in Türkiye for non-resident customers, where

³⁴ Law No. 7061, *Official Gazette* (2017), No. 30261, 5 December.

³⁵ The President is authorized to increase the VAT rate specified in the VAT Law up to four times, to reduce it to 1%, and to determine different tax rates for various goods and services within these rates. Before July 2018, the VAT rates were regulated by Council of Ministers decisions.

a reciprocity condition exists; supply of goods and services purchased by persons/entities engaged in petroleum exploration or related to production, construction, maintenance, and repair of marine, air, and rail vehicles and also floating dry-docks and their equipment; deliveries of goods/services to foreign diplomatic personnel in Türkiye; and most deliveries made and services provided by military factories and shipyards.³⁶ VAT exemptions are also under various incentive schemes (Sections 2.4.3 and 3.3.1).

3.1.4.2 Special Consumption Tax

3.40. The Special Consumption Tax (SCT) continues to be levied on imports and domestic production of the following goods that are contained in the additional lists to the Special Consumption Tax Law.³⁷ These are petroleum products (List I); motor vehicles, aircraft, and vessels (List II); alcoholic beverages and tobacco products (List III); and durable consumer goods (List IV). In 2021, SCT revenue accounted for 17.6% of total government tax revenue, compared with 26.2% in 2016 (Table A3.1); this decrease in share is due to the faster expansion of other revenue streams. Following Constitutional amendments, the President is authorized to determine SCT rates; previously this was the responsibility of the Council of Ministers.³⁸

3.41. SCTs on petroleum products are specific rates (either TRY/m³, TRY/kg, or TRY/litre). Compared with 2015, SCT rates on most petroleum products have increased slightly, except for fuel oils, liquefied natural gas (LNG), auto and fuel biodiesel, and zero-rated items. Exemptions are applied to energy products delivered to the armed forces; energy products used for petroleum exploration and production activities; and diesel for vehicles leaving Türkiye for export.

3.42. The SCT rates on motor vehicles, aircraft, and vessels are *ad valorem*. They range from 1% to 220%. As previously, the highest rates apply to motor vehicles with a large cylinder capacity. Compared with 2015, SCT rate bands have been expanded for passenger vehicles, and SCT rates have been lowered for some categories of lower-priced vehicles and substantially increased for higher-priced cars and/or with a bigger cylinder capacity. According to local sources, this is expected to prompt price decreases of between 6% and 11% for certain petrol and hybrid cars, including some models that are locally produced.³⁹ Certain exemptions apply.⁴⁰

3.43. The SCT on alcoholic beverages is levied at specific rates (TRY/litre), except for beer where the tax rate is the higher of 63% or TRY 4.4096 per litre. Since Türkiye's previous Review, SCT rates have been increased substantially on all items.

3.44. The SCT on tobacco products is calculated on an *ad valorem* basis with a specific tax floor; the *ad valorem* tax is then compared with the minimum specific tax amount, and the higher one is applied by adding the specific tax amount. Compared with 2015, SCT rates have increased slightly on cigars, cheroots, and cigarillos, but have been lowered on other tobacco products.

3.45. The SCT on durable consumer goods is applied at rates of 3%, 6.7%, 20%, 25%, 40%, and 50%. At the time of Türkiye's previous Review, the highest rate band was 25%. Over the review period, new rate bands were added, namely 40% for cellular transmitter telephone sets with receiver with an SCT base over TRY 1,500 and under TRY 3,000, and 50% for other cellular transmitter telephone sets with receiver.

3.46. General SCT exemptions are in place for goods subject to certain regimes (transit, customs warehouse, inward processing, free zones and provisional warehousing; exports; imports by

³⁶ WTO document WT/TPR/S/331/Rev.1, 9 August 2016.

³⁷ Law No. 4760 of 6 June 2002 on Special Consumption Tax. SCT rates in force were viewed (in Turkish) at: https://www.qib.gov.tr/fileadmin/mevzuatek/otv_oranlari_tum/ozeltuketimoranlari-OpenPage.htm.

³⁸ Decree No. 700 on Making Amendments to Certain Laws and Decrees in order to Adapt to the Amendments to the Constitution. *Official Gazette* (2018), No. 30471, 7 July.

³⁹ *Hurriyet Daily News* (2022), "Turkey Revises Special Tax Brackets for Cars", 14 January. Viewed at: <https://www.hurriyetsdailynews.com/turkey-revises-special-tax-brackets-for-cars-170757>.

⁴⁰ Exemptions apply to the first acquisition of vehicles by relatives of taxpayers who lost their lives in war and duty; certain motor vehicles by disabled persons; planes and helicopters by the Turkish Aeronautical Association; all vehicles by the central organization of the Presidency; and certain vehicles for the purposes of petroleum exploration.

diplomats (except List IV); and import of goods that are free of customs duty for the goods in Lists II, III, and IV). The SCT is zero-rated on marine fuels (Section 3.3.1.4).

3.1.4.3 Digital Services Tax

3.47. Through Law No. 7194, which entered into force in March 2020, Türkiye introduced a Digital Services Tax of 7.5% on digital service providers.⁴¹ The tax is applied on the revenue generated from the sale of specified digital services, namely advertising services in the digital environment; audible, visual, or digital content in the digital environment; services for listening, watching, playing, or recording of digital content on electronic devices; services for the provision and operation of digital environments involving user interaction; and intermediary services provided by digital services providers.⁴² Various exemptions apply.⁴³ In 2021, the Digital Service Tax accounted for 0.2% of total government revenue (Table A3.1). It is applied both to domestically produced services and imports of services. As indicated by the authorities, in the context of the ongoing OECD Base Erosion and Profit Shifting (BEPS) negotiations on the taxation of digital services, once the OECD reaches an agreement, the Digital Services Tax will be removed and replaced with the OECD outcome.

3.1.4.4 Strip stamps for alcoholic beverages and tobacco products

3.48. Türkiye continues to implement a strip stamp requirement for alcoholic beverages and tobacco products, with exemptions applying to alcoholic beverages of 5 cl or less and wine during the ageing process. As indicated in the previous Review, strip stamp prices are the same for domestically produced and imported products, except for beer, where apparently the price difference is due to the cost of the stamp paper (Table 3.10). Stamp prices increased significantly over the review period. For imported goods, the codified label may be affixed at production sites abroad before the products are shipped to Türkiye, in the customs areas in Türkiye, or at the facilities of an authorized company in the provinces of Istanbul, Izmir, or Mersin. Strip stamps are an important element in preventing IP piracy.

Table 3.10 Strip stamp price list, 2015 and 2002

| Product | 2015 (TRY '000) | 2022 (TRY '000) |
|--|--------------------|--------------------|
| Tobacco (for domestic products) | 10.15 | 88.07 |
| Tobacco (for imported products) | 10.15 | 88.07 |
| Alcohol (for domestic products) | 58.19 | 504.43 |
| Alcohol (for imported products) | 58.19 | 504.43 |
| Beer code (for domestic production) | 3.23 | 56.02 |
| Coded beer label (for imported products) | 3.23 | 97.23 |

Source: Information provided by the authorities.

3.1.4.5 Other taxes and charges on imports

3.49. The importation of goods on a credit basis continues to be subject to a Resource Utilization Support Fund surcharge. It is imposed at a rate of 6% on credit-based import transactions with maturity periods.⁴⁴ Since 2015, a rate of 0% has been applied for certain listed imported goods.⁴⁵ No surcharge is imposed on import transactions made with the cash payment method.

3.50. Under the Turkish Radio-Television Revenues Law (Law No. 3093), imports of radios, televisions, video players, and combined devices that can receive visual and/or audio broadcast into

⁴¹ Law No. 7194, *Official Gazette* (2019), No. 30971, 7 December. The General Communiqué on the Implementation of the Digital Service Tax was published in *Official Gazette* (2020), No. 31074, 20 March. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2020/03/20200320-4.htm>. This provides information on implementation of the tax.

⁴² Türkiye Revenue Administration (2021), *Turkish Taxation System 2021*. Viewed at: https://www.gib.gov.tr/sites/default/files/fileadmin/taxation_system2021.pdf.

⁴³ Exemptions include providers with revenues below a certain threshold; services whereby there is a payment to the treasure under Law No. 406 on Telegraph and Telephone; services subject to the special communication tax; services under Article 4 of the Law on Banking; sales of certain products as a result of R&D activities; and payment services.

⁴⁴ Council of Ministers Decision No. 2011/2304. This entered into force on 13 October 2011.

⁴⁵ Cabinet Decision No. 2015/7511 of 8 April 2015.

Türkiye must have obtained a tax stamp prior to importation and are subject to a fee upon import of between 2% and 12% of the invoice price including VAT.⁴⁶ Fees are also charged to domestic manufacturers of these items. The revenue from these taxes is used to fund public service broadcasting.

3.1.5 Import prohibitions, restrictions, and licensing

3.51. Import prohibitions apply to various products for reasons of health, environment, compliance with domestic law, security, and public morals (Table 3.11). Over the review period, some of the strict prohibitions on wastes and persistent organic pollutants were revised and certain previously prohibited wastes were allowed under certain licensing or other specific requirements.

Table 3.11 Import prohibitions, 2022

| Description | Rationale (invocation of WTO article) | Legal/regulatory basis |
|---|--|---|
| Narcotics, hashish and prepared opium ^a | Health, IA ^b | Law No. 2313 of 21 November 1982 on the Control of Narcotics, and the Single Convention on Narcotics Drugs (1961) |
| Certain wastes and metal scraps | Environment | Communiqué on the Import Inspection of Wastes under Control for Environmental Protection (Product Safety and Inspection No. 2022/3). Communiqué on the Import Inspection of Metal Scraps under Control for Environmental Protection (Product and Safety Inspection No. 2022/23) |
| Ozone-depleting substances ^{a,c} | Environment | Communiqué on Import of Ozone Depleting Substances and Fluorinated Greenhouse Gases No. 2022/14. Communiqué on the Import Inspection of Certain Chemicals under Control for Environmental Protection (Product Safety and Inspection No. 2022/6) |
| Persistent organic pollutants | Environment | By-law on Persistent Organic Pollutants |
| Colouring matter | Health | Law No. 1593 on the Protection of Public Health; Regulation on Special Conditions of Foodstuffs and Supplies and Objects Concerning Public Health Import Regime Communiqué No. 2022/5052 Add II (List) |
| Chemical weapons scheduled in Annexes I and II of the Convention ^c | Environment | Communiqué on Import of Chemical Substances Annexed to the Chemical Weapons Convention No. 2022/17 |
| Measurement instruments not conforming to Turkish legal norms | Compliance with domestic law | Law No. 3516 on Standards and Accords |
| Weapons (excluding military weapons) ^a | Security | Law No. 6136 on Firearms of 10 July 1953 and Communiqué on the Importation of Firearms and their Parts No. 2022/2 |
| Military weapons and their parts and accessories ^a | Security | Law No. 5201 on Control of Industrial Enterprises Producing War Weapons, Vehicles, Equipment, Ammunition and Explosives Communiqué on Import of War Weapons and Parts Thereof No. 2022/2 |
| Gambling instruments (except for specified tourism purposes) ^a | Public morals | Law No. 1072 on Gambling Instruments like Roulette, Tilt, and Pinball |
| Products making illegal use of a trademark (all industrial products) | Compliance with domestic law; IA ^a Public morals | Paris Convention 1883 annexed to the Law of 1930 on Accession to the 1925 Hague Agreement on International Industrial Property (1925); Industrial Property Code, Law No. 6769 of 2017; Customs Law (No. 4458 of 1999) |
| Counterfeit labels and products for packing | Public morals | Law No. 4458 of 27 October 1999 on Customs |
| Soil, leaf, stem, straw, and natural manure used for agricultural purposes (excluding turf and perlite cultivated in culture environment) | Health | Law No. 5996 of 13 June 2010 on Veterinary Services, Plant Health, Food and Livestock and Regulation on Agricultural Quarantine |
| Spawn of silk-worm | Not indicated | Law No. 856 of Cultivation and Sale of Silk-work and Silk-worm Spawn |

a Prohibited except when imported by authorized government bodies.

b IA: Undertaken in pursuance of obligations under intergovernmental commodity agreements.

c Imports prohibited only from non-members of the international agreements.

Source: WTO document G/MA/QR/N/TUR/2/Add.3, 15 February 2022; and information provided by the authorities.

⁴⁶ Turkish Radio-Television Institution Revenues Law No. 6537. *Official Gazette* (1984), No. 18606, 15 December. Viewed at: <https://www.mevzuat.gov.tr/MevzuatMetin/1.5.3093.pdf>.

3.52. Türkiye applies all UN trade sanctions. With respect to EU trade sanctions, Türkiye may or may not apply them, as they are not binding on Türkiye. As indicated by the authorities, there are no import prohibitions targeting specific countries, outside of UN trade sanctions.

3.1.5.1 Import licensing

3.53. Importers must be licensed by the Department of Tobacco and Alcoholic Drinks within the Ministry of Agriculture and Forestry to import alcohol. Only members of the Borsa Istanbul Precious Metals Market may import unwrought precious metals. Importers of rough diamonds must be authorized by the Ministry of Treasury and Finance (MoTF) in accordance with the Kimberley Process Certification Scheme. Importers must obtain a control certificate to import pharmaceuticals, certain organic chemicals, vaccines for humans and animals, chemicals used in cleaning and the food industry; hormones; and certain animals, animal products, and plant materials for production.⁴⁷ Import licensing (certification) requirements for consignments of goods subject to import surveillance are set out in Section 3.1.1.1.

3.54. Türkiye's latest notification of its import licensing procedures was submitted in September 2022.⁴⁸ As previously, import licensing applies to certain goods to enforce compliance with international conventions, for national security, or for public/worker safety (Table 3.12).

Table 3.12 Imports requiring a licence, 2022

| Description (legal basis) | Requirements and rationale | Changes over the review period |
|---|---|--|
| Radioactive materials and devices using them (<i>Import Communiqué 2022/3, Official Gazette (OG) (2021), No. 31706 bis, 31 December</i>) | Requirements: Import permission and licence to be obtained from the Nuclear Regulation Authority. For certain items, importers themselves must have an import-export transportation licence or a use-possession licence. Import permission and licence fees are levied. Rationale: To ensure patients' security against the probable harmful effect of radioactivity. | The number of products subject to the Communiqué and licence fees were changed. |
| High intensity sweeteners (<i>Import Communiqué 2022/4, OG (2021), No. 31706 bis</i>) | Requirements: Approval from the Ministry of Agriculture and Forestry at least 10 days before import. Licences are automatically issued within 10 days if documentation requirements are met. Licence is valid for six months. No fees are levied. Rationale: To monitor the impact of imports of high intensity sweeteners on the Turkish sugar market and for statistical purposes. | The licence fee was changed. |
| Maps and products including map information (<i>Import Communiqué 2022/5, OG (2021), No. 31706 bis</i>) | Requirements: Approval from Commandership of Maritime Forces for import of sea maps. Approval of General Commandership of Cartography within the Ministry of National Defence for import of other items. Fees are levied for map inspection. Import approvals are per product. Rationale: To provide accurate information to the public. | The licence fee was changed. |
| Vehicles (<i>Import Communiqué 2022/7, OG (2021), No. 31706 bis</i>) | Requirements: Approval from Ministry of Industry and Technology or Turkish Standard Institution. Inspection fees are levied. Rationale: To ensure that imported vehicles are suitable for highways. | Requirement for a pro forma invoice certified by the Ministry of Industry and Technology has been removed. |
| Civil aircraft (<i>Import Communiqué 2022/8, OG (2021), No. 31706 bis</i>) | Requirements: Approval from the General Directorate of Civil Aviation, seven days in advance of import. Rationale: To prevent usage of imported goods in areas other than civil aviation. Fees are levied. | The number of products subject to Communiqué and licence fees were changed. |
| Certain explosives, firearms, knives and similar products (<i>Import Communiqué 2022/11, OG (2021), No. 31706 bis</i>) | Requirements: Approval from the General Directorate of Security within the Ministry of Interior. Importers must have a production, sales, and usage licence document obtained from the relevant Governorates of provinces for import of certain items. Rationale: To protection national security and public safety. | No changes |

⁴⁷ U.S. International Trade Administration. Viewed at: <https://www.trade.gov/country-commercial-guides/Türkiye-import-requirements-and-documentation>.

⁴⁸ WTO document WT/LIC/N/3/TUR/19, 22 September 2022.

| Description (legal basis) | Requirements and rationale | Changes over the review period |
|---|--|---|
| Certain substances affecting labourer's health and security (<i>Import Communiqué 2022/13, OG (2021), No. 31706 bis</i>) | Requirement: Approval from the Institute of Workers' Health and Labour Security within the Ministry of Labour, Social Services and Family. No fees are levied. Rationale: To protect workers' health. | .. |
| Papers of a kind used for printing banknotes and securities (<i>Import Communiqué 2022/10, OG (2021), No. 31706 bis</i>) | Requirement: Approval from Ministry of Trade or the Board of Capital Markets depending on the product. Rationale: To ensure confidence for persons in the capital markets. | No changes |
| Fertilizers (<i>Import Communiqué 2022/16, OG (2021), No. 31706 bis</i>) | Requirement: Approval from Ministry of Agriculture and Forestry. The European Union is exempt from import licensing requirements applied to most fertilizers. Licence validity is for six months, which can be extended up to the end of the calendar year. Licence fees apply. Rationale: To help ensure proper use of resources in agricultural production that may cause damage to health or lifecycle of plants, animals, or humans when treated without control. | Import licence is not required for the import of some products that are not to be used as fertilizers. |
| Endangered species of wild fauna and flora (<i>Foreign Trade Communiqué 2011/1, OG (2011), No. 27859 bis, 27 February</i>) | Requirement: CITES document issued by the Ministry of Agriculture and Forestry is required for the import of listed species. This document is valid for 12 months. Licence fees are levied. Rationale: To conform with the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). | If the wild species to be imported is invasive and harms the native species and biodiversity, its import is prohibited. |

.. Not available.

Source: WTO document G/LIC/N/3/TUR/17, 5 January 2021.

3.1.6 Anti-dumping, countervailing, and safeguard measures

3.55. As indicated in Section 3.1.1.1, through its import surveillance mechanism, Türkiye requires importers of certain products to provide additional data/information beyond that which is included in the customs declaration, as this may be needed for future anti-dumping and safeguard investigations. It is also used to monitor circumvention.

3.1.6.1 Anti-dumping and countervailing measures

3.56. Türkiye's laws and implementing regulations on anti-dumping and countervailing measures remain: Law No. 3577 of 1989 on the Prevention of Unfair Competition in Imports (as amended by Law No. 4412 of 1999); Decree No. 13482/1999 on the Prevention of Unfair Competition in Imports, as amended in 2005 and 2020; and the Regulation on the Prevention of Unfair Competition in imports, as amended in 2002 and 2006. Article 9 of Decree No. 13482 was amended in 2020 to allow the Board, with the approval of the Ministry of Trade, to partially or wholly suspend or amend an anti-dumping measure in force when imports of a product are also subject to safeguard measures. Such decisions are applicable prospectively from their date of entry into force and refund of amounts collected prior to such a decision may not be made.⁴⁹

3.57. The competent authorities for anti-dumping investigations are the Department of Dumping and Subsidy (for dumping and subsidy practices) and Department of Monitoring and Assessment of Import Policies (for circumvention practices). Both fall within the Ministry of Trade's General Directorate of Imports.⁵⁰

3.58. Türkiye initiated 44 anti-dumping investigations during the period from 1 January 2016 to 1 July 2022; it imposed 1 provisional measure and 33 definitive measures following original investigations. A total of 27 measures expired or were terminated (Table 3.13).

⁴⁹ WTO document G/ADP/N/1/TUR/3/Suppl.4 and G/SCM/N/1/TUR/3/Suppl.4, 4 November 2020.

⁵⁰ WTO document G/ADP/N/14/Add.56, G/SCM/N/18/Add.56, 21 April 2022.

Table 3.13 Anti-dumping original investigations and measures, 1 January 2016-1 July 2022

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----------------------------------|------|------|------|------|------|------|------|
| Investigation initiations | 16 | 8 | 6 | 2 | 3 | 9 | 0 |
| Provisional measures ^a | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Final measures ^a | 9 | 10 | 10 | 0 | 2 | 1 | 1 |
| Expired/terminated measures | 2 | 4 | 3 | 8 | 1 | 5 | 4 |

a Data cover provisional and final measures imposed following an original investigation. They do not cover final measures imposed following reviews or other subsequent proceedings.

Source: Türkiye's semi-annual reports to the WTO Committee on Anti-Dumping Practices.

3.59. As of July 2022, Türkiye was enforcing 131 anti-dumping definitive measures, less than in previous years. Imports from 23 economies were affected. Imports from China were subject to around half of all anti-dumping measures each year over the review period. Other trading partners regularly subject to several measures include India, Indonesia, the Republic of Korea, Malaysia, Chinese Taipei, Thailand, and Viet Nam (Table 3.14).

Table 3.14 Anti-dumping measures in force, by trading partner/region, January 2016-July 2022

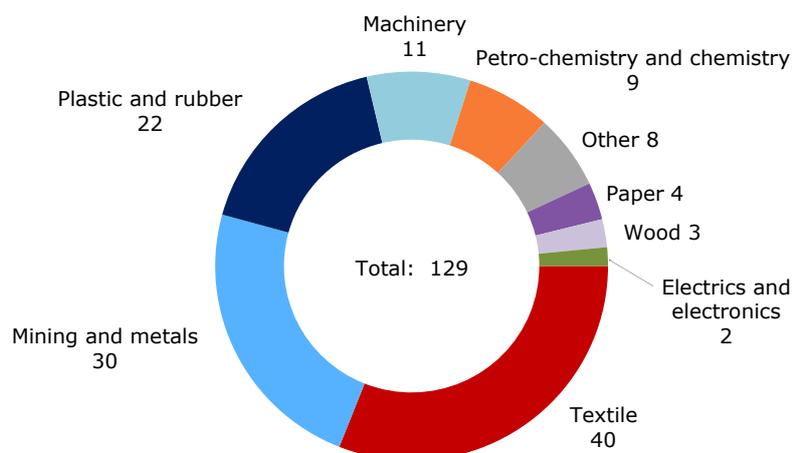
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 ^a |
|-----------------------|------------|------------|------------|------------|------------|------------|-------------------|
| Bangladesh | 0 | 0 | 1 | 1 | 1 | 0 | 0 |
| Brazil | 1 | 1 | 2 | 2 | 2 | 2 | 2 |
| Bulgaria | 4 | 4 | 4 | 4 | 4 | 1 | 1 |
| Canada | 1 | 1 | 1 | 0 | 0 | 0 | 0 |
| China | 59 | 62 | 54 | 60 | 60 | 56 | 58 |
| Egypt | 1 | 1 | 1 | 1 | 1 | 0 | 0 |
| Finland | 0 | 0 | 1 | 1 | 1 | 1 | 1 |
| Germany | 2 | 2 | 3 | 3 | 3 | 3 | 3 |
| Greece | 0 | 2 | 2 | 4 | 4 | 1 | 1 |
| Hong Kong, China | 1 | 1 | 1 | 1 | 1 | 1 | 0 |
| India | 9 | 9 | 9 | 11 | 11 | 8 | 8 |
| Indonesia | 11 | 10 | 11 | 11 | 11 | 7 | 6 |
| Iran, Islamic Rep. of | 0 | 0 | 2 | 2 | 2 | 1 | 1 |
| Israel | 2 | 2 | 2 | 2 | 2 | 1 | 1 |
| Italy | 1 | 2 | 2 | 2 | 2 | 1 | 1 |
| Korea, Republic of | 5 | 9 | 9 | 10 | 10 | 7 | 8 |
| Malaysia | 11 | 11 | 12 | 12 | 13 | 1 | 7 |
| Pakistan | 2 | 2 | 2 | 2 | 2 | 1 | 1 |
| Philippines | 2 | 2 | 2 | 2 | 2 | 0 | 0 |
| Poland | 1 | 1 | 2 | 2 | 2 | 1 | 1 |
| Romania | 1 | 1 | 0 | 0 | 0 | 0 | 0 |
| Russian Federation | 3 | 3 | 4 | 4 | 4 | 3 | 3 |
| Serbia | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Spain | 0 | 1 | 1 | 2 | 2 | 0 | 0 |
| Sri Lanka | 1 | 1 | 1 | 2 | 2 | 1 | 1 |
| Sweden | 0 | 0 | 1 | 1 | 1 | 1 | 1 |
| Chinese Taipei | 12 | 12 | 13 | 12 | 12 | 7 | 7 |
| Thailand | 9 | 10 | 11 | 11 | 12 | 9 | 9 |
| Ukraine | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| United States | 4 | 4 | 4 | 3 | 3 | 2 | 1 |
| Viet Nam | 11 | 11 | 14 | 13 | 13 | 8 | 8 |
| Total | 156 | 166 | 173 | 182 | 184 | 131 | 131 |

a Figures are for measures in force on 30 June 2022.

Note: Figures reflect anti-dumping and measures in force on 31 December of each year (except for 2022). Undertakings and duties are considered as separate measures.

Source: Türkiye's semi-annual reports to the WTO Committee on Anti-Dumping Practices.

3.60. Textile products accounted for most measures in force on 1 July 2022, followed by mining and metals, and then plastic and rubber products (Chart 3.3).

Chart 3.3 Anti-dumping measures in force, by product, 30 June 2022

Source: Türkiye's semi-annual reports to the WTO Committee on Anti-Dumping Practices.

3.61. Over the review period, Türkiye undertook one countervailing investigation, on acrylic or modacrylic from China, in March 2018, which was terminated without a measure.⁵¹ An investigation initiated in 2015 on seamless tubes and pipes of iron and steel was also terminated without a measure in October 2016.⁵² As of 1 September 2022, Türkiye had one countervailing measure in force, on PET films from India. A sunset review was initiated on 12 September 2020, and concluded on 6 March 2022 with a decision to continue the measure.⁵³

3.1.6.2 Safeguard measures

3.62. Türkiye's legal framework for the imposition of safeguard measures is composed of the Decree on Safeguards Measures for Imports and the Regulation on Safeguards for Imports. There were no changes to the law or regulation over the review period. The authority to propose, apply, and monitor safeguard measures rests with the Ministry of Trade (previously with the Ministry of Economy). Procedures for initiating a safeguard investigation and for adopting, reviewing, extending, modifying, and abolishing any provisional or definitive safeguard measures are unchanged; they are described in Türkiye's previous Review.⁵⁴

3.63. As of 1 September 2022, Türkiye was enforcing a total of five final safeguard measures. Since 1 January 2016, Türkiye initiated seven new safeguard investigations, with five of these resulting in the application of final measures. Three pre-existing safeguard measures were extended (Table 3.15).

Table 3.15 Safeguard activity, 1 January 2016-1 September 2022

| Date of initiation of investigation | Goods | Measures | Latest notification(s) to the WTO |
|-------------------------------------|--|---|-----------------------------------|
| New investigations | | | |
| 5 December 2014 | Transmission apparatus incorporating reception apparatus (cellular) portable telephone | Terminated without measure on 4 March 2016 | G/SG/N/9/TUR/6, 15 March 2016 |
| 25 April 2015 | Porcelain and ceramic tableware, kitchenware | Terminated without measure on 25 January 2016 | G/SG/N/9/TUR/7, 6 February 2017 |

⁵¹ WTO document G/SCM/N/349/TUR, 22 October 2019.

⁵² WTO document G/SCM/N/313/TUR, 8 March 2017.

⁵³ WTO document G/SCM/N/386/TUR, 25 February 2022.

⁵⁴ WTO document WT/TPR/S/331/Rev.1, 9 August 2016.

| Date of initiation of investigation | Goods | Measures | Latest notification(s) to the WTO |
|---|---|---|--|
| 6 April 2017 | Pneumatic tyres | Terminated without measure on 5 January 2018 | G/SG/N/6/TUR/22/Suppl.1, G/SG/N/7/TUR/12/Suppl.1, G/SG/N/11/TUR/21/Suppl.1, 17 January 2018 |
| 22 April 2017 | Toothbrushes | Final measure imposed on 3 February 2018 | G/SG/N/8/TUR/16, G/SG/N/10/TUR/16, G/SG/N/11/TUR/22, 19 October 2017 |
| 27 April 2018 | Certain steel products | Provisional duty imposed on 17 October 2018. Terminated without measure on 7 May 2019 | G/SG/N/7/TUR/13/Suppl.1, 13 May 2019 |
| 30 December 2018 | Yarn of nylon or other polyamides | Final measure imposed on 21 October 2019 | G/SG/N/8/TUR/17, G/SG/N/10/TUR/17, G/SG/N/11/TUR/24, 23 October 2019 |
| 11 June 2020 | Polyethylene terephthalate chips | Final measure imposed on 13 December 2020 | G/SG/N/8/TUR/18, G/SG/N/10/TUR/18, G/SG/N/11/TUR/25, 16 November 2020 |
| 30 May 2020 | Staple fibres of polyesters, not carded, combed or otherwise processed for spinning | Final measure imposed on 23 September 2021 | G/SG/N/8/TUR/19, G/SG/N/10/TUR/19, G/SG/N/11/TUR/26, 30 August 2021 |
| 9 October 2021 | Grinding balls and similar articles for mills | Final measure imposed on 26 August 2022 | G/SG/N/8/TUR/20, G/SG/N/10/TUR/20, G/SG/N/11/TUR/27, 5 August 2022 |
| Investigations to extend existing measures | | | |
| 17 June 2017 | Polyethylene terephthalate chips | Final measure imposed 8 November 2017 | G/SG/N/8/TUR/13/Suppl.2, G/SG/N/10/TUR/13/Suppl.3, G/SG/N/11/TUR/16/Suppl.2, 9 November 2018 |
| 3 June 2020 | Toothbrushes | Extension of final measures from 3 February 2021 | G/SG/N/10/TUR/16/Suppl.2, G/SG/N/11/TUR/22/Suppl.2, 14 January 2021 |
| 16 January 2021 | Wallpaper and similar wallcoverings | Extension of final measure from 6 August 2021 | G/SG/N/10/TUR/15/Suppl.2, G/SG/N/11/TUR/20/Suppl.2, 15 July 2021 |
| 26 January 2022 | Yarn of nylon or other polyamides | No further developments | G/SG/N/6/TUR/25/Suppl.1, G/SG/N/14/TUR/12, 4 February 2022 |

Source: Türkiye's notifications to the WTO Committee on Safeguards.

3.64. Over the review period, Türkiye notified the Council for Trade in Goods of its proposed suspension of concessions pursuant to the Agreement on Safeguards in the form an increase in duties on selected products from Thailand⁵⁵, the United States⁵⁶, Egypt⁵⁷, and the European Union.⁵⁸

3.1.7 Other measures affecting imports

3.1.7.1 Local content measures

3.65. Under the Law on the Utilization of Renewable Energy Resources for the Purposes of Generating Electrical Energy as amended in 2010 (Law on Renewable Energy Law)⁵⁹, and Presidential Decree No. 3453 of 20 January 2021⁶⁰, the State guarantees feed-in tariff (FIT) rates for the purchase of electrical energy by renewable energy power plants. It also provides additional incentives to power plants using domestically produced mechanical and/or electro-mechanical products in the form of a top-up to the FIT (the so-called RER support mechanism). The objectives

⁵⁵ WTO document G/L/1183, G/SG/N/12/TUR/5, 3 August 2017.

⁵⁶ WTO documents G/L/1242, G/SG/N/12/TUR/6, 22 May 2018; G/L/1242/Suppl.1, G/SG/N/12/TUR/6/Suppl.1, 15 August 2018; and G/L/1242/Suppl.2, G/SG/N/12/TUR/6/Suppl.2, 23 May 2019.

⁵⁷ WTO document G/L/1350, G/SG/N/12/TUR/7, 11 December 2019.

⁵⁸ WTO documents G/L/1359, G/SG/N/12/TUR/9, 25 May 2020; G/L/1359/Rev.1, G/SG/N/12/TUR/9/Rev.1, 24 July 2020; and G/L/1359/Rev.2, G/SG/N/12/TUR/9/Rev.2, 30 June 2021.

⁵⁹ Law No. 5346 of 2005, as amended by Law No. 6094 of 2010. The 2010 amendment, *inter alia*, introduced Articles 6 and 6B on the use of domestic products.

⁶⁰ Presidential Decree No. 3453 of 20 January 2021, *Official Gazette* (2021), No. 31380, 30 January.

of this scheme are to increase the share of renewable energy sources in total electricity production, reduce dependency on imported energy, and support renewable industry development in Türkiye, including through job creation and reduced dependency on imports of these components.⁶¹ The application of FIT and RER support was originally for eligible power plants commissioned before December 2020; the deadline was subsequently extended to 30 June 2021. These supports were intended to be temporary. However, through Presidential Decree No. 3453, a new mechanism was introduced for power plants commissioned between 1 July 2021 and December 2025 under which the FIT rates are set for 10 years and the RER support mechanism incentives for 5 years. Local content rates were decreased; previously they ranged from 0.023 USD/kWh to 0.092 USD/kWh according to the type of production facility and they are now 0.08 TRY/kWh (Table 3.16). The FIT rates and RER supports are adjusted quarterly according to a basket composed of currencies and price indexes, and are subject to a USD cap.⁶²

Table 3.16 FIT rates and local content support under the Renewable Energy Law and Presidential Decree No. 3453, 1 July 2021-December 2025

| Type of power plant | Feed-in tariff (FIT) rate (TRY/kWh) | Cap for FIT rate after adjustment (USD/kWh) | Local content support under the RER support mechanism (TRY/kWh) |
|---------------------|-------------------------------------|---|---|
| Hydropower | 0.40 | 0.064 | 0.08 |
| Wind | 0.32 | 0.051 | 0.08 |
| Geothermal | 0.54 | 0.086 | 0.08 |
| Biomass | | | |
| Landfill gas | 0.32 | 0.051 | 0.08 |
| Biomethanization | 0.54 | 0.086 | 0.08 |
| Thermal disposal | 0.50 | 0.080 | 0.08 |
| Solar | 0.32 | 0.051 | 0.08 |

Source: Ergün Avukatlık Bürosu Law Offices (2021), *New YEKDEM (Renewable Energy Support) Mechanism in Turkey*. Viewed at: <https://www.cergun.av.tr/publication/new-yekdem-renewable-energy-support-mechanism-in-turkiye/#:~:text=According%20to%20the%20Presidential%20Decree,2021%20and%2031%20December%202025.>

3.66. Local content requirements are contained in some government procurement tender specifications (Section 3.3.6). As indicated in Türkiye's previous Review, under the Law on Healthcare Public-Private Partnerships (PPPs), at least 20% of the medical equipment used in PPP healthcare facilities must be locally produced.⁶³ The DS583 dispute concerned the application of a localization requirement as a condition for the reimbursement of pharmaceutical products under Türkiye's universal health insurance scheme. In August 2022, Türkiye indicated its intention to implement the recommendations and rulings of the Panel and Arbitrators in this dispute.⁶⁴

3.2 Measures directly affecting exports

3.2.1 Customs procedures and requirements

3.67. Export procedures are set out in Türkiye's Law on Customs, the Customs Regulation, the Export Regulation, and the Export Regime Decree.⁶⁵

3.68. As at the time of Türkiye's previous Review, exporters (persons and legal entities) must become a member of an exporters association prior to undertaking export transactions. Export declarations must be prepared and approved by the relevant exporters association before being presented to the customs authorities. As indicated by the authorities, the purpose of this procedure is to help guide exporters in their export transactions and facilitate and increase exports through

⁶¹ WTO document WT/TPR/M/331/Add.1, 9 May 2016.

⁶² The basket is composed of Producers Price Index (26% weight), Consumer Price Index (26% weight), US dollars (24% weight), and euro (24% weight).

⁶³ Law on Healthcare Public-Private Partnerships No. 6428, *Official Gazette* (2013) No. 28582, 9 March. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2013/03/20130309-1.htm>. WTO document WT/TPR/S/331/Rev.1, 8 August 2016.

⁶⁴ WTO document WT/DSB/M/469, 10 October 2022, para. 2.2.

⁶⁵ Export Regulation, *Official Gazette* (2006), No. 26109, 6 June, and Export Regime Decree (Council of Ministers Decision No. 95/7623 of 22 December 1995).

sustained cooperation. Export registration is required for several goods for monitoring purposes (Box 3.1)⁶⁶; the customs declarations of these goods are registered by the General Secretariat of the relevant exporters association. There was a significant expansion of the goods subject to export registration over the review period, and two categories of good were removed from the list.⁶⁷

Box 3.1 Goods subject to export registration

Substances subject to deduction of Support and Price Stabilization Fund premium; substances paid from Support and Price Stabilization Fund; exports in the special accounts framework; exports in framework of the Türkiye-Russian Federation natural gas agreement; goods for which trading partners apply quantitative restrictions; exports to countries subject to economic sanctions according to UN decisions; goods requiring a certificate in the framework of Regulation No. 25841 of 10 June 2005; raw olive oil, finished bulk olive oil and olive oil in barrel; liquorice; raw meerschaum and draft pipe; goods in context of Vienna Convention for the Protection of the Ozone Layer to countries which are parties; raw olive in sachet, sack and box; original intestine; live sheep, goat hair; pigs; bulk and kapyra type red pepper; raw olive (not completely fermented); copper and zinc waste and scrap; white marble, colourful and ribbed marble, onyx, travertine and others; cement; gherkins; pine nuts; wheat and meslin, buckwheat and triticale; lentils; barley and maize; and chrome leather.

Items added over the review period: poppy seeds (not for sowing); timbers of forest trees, except for the ones that are subject to export prohibitions and licensing requirements; printed electronic circuit boards and plates in the form of waste or scrap; corn brans; barley brans; wheat brans; rice; rye; melt blown fabric; cotton (not carded or combed); cotton scraps; cotton carded or combed; pasta; bulgur wheat; meal of wheat; particle board, orientated strand board and similar boards of wood or other woody materials; fibreboards of wood or other woody materials; wood sawn or chipped lengthwise, sliced or split of a thickness exceeding 6 mm (except for timber that is subject to prohibition); fertilizers; chickpea; sulphuric acid, oleum; pure ammonia; sugar; certain wood products (sheets for veneering, for plywood or for similar laminated wood and other wood, sawn lengthwise, sliced or peeled); kaolin and other kaolin clays; other clays; and tomato paste.

3.69. Since the Ministry of Trade's launch of a Paperless Customs Project in 2019, all export declarations and associated documents must be submitted, processed, and stored online. Export documents and licences are obtained through the Single Window System, and export declarations are submitted and processed through the BILGE system (Section 3.1.1.1). Risk assessment of exports for certain agricultural commodities for quality control purposes is undertaken through TAREKS (Section 3.1.1.1). In 2018, an Automation System for Certificates of Origin and Movement Certificates (Medos) was developed for proof of origin and movement certificates to be issued, approved, and endorsed electronically.⁶⁸ As indicated by the authorities, implementation of this system has resulted in rapid and effective completion of these processes by eliminating the need to visit authorized bodies and customs authorities physically, and it has facilitated the post-release control process, and reduced paperwork.

3.70. Türkiye has provisions for the export quality control of certain agricultural goods pursuant to Communiqué No. 2022/21 on Product Safety and Inspection. Exports of certain other products, again for commercial quality, are also undertaken under Communiqué No. 2021/22 on Product Safety and Inspection.⁶⁹ Inspection requirements are, *inter alia*, implemented to promote high-quality production, protect the image of Turkish products in world markets, and improve the competitiveness of the export products. Inspection fees of TRY 10 are levied.

⁶⁶ The legislative basis for this requirement is Communiqué 2006/7 Regarding Goods Subject to Export Registration, *Official Gazette* (2006), No. 26190, 6 June.

⁶⁷ Ethyl alcohol, eau de cologne, disinfectant and hydrogen peroxide were added to the Annex list in March 2020 and removed from it in May 2020. Additionally, recycled paper or cardboard clippings and scraps was removed from the list in June 2018 and aluminium waste and scraps was removed from the list in 2017.

⁶⁸ A.TR movement certificates (the customs certificates used in trade between Türkiye and the European Union certifying that goods are in free circulation) and proof of origin documents are issued by exporters or their legal representatives. They have to be approved by an authorized body (either the Union of Chambers and Stock Exchanges of Türkiye (TOBB), the Turkish Exporters Assembly (TIM), or the Confederation of Turkish Tradesmen and Craftsmen (TESK). Finally they are endorsed by customs authorities.

⁶⁹ Ministry of Trade, *Product Safety and Quality Control System on Import and Export in Turkey*. Viewed at: <https://www.trade.gov.tr/legislation/product-safety-and-technical-regulation/product-safety-and-quality-control-system-on-import-export-in-turkey>.

3.2.2 Taxes, charges, and levies

3.71. Under the framework of the Support and Price Stabilization Fund, which is used for state aid payments for exports such as agricultural refunds (Section 4.2.1), Türkiye levies taxes on certain exported products.⁷⁰ The objective is to increase the value added of exported products. As at end-October 2022, export taxes were levied on hazelnuts (USD 0.04/kg); hazelnuts in shell (USD 0.08/kg); raw hides and skins; and wet-blue products (raw hides and skins at a rate of USD 0.5/kg and wet-blue at a rate of USD 0.5/kg or 20% of the f.o.b. export value depending on the HS codes).

3.72. VAT is not charged on exports. Exports are exempt from the stamp duty that is applied to documents. There are no other duties or charges applied to exports.

3.2.3 Export prohibitions, restrictions, and licensing

3.2.3.1 Export prohibitions

3.73. Türkiye's Export Regime Decree (No. 95/7623) stipulates that all goods can be freely exported other than those whose exportation is explicitly prohibited by laws, decrees, and international agreements. Nevertheless, the Decree also authorizes the Ministry of Trade to impose restrictions or prohibitions on exports. Other relevant public authorities are also authorized to make decisions regarding the export regime and must obtain the opinion of the Ministry of Trade. Export prohibitions notified to the WTO are largely unchanged. They are in place for reasons of environment, health, and protection of national treasures, and to comply with Türkiye's commitments under international conventions. They are contained in various laws and regulations (Table A3.3).

3.74. In addition, in recent years both the Ministry of Agriculture and Forestry (through a temporary authorization to regulate the export of certain agricultural products for food security purposes⁷¹) and the Ministry of Trade have imposed export bans on certain products, largely to stabilize domestic prices of agricultural products. These bans include the following:

- An export ban on butter introduced in April 2022 by the Ministry of Agriculture and Forestry. This was followed by the introduction of temporary export permission between June and September 2022 with no limitation on the export amount or eligible exporters.
- A prudential suspension introduced by the Ministry of Trade in March 2022, upon the request of the Ministry of Agriculture and Forestry, on the export of imported grains, oil seeds, cooking oils, and some other agricultural commodities held in bonded warehouses; this suspension was lifted shortly after it was imposed.
- A temporary ban on the exports of olive oil, beans, and lentils from 26 February 2022 until end-2022 issued by the Ministry of Agriculture and Forestry. Export restrictions on olive oil were removed on 7 July 2022.⁷²
- A temporary ban on the exports of soyabean oil, sunflower seed oil, vegetable fats and oils, and margarine from 9 March 2022 until end-2022 issued by the Ministry of Agriculture and Forestry. Restrictions on soybean oil, vegetable fats and oils, and margarine were lifted by 29 August 2022.⁷³
- A temporary ban on bulk olive oil issued by the Ministry of Agriculture and Forestry on 11 March 2021. The ban was lifted on 27 July 2021.
- A ban on certain forage products issued by the Ministry of Agriculture and Forestry (for hay on 23 May 2021 and for alfalfa on 26 August 2020). This is implemented by the

⁷⁰ Council of Ministers Decision on the Support and Price Stabilization Fund 1-13/10/1988, *Official Gazette* (1988), No. 19959, 14 October.

⁷¹ Communiqué on Exportation of Certain Agricultural Products 2022/1, *Official Gazette* (2022), No. 31732, 27 January. As amended by Communiqué 2022/2, *Official Gazette* (2022), No. 31768, 4 March.

⁷² WTO Trade Monitoring database. Viewed at: <https://tmdb.wto.org/en>.

⁷³ WTO Trade Monitoring database. Viewed at: <https://tmdb.wto.org/en>.

non-issuance of export licences for an indefinite period; although in theory licences can be issued periodically.⁷⁴

- A ban on the exports of wheat flour from domestically produced grain imposed by the Ministry of Trade in September 2018. The objective was to ensure stability in domestic flour prices, protect Turkish consumers, and prevent speculation; it was intended to be a temporary measure.⁷⁵ According to the authorities, there was a short period in 2018 when a quota was implemented.

3.2.3.2 Export quotas

3.75. Türkiye maintains export quotas on eels and medicinal leeches in accordance with its commitments under the CITES Convention. The quotas are adjusted annually by the General Directorate of Fisheries and Aquaculture within the Ministry of Agriculture and Forestry.⁷⁶ In 2022, the quota for eels was 100,000 kg and for medicinal leeches, 1,500 kg.⁷⁷

3.2.3.3 Export licensing

3.76. Export licences are still required for 26 categories of goods under various legal/regulatory instruments. Export licensing requirements apply to all trading partners and most are non-automatic (Table A3.4). As at the time of Türkiye's previous Review, many are agriculture-related as required by the Ministry of Agriculture and Forestry. Developments over the review period included changes to the responsible ministries in some cases and the introduction and removal of non-automatic export licensing requirements in 2020 on lemons, onions and potatoes⁷⁸, personal protective equipment⁷⁹, and certain medical equipment and devices.⁸⁰

3.2.3.3.1 Export support and promotion

3.77. Türkiye's Inward Processing Regime allows the import of raw materials and inputs to be imported without the payment of customs duties and other taxes if they are used for or incorporated into exported products.⁸¹ There remain two kinds of inward processing types: (i) suspension (temporary imports without payment of import duties under a security bond); and (ii) drawback (refund of import duties when products are exported).

3.78. The Ministry of Trade and the Turkish Exporters Assembly (TIM) continue to pursue the actions contained in the Exports Strategy of Türkiye for 2023.⁸² This aims to support a modern and flexible

⁷⁴ Global Trade Alert (2020), "Turkey: The Government Issues an Export Ban on Certain Forage Products", 27 August. Viewed at: <https://www.globaltradealert.org/state-act/60475/turkey-the-government-issues-an-export-ban-on-certain-forage-products>.

⁷⁵ Ministry of Trade. Viewed at: <https://www.ticaret.gov.tr/haberler/un-ihracatinda-yapilan-duzenlemeye-iliskin-basin-aciklamasi>.

⁷⁶ Communiqué No. 2021/9 on Issuance of CITES Licence and Allocation of Annual Export Quota for Eels (Anquilla Anquilla). *Official Gazette* (2021) No. 31436, 27 March. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2021/03/20210327-6.htm>. Communiqué No. 2021/50 on Issuance of CITES Licence and Allocation of Annual Export Quota for Medicinal Leeches. *Official Gazette* (2021) No. 31706, 31 December. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2021/12/20211231-11.htm>.

⁷⁷ Ministry of Agriculture and Forestry. Viewed at: <https://www.tarimorman.gov.tr/BSGM/Duyuru/148/Yilan-Baligi-Ve-Tibbi-Suluk-Icin-2022-Yili-Ihracat-Kotalari-Belirlenmistir>.

⁷⁸ Global Trade Alert (2020), "Turkey: Imposition of Permission Requirement on Exports of Onions and Potatoes", 7 January. Viewed at: <https://www.globaltradealert.org/state-act/43037/turkey-imposition-of-permission-requirement-on-exports-of-onions-and-potatoes>.

⁷⁹ European Commission, *Trade Barriers*. Viewed at: https://trade.ec.europa.eu/access-to-markets/en/barriers/details?barrier_id=16522&sps=false.

⁸⁰ European Commission, *Trade Barriers*; and Global Trade Alert (2020), "Turkey: Turkish Government Introduces Permission Requirement on the Export of Certain Medical Equipment and Devices", 26 March. Viewed at: <https://www.globaltradealert.org/intervention/78867/export-licensing-requirement/turkey-turkish-government-introduces-permission-requirement-on-the-export-of-certain-medical-equipment-and-devices>.

⁸¹ Inward Processing Regime Communiqué No. 2006/12, *Official Gazette* (2006), No. 26382, 20 December.

⁸² Ministry of Trade, *The Exports Strategy for Türkiye for 2023*. Viewed at: <https://www.trade.gov.tr/data/5b90d2eb13b8760beca887fd/2023%20EXPORT%20STRATEGY-15%20%C5%9Eubat%202022.pdf>.

export structure that is based on advanced technology and R&D to respond to the demands of the current and future business environment. Some of the goals of the strategy include export-orientated growth; diversifying exports by countries and products; prioritizing products based on research and development (R&D), innovation, high tech, and/or high value-added; enhancing the export capacity of SMEs; increasing the number of global Turkish brands in the world; and improving the logistics facilities of Türkiye. In addition, the Ministry of Trade prepared an e-Export Strategy and Action Plan (2018-2020) that contains various strategic aims designed to make e-export easier and more accessible for exporters. These include enhancing logistical capacity, enhancing customs procedures related to the requirements of cross-border e-commerce, ensuring product security and auditing capabilities related to cross-border e-commerce, enhancing the competitiveness of domestic firms carrying out e-commerce activities, ensuring that micro entrepreneurs develop into e-exporters, and participating in international collaborations aimed at enhancing e-export activities.⁸³

3.79. The Ministry of Trade continues to offer services to help exporters. New initiatives taken over the review period include the launch of an "Easy Export Platform" that provides intelligence to exporters on market opportunities and export processes and other services⁸⁴, and incentives under Presidential Decision No. 5986 on e-export supports including for B2C marketplace promotion and fulfilment services.⁸⁵ In addition, the Ministry is developing a Türkiye E-export Platform that will help existing exporters switch to the digital environment and help make Turkish exporters easily accessible to importers abroad.⁸⁶

3.80. Other support programmes provided by the Ministry of Trade, either on its own or in conjunction with the exporters' unions, in place at the time of Türkiye's previous Review are: (i) support to companies and producers/manufacturers organizations to participate in fairs abroad with support ranging between 50% and 75% of the approximate total cost; (ii) support for companies in the certification process relating to foreign market access certificates to ensure compliance with technical legislation regarding the environment, quality, and human health, and support for companies' licensing and registration costs in the medical sector (50% of expenses); (iii) overseas store, brand, and promotion support for companies operating units in foreign countries for marketing products produced in Türkiye (50% of advertising costs; 40%-50% of rent of companies operating a store abroad and 50% of fees for the registration of trademarks); (iv) market research and market access support to increase market share in traditional markets (50% of foreign market research trips; 50% of costs for buying market research reports; 50% of costs for financial and legal due diligence costs for mergers and acquisitions as well as for the acquisitions of brands abroad; and 50% of costs for participating in sectoral trade missions abroad and in procurement committee programs); (v) support for needs analysis, training/consulting and promotional activities to improve international competitiveness through clustering (75% of project-based common activities organized by cooperation organizations); (vi) promotion of designer companies abroad (50% of consultancy fees, rental fees, advertising costs, and certification expenses, and for the registration of trademarks); and (vii) support to encourage technical consultancy companies to operate abroad (at least 50% of rental fees; advertising; market research projects; and participation fees for fairs, conferences, exhibitions, training programmes, and professional competitions); and the TURQUALITY programmes (see below).

3.81. With respect to supporting Turkish services exports, the Ministry of Trade continues to provide support through its Foreign Exchange Earning Support for Trade in Services programme

⁸³ *Official Gazette* (2018), No. 30324, 6 February; and Mondaq (2018), "Turkey: E-Export Strategy and Action Plan of the Ministry of Trade (2018-2020) Is Published in the Official Gazette", 24 October. Viewed at: <https://www.mondaq.com/turkey/international-trade-investment/740302/e-export-strategy-and-action-plan-of-the-ministry-of-trade-2018-2020-is-published-in-the-official-gazette>.

⁸⁴ In the first phase of the project, an AI-enabled Smart Export Robot was developed to provide alternative market options to potential exporters. In the second phase, the project incorporated several additional modules including the "AskTürkiye" service (www.askturkiye.com), which brings exporters together with potential buyers; buyers information; training; and a smart chatbot. According to the authorities, the platform has been visited more than 2.6 million times since August 2020.

⁸⁵ Presidential Decision No. 5986 on e-export supports. *Official Gazette* (2022), No. 31934, 25 August. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2022/08/20220825-16.pdf>; and Esin Attorney Partnership. Viewed at: <https://www.esin.av.tr/2022/09/08/new-decree-on-electronic-export-incentives/>.

⁸⁶ Ministry of Trade. Viewed at: <https://www.ticaret.gov.tr/haberler/ihracat-desteklerine-yonelik-prefinansman-modeli-hayata-geciriliyor>.

first implemented in 2012; the programme was updated in 2022.⁸⁷ State support is provided for health and sports services, informatics, film-TV series and cultural services, education, management consultancy, green services, publishing, organization of fairs, logistics, gastronomy, accommodation, and other business services. Successful applicants are eligible for the State to cover 50%-70% of a company's market-access-related expenses, office rent, office set-up costs, certification, advertising and marketing activities, fair organizations, and various expenses (participation in national and international events and trade committees as well as staffing and reporting costs). The maximum amount of support and the number of years a company is supported depend on the type of expense and the sector.

3.82. In addition, the Ministry of Trade and TIM are responsible for implementing TURQUALITY, the country's national branding programme designed to facilitate and support Turkish brands in international markets, through funding provided through two main support programmes: "Marka" and "TURQUALITY®". Successful applicants are eligible for the State to cover 50% of a company's development roadmap, and 50% of the following expenses: patents, promotional materials, office rent, office set-up costs, certification, showcase and showroom rent, franchise fees, consulting fees, and staffing costs. The maximum amount of support and the number of years that a company is supported depend on the type of expense and the programme. As at mid-October 2022, there were 32 brands, with 303 companies participating.

3.83. The chambers of commerce, the Foreign Economic Relations Board of Türkiye (DEİK), and the TIM also continue to play a pivotal role in supporting and promoting Turkish exports. Initiatives taken over the review period included the launch by TIM of a Türkiye Logistics Portal in 2021, which provides a data link between exporters and freight companies, facilitating transactions between the two; the implementation of an "Export Radar" service (<https://www.ihracatpusulasi.org.tr>), which provides exporters with a database for finding target markets; and the launch of a telephone hotline called "ALO" through which TIM can respond to questions from its members regarding foreign trade.

3.84. Türkiye continues to provide export subsidies for certain agricultural products (Section 4.2.1).

3.2.4 Export finance, insurance, and guarantees

3.85. The Türk Eximbank is a state-owned bank and the sole official provider of export credit in the country. Its clients are Turkish exporters, Turkish contractors and investors operating abroad, as well as international transport and tourism companies resident in Türkiye. In 2021, it supported 14,092 exporting companies, providing USD 22.5 billion in credit and USD 23.6 billion in insurance/reinsurance.⁸⁸ Its objectives are to increase the volume of exports; diversify export goods and services; develop new export markets; increase the exporters' share of international trade and provide necessary support for their initiatives; gain competitiveness and bring assurance to exporters, overseas contractors, and investors on international markets; and promote and support the production and sale of investment goods for export through overseas investments. Over the review period, the Government boosted Türk Eximbank's paid-up capital through cash transfers from the MoTF.⁸⁹ Some long-term funds Türk Eximbank uses from international financial institutions (IFI) or uses under IFI guarantees are guaranteed or counter-guaranteed by the MoTF. As of 30 September 2022, the balance of guaranteed transactions was USD 1.2 billion and the balance of counter-guaranteed transactions was EUR 250 million.

3.86. As indicated in Türkiye's previous Review, Türk Eximbank has three main areas of operation, providing: (i) short-, medium-, and long-term cash and non-cash credits; (ii) international loans/guarantees for the financing of exports or overseas projects of Turkish companies; and (iii) export credit insurance to protect against commercial and political risks (Table 3.17). A detailed

⁸⁷ Presidential Decision on Defining, Classifying, and Supporting the Export of Services. *Official Gazette* (2022), No. 31815, 20 April. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2022/04/20220420-10.pdf>.

⁸⁸ Türk Eximbank (2022), *Annual Report 2021*. Viewed at: <https://www.eximbank.gov.tr/interaktif-faaliyet-raporlari/2021/files/en-eximbank.pdf>.

⁸⁹ In 2018, Türk Eximbank's paid-up capital was raised from TRY 4.8 billion to TRY 6.35 billion with a cash capital transfer of TRY 1 billion by the MoTF. In 2020, the capital was raised from TRY 7.16 billion to TRY 9.27 billion, with a transfer of TRY 750 million by the Ministry. In 2021, the capital was raised from TRY 9.27 billion to TRY 10.8 billion, with a transfer of TRY 100 million from the Ministry. The latest transfer (of TRY 3.0 billion) was in February 2022.

description of the specific facilities provided under each of these areas of operation was notified to the WTO Committee on Subsidies and Countervailing Measures.⁹⁰

Table 3.17 Türk Eximbank overview, credits, loans, and export credit insurance, 2016-21

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|------|------|------|------|------|------|
| Total financial support (USD billion) | 33.5 | 39.5 | 44.5 | 44.2 | 45.7 | 46.0 |
| As a percentage of Türkiye's exports (%) | 23.1 | 25.0 | 26.3 | 24.4 | 26.9 | 20.4 |
| Total assets (USD billion) | 19.4 | 22.6 | 26.4 | 27.4 | 27.8 | 24.4 |
| Credits (short-, medium-, and long-term domestic credits) (USD billion) | 22.0 | 24.1 | 27.3 | 26.7 | 28.5 | 22.5 |
| International loans (USD billion) | 0.6 | 0.2 | 0.3 | 0.1 | 0.0 | 0.0 |
| Short-term export credit insurance (USD billion) | 11.0 | 15.0 | 16.7 | 17.3 | 17.1 | 23.5 |
| Medium- and long-term export credit insurance (USD billion) | 0.1 | 0.2 | 0.2 | 0.2 | 0.0 | 0.0 |

Source: Information provided by Türk Eximbank.

3.87. According to the authorities, Türk Eximbank's interest rates differ on a programme basis, but they are broadly in line with market rates. They indicate that the Bank may have a different risk appetite compared to private lenders, especially in times of economic turmoil, as seen during the COVID-19 pandemic. It can also offer customers niche products addressing their specific needs and provide finance with longer tenors than the private sector, while remaining in line with the OECD Arrangement on Officially Supported Export Credits.

3.88. During the review period, Türk Eximbank successively lowered lending rates for SMEs and exporters of high-tech products from 15.19% in August 2019 to 7.95% in November 2019 in order to strengthen their competitiveness.⁹¹ An export credit scheme for young entrepreneurs was launched in May 2019 together with Turk Is Bank, with preferential interest rates for eligible companies.⁹² The bank also launched an initiative in March 2019 to give loans through partner banks at preferential rates to female entrepreneurs; this initiative was expanded in May 2019 to include more partner banks and increased resources.⁹³

3.89. Other facilities introduced by Türk Eximbank over the review period, which have been notified to the WTO, were a Credit for Leasing Companies (put into effect in 2019), a Credit Program Based on the Insured Export Receivables (2020), a Participation Finance Investment Loan (2020), and a Letter of Guarantee Programme (2020).⁹⁴

3.90. In October 2021, the Export Development Corporation (IGE AS) was established, and in March 2022 it started operations.⁹⁵ It is owned by TIM (6%), Türk Eximbank (5%), exporters associations (68%), and banks (20%). It was developed to address the challenges certain small-scale exporters had in meeting their financing needs due to lack of collateral or capital. IGE AS has an equity backed guarantee system, and so is able to provide guarantees to beneficiaries through its own resources. This, in turn, this enables Türk Eximbank to provide credit to these exporters.

⁹⁰ WTO document G/SCM/N/372/TUR, 21 December 2021.

⁹¹ Global Trade Alert, *Turkey*. Viewed at: <https://www.globaltradealert.org/country/213>.

⁹² Global Trade Alert (2019), "Turkey: Incentives for Young Entrepreneurs from Turk Eximbank", 3 May. Viewed at: <https://www.globaltradealert.org/intervention/72027/trade-finance/turkey-incentives-for-young-entrepreneurs-from-turk-eximbank>.

⁹³ Global Trade Alert (2019), "Turkey: Turk Eximbank Provides Export Finance to Companies Owned by Women", 8 March. Viewed at: <https://www.globaltradealert.org/intervention/72018/export-subsidy/turkey-turk-eximbank-provides-export-finance-to-companies-owned-by-women>.

⁹⁴ WTO document G/SCM/N/372/TUR, 21 December 2021. The Letter of Guarantee Programme is not mentioned in the former notification.

⁹⁵ IGE AS. Viewed at: <https://ihracatigelistirme.com.tr/>.

3.3 Measures affecting production and trade

3.3.1 Incentives

3.3.1.1 Introduction

3.91. As of October 2022, Türkiye's legal framework on the control of state aid was still not operational. While Law No. 6015 on the Monitoring and Control of State Aid officially entered into force in 2010⁹⁶, the secondary legislation required for it to be effective has not yet been enacted. Law No. 6015 sets out provisions on state aid as well as the procedures and principles for monitoring such support. The Law does not apply to state aid in the agricultural, fishery, and services sectors.⁹⁷

3.92. State aid/incentives to Turkish businesses are covered in various parts of this report. Investment incentives are set out in Section 2.4.3. Support to exporters provided by the Ministry of Trade, either alone or together with exporters unions/other entities, is covered in Section 3.2.4.2. Export subsidies to agriculture (including some processed agricultural and fish products) are set out in Section 4.2.1, and tourism-related incentives are covered in Section 4.3.5 and as such are not repeated here. In addition, a range of incentives are also provided by the Scientific and Technological Research Institution of Türkiye (TÜBİTAK) for innovation, and R&D activities, and by the Turkish Small and Medium Enterprises Development and Support Administration (KOSGEB) to support SMEs (Sections 3.3.1.2 and 3.3.1.3).

3.3.1.2 TÜBİTAK support schemes

3.93. TÜBİTAK is the government agency charged with supporting the national science, technology, and innovation ecosystem; developing high value-added products and services with science-based technology; and ensuring the production of qualified knowledge and the development of qualified human resources for these purposes.⁹⁸ It falls under the overall responsibility of the Ministry of Industry and Technology. In 2022, it had an estimated budget of TRY 7,801,512,445 (TRY 8,806,446,045 at fixed prices), of which around 52% was provided in grants to support R&D and innovation-related activities. In 2016, a Technology Transfer Office within TÜBİTAK was created; it aims to protect the intellectual property rights of the institution, determine their commercialization processes, and manage the associated transfer processes.

3.94. Over the review period, changes to TÜBİTAK schemes included the launch or entry into operation of various grant facilities, namely: (i) the Artificial Intelligence (AI) Ecosystem call for grants, in 2022; (ii) the Tech-InvesTR Venture Capital Support Programme, in 2021; (iii) the SME Support Call for Order-based R&D Projects, in 2020; (iv) the Industrial Innovation Networks Mechanism (SAYEM) Call in 2018; and (v) grants under the Patent-based Technology Transfer Support Call, in 2020. In addition, thresholds for grant support have been expanded under the Industrial R&D Projects Grant Programme (from 60% to 75% of eligible expenses); the R&D Project Brokerage Events Grant Programme for events with at least one international participant (from TRY 40,000 to TRY 100,000); and the Entrepreneur Support Programme (initial seed capital increased from TRY 150,000 to 200,000 in 2018 and from TRY 200,000 to TRY 450,000 in 2022) and SME R&D Start-up Support Programme (increased from TRY 600,000 to TRY 1,200,000) (Table 3.18).

⁹⁶ Law No. 6015, *Official Gazette* (2010), No. 27738, 23 October.

⁹⁷ The text of this law was viewed at:

<https://www.invest.gov.tr/en/library/publications/lists/investpublications/public-private-partnerships-ga-and-legislation-in-turkiye.pdf>.

⁹⁸ TÜBİTAK. Viewed at: <https://www.tubitak.gov.tr/tr/kurumsal/hakkimizda/icerik-biz-kimiz>.

Table 3.18 Key features of TÜBİTAK support schemes

| Programme | Aim and beneficiaries | Support |
|---|--|---|
| Industrial R&D Projects Grant Programme | Support project-based research-technology development and innovation activities of SMEs; support entrepreneurship and university-industry cooperation; and increase research-technology capability, innovative culture, and competitiveness. Eligible beneficiaries: SMEs residing in Türkiye. | Grant support for R&D projects to produce a new product, develop and improve an existing product, raise the product quality or standard, or develop new techniques and new technologies that reduce costs. Provision of 75% of eligible project expenses (personnel, travel, equipment, software and publication purchases, materials and consumables, domestic and international consultancy services and other service procurements, and R&D service expenses incurred by R&D institutions). Grant amount: 2018: TRY 602,488,713; 2019: TRY 574,660,527; 2020: TRY 553,379,359; 2021: TRY 688,316,423; 2022-October: TRY 330,116,735 |
| R&D Project Brokerage Events Grant Programme | Bring together universities, research institutions, and industrial establishments to share new project ideas and collaborations in national or international R&D Project Brokerage Events. Eligible beneficiaries: universities, industry chambers, chambers of commerce, chambers of commerce and industry, and exporters associations. | Grant support. The upper limit is TRY 70,000 for events with all national participants and TRY 100,000 for events with at least one international participant. Grant amount: 2018: TRY 1,520,679; 2019: TRY 1,395,611; 2020: TRY 249,264; 2021: TRY 142,794; 2022-October: TRY 418,780. |
| University-Industry Collaboration Support Programme | Contribute to the production, dissemination, and commercialization of knowledge and technology generated by universities/public research centres and institutes by transferring such knowledge or technology to firms based in Türkiye as products or processes. Eligible beneficiaries: universities/public research centres and institutes, and private sector companies. | Grant support. TÜBİTAK funds 60% of the project budget for large firms and 75% for SMEs. In addition to the project budget a TRY 288,000 maximum project incentive prize is also paid to researchers. Grant amount: 2018: TRY 17,867,180; 2019: TRY 16,220,365; 2020: TRY 16,561,754; 2021: TRY 13,308,815; 2022-October: TRY 17,048,719. |
| SME R&D Start-up Support Programme | Increase the research-technology development capability, innovation culture, and competitiveness of SMEs. Eligible beneficiaries: SMEs. | Grant support to carry out R&D and innovation projects with high added value. Seventy-five percent of eligible expenditures are reimbursed by TÜBİTAK. Eligible expenses are personnel, travel, equipment, software and publication purchases, materials and consumables, domestic and international consultancy services and other service procurements, and R&D service expenses incurred by R&D institutions. Grant amount: 2018: TRY 255,495,454; 2019: TRY 207,231,879; 2020: TRY 118,240,541; 2021: TRY 116,489,336; 2022-October: TRY 65,108,179. |
| International Industrial R&D Projects Grant Programme | Support international collaborative R&D projects submitted to Eureka. Aims to increase companies' technical quality and knowledge; improve their access to technological knowledge at the international level; help them with technology transfer processes; and contribute to the participation of Turkish companies in international markets. Eligible beneficiaries: Turkish equity companies that conduct R&D activities. | Grant support for R&D projects costs. SMEs are eligible for 75% of a project's approved expenses, and large enterprises 60%. Supported expenses are personnel, travel, tools, equipment, software and publications, material and supplies, domestic and abroad consulting, and other R&D services. Grant amount: 2018: TRY 79,207,811; 2019: TRY 75,284,876; 2020: TRY 64,503,247; 2021: TRY 67,718,605; 2022-October: TRY 31,030,280. |
| Eureka-Eurostars | Support innovative SMEs to increase their innovation capacity and productivity and access global value chains and new markets through support to international R&D projects carried out between at least one Turkish entity and at least one entity from a Eurostars member country. Eligible beneficiaries: capital companies (SMEs and large enterprises), higher education institutions, public research centres and institutes, training and research hospitals, and research institutions. | Grant support by TÜBİTAK for R&D project costs (60% for large-scale companies, 75% for SMEs, and 100% for the others). Cofunding from European Commission. Supported expenses for companies are personnel, travel, tools, equipment, software and publications, material and supplies, domestic and abroad consulting, and other R&D services and overhead. Supported expenses for higher education institutions, public research centres and institutes, training and research hospitals, and research institutions are personnel, travel, institution share, tools, equipment, software and publications, material and supplies, domestic and abroad consulting and other R&D services and project promotion prize. Grant amount: 2022-October: TRY 908,000. |

| Programme | Aim and beneficiaries | Support |
|---|--|--|
| Entrepreneur Support Programme | (i) Encourage techno-entrepreneurship spirit; (ii) establish start-up companies that are internationally competitive, innovative, and capable of developing high-tech products and services; and (iii) increase the survival rate of technology-based new firms by providing seed capital, mentorship, and relevant business courses. Eligible beneficiaries: entrepreneurs who engage in technology and innovation-oriented initiative activities, with the required qualifications. | Grant of maximum TRY 450,000 seed capital by TUBITAK, following a first stage vetting/screening process undertaken by business accelerators (mostly Technology Transfer Offices (TTOs)) that also help entrepreneurs in business idea development and testing and with preparing the business plan to be sent to TUBITAK in accordance with the grant call. Grant amount: 2018: TRY 94,465,435; 2019: TRY 44,342,743; 2020: TRY 70,509,327; 2021: TRY 44,880,193; 2022-October: TRY 45,050,081. |
| Technology Transfer Offices Support Programme | Promote commercialization of academic research results; help universities benefit from support mechanisms; and promote academic entrepreneurship by improving the effectiveness of the TTOs as an interface. Eligible beneficiaries: TTOs resident in Türkiye, operating in universities or techno parks. | Annual grant. The amount is determined according to the annual performance of supported TTOs. They are tracked by performance indicators determined by the programme's executive board. The performance score varies between 40% and 80%; hence TTOs receive a minimum of 40% grant support towards their operating budgets. Grant amount: 2018: TRY 32,674,244; 2019: TRY 30,626,302; 2020: TRY 27,610,431; 2021: TRY 17,635,962; 2022-October: TRY 11,863,851. |
| Tech-InvesTR Venture Capital (VC) Support Programme | (i) Support early-stage technology-based firms; (ii) help commercialize R&D and innovation products of early stage technology-based enterprises; (iii) help create a VC ecosystem to support early stage technology-based initiatives; and (iv) provide experience and resources in VC in TTOs, Technology Development Zones (TDZs), and qualified Research Infrastructures (rIs). Eligible beneficiaries: (i) TTOs, TDZs, and rIs; and (ii) early stage technology-based SMEs operational for at least 10 years and that have received support from the public institutions and organizations for R&D and innovation projects. | Technology Development Zones (TDZs), Technology Transfer Offices (TTOs) and Research Infrastructures (rIs) participate as limited partners (LP) of venture capital funds managed by independently and focused on technology. TÜBİTAK supports 50% of TTO/TDZ/rI's contribution to VC funds in the form of grants for investments in early-stage technology-based companies located in Türkiye. In addition, 10% of the grant support is provided as overhead support. Grant amount: 2021 (first year of operation); TRY 3,206,173; 2022-October: TRY 1,701,112. |
| Frontier R&D Laboratory Support Programme | Enhance the research qualifications of Turkish scientists and ensure that Türkiye becomes a global attraction centre in certain scientific and technological areas. Eligible beneficiaries: Domestic and foreign companies/laboratories' R&D expenses in any year in last three years must have been at least TRY 15 million. | Grant support for personnel costs, consultancy and training costs; and general operating costs. Grant amount: 2018: TRY 1,384,001; 2019: TRY 2,222,983; 2020: TRY 2,073,641; 2021: TRY 15,166,980; 2022-October: TRY 11,080,047. |
| Capacity Building for Innovation & Entrepreneurship (I&E) Grant Programme | Support firms, universities, and NGOs to have new mechanisms for mentorship, training, brokerage events, investor readiness programmes, fundraising events, etc. Eligible beneficiaries: TTOs of universities, trusts, and capital companies. | Grant support determined by calls. In 2022, two calls were planned (see below). Unless stated in the call, maximum duration of a project is three years. (i) Mentor Interface (BIGG +) Call: grant of 100% of costs of expenses, service purchases, and general expenses; and (ii) Entrepreneur Support Program (BIGG). BIGG Mediators prize is paid per entrepreneur supported if entrepreneurs are supported by TUBITAK. Grant amount: 2018: TRY 30,699,010; 2019: TRY 28,247,260; 2020: TRY 12,280,515; 2021: TRY 11,076,845; 2022-October: TRY 5,863,887. |
| Patent Support Programme | Increase the number of national and international patent applications from Türkiye. Eligible beneficiaries: Turkish citizens, resident companies, universities, public institutions, and organizations. | Grant support under three schemes: International Patent Application Support: grant support for WIPO application and research fee (fee is fully paid if applicants use TürkPatent as the international search authority and half the fee is paid in other cases). International Patent Examination Report Support: grant support for fees for patent application examination reports previously supported by the International Patent Application Support scheme. International Patent Grant Prize: prize paid to patent applications that took the International Examination Report support if patents are granted. Grant amount: 2018: TRY 35,641,282; 2019: TRY 3,226,739; 2020: TRY 663,234; 2021: TRY 647,866 2022-October: TRY 17,094,491. |

| Programme | Aim and beneficiaries | Support |
|---|--|---|
| Patent-based Technology Transfer Support Call | Support the transfer and commercialization of patented technologies developed by higher education councils, RIs, public enterprises, public research centres and institutes, and early-stage technology companies, because of scientific R&D and innovation activities to the capital companies located in Türkiye by licensing or assignment methods. Eligible beneficiaries: capital companies located in Türkiye with a technology provider partner. | Grant support under three schemes: (i) Establishment support: maximum TRY 4,000,000 for licence/assignment fees and training and consultancy support. (ii) Licence/assignment support: Up to 25% of total budget, with the following additions: 15% if the client is a SME; 15% if the patent is high technology; 10% in the case of registration of patent in the European Patent Office (EPO), the United States Patent Office (USPTO), the Japan Patent Office (JPO), the China National Intellectual Property Administration (CNIPA), formerly the State Intellectual Property Office (SIPO), or the Korean Intellectual Property Office (KIPO); and 10% if there is a bundle of patents in the licence agreement. The licence/assignment fees are supported. (iii) Training and consultancy support: 75% for SMEs and 60% for large companies Grant amount: 2022-October: TRY 630,449. |
| SME Support Call for Order-based R&D Projects | Direct SME R&D activities to areas that have a higher possibility of commercialization; reinforce cooperation of industrial organizations for R&D; transfer project management knowledge to SMEs; encourage public and private funding for R&D; and support emergence of spin-offs. Eligible beneficiaries: SMEs residing in Türkiye; in the project application, at least two enterprises (one client and one supplier organization) should come together for the purposes of project development through R&D. | Grant support contributes to the project's R&D costs. Covers 40% of the project expenses (or 50% if the supplier is an entrepreneur organization that has previously received support from BIGG). Supported expenses include personnel expenses; travel expenses; machinery, equipment, software, and hardware materials; material expenses; consulting and other services procurements; and overhead (only for BIGG suppliers). Grant amount: 2021: TRY 4,188,579; 2022-October: TRY 9,478,318. |
| Industrial Innovation Networks Mechanism (SAYEM) Call | Develop networks between private sector firms, end users, TDZs, and public research institutes and universities within the framework of the SAYEM funding mechanism, to encourage co-creation of high value-added products and technologies for the market. Eligible beneficiaries: Universities/public research centres and institutes, and private sector companies. | Grant support for implementing the R&D and innovation activities in two phases: (i) establishing models of cooperation and networks based on a "product/commercialization roadmap"; and (ii) implementing the R&D activities in the roadmap. Support covers personnel; travel; consultancy; publication; meeting, publicity, and organization; and material and instruments, and expenses. Grant amount: 2020: TRY 1,778,774; 2021: TRY 567,538; 2022-October: TRY 18,858,150 |
| Artificial Intelligence (AI) Ecosystem Call | Assist companies needing AI solutions to form consortiums with partner providers (at least one company as technology provider, at least one university research laboratory/centre or public research centre/institute experienced in this field, and TÜBİTAK Artificial Intelligence Institute). Eligible beneficiaries: companies needing AI solutions and university research laboratories/centres or public research centres/institutes. | Grant support. For SMEs, 70% of eligible project expenses of technology provider; 60% for non-SMEs; and 100% for university research laboratory/centres or public research centres/institutes. Supported expenses include personnel; travel; machinery, equipment, software, and hardware purchase; materials; and consulting and other service procurements. Twenty percent of micro-scale SMEs' overheads (i.e. Support personnel to carry out supported activities, electricity, water, heating, maintenance-repair, communication, rent, stationery, consumables, furnishings etc. expenses) are covered. 2022 October: TRY 0. |
| Center of Excellence Support Programme | Encourage specialized RIs to become R&D hubs in critical technology areas. Eligible beneficiaries: accredited research centres established through public funds, research centres of "Research Universities", public R&D units and private sector R&D/design centres. At least five enterprises should come together. | Grant support towards research programme budget (covers machinery, equipment, software support, staff salary support, and consumable materials). Budget support for universities, RIs, and public institutions is 100%. For the private sector, budget support is 75%-60%, depending on whether the beneficiary is small-scale or large-scale. Grant support: 2018: TRY 2,660,732; 2019: TRY 0; 2020: TRY 49,815,486; 2021: TRY 235,712,944; 2022 October TRY: 85,921,459. |

Note: Grant amount is given at fixed prices for 2022.

Source: WTO document G/SCM/N/372/TUR, 21 December 2021; TÜBİTAK. Viewed at: <https://www.tubitak.gov.tr/tr/destekler/sanayi/ulusal-destek-programlari>; and information and updated figures provided by the authorities.

3.3.1.3 KOSGEB support schemes

3.95. KOSGEB is a Turkish state-owned organization, established in 1990, that aims to increase SMEs' share in the economy and help them develop their businesses. SMEs are eligible to benefit from KOSGEB's programmes if they employ fewer than 250 staff and have either an annual net sales revenue or balance sheet total of maximum TRY 250 million (increased from TRY 125 million in 2018 and TRY 40 million in 2012). KOSGEB's activities follow the objectives set in its Strategic

Plan (2019-23). These include: (i) increasing R&D, and innovation activities and ensuring that high technology is spread to the base through domestic and national SMEs; (ii) establishing successful businesses and disseminating entrepreneurship, with a focus on high-tech and manufacturing; and (iii) developing/encouraging SMEs' production and management skills, collaboration capacity, productivity, exports, institutionalization, and branding. In 2022, KOSGEB had an estimated budget of TRY 10,374.2 million, of which around 89.8% was provided in support programs for SMEs. Out of KOSGEB 2022 revised budget, TRY 1,314,500,000 was provided in grant supports, TRY 324,162,000 in reimbursed supports, TRY 167,557,000 in loan interest support, and TRY 7,510,060,000 through the Rapid Support Program for Micro and Small Enterprises.

3.96. KOSGEB's support programmes fall under five overarching programmes as well as the COVID-19-related Rapid Support Program for Micro and Small Enterprises (Table 3.19). Eligible beneficiaries of these schemes are SMEs registered and active with KOSGEB. As indicated by the authorities, while supports are available to all SMES, the manufacturing sector is the main beneficiary in practice. Key changes introduced to KOSGEB schemes since January 2016 have included: (i) the implementation of the Green Transformation Support Program in 2022 under the SME Development Support Programme; (ii) revisions to the ISGEM/TEKMER programme in 2019; (iii) the launch of the Traditional and Advanced Entrepreneur Support Programmes in 2019; (iv) expansion of the SME Development Support Programme from 2019 to SMEs which are both technology suppliers and users of smart digital technologies; (v) the launch of the SME Finance Support Programme in 2018; (vi) the launch of the Vegetables and Fruits Cold Chain Leasing Support Programme in 2018; and (vii) the implementation of the Strategic Product Support Programme in 2017.

Table 3.19 Key features of KOSGEB support schemes, 2022

| Programme | Aims | Support |
|--|--|--|
| 1. Entrepreneurship support | | |
| Traditional Entrepreneur Support Programme | Increase the survival rate of new businesses established by entrepreneurs. | Grant support for establishment, performance, and certification. Value of support: 2019: TRY 19,987,090; 2020: TRY 76,986,125; 2021: TRY 146,396,905; 2022: TRY 154,697,305. |
| Advanced Entrepreneur Support Programme | Increase the survival rate of new businesses established by entrepreneurs which are in sectors determined in line with national strategic priorities. | Grant support for establishment; performance; certification; mentoring, consulting, and business coaching; and purchase of machinery equipment and software. Value of support: 2019: TRY 226,249,000; 2020: TRY 476,112,507. Data not available for 2021 and 2022. |
| 2. R&D and technological production supports | | |
| R&D, Product Development and Innovation Support Programme ^a | Support SMEs/entrepreneurs to develop new products, processes, information, and/or services. | Grant and reimbursable loan. Value of support: 2021: TRY 14,235,648.75; 2022: TRY 112,985,096.88. R&D, Innovation and Industrial Implementation Programme 2018: TRY 68,098,587.59; 2019: TRY 85,987,038.54; 2020: TRY 83,144,697.39; 2021: TRY 97,493,906.25; 2022: 43,492,434.31. |
| SME Technological Product Investment Support Programme | Support the production and commercialization of products resulting from R&D/innovation activities and contribute to the current account to support the investments to be made by domestic enterprises. | Grant and reimbursable loan. Value of support: 2018: TRY 1,955.40; 2019: TRY 86,418,246.98; 2020: TRY 152,984,168.23; 2021: TRY 100,860,890.21; 2022: TRY 36,363,534.64. |
| Strategic Product Support Programme | Support investments for products in medium-high-technology and high-technology industries that have critical importance and high future potential for Türkiye. The Programme is linked with the Ministry of Industry and Technology's Technology-Orientated Industry Movement Programme. | Grant and reimbursable loan. Value of support: 2018: TRY 1,341,169.19; 2019: TRY 129,922,980.60; 2020: TRY 77,442,927.10; 2021: TRY 41,688,092.68; 2022: TRY 9,521,530.83. |
| 3. Enterprise development, growth and internationalization supports | | |
| Cooperation Support Programme | Enhance co-work culture between SMEs and/or between SMEs and large-sized enterprises to: (i) increase capacity, efficiency, product variety, and quality; (ii) meet customs/market demands; (iii) increase market share and create brand image; and (iv) develop capacity and participate in value chains. | Grant and reimbursable loans, with amounts differing depending on the cooperation partnership model used. Value of support: 2018: TRY 9,488,250; 2019: TRY 4,145,471; 2020: TRY 37,005,072. Data not available for 2021 and 2022. |

| Programme | Aims | Support |
|--|--|---|
| KOBİGEL SME Development Support Programme | Help increase the shares and activities of SMEs in the economy. | Grant and reimbursable loan. Value of support: 2018 TRY 257,364,661; 2019: TRY 495,760,995; 2020: TRY 110,150,149; 2021: TRY 83,597,341.27; 2022 (until 31/10/2022): TRY 78,339,853.88. |
| SME Development Support Programme | Increase low-capacity SMEs to prepare projects in the sectors KOSGEB supports; enable SMEs to produce high-quality goods/services; encourage general enterprise development activities of SMEs; and promote marketing activities to expand SMEs' domestic and international market shares. | Grant support for business development; participation in domestic fairs; overseas business trips; employment of qualified staff; design; industrial property rights; certification; testing and analysis; energy-efficient electric motor replacement; independent evaluation; creating model factories; and technical consulting. Value of support: 2018: TRY 311,897; 2019: TRY 150,382,370; 2020: TRY 285,951,406; 2021: TRY 412,024,685; 2022: TRY 277,673,822. |
| International Accelerator Support Programme | Support the establishment of an international incubation centre and participation of companies in acceleration programmes to increase exports. | Grant support for a variety of project costs. Value of support: 2018: TRY 4,320,409; 2019: TRY 3,656,011; 2020: TRY 1,421,143. |
| Foreign Market Support Programme | Develop the number and capabilities of SMEs to enter foreign markets, and participate in e-commerce. | Grant support for a variety of business expenses. Value of support: 2020: TRY 7,337,882.33; 2021: TRY 47,958,488.97; 2022 (until 31/10/2022): 53,761,465.55. |
| 4. SME finance supports | | |
| SME Finance Support Programme | Access to finance. | Covers expenses incurred by SMEs with respect to working capital loans, machinery equipment loans, and emergency support loans taken with banks/other financial institutions. |
| Vegetables and Fruits Cold Chain Leasing Support Programme | Reduce vegetable and fruit loss in the cold chain process. | Contribution to the leasing interest/profit share costs for domestic products and investments in air cooling units and frigorific units. |
| 5. ISGEM/TEKMER (incubators) programmes | | |
| ISGEM /TEKMER programme | Supports the establishment and operation costs of an incubator that will provide incubation services for enterprises that will have priority in national plans and programmes. | Grant and reimbursable loan for project/business expenses. Value of support: 2019: TRY 274,400; 2020: TRY 95,691; 2021: TRY 2,684,091; and 2022: TRY 10,700,979. |
| 6. Rapid Support Program for Micro and Small Businesses | | |
| Rapid Support Program for Micro and Small Businesses | Ensure micro and small enterprises in manufacturing and its complementary priority sectors and some service and trade sectors where COVID-19 impact is high, maintain their activities and employ new personnel while maintaining previous average employment levels. | Interest-free loan of TRY 100,000, with a 24-month grace period for repayments for each new employee hired (or TRY 110,000 for each new employee if the owner of the business is a woman), or 51% or more of the business is owned by a single female partner, or if the hired staff is female. Micro enterprises can employ up to two persons and small enterprises, up to five. Does not apply to employment of foreign nationals. |

a The R&D, Product Development and Innovation Support Programme was implemented as the R&D, Innovation and Industrial Application Programme until 2021.

Source: WTO document G/SCM/N/372/TUR, 21 December 2021; KOSGEB. Viewed at: <https://www.kosgeb.gov.tr/site/tr/genel/destekler/3/destekler>; Turkish Union of Chambers and Commodity Exchanges. Viewed at: <https://www.ytso.org.tr/en/news/quick-support-program-for-micro-and-small-businesses> and https://osmanbaba.net/en/news/ddc1fd43-218c-4271-a8f1-d78ae6fa400b_harran-university/b5c3ff32-a35d-444f-b8d2-df747a354342_quicksupport-presentation-to-ito-members; and information provided by the authorities.

3.97. Over the review period, KOSGEB also digitalized all support processes, implemented a monitoring and evaluation system for its support programmes, and established a KOSGEB e-Academy to give free-of-charge entrepreneurship trainings. Since 2020, KOSGEB has no longer provided laboratory services; these are now provided by the Turkish Standards Institution.

3.3.1.4 WTO notifications on subsidies

3.98. In 2021, Türkiye notified its support programmes to the Committee on Subsidies and Countervailing Measures.⁹⁹ This notification lists several of the KOSGEB and TÜBİTAK schemes contained in Tables 3.18 and 3.19, together with details on Türk Eximbank's facilities, export subsidies for agricultural products, and support to the fisheries and maritime transport sectors.

⁹⁹ WTO document G/SCM/N/372/TUR, 21 December 2021.

3.99. Support to the fisheries and maritime transport sectors takes the form of a zero-rated Special Consumption Tax (SCT) on marine fuels, namely diesel and fuel oil applied since 2003 (Section 3.1.4.2). The stated aim of the measure is to maximize the potential of seas surrounding Türkiye and ease the burden on land transportation. In accordance with Presidential Decree No. 2728 of 9 July 2020, eligible beneficiaries of the tax reduction are vessels registered in the Turkish national and international ship registries; vessels carrying cargo and passengers or servicing the cabotage line; and commercial yachts and fishing vessels.

3.100. Additional fisheries support measures fall under the annual fisheries support programme. The programme comprises: (i) support for traditional coastal and artisanal fisheries in the form of grant subsidies; (ii) an aquaculture support programme (grant subsidies); (iii) a support programme for puffer fish elimination (grant subsidies); (iv) zero-rated SCT for marine fuels for fishing vessels (see above); and (v) discounted investment and operational loans from the Ziraat Bank (Agricultural Bank).

3.3.2 Standards and other technical requirements

3.3.2.1 Legal and institutional framework

3.101. The Ministry of Trade (previously the Ministry of Economy) has overall responsibility for coordinating the adoption/revision/elimination of technical regulations in Türkiye with the responsible government bodies, as well as to harmonize Türkiye's horizontal legislation on technical regulations with that of the European Union.

3.102. The Turkish Standards Institution (TSE) is the national standards setting body, and since 2020 has taken on KOSGEB's responsibilities for providing laboratory services. The Turkish Accreditation Agency (TURKAK), which falls under the Ministry of Foreign Affairs, is Türkiye's accreditation body. It is responsible for evaluating the competency and capacity of entities providing services in the areas of certification, inspection, testing, and calibration. A new Halal Accreditation Agency was established in 2018 to accredit halal conformity assessment bodies.¹⁰⁰ Türkiye's Conformity Assessment Association (UDDer) is the umbrella organization for national conformity assessment bodies.

3.103. Several government ministries and agencies have a role in implementing laws and regulations on products subject to technical regulations and for undertaking market surveillance (Box 3.2). There were various changes to the names and responsibilities of these Ministries following a government reorganization in 2018 (Section 2.1).

Box 3.2 Government bodies and their areas of activity on TBT matters

| | |
|--------------------------------------|---|
| Ministry of Industry and Technology | ATEX products (electric motors, compressors, lighting installations, control and communication devices, listening, monitoring and search devices, flame arresters, extinguishing barriers, flameless explosion and evacuation devices, flameproof enclosures, pressure and explosion protection panels, extinguishing systems, cableway etc.), lifts, aerosol dispensers, pressure equipment, gas appliances, machinery, motor vehicles, explosives for civil use, transportable pressure equipment, hot-water boilers, measuring instruments, pre-packaged products, batteries, and accumulators |
| Ministry of Trade | Detergents, toys, chemical products, childcare products, products in the non-harmonized area (such as ready-to-wear clothing, textiles and footwear, decorative articles, furniture and hand tools, gadgets, hobby and sports equipment, kitchen/cooking accessories, lighters, stationery, children's equipment, imitation foods) |
| Ministry of Health | Cosmetics, medical devices |
| Ministry of Agriculture and Forestry | Foodstuffs, food contact materials, feed, fertilizers, plant protection products, medical products for veterinary use, tobacco products, and ethyl alcohol |

¹⁰⁰ Law No. 7060, *Official Gazette* (2017), No. 30244, 18 November. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2017/11/20171118-40.htm>.

| | |
|--|---|
| Ministry of Environment, Urbanization and Climate Change | Construction products, wastes, certain chemicals, metal scraps, solid fuels |
| Information and Communication Technologies Authority | Radio and telecommunication terminal equipment |
| Ministry of Family, Labour and Social Services | Personal protective equipment |
| Ministry of Transportation and Infrastructure | Recreational crafts, marine equipment |
| Energy Market Regulatory Authority | Fuels |

Source: Ministry of Trade. Viewed at: <https://www.trade.gov.tr/legislation/product-safety-and-technical-regulation/general-rules-and-procedures-on-technical-regulations-and-standarts>.

3.104. There were several changes to the legal and regulatory framework for technical regulations over the review period. The Product Safety and Technical Regulations Law (Law No. 7223) entered into force in March 2021.¹⁰¹ This replaces previous legislation (Law No. 4703 on the Preparation and Implementation of Technical Legislation of Products¹⁰²) and transposes EU rules on harmonized products as set out in Regulation (EU) 2019/1020, Regulation 765/2008/EC, Decision 768/2008/EC, Regulation 2019/515, Directive 2001/95/EC, and Directive 2015/1535/EU. Law No. 7223 covers general product safety, conformité européenne (CE) marking, conformity assessment procedures, conformity assessment bodies and notified bodies, inspection market surveillance, and fines. Among the changes introduced by the new law are: (i) definition and clarification of the responsibilities of the economic operators in accordance with the current EU legislation; (ii) introduction of mandatory product recall for unsafe products; (iii) regulation of e-commerce with a perspective of product safety; (iv) blocking-off the content in case of a non-compliant products sold online; (v) product liability; (vi) traceability; (vii) improved notification of risks and measures; and (viii) administrative fines in accordance with the gravity of the noncompliance.

3.105. Law No. 7223 (Article 24) provides for implementing regulations to be enacted in the areas of market surveillance and inspection, "CE" marking", conformity assessment bodies, and notified bodies; procedures and principles regarding notifications; procedures and principles regarding conformity assessment methods; prevention of technical barriers to trade; harmonization of technical regulations; market surveillance and control in electronic commerce; general product safety and other issues relating to implementation of the law. A transition period allows for the continued application of old implementing regulations until new ones are adopted. As of mid-October 2022, the following implementing regulations were in force:

- The Regulation on the "CE" Marking.¹⁰³ This specifies the rules and procedures for affixing the CE marking on products and its use;
- The Framework Regulation on Market Surveillance and Inspection of Products (Section 3.3.2.5);
- The Regulation on Conformity Assessment Bodies and Notified Bodies.¹⁰⁴ This sets out minimum qualifications, operational rules and procedures, and notification to the relevant parties, in accordance with Türkiye's international obligations and procedures of the conformity assessment bodies that inspect, test, and certify the conformity of a product with the relevant technical legislation;

¹⁰¹ Product Safety and Technical Regulations Law. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2020/03/20200312-1.htm>.

¹⁰² Law No. 4703 on the Preparation and Implementation of Technical Legislation of Products.

¹⁰³ *Official Gazette* (2021), No. 31493, 27 May. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2021/05/20210527-2.pdf>.

¹⁰⁴ *Official Gazette* (2021), No. 31493, 27 May.

- The Regulation on Conformity Assessment Methods.¹⁰⁵ This sets out the procedures and principles for use of modules specifying the conformity assessment methods to be applied;
- The Regulation on the Notification of Technical Legislation and Standards between Turkey and the European Union (existing regulation that entered into force in 2012 applies). This sets out the principles and procedures for notification of technical legislation and standards to the European Union and for the transmission of the notifications received from the European Union to the Turkish public authorities;
- The Regulation on Mutual Recognition in the Non-Harmonized Area.¹⁰⁶ This lays down the rules and procedures concerning the application of mutual recognition principle ensuring the free movement of goods which are not subject of EU harmonization or some aspects of which are not covered by EU harmonization, within the scope of the Türkiye-EU Customs Union; and
- The Regulation on General Product Safety.¹⁰⁷ This sets out the rules and procedures to ensure safety of consumer products where there are no specific technical regulations or where the relevant technical regulation does not consist of provisions regarding human health and safety or does not cover provisions on certain risks or risk categories.

3.106. The Ministerial Decree on the Regime Regarding Technical Regulations was replaced by the Presidential Decree on the Regime Regarding Technical Regulations in September 2022 with the aim of clarifying the implementation of certain provisions of Law No. 7223. The new decree contains mostly the same provisions as the old decree. Both identify the procedures and principles of adaptation of technical legislation to international trade and implementation thereof, authorize the Ministry of Trade to identify the authorities in charge of import and export controls, and prevent the import and export of products that are not safe and that do not comply with their technical regulations. They both authorize the Ministry of Trade to carry out activities to avoid technical barriers to international trade and to coordinate the legislation, policies, and implementation regarding technical regulations and to control and ensure conformity of those regulations to international obligations. The new decree refers to Law No. 7223 regarding the responsibilities of the exporter and importer. It stipulates that the products that are exported or intended to be exported to countries other than the EU member States are also safe, shall not be subject to an adulteration and marking, and that labelling and documentation of the product shall be made in the way not to mislead buyers. The new decree also authorizes the Ministry of Trade to apply administrative fine in case of contrary action.

3.3.2.2 Standards

3.107. As of November 2022, Türkiye had 37,807 voluntary standards in place, which include standards based on/harmonized with international or regional (European) standards. The economic activities for which there are the most voluntary standards are the chemistry, machinery, electronics, and construction sectors.

3.3.2.3 Technical regulations

3.108. Türkiye has continued to align sector-specific EU directives into Turkish laws and regulations under the "harmonized" areas, i.e. those where there are common technical regulations regulating the common market. After the European Union adopts technical legislation under the scope of Türkiye-EU Customs Union, Türkiye prepares its own national legislation harmonizing the related EU legislation. The competent authority preparing the legislation asks the opinion of all related parties and, where necessary, adds national adaptations for implementation to the draft at the end of this public consultation process. Then Türkiye sends its draft to the European Commission for opinion exchange. At this stage, the draft is also notified to the WTO. After the receipt of the positive opinion of the Commission, "a statement declaring that Turkish legislation is in line

¹⁰⁵ *Official Gazette* (2021), No. 31493, 27 May.

¹⁰⁶ *Official Gazette* (2021), No. 31421, 12 March. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2021/03/20210312-3.htm>.

¹⁰⁷ *Official Gazette* (2021), No. 31420, 11 March. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2021/03/20210311-18.htm>.

with EU legislation" is signed by representatives of Türkiye and the European Union in the Türkiye-EU Customs Union Joint Committee.

3.109. As indicated in the previous Review, Türkiye's technical regulations in non-harmonized areas are based on international standards as well as product-specific requirements when deemed necessary. Mutual recognition clauses incorporated into these technical regulations enable the free circulation of goods between Türkiye and the European Union.¹⁰⁸ According to a recent European Parliament briefing, non-harmonized products represent around one third of the non-food products on the EU market.¹⁰⁹ In the non-harmonized areas, the rights and obligations of economic operators supplying goods to the EU market from Türkiye stem from the Customs Union.

3.3.2.4 Conformity assessment and inspection

3.110. The import control system of Türkiye relies on product-specific communiqués for the rules, conditions, and required documents for different product groups to be imported into Türkiye. These are updated annually and are listed in Table A3.5. Türkiye's risk-based electronic control system TAREKS is used to undertake safety checks on certain products (Section 3.1.1.1). According to the European Commission, Türkiye's product safety controls on imported goods processed through TAREKS may require additional documentation and information for products coming from the European Union.¹¹⁰ Over the review period, specific trade concerns (STCs) were raised by the United States, and later by Mexico and Canada, regarding Türkiye's inspection requirements on toys.¹¹¹ In the context of this Review, the authorities indicate that relevant test reports are demanded only if the EU Declaration of Conformity lacks the required information. With respect to safety controls on imports of toys, the authorities indicate that following risk analysis under TAREKS, inspections are conducted as document/marketing checks. Products are sent to accredited laboratories only when the product is lacking relevant documents and laboratory testing is only done on an exceptional basis.

3.3.2.5 Market surveillance

3.111. Domestic and imported products are subject to market surveillance to ensure products' safety; this is carried out by the nine public ministries/authorities that have regulatory authority for specific products (Box 3.2). Reportedly, most inspections are undertaken within the framework of annual programmes. In addition, reactive market surveillance is also carried out based on external complaints from consumers and the media and EU alert system for dangerous products (RAPEX) notifications.¹¹²

3.112. A Framework Regulation on Market Surveillance and Inspection of Products was issued in 2021 as an implementing regulation under the Product Safety and Technical Regulations Law; it provides the legal framework for market surveillance activities in Türkiye.¹¹³ This replaces the previous regulatory framework and was prepared to be in line with EU legislation (Regulation (EU) No. 2019/1020 on the Compliance of Products and Market Surveillance of the European Parliament and the Council). The new regulation aims to ensure that only compliant products that fulfil requirements providing a high level of protection of public interests are placed on the market or put

¹⁰⁸ The Commission encourages member States to insert a clear and unambiguous "single market clause" in national technical regulations as such: "Goods lawfully marketed in another Member State of the European Union or in Türkiye, or originating and lawfully marketed in an EFTA State that is a contracting party to the EEA agreement are presumed to be compatible with this measure and that the application of this measure is subject to Regulation". Türkiye incorporated this clause into its legal order in 2021 by the Turkish Regulation on The Mutual Recognition in the Non-Harmonized Area. Commission Communication COM(2017) 787 final of 19 December 2017, *The Goods Package: Reinforcing Trust in the Single Market*. Viewed at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52017DC0787&from=EN>.

¹⁰⁹ European Parliament (2022), *EU Legislation in Progress: General Product Safety Regulation*. Viewed at: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/698028/EPRS_BRI\(2021\)698028_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/698028/EPRS_BRI(2021)698028_EN.pdf).

¹¹⁰ European Commission (2022), *Türkiye 2022 Report*. Viewed at: https://neighbourhood-enlargement.ec.europa.eu/turkiye-report-2022_en.

¹¹¹ WTO ePing. Viewed at: <https://eping.wto.org/en/TradeConcerns/Details?imsId=473&domainId=TBT>.

¹¹² Ministry of Trade. Viewed at: <https://www.trade.gov.tr/legislation/product-safety-and-technical-regulation/general-rules-and-procedures-on-technical-regulations-and-standards>.

¹¹³ *Official Gazette* (2021), No. 31537, 10 July. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2021/07/20210710-21.pdf>.

into service. It clarifies the duties, powers, and responsibilities of competent authorities. The Ministry of Trade submits an annual surveillance report to the European Commission.

3.113. In its 2022 report on enlargement policy with respect to Türkiye, the European Commission expressed concerns that market surveillance is not performed based on risk assessment given the low number of non-safety findings; surveillance of e-commerce is limited, particularly in light of an increase in online shopping; and there may be enforcement shortcomings with respect to enforcement of product safety legislation as administrative fines and measures appear not to be applied consistently on unsafe products.¹¹⁴ In the context of this Review, the authorities note that the Product Safety and Technical Regulations Law (Law No. 7223) has new provisions with respect to e-commerce (Section 3.3.2.1) and a draft implementing regulation on market surveillance of products placed on the market through means of distance communication has been prepared. They also note that through Law No. 7223 administrative fines and measures have been revised to be more deterrent, and these are re-evaluated annually.

3.3.2.6 Labelling requirements

3.114. Over the review period, Türkiye notified new or revised labelling requirements for food; various heating devices; energy labelling of light sources, electronic displays, household dishwashers, and refrigerating appliances; tyres; household washing machines and household washer-dryers; and tobacco products.¹¹⁵ The Republic of Korea raised a specific concern in the WTO Committee on Technical Barriers to Trade (TBT Committee) regarding non-notification to the WTO of energy labelling regulations in 2021, and requested a transition period for implementation or an alternative approach to enable manufacturers to comply with these requirements.¹¹⁶

3.115. Other non-notified labelling requirements introduced since 2016 include: (i) a new obligation for labels and price lists of goods offered for retail sale to include a "domestic production logo" if the goods are produced within Türkiye¹¹⁷; and (ii) the introduction of a voluntary environmental label system in 2018.¹¹⁸

3.3.2.7 WTO and bilateral agreements

3.116. The General Directorate of Product Safety and Inspection within the Ministry of Trade is Türkiye's national enquiry point under the WTO Agreement on Technical Barriers to Trade. Each public authority (Box 3.2) in its area of responsibility assesses the draft technical legislation to determine whether a notification is necessary. Between January 2016 and 19 October 2022, Türkiye made 130 notifications to the WTO TBT Committee (excluding revisions and addenda). In addition to the STCs raised in the TBT Committee relating to energy labelling and import inspections on toys (see above), the United States raised an STC regarding new requirements introduced by the Ministry of Health for cosmetics products, their lack of notification, and the negative impact on US exports of these products to Türkiye by underlying new requirements for cosmetics products via changes to the requirements for submission of product registrations through a new online filing system (the Product Tracing System).¹¹⁹ In the context of this Review, the authorities note that the Product Tracing System was cancelled as of January 2021. They also pointed out that cosmetic regulation is among the areas where harmonization with the EU legislation is continuing as a requirement of the Türkiye-EU Customs Union Agreement. In this regard a draft Communiqué on Cosmetic Product and a draft Communiqué on Cosmetic Products have been notified to the EU Commission and there is an

¹¹⁴ European Commission (2022), *Türkiye 2022 Report*. Viewed at: https://neighbourhood-enlargement.ec.europa.eu/turkiye-report-2022_en.

¹¹⁵ WTO documents G/TBT/N/TUR/73 13/1/2016 and G/TBT/N/TUR/73/Add.1 14 December 2021; G/TBT/N/TUR/192, 30 November 2021; G/TBT/N/TUR/193 30 November 2021; G/TBT/N/TUR/180, 31 March 2021; G/TBT/N/TUR/181, 1 April 2021; G/TBT/N/TUR/173, 1 March 2021; G/TBT/N/TUR/176, 1 March 2021; G/TBT/N/TUR/178, 1 March 2021; G/TBT/N/TUR/166, 26 February 2021; G/TBT/N/TUR/170, 26 February 2021; G/TBT/N/TUR/166, 26 February 2021; G/TBT/N/TUR/147, 7 March 2019, G/TBT/N/TUR/147/Add.1, 3 July 2019 and G/TBT/N/TUR/147/Add.2, 14 July 2021.

¹¹⁶ WTO ePing. Viewed at: <https://eping.wto.org/en/TradeConcerns/Details?imsId=684&domainId=TBT>.

¹¹⁷ Communiqué on the use of the domestic production logo on the price label, *Official Gazette* (2018), No. 30556, 5 October 2018, as amended by *Official Gazette* (2019), No. 30844, 27 July.

¹¹⁸ Environmental Label Regulation, *Official Gazette* (2018), No. 30570, 19 October. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2018/10/20181019-19.htm>.

¹¹⁹ WTO ePing. Viewed at: <https://eping.wto.org/en/TradeConcerns/Details?imsId=603&domainId=TBT>.

ongoing process with the European Union about Türkiye's harmonization. Türkiye also notified a draft Implementing Regulation on Cosmetic Products to the WTO in 2021.¹²⁰

3.117. As indicated in the previous Review, Türkiye's policy is to sign technical cooperation agreements with its important export partners with the aim of removing technical barriers.¹²¹ Over the review period, new agreements were signed with the Kyrgyz Republic (in 2019)¹²², Uzbekistan (in 2021)¹²³, and Kazakhstan in October 2022.

3.3.3 Sanitary and phytosanitary requirements

3.3.3.1 Legal and institutional framework

3.118. The Ministry of Agriculture and Forestry (MAF) (formerly the Ministry of Food, Agriculture and Livestock) is the competent authority in the food safety, veterinary, and phytosanitary fields. The General Directorate of Food and Control is the main central service unit of the Ministry in charge of controlling and regulating the food safety, veterinary, and phytosanitary sectors.¹²⁴

3.119. The main legal framework in Türkiye for ensuring food safety from field/farm to table is Law No. 5996 of 13 June 2010 on Veterinary Services, Plant Health, Food and Feed.¹²⁵ As indicated in Türkiye's previous Review, the Law sets out provisions on human life and health; food and feed; plant health; and animal health, welfare, and zootecnics. The main elements of the Law provide for the control of contagious diseases; identification and registration of animals; animal welfare; veterinary health product approval; control of harmful organisms; food and feed safety; food codex, labelling, and traceability; hygiene for food establishments; official controls; and penal provisions.¹²⁶ Law No. 5996 was amended several times over the review period. More than 200 secondary legislation arrangements have been made under Law 5996.¹²⁷

3.120. Turkish Food Codex is a framework legislation that determines the national standards on minimum technical and hygiene criteria for food and food contact substances and materials, the maximum residue levels for plant protection products and veterinary drugs, food additives, contaminants, sampling, packaging, labelling, transportation, storage, and analysis methods. The authorities indicate that Turkish Food Codex is prepared by taking into account the needs of Türkiye based on the EU *acquis*, FAO/WHO standards, and internationally accepted scientifically based approaches, and the legislation is updated as a result of the scientific assessment of the determined criteria, taking into account potential physical, chemical, and microbiological risks.

3.3.3.2 Developments over the review period

3.121. Türkiye continues to harmonize its national SPS regulations with the EU *acquis*. Detailed measures for legislative alignment are contained in Türkiye's National Action Plan for EU Accession (NAP), which covers the years 2021-23.¹²⁸ Previously, Türkiye's National Action Plan for EU Accession

¹²⁰ WTO ePing. Viewed at:

<https://epingalert.org/en/Search?&viewData=G%2FTBT%2FN%2FTUR%2F185>.

¹²¹ At the time of Türkiye's previous Review, technical cooperation agreements had been signed with China, Ukraine, Lebanon, Bulgaria, the Islamic Republic of Iran, Azerbaijan, and Israel. Additionally, Türkiye and EFTA had concluded a protocol on Mutual Recognition of Conformity Assessment of Products.

¹²² *Official Gazette* (2019), No. 30679, 7 February. Viewed at:

<https://www.resmigazete.gov.tr/eskiler/2019/02/20190207M1-9.pdf>.

¹²³ *Official Gazette* (2021), No. 31669, 24 November. Viewed at:

<https://www.resmigazete.gov.tr/eskiler/2021/11/20211124-2.pdf>.

¹²⁴ The departments of the General Directorate of Food and Control and their respective responsibilities are described on the General Directorate's website. Viewed at:

<https://www.tarimorman.gov.tr/GKGM/Menu/79/Departments>.

¹²⁵ Law No. 5996 on Veterinary Services, Plant Health, Food and Feed. Viewed at:

https://www.tarimorman.gov.tr/Belgeler/ENG/Legislation/law_veterinary_services.pdf.

¹²⁶ WTO document WT/TPR/S/331/Rev.1, 9 August 2016.

¹²⁷ Secondary legislation is publicly available on the MAF website. Viewed at:

<https://kms.kayis.gov.tr/Home/Kurum/24308110>, and also on the website of the national legislation information system. Viewed at: www.mevzuat.gov.tr.

¹²⁸ National Action Plan for EU Accession. Viewed at:

https://www.ab.gov.tr/siteimages/birimler/kpb/uep/21_23_UEP_EN.pdf.

covered the 2016-19 period. The regulations harmonized at the time of Türkiye's previous Review are listed in the 2016 Secretariat Report.¹²⁹ Those harmonized since 2017 are set out in Table A3.6.

3.122. Türkiye is a member of the Codex Alimentarius Commission and the World Organisation for Animal Health, and is a contracting party to the International Plant Protection Convention. As indicated in its previous Review, Türkiye either applies existing international standards or higher standards based on its own scientific risk assessments.¹³⁰ As indicated by the authorities, national standards issued since 2017 that impose higher standards than international standards are:

- Turkish Food Codex Regulation on Maximum Residue Levels of Pesticides¹³¹;
- Turkish Food Codex Regulation on Fermented Milk Products¹³² (as of end-October 2022 this had not entered into force);
- Turkish Food Codex Regulation on the Amendment of the Regulation on Food Additives¹³³;
- Turkish Food Codex Communiqué Edible Caseins and Caseinates (as of end-October 2022 this had not entered into force)¹³⁴;
- Turkish Food Codex Communiqué on Total Diet Replacement for Weight Control¹³⁵;
- Turkish Food Codex Communiqué on Infant Formula and Follow-on Formula and Requirements on Information Relating to Infant and Young Child Feeding¹³⁶;
- Turkish Food Codex Regulation Amending the Regulation on Classification and Maximum Residue Limits of Pharmacologically Active Substances in Foodstuffs of Animal Origin¹³⁷;
- Turkish Food Codex Regulation on Food Labelling and Information to Consumers¹³⁸;
- Turkish Food Codex Regulation on Maximum Residue Levels of Pesticides¹³⁹;
- Turkish Food Codex Communiqué on Semolina¹⁴⁰; and
- Turkish Food Codex Communiqué Amending Turkish Food Codex Communiqué on Infant Formula and Follow-on Formula and Requirements on Information Relating to Infant and Young Child Feeding.¹⁴¹

3.123. Türkiye develops its own SPS measures where no international standards exist or where regulations are not harmonized with those of the European Union. Over the review period, these national measures notified to the WTO largely related to veterinary and plant health certification and various requirements for food and beverages.

3.124. Under the Strategic Plan of the MAF 2019-2023, SPS-related priorities include: (i) enhancing food safety inspections, providing accurate and up-to-date information on food safety, and developing applications for food safety; (ii) protecting animal health by strengthening control over animal feed; (iii) developing strategies for animal welfare and combatting animal disease and

¹²⁹ WTO document WT/TPR/S/331/Rev.1, 9 August 2016, para. 3.99.

¹³⁰ WTO document WT/TPR/M/331/Add. 1, 9 May 2016.

¹³¹ WTO document G/SPS/N/TUR/71, 29 April 2016.

¹³² WTO document G/SPS/N/TUR/80, 22 November 2016.

¹³³ WTO document G/SPS/N/TUR/84, 4 April 2017.

¹³⁴ WTO document G/SPS/N/TUR/97, 26 January 2018.

¹³⁵ WTO document G/SPS/N/TUR/100, 19 July 2018.

¹³⁶ WTO document G/SPS/N/TUR/99, 19 July 2018.

¹³⁷ WTO document G/SPS/N/TUR/103, 11 September 2018.

¹³⁸ WTO document G/SPS/N/TUR/108, 22 January 2019.

¹³⁹ WTO document G/SPS/N/TUR/114, 8 July 2020.

¹⁴⁰ WTO document G/SPS/N/TUR/122, 20 April 2022.

¹⁴¹ WTO document G/SPS/N/TUR/99/Add.2, 11/08/2022.

pests; (iv) increasing the quality and efficiency of veterinary products; and (v) taking ecologically sound plant health measures in plant production.¹⁴²

3.3.3.3 Genetically modified organisms

3.125. The legislative framework for the approval of GMOs and products thereof in Türkiye is Law No. 5977 of 2010 on Biosafety (as amended) and the Regulation on Genetically Modified Organisms and Products Thereof.¹⁴³ The MAF is responsible for approvals of GMOs and GM products following the abolition of the Biosafety Board in 2018.¹⁴⁴

3.126. The approval, evaluation, and decision-making process for GM product applications is set out in Articles 8 and 11 of the Regulation. Prior to the first importation of each GMO or product thereof, applications are submitted to the MAF by the importer or the owner of the gene, or by a private or corporate person in case of locally developed GMOs. Separate scientific committees are formed for the food, feed, or other purposes of use decided by the applicant. The MAF decides within 90 days whether the application is accepted or not, as well as whether it would be processed as a new application or addressed under the simplified procedure.¹⁴⁵ The MAF must notify the applicant of the result of the initial evaluation within 270 days, unless the submitted information is deemed insufficient, in which case, renewed experiments, tests, analyses, and research works may be requested from the applicant by the MAF or committees. Risk assessment and socio-economic evaluation committees are established by the MAF to evaluate the GMO applications. Their evaluation reports are made public via the Biosafety Information Exchange Mechanism of Türkiye at www.tbddm.gov.tr unless the application is addressed under the simplified procedure. Taking due account of the evaluation reports by the scientific committees, the opinions presented during the public consultation on the committee reports, and the evaluation reports by the committees on the opinions of the public, as well as the needs and priorities of the country, the MAF presents its final decision.

3.127. Approved GM products are published in the Official Gazette and are listed at the webpage of the Turkish Biosafety Information Exchange Mechanism (<http://tbddm.gov.tr/OnayliGDO2.aspx>). Decisions are valid for 10 years. As of end-October 2022, there were 45 GM product approvals for maize, soybeans, and genetically modified microorganisms.

3.128. The Regulation bans the production of genetically engineered (GE) animals and plants, and the use of GMOs and their products in baby foods and infant formulas, follow-on foods and follow-on formulas, and supplementary foods for infants and young children. The import of GE seeds is also prohibited.

3.3.3.4 WTO, regional, and bilateral agreements

3.129. The General Directorate of Food and Control is the WTO enquiry point and notification authority for issues related to the WTO Agreement on the Application of Sanitary and Phytosanitary Measures. Over the period 1 January 2016 to 21 October 2022, Türkiye made 61 new notifications to the WTO, as well as several addenda, revisions, and corrigenda.¹⁴⁶ Three of these were emergency measures (emergency measures on the import of tomato, pepper, and pumpkin seeds; a requirement for an additional declaration on tomato and capsicum seed exports into Türkiye for tomato brown rugose fruit virus-affected countries; and phytosanitary measures taken to prevent the entry of *Xylella fastidiosa*).

3.130. During Türkiye's previous Review, concerns raised by some WTO Members in their advance written questions related to sanitary barriers hindering exports of cattle and beef, import bans

¹⁴² FAOLEX, *Strategic Plan of the Ministry of Agriculture and Forestry 2019-2023*. Viewed at: <https://www.fao.org/faolex/results/details/en/c/LEX-FAOC193517>.

¹⁴³ Law No. 5977 on Biosafety. Viewed at: <http://www.lawsturkey.com/law/law-on-bio-safety-5977>. Regulation on Genetically Modified Organisms and Products Thereof.

¹⁴⁴ USDA FAS and GAIN (2021), *Agriculture Biotechnology Annual*, 13 October. Viewed at: https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Agricultural%20Biotechnology%20Annual_Ankara_Turkey_10-20-2021.pdf.

¹⁴⁵ The simplified procedure set out in Article 12 of the Regulation. It is used in circumstances where, based on available information, there is considered to be no harm to human, animal, and plant health; the environment; and biological diversity arising from GMOs and their products.

¹⁴⁶ WTO documents G/SPS/N/TUR/68, 12 January 2016-G/SPS/N/TUR/128, 5 September 2022.

relating to avian influenza, difficulties encountered in obtaining the required export certification, and import restrictions on rough rice.¹⁴⁷ Over the review period, some STCs were raised in the WTO Committee on Sanitary and Phytosanitary Measures, namely: Australia reiterated long-standing concerns regarding Türkiye's undue delay in providing information on the importation of sheep meat¹⁴⁸; the United States repeated concerns about Türkiye's restrictions on rough rice imports¹⁴⁹; and Argentina raised an STC about import restrictions on cows for fattening and slaughter.¹⁵⁰

3.131. Türkiye collaborates with several regional or global partners in the area of SPS, including the European Food Safety Authority (EFSA), the Food and Agricultural Organization of the United Nations (FAO), the European Medicines Agency (EMA), and the European and Mediterranean Plant Protection Organization (EPPO) (of which it is also a member).

3.132. Over the review period, Türkiye entered into various SPS-related agreements/MOUs with its trading partners, including on phytosanitary and food safety matters Azerbaijan in 2021; plant protection and plant quarantine with the Kyrgyz Republic in 2021; animal health with Georgia in 2021; plant protection and quarantine with Uzbekistan in 2021; veterinary services policies and food safety with North Macedonia in 2021; inspection, quarantine, and veterinary hygiene conditions of fisheries to be exported to Türkiye with China in 2019; food safety with Qatar in 2017; livestock and animal health with the State of Kuwait in 2017; and Veterinary Health and Veterinary Medicines with the Islamic Republic of Iran.¹⁵¹ These agreements have not yet entered into force pending the finalization of internal approval procedures by Türkiye and the other respective parties.

3.3.4 Competition policy and price controls

3.3.4.1 Price controls

3.133. As at the time of Türkiye's previous Review, price controls are in place for electricity, natural gas, telecommunications, and pharmaceuticals.

- The Energy Market Regulatory Authority (EMRA) is responsible for approving transmission and distribution tariffs, the wholesale price of EUAS (Electricity Generation Company), and retail sales to "non-eligible" consumers and last resort sales (i.e. situations when consumers are not able to/do not sign bilateral contracts with retailers).¹⁵² The EMRA is also responsible for approving retail, transmission, storage, and connection tariffs for natural gas.
- The Information and Communication Technologies Authority (ICTA) has responsibility for regulating or approving services provided by operators.
- The Ministry of Health uses a reference price system to determine the wholesale and retail prices of pharmaceuticals under the 2017 Decision of Pricing of Medicinal Products for Human Use.¹⁵³ Prices for pharmaceuticals are determined using the lowest ex-factory prices (sales price to the warehouse/manufacturer sale price) in some EU member States as the reference. The currency for these base prices is the euro, with the euro/Turkish lira conversion being determined by applying the fixed exchange rate.

¹⁴⁷ WTO document WTO/TPR/S/331/Rev.1, 9 August 2016.

¹⁴⁸ WTO ePing. Viewed at: <https://eping.wto.org/en/TradeConcerns/Details?imsId=340&domainId=SPS>.

¹⁴⁹ WTO ePing. Viewed at: <https://eping.wto.org/en/TradeConcerns/Details?imsId=433&domainId=SPS>.

¹⁵⁰ WTO ePing. Viewed at: <https://eping.wto.org/en/TradeConcerns/Details?imsId=461&domainId=SPS>.

¹⁵¹ General Directorate of European Union and Foreign Relations. Viewed at: <https://www.tarimorman.gov.tr/ABDGM/Menu/74/Anlasma-Ve-Protokoller>. *Official Gazette* (2017), No. 30185, 19 September. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2017/09/20170919-3.pdf>, and *Official Gazette* (2017), No. 30064, 12 May. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2017/05/20170512-1.pdf>.

¹⁵² Non-eligible consumers are consumers that have less electricity consumption than eligibility limit and therefore they are not able to sign bilateral contracts with retailers; they may only get electricity from assigned (incumbent) supplier companies through retail tariffs. Eligible consumers, having equal or more electricity consumption than eligibility limit, can sign bilateral contracts with retailers. If eligible consumers do not sign bilateral contracts with retailers, then they get electricity from assigned supplier companies through last resort tariffs.

¹⁵³ Council of Ministers Decision 1-6/2/2017, No. 2017/9901.

This determined value is updated once a year in line with the Decision. However, when companies experience sustainability problems due to the price of pharmaceuticals, they may request a price increase from the Price Evaluation Commission to ensure sustainability. Price controls of blood products are evaluated every two weeks.

- In 2021, a Price Stability Committee was established to maintain domestic price stability and *inter alia* implement price controls (Section 1.2.1).

3.3.4.2 Competition policy

3.3.4.2.1 Legal and institutional framework

3.134. Law No. 4054 of 1994 on the Protection of Competition remains the principal legal basis for the promotion and enforcement of competition in goods and services markets. It addresses three types of behaviour: (i) anti-competitive agreements, concerted practices, and decisions; (ii) abuse of dominant position; and (iii) mergers and acquisitions distorting the competitive structure of the market. The Turkish Competition Authority (TCA), led by a seven-member competition board, remains responsible for the implementation of the Law. While the Law applies to all sectors without exclusion, the TCA has signed protocols with the Public Procurement Authority, the Banking Regulation and Supervision Agency, ICTA, the Personal Data Protection Authority, and EMRA to ensure that there is no overlap in their respective functions. The TCA has a protocol in place with ICTA (Section 4.4.3), whereby it is obliged to seek the opinion of ICTA before opening an investigation. The TCA has signed MOUs with its counterparts in various third countries to promote cooperation and the exchange of information.¹⁵⁴

3.135. In 2020, Law No. 4054 underwent a major amendment with Act No. 7246, introducing the new concepts of the *de minimis* principle, settlement, and remedy.¹⁵⁵ The amendments were made with the aim of increasing the effectiveness of competition law instruments and ensuring compliance with EU regulations. Under the *de minimis* principle, the TCA Board is required to establish criteria for market shares and turnover thresholds before launching investigations on agreements, concerted practices and decisions, and practices of associations of undertakings that do not significantly restrict competition in the market (hard-core cartels are excluded from this provision). Under provisions on settlement, the Board may start a settlement procedure with the undertakings/associations of undertakings once an investigation has started. If the latter confirms the existence of a violation during the investigation and settles with the TCA, the administrative fine is reduced by 25%. Concerning remedies, new wording has been added to clarify that the TCA has the authority to impose structural and behavioural remedies. Under new provisions on commitments, the TCA Board can decide not to launch an investigation during the preliminary enquiry stage, or terminate an ongoing investigation, if undertakings/associations of undertakings make a commitment to eliminate competition concerns at stake (this does not apply to hard-core restrictions).¹⁵⁶

3.136. Other changes introduced by Act No. 7246 include: (i) the dominance test for merger evaluation was replaced by a significant lessening of competition test; (ii) the TCA now is permitted to impose behavioural or structural remedies on finding a competition law infringement; (iii) a clarification that the TCA's entitlement includes the digital assets of undertakings under investigation; and (iv) a time extension for case handlers to submit their additional opinions.

¹⁵⁴ These MOUs were viewed at: <https://rekabet.gov.tr/en/Sayfa/About-us/international-relations/bilateral-relations/-co-operation-agreements-with-other-comp>.

¹⁵⁵ Law No. 5045 of 1994 as updated to include amendments in 2020. Viewed at: https://www.rekabet.gov.tr/en/sayfa/legislation/act-no-4054#_edn1.

¹⁵⁶ OECD (2022), *Annual Report on Competition Policy Developments in Turkey, 2021*. Viewed at: [https://one.oecd.org/document/DAF/COMP/AR\(2022\)36/en/pdf](https://one.oecd.org/document/DAF/COMP/AR(2022)36/en/pdf).

3.137. Secondary legislation, largely in the form of regulations and communiqués, is prepared by the TCA and issued by the Board. New regulations introduced to implement legal changes introduced in 2020 are:

- Commitments Communiqué – Communiqué No. 2021/2 on the Commitments to be Offered in Preliminary Inquiries and Investigations Concerning Agreements, Concerted Practices and Decisions Restricting Competition, and Abuse of Dominant Position¹⁵⁷;
- *De Minimis* Communiqué – Communiqué No. 2021/3 on Agreements, Concerted Practices and Decisions and Practices of Associations of Undertakings that Do Not Significantly Restrict Competition¹⁵⁸; and
- Settlement Regulation – Regulation on the Settlement Procedure in Applicable in Investigations on Agreements, Concerted Practices and Decisions Restricting Competition and Abuses of Dominant Position.¹⁵⁹

3.138. Other changes to secondary legislation over the review period related to thresholds for administrative fines, payments to be made by joint-stock and limited companies, a block exemption on vertical agreements in the motor vehicles sector, and a block exemption on R&D agreements.¹⁶⁰

3.139. Over the review period, the TCA published several guidelines. In 2022, it issued guidance on evaluating horizontal and non-horizontal mergers and acquisitions. In 2020, it issued guidelines on the investigation of digital data in on-site inspections; in 2018, on mergers and acquisitions and the concept of controls; related enterprise, turnover, and ancillary limitations in mergers and acquisitions; and vertical agreements; and in 2017, on the block exemption communiqué in the motor vehicles sector.¹⁶¹ Various existing guidelines were also amended. Guidelines are not legally binding and are designed to provide guidance and clarity as well as to ensure better alignment with EU regulations.

3.140. One influence behind legislative and regulatory reform in the competition area has been the accession process to the European Union. Relations between Türkiye and the European Union in the area of competition (antitrust and mergers) are regulated by Chapter IV of Decision 1/95 of the EC-Türkiye Association Council of 1995, which relates to implementing the final phase of the Customs Union.¹⁶² As indicated by the European Commission, Chapter IV sets out rules on competition that mirror the EU *acquis* with the aim of creating a level playing field among economic operators active within the Customs Union.¹⁶³

3.141. With respect to the TCA's activities over the review period, comprehensive data are provided in both the annual reports of the TCA as well as the OECD's annual reports on competition policy developments in Türkiye. Compared with Türkiye's previous Review, there has been a significant drop in the TCA's caseload, related in particular to a decrease in files involving infringement of competition. As reported in Türkiye's previous Review, over the period 2011-14, the number of infringement files concluded ranged between 163 to 303 per year.¹⁶⁴ During the current review period, this has dropped to a range of between 65 and 88 (Table 3.20). The authorities indicate that

¹⁵⁷ Communiqué No. 2021/2. Viewed at:

<https://www.rekabet.gov.tr/Dosya/communiques/communiqué-2021-2-20210402120741924-pdf>.

¹⁵⁸ Communiqué No. 2021/3. Viewed at:

<https://www.rekabet.gov.tr/Dosya/communiques/communiqué-2021-3-20210402120809951-pdf>.

¹⁵⁹ Viewed at: <https://www.rekabet.gov.tr/Dosya/regulations/regulation-on-the-settlement-procedure-20210908173216927-pdf>.

¹⁶⁰ TCA. Viewed at: <https://www.rekabet.gov.tr/en/Sayfa/Legislation/communiques>.

¹⁶¹ TCA. Viewed at: <https://www.rekabet.gov.tr/tr/Sayfa/Mevzuat/-kilavuzlar?sayfa=1>.

¹⁶² Decision No. 1/95 of the EC-Turkey Association Council of 22 December 1995 on Implementing the Final Phase of the Customs Union. Viewed at: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A21996D0213%2801%29>.

¹⁶³ European Commission, *Bilateral Relations with Türkiye*. Viewed at: https://competition-policy.ec.europa.eu/international/bilateral-relations/turkiye_en.

¹⁶⁴ WTO document WT/TPR/S/331/Rev.1, 9 August 2016, Table 3.27.

the reason for this decrease is linked to the implementation in 2012 of standards to be met for applications to be eligible to start a legal action.¹⁶⁵

Table 3.20 Files concluded by the TCA, 2016-21

| Year | No. cases investigated regarding infringement of competition | Exemption/negative clearance ^a | Mergers/acquisitions/joint ventures/privatization | Total |
|------|--|---|---|-------|
| 2016 | 83 | 33 | 209 | 325 |
| 2017 | 80 | 32 | 184 | 296 |
| 2018 | 88 | 44 | 223 | 355 |
| 2019 | 69 | 35 | 208 | 312 |
| 2020 | 65 | 34 | 220 | 319 |
| 2021 | 74 | 22 | 309 | 405 |

a Negative clearances and exemptions deem an activity or agreement not to be in contravention of Law No. 4054 on the Protection of Competition or covered by one of the block exemptions issued by the TCA.

Source: OECD documents DAF/COMP/AR(2022)36, 23 May 2022; and DAF/COMP/AR(2019)34, 11 July 2019.

3.142. Cases involving infringement of competition are investigated under Article 4 (on anti-competitive agreements) and Article 6 (on abuse of dominant position) of Law No. 4054. During the review period, the annual number of cartel and non-cartel coordination cases was relatively high in comparison with abuse of dominance cases. As indicated by the authorities, in recent years the TCA has considered taking action, based on novel theories of harm such as hub-and-spoke and no-poaching/wage-fixing, against atypical cartels. Cases in traditional sectors (agricultural products and fast-moving consumer goods, logistics and transportation, and construction) were relatively stable per year. There was a rise in the number of cases related to the more innovative and dynamic sectors such as digital markets. As indicated by the authorities, in addressing competition concerns in the digital area, the TCA has started to look at new ways to assess the economic value of consumer data considering that traditional approaches can be insufficient.

3.143. As indicated in Table 3.20, a substantial share of the TCA's activity is devoted to merger, acquisition, joint venture, and privatization investigations. As at the time of the previous Review, these are nearly always cleared by the TCA. By way of example, over the period 2019-21, there were 602 merger and acquisition notifications. Of these, only 1 was blocked, 6 were cleared with conditions, and 78 were considered "out of scope" for not satisfying the required thresholds.¹⁶⁶

3.144. Over the period 2018-21, the TCA imposed a total of TRY 6,906,356,513 in fines. The vast majority of the fines were for anti-competitive agreements and abuse of dominance. The rest of the fines were related to mergers and acquisitions (either for providing false or misleading information in an application or for finalizing a transaction without the permission of the Competition Board or failing to notify within a due date).

3.145. Since 2016, the TCA has carried out sector enquiries in the areas of online marketplaces; fresh vegetables and fruits; fuel; financial technologies; fast consumer markets retail sector; the hazelnut market; electricity; fair organization; the retail sector; the music sector; TV broadcasting in light of digitalization and convergence; movie theatre services; and the cement sector.¹⁶⁷

¹⁶⁵ Communiqué on the Application Procedure for Infringements of Competition 2012. Viewed at: <https://www.rekabet.gov.tr/Dosya/communiques/46-pdf>.

¹⁶⁶ OECD (2022), *Annual Report on Competition Policy Developments in Turkey, 2021*. Viewed at: [https://one.oecd.org/document/DAF/COMP/AR\(2022\)36/en/pdf](https://one.oecd.org/document/DAF/COMP/AR(2022)36/en/pdf).

¹⁶⁷ OECD, *Annual Report on Competition Policy Developments in Turkey*, various editions 2017-21. Viewed at: [https://one.oecd.org/document/DAF/COMP/AR\(2022\)36/en/pdf](https://one.oecd.org/document/DAF/COMP/AR(2022)36/en/pdf); [https://one.oecd.org/document/DAF/COMP/AR\(2021\)34/en/pdf](https://one.oecd.org/document/DAF/COMP/AR(2021)34/en/pdf); [https://www.rekabet.gov.tr/Dosya/annual-reports-\(oecd\)/oecd2019-20210113135714744-pdf](https://www.rekabet.gov.tr/Dosya/annual-reports-(oecd)/oecd2019-20210113135714744-pdf); [https://one.oecd.org/document/DAF/COMP/AR\(2019\)34/en/pdf](https://one.oecd.org/document/DAF/COMP/AR(2019)34/en/pdf); and <https://www.rekabet.gov.tr/Dosya/annual-reports/annual-report-on-competition-policy-developments-in-turkey.pdf>.

3.3.5 State trading, state-owned enterprises, and privatization

3.3.5.1 State trading

3.146. Türkiye notified the WTO in 2016 of the Turkish Red Crescent (TRCS) as the only state trading entity pursuant to the provisions of Article XXVII:4(a) and the Understanding on the Implementation of Article XVII.¹⁶⁸ As with previous notifications, it enumerates seven HS 12-digit tariff lines pertaining to chemicals or medicines used to fight against malaria and syphilis. Pursuant to the exclusive rights granted to this non-profit aid organization, the TRCS is the sole importer of these products. During the period covered by the notification, 2012-15, only potassium iodide was imported.

3.3.5.2 State-owned enterprises

3.147. The official rationale for having state-owned enterprises (SOEs) is to support capital accumulation; create funds for investment and contribute to steady, high growth; contribute to enhance competitiveness while maintaining a level playing field; invest in large infrastructure investments; and protect public policy objectives and public interest while contributing to efficient management of oil and mineral resources.¹⁶⁹ SOEs fall under different ownership and legislative frameworks. The control, monitoring, and audit requirements described in Türkiye's previous Review continue to apply to SOEs described below.¹⁷⁰ The MoTF is responsible for producing the Annual Ownership Report of SOEs, which includes financial and non-financial data of enterprises as well as developments and sectoral analysis regarding SOEs during the year. In addition, within the scope of the Official Statistics Programme, aggregate financial and non-financial statistics are published annually and quarterly on the Ministry's website (<https://en.hmb.gov.tr/state-owned-enterprises>). Over the review period, capital injections to SOEs increased significantly, with a major increase witnessed between 2020 and 2021 (Table 3.21). According to the authorities, capital injections in 2021 were due to increased investments in the railway company, and in 2022 were due to capital transfers to Petroleum Pipeline Company, BOTAS, (the natural gas importing company) to ensure energy supply.

Table 3.21 Capital injections to SOEs, 2016-21

(TRY million)

| 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------|-------|--------|--------|--------|--------|
| 7,657 | 8,271 | 12,543 | 17,207 | 15,411 | 39,260 |

Source: Information provided by the authorities based on data contained in the Annual Ownership Reports of SOEs.

3.3.5.2.1 Public economic enterprises under the MoTF portfolio

3.148. The MoTF is the shareholder of several SOEs (the so-called Public Economic Enterprises (PPEs)) in the energy, agriculture, industry, and transportation sectors; all of these enterprises are fully state-owned (Table 3.22). Legislation governing these PPEs is Decree Law No. 233 on State-Owned Enterprises; there were no major changes to this law over the review period. The General Directorate of State-Owned Enterprises under the MoTF oversees these SOEs.¹⁷¹ Changes to the MoTF portfolio over the review period included: (i) the change in status of Mechanical and Chemical Industries Inc. to become a joint-stock company, hence it was removed from the scope of Decree Law No. 233; (ii) the merger of three entities to become the Turkish Railway Vehicles Industry Inc. in 2020; (iii) the removal of two SOEs, the Turkish Electricity Distribution Company (TEDAS) and Turkish Electro Mechanical Industry Inc (TEMSAN), from the scope and programme of privatization in 2017 (see below), which were placed back within the MoTF portfolio; and (iv) the transfer of the MoTF's shares in four entities, Türkiye Petroleum Corporation (TPAO), Petroleum

¹⁶⁸ WTO document G/STR/N/15/TUR and G/STR/N/16/TUR, 27 October 2016.

¹⁶⁹ MoTF, *2020 Annual Ownership Report for State Owned Enterprises*. Viewed at: <https://en.hmb.gov.tr/state-owned-enterprises-reports>.

¹⁷⁰ WTO document WT/TPR/S/331/Rev.1, 9 August 2016.

¹⁷¹ Further details on the responsibilities of the General Directorate of State-Owned Enterprises are contained on its website. Viewed at: <https://en.hmb.gov.tr/state-owned-enterprises-about-us>.

Pipeline Company (BOTAS), a mining company called ETI MADEN, and the General Directorate of Tea Enterprises (CAYKUR) to the Türkiye Wealth Fund in 2021 (see below).

Table 3.22 Public economic enterprises under the MoTF portfolio

| Enterprise | Sector | Public ownership (%) |
|---|---------------------------|----------------------|
| Mechanical and Chemical Industry Institution (MKEK) | Manufacturing | 100 |
| State Supply Office (DMO) | Manufacturing | 100 |
| Turkish Electro Mechanical Industry Inc. (TEMSAN) | Manufacturing | 100 |
| Turkish Hard Coal Enterprises (TTK) | Mining | 100 |
| Turkish Coal Enterprises (TKI) | Mining | 100 |
| Electricity Generation Company (EÜAŞ) | Energy | 100 |
| Turkish Electricity Transmission Company (TEİAŞ) | Energy | 100 |
| Turkish Electricity Distribution Company (TEDAS) | Energy | 100 |
| Turkish Grain Board (TMO) | Agriculture and livestock | 100 |
| General Directorate of Agricultural Enterprises (TIGEM) | Agriculture and livestock | 100 |
| Meat and Milk Board (ESK) | Agriculture and livestock | 100 |
| Turkish State Railways (TCDD) | Transport | 100 |
| Turkish Railway Industries (TÜRASAS) | Transport | 100 |
| State Airports Authority (DHMI) | Transport | 100 |
| General Directorate of Coastal Safety (KEGM) | Transport | 100 |

Source: MoTF, *2020 Annual Ownership Report for State Owned Enterprises*. Viewed at: <https://en.hmb.gov.tr/state-owned-enterprises-reports>.

3.3.5.2.2 SOEs under the privatization portfolio

3.149. Another group of SOEs is subject to Law No. 4046 on Implementation of Privatization.¹⁷² This Law regulates the SOE privatization process. Enterprises subject to Law No. 4046 are overseen by the MoTF in collaboration with the Privatization Administration. As of October 2022, there were four SOEs under this portfolio (Table 3.23). SOEs that are not yet qualified for privatization due to their current situation are included in the "privatization preparatory stage" to be prepared for privatization both financially and legally, and those whose preparatory procedures are completed are included in the "privatization program" directly after the completion of these procedures. Over the review period, changes to SOEs under the privatization portfolio were: (i) the transfer of two SOEs, TEDAS and TEMSAN, from the scope and programme of privatization in 2017 (see above) back into the MoTF portfolio; and (ii) the transfer of Türkiye Sugar Factories Inc. to the Türkiye Wealth Fund (TWF) in 2021 (see below).

Table 3.23 SOEs under the privatization portfolio, October 2022

| Enterprise | Sector | Public ownership (%) |
|--|------------------------------------|----------------------|
| Doğusan Pipe Industry and Trade Inc. | Production/Based on Stone and Soil | 56.09 |
| Sümmer Holding Inc. | Textile and other | 100 |
| Turkish Maritime Organization (TDI) | Transport | 100 |
| Ankara Natural Electricity Generation and Trading Inc. (ADUAS) | Energy | 100 |

Source: MoTF, *2020 Annual Ownership Report for State Owned Enterprises*. Viewed at: <https://en.hmb.gov.tr/state-owned-enterprises-reports>.

3.3.5.2.3 SOEs under the Türkiye Wealth Fund

3.150. The TWF was established by Türkiye Wealth Fund Management Company (TWF ManCo) under Law No. 6741 in 2016.¹⁷³ TWF ManCo exercises the administrative and financial rights for the assets under the TWF's portfolio. Principles regarding the management and activities of TWF ManCo

¹⁷² Law No. 4046 on Implementation of Privatization. Viewed at: <http://www.lawsturkey.com/law/4046-implementation-of-privatization-law>.

¹⁷³ Law No. 6741 on Establishment of Turkey Wealth Fund Management Company and Amendments in Certain Laws. Viewed at: <https://www.tvf.com.tr/uploads/file/law-numbered-6741-amendments-as-of-2852022.pdf>.

are regulated under Law No. 6741 and the Decree of the Council of Ministers 2016/9429.¹⁷⁴ In 2018, TWF ManCo became an affiliate of the Presidency of the Republic of Türkiye, with the President acting as the Chair of the Board of Directors. Within its portfolio are 26 companies (Table 3.24), 2 licences, and 46 real estate assets. Since its inception, the TWF has expanded and diversified its portfolio, which now includes companies and institutions from a variety of different sectors. These companies and institutions are additionally subject to the laws that are specific to the sectors in which they conduct business. During a transition period, the five enterprises that were transferred from the MoTF and Privatization portfolios to the TWF remain subject to Decree Law No. 233. They are overseen by the DG of SOEs and can benefit from capital injections from the MoTF if needed (as was the case with BOTAS in 2022).

Table 3.24 TWF Portfolio of companies, 2022

| Enterprise | Sector | Fund ownership (%) |
|--|-------------------------|--------------------|
| Ziraat Bank (T.C.) | Banking | 100 |
| Halk Bank | Banking | 87.7 |
| Vakıflar Bank | Banking | 64.8 |
| TVF Finansal Yatırımlar A.Ş. | Insurance and pension | 100 |
| -Türkiye Sigorta A.Ş. | Insurance | 81.10 |
| -Türkiye Hayat ve Emeklilik A.Ş. | Pension | 92.64 |
| Borsa İstanbul | Stock market | 80.6 |
| Petroleum Pipeline Company (BOTAS) | Energy | 100 |
| Türkiye Petroleum Corporation (TPAO) | Energy | 100 |
| TWF Energy | Energy | 100 |
| TWF Refinery and Petrochemical Company | Energy | 100 |
| TVF AEL Elektrik Üretim Sanayi ve Ticaret A.Ş. | Energy | 100 |
| Türkiye Maden | Mining | 100 |
| Eti Maden | Mining | 100 |
| Turkish Airlines | Transport and logistics | 49.12 |
| National Postal and Logistics Company (PTT) | Transport and logistics | 100 |
| Ismir Alsancak Port | Transport and logistics | 100 |
| TVF Bilgi Teknolojileri | Technology and Telecom | 100 |
| - Turkcell | Technology and Telecom | 26.2 |
| Türksat satellite and telecoms company (Türksat) | Technology and telecom | 100 |
| Türk Telekom | Technology and telecom | 61.68 |
| Türkiye Sugar Factories Inc. | Agriculture and food | 100 |
| Kayseri Sugar Factories Inc. | Agriculture and food | 11.1 |
| General Directorate of Tea Enterprises (Caykur) | Agriculture and food | 100 |

Source: Türkiye Wealth Fund, *Our Portfolio*. Viewed at: <https://www.tvf.com.tr/en/our-portfolio>; and information provided by the authorities.

3.3.5.2.4 Other SOEs

3.151. Other SOEs include state-owned banks subject to banking and commercial laws. These are Emlak Participation Bank Inc. (state share of 99.99%), the Development and Investment Bank of Türkiye Inc. (99.08%), Türk Eximbank (100%), and the Central Bank of the Republic of Türkiye (55.12%).¹⁷⁵

¹⁷⁴ Decree of the Council of Ministers Regarding the Process and Principles of the Structure and Operation of the Turkey Wealth Fund Management Company No. 2016/9429 of 17 October 2016. Viewed at: <https://www.tvf.com.tr/uploads/file/decree.pdf>.

¹⁷⁵ MoTF, *2020 Annual Ownership Report for State Owned Enterprises*. Viewed at: <https://en.hmb.gov.tr/state-owned-enterprises-reports>.

3.152. The MoTF also has shares in 10 other public companies, namely: Türkiye Radio and Television Corporation (100% ownership); Atatürk Forest Farm Directorate (100%); ASFAT Inc. (a defence contractor) (100%); International Health Services Joint Stock Company (USHAS) (100%); Türk Reasürans (100%); Mechanical and Chemical Industries Inc. (100%); Türk Telekom (25%); Birlesik İpotek Finansmani Inc. (5%); Vakıfbank (20.57%); and Anadolu Agency (47.75%).

3.3.5.3 Privatization

3.153. As indicated in its previous Review, Türkiye began its privatization process in the 1980s with the establishment of the Turkish Privatization Administration. According to the authorities, since this time Türkiye has raised a net worth of around USD 71.2 billion.¹⁷⁶ Over the review period, privatization implementations were valued at USD 1.3 billion in 2016, USD 750.9 million in 2017, USD 1.35 billion in 2018, USD 115.9 million in 2019, USD 22.3 million in 2020, USD 413.1 million in 2021, and USD 444.5 million as of 31 October 2022.

3.154. The legal framework for privatization activities remains Law No. 4046 on Implementation of Privatization.¹⁷⁷ The main institutions responsible for privatization activities are the Privatization High Council (responsible for the main decision-making body for privatization) and Privatization Administration (the executive body for the privatizations).

3.155. Privatization methods, as set out in the Law, are sale, lease, grant of operating rights (TOR), establishment of property rights other than ownership, and a profit-sharing model and other methods depending on the nature of the business. Foreign investors may participate in the bidding in accordance with the Law on Foreign Direct Investment (Section 2.4.1).

3.156. Since 2016, privatization activity was focused on the energy sector, with the State transferring operating rights for the operation of several hydroelectric power plants, fully divesting itself of a natural gas combined cycled power plant and selling its shares in the Türkiye Petroleum Oil Distribution Company. This follows the trend for greater private sector investment in the energy sector witnessed at the time of Türkiye's previous Review, when there were privatizations of several power generation and electricity distribution companies.¹⁷⁸ As a result of privatization in the electricity sector, by September 2022 the share of the private sector in installed capacity was 79.5% and it had an 85.2% share in production. To encourage development of the port sector and increased service quality, concession agreements have been reached to operate two ports and a marina. Also, tender announcements to privatize 14 factories belonging to Turkseker were made in February 2018; 10 tenders were completed, and 4 were later cancelled (Table 3.25).

Table 3.25 Privatization activity, 2016-22

| Name of the privatized companies | Date of privatization | Revenue from privatization (USD million) | Form of privatization |
|---|-----------------------|--|-----------------------|
| Electricity production | | | |
| Fethiye hydroelectric power plant (HPP) and related assets | 21/03/2016 | 44.8 | TOR |
| Manavgat HPP and related assets | 04/04/2016 | 131.2 | TOR |
| Doğankent, Kürtün and Torul HPPs and related Assets | 29/04/2016 | 1,225.1 | TOR |
| Karacaören 1 and Karacaören 2 HPPs and related assets. | 15/07/2016 | 864.1 | TOR |
| Şanlıurfa HPP and related assets | 03/01/2017 | 247.5 | TOR |
| Adıgüzel and Kemer HPPs and related assets | 05/05/2017 | 324.1 | TOR |
| Almus and Köklüce HPPs and related assets | 08/08/2017 | 213 | TOR |
| Yenice HPP and related assets | 15/12/2017 | 33.8 | TOR |
| Anamur, Bozyazı, Mut-Derinceay, Silifke, Zeyne HPPs, and related assets | 12/01/2018 | 2.41 | TOR |
| Menzelet ve Kılavuzlu HPPs and related assets | 09/03/2018 | 335 | TOR |
| Manyas HPP and related assets | 27/04/2018 | 15.8 | TOR |
| Sütçüler HPP and related assets | 20/12/2018 | 1.6 | TOR |
| Gönen HPP and related assets | 25/12/2018 | 12.3 | TOR |

¹⁷⁶ Figures up to date as of 31 March 2022.

¹⁷⁷ Law No. 4046 on Implementation of Privatization. Viewed at: <http://www.lawsturkey.com/law/4046-implementation-of-privatization-law>.

¹⁷⁸ WTO document WT/TPR/S/331/Rev.1, 9 August 2016, Table 3.37.

| Name of the privatized companies | Date of privatization | Revenue from privatization (USD million) | Form of privatization |
|--|-----------------------|--|---|
| Tohma HPP and related assets | 02/01/2019 | 10.9 | TOR |
| Dinar 2 HPP and related assets | 27/02/2019 | 1.5 | TOR |
| Çine HPP and related assets | 22/04/2019 | 20.8 | TOR |
| Ahiköy I / II HPP and related assets | 22/01/2021 | 1.5 | TOR |
| Gebze Dilovası Natural Gas Combined Cycled Power Plant | 04/11/2021 | 16.2 | 100% asset sale |
| Çamlıca I HPP and related assets | 05/11/2021 | 67.03 | TOR |
| Tortum HPP and related assets | 08/12/2021 | 22.9 | TOR |
| Topçam HPP and related assets | 24/12/2021 | 78.9 | TOR |
| Çal HPP and related assets | 28/01/2022 | 9.3 | TOR |
| Girlevik 2 – Mercan HPP and related assets | 05/08/2022 | 10.1 | TOR |
| Ports and marinas | | | |
| Tekirdağ Port | 28/12/2018 | 66 | TOR |
| Taşucu Port and its rear area | 21/01/2022 | 51 | Taşucu Port-TOR Ports rear area-sale |
| Güllük Marina | 21/06/2021 | 4 | TOR |
| Sugar factories | | | |
| Kırşehir Sugar Factory | 24/05/2018 | 83 | 100% asset sale |
| Turhal Sugar Factory | 07/06/2018 | 142 | 100% asset sale |
| Çorum Sugar Factory | 25/06/2018 | 132 | 100% asset sale |
| Elbistan Sugar Factory | 11/07/2018 | 74 | 100% asset sale |
| Muş Sugar Factory | 12/07/2018 | 57.5 | 100% asset sale |
| Erzincan and Erzurum Sugar Factories | 16/07/2018 | 72 | 100% asset sale |
| Afyon Sugar Factory | 17/08/2018 | 181 | 100% asset sale |
| Bor Sugar Factory | 20/09/2018 | 84 | 100% asset sale |
| Alpullu Sugar Factory | 30/11/2018 | 37.5 | 100% asset sale |
| Other | | | |
| Hydrogen Peroxide Industry and Trade Inc. | 09/07/2018 | 4.5 | Sale of 28.2% of public shares |
| Türkiye Petroleum Oil Distribution Co. | 04/04/2017 | 134.7 | Sale of 100% of public shares |
| Mersin Free Trade Zone | 08/11/2017 | 7,590 | Sale of 21.26 % of public shares |

Note: TOR = grant of operating rights.

Source: Information provided by the authorities.

3.3.6 Government procurement

3.3.6.1 Basic legal and institutional framework

3.157. Public procurement continues to be mainly governed by Law No. 4734 of 2002 on Public Procurement (PPL) and Law No. 4735 of 2002 on Public Procurement Contracts (PPCL).¹⁷⁹ The PPL establishes the principles and procedures to be applied in public procurements. The PPCL regulates the implementation of public procurement contracts awarded through the application of procurement procedures carried out in accordance with the provisions of the PPL. The PPL covers all stages of procurement procedures, except for the execution and termination of contracts, which are covered exclusively by the PPCL. The PPL and the PPCL cover procurement undertaken at the central government and subcentral levels. The scope of application of the PPL and the PPCL includes public supply contracts, public service contracts, and public works contracts.¹⁸⁰

3.158. The PPL grants exemptions to the relevant ministries for matters related to defence, security, or intelligence. Certain sectors or areas such as utilities, air transport, and R&D activities are also

¹⁷⁹ In addition, there are the following regulations: Regulation on Implementation of Services Procurements; Regulation on Implementation of Goods Procurements; Regulation on Implementation of Works Procurements; Regulation on Implementation of Consultancy Services Procurements; Regulation on Implementation of Electronic Procurement; Regulation on Administrative Applications against Procurements; Regulation on Framework Agreements; and Regulations on Inspection and Acceptance (Works, Services, Goods, Consultancy Services). WTO document WT/TPR/S/331/Rev.1, 9 August 2016, para. 3.187.

¹⁸⁰ S. Togan, B.K. Onur Tas, and S. Alyanak (2017), "Public Procurement in Turkey" in A.C. Georgopoulos (ed.), *The Internationalization of Government Procurement Regulation*, February, pp. 189-220. Viewed at: <https://academic.oup.com/book/5744/chapter/148891668>.

not covered by the PPL.¹⁸¹ With respect to SOEs, any institution, organization, association, enterprise, or corporation in which more than half of the capital, directly or indirectly, together or separately, is owned by those within the scope of the PPL, is required to follow the rules of the PPL.¹⁸²

3.159. Under the PPL, there are four procurement procedures: (i) open, where all tenderers can submit their qualification documents and bids; (ii) restricted, where only tenderers who, following an open invitation to pre-qualify, are evaluated as qualified and are invited by the contracting entity to submit tenders; (iii) negotiated, where at least three tenderers are invited to submit their qualification documents and price offers; and (iv) direct procurement¹⁸³, where there is no need for the fulfilment of most requirements specified in the PPL such as advertisement of contract notice.¹⁸⁴

3.160. An important recent procedural change to the government procurement regime concerns the introduction of e-tendering in 2019. Companies established in Türkiye, and foreign companies, are able to register their company and attach any required documents at the Electronic Public Procurement Platform (EPPP or EKAP in Turkish) included in the EKAP website (<https://ekap.kik.gov.tr/EKAP/Default.aspx?ReturnUrl=%2fEKAP%2f>), the centralized public e-procurement platform operated by the Public Procurement Authority (PPA). All tender notifications and related tender documents are accessible online through the platform.¹⁸⁵ In e-procurement, tenderers submit their electronic bids together with self-declarations about their qualifications in procurement goods, works, and services. Since 3 November 2022, the use of e-procurement has become compulsory in open procedure and negotiated procedures on the grounds specified in Article 21 paragraph (b), (c), and (f) of the PPL.

3.161. As indicated in Türkiye's previous Review, suppliers that believe they have suffered a loss of right or damage due to unlawful procedures or actions within the tendering process may file a complaint to the contracting entity and then an appeal to the PPA. Furthermore, all decisions of the PPA can be challenged before the courts.¹⁸⁶ In 2020 and 2021 further changes were made to allow tenderers, candidates, and potential tenderers to use EKAP to submit complaints to the contracting authority and to submit appeals to the PPA.

3.162. There were no major changes during the review period to the institutional framework for public procurement. Public procurement falls within the authority of the MoTF, which is responsible for core policy making, and a dedicated procurement authority, the PPA.¹⁸⁷ The mandate of the PPA is to ensure the proper implementation of the PPL, support participants in the procurement process, and provide legal resolution of disputes over public procurement. The Public Procurement Board (PPB) is the PPA's main decision-making body. It examines complaints and may take corrective action and determine the remedies, cancel the tender decision, and terminate the tender proceedings, or decide that the complaint is irrelevant.¹⁸⁸ The President of Türkiye directly appoints the PPB president and members. The PPA may provide proposals to the President with respect to reciprocity in cases where it is established that domestic tenderers are prevented from participating in procurement proceedings in foreign countries. This provision has not been used thus far. The State Supply Office, an affiliate organization of the MoTF, acts as a central purchasing body. However, public organizations are not obliged to purchase from the State Supply Office.¹⁸⁹

¹⁸¹ WTO document WT/TPR/S/331/Rev.1, 9 August 2016, para. 3.190.

¹⁸² WTO document WT/TPR/S/331/Rev.1, 9 August 2016, para. 3.191.

¹⁸³ Applied in cases specified in Article 22 of the PPL.

¹⁸⁴ PPL, Articles 18-22.

¹⁸⁵ Public Procurement Board Decision No. 2018/DK.D-357 of 13 November 2018 defines the procedures and principles of registering foreign real and legal persons on EKAP. Viewed at: <https://ekap.kik.gov.tr/EKAP/Ortak/IhaleArama/index.html> (tender search engine), which can be found at the PPA website: <http://www.ihale.gov.tr/>.

¹⁸⁶ WTO document WT/TPR/S/331/Rev.1, 9 August 2016, para. 3.195.

¹⁸⁷ Article 53 of the PPL establishes the PPA as an administratively and financially autonomous body with a link to the Ministry of Finance.

¹⁸⁸ S. Togan, B.K. Onur Tas, and S. Alyanak (2017), "Public Procurement in Turkey" in A.C. Georgopoulos (ed.), *The Internationalization of Government Procurement Regulation*, February, pp. 189-220. Viewed at: <https://academic.oup.com/book/5744/chapter/148891668>.

¹⁸⁹ WTO document WT/TPR/S/331/Rev.1, 9 August 2016.

3.3.6.2 Procurement market and statistics

3.163. The size of Türkiye's public procurement market, as a percentage of GDP, declined from 7.5% in 2017 to 3.3% in 2019 but grew to 4.1% in 2021.¹⁹⁰ Government spending on goods, services, and works was estimated at TRY 300,673 million in 2021, compared with TRY 173,664 million in 2016.¹⁹¹ Since e-tendering started in early 2019, electronic procurement has expanded and reached 30,198 tenders in 2021, compared with 17,359 in 2020.¹⁹² The value of e-procurement represented 58.0% of all procurement in 2021.¹⁹³

3.164. Exemptions accounted for 11.0% of procurements in 2021 compared with 8.17% in 2016 (Table 3.26). According to the authorities, 70% of the annual amount procured was open to foreign suppliers in 2021. Over the period 2016-21, the percentage subject to a price advantage to domestic suppliers ranged from 42% to 50% of the amount open to foreign suppliers (Table 3.27). The vast majority of procurement is from Turkish suppliers, averaging 98% during the period, followed by suppliers from the United States and EU-27 (Table 3.28).

Table 3.26 Procurement values, 2016-21

| Year | PPL | | Direct procurement | | Exemption | | Total amount of public procurement | |
|------|-------------------------------|-------|-------------------------------|------|-------------------------------|-------|------------------------------------|-----|
| | Amount of contract (TRY '000) | % | Amount of contract (TRY '000) | % | Amount of contract (TRY '000) | % | Amount of contract (TRY '000) | % |
| 2016 | 155,661,190 | 89.63 | 3,817,742 | 2.20 | 14,184,903 | 8.17 | 173,663,835 | 100 |
| 2017 | 210,299,779 | 90.30 | 3,286,233 | 1.41 | 19,304,274 | 8.29 | 232,890,286 | 100 |
| 2018 | 174,990,037 | 86.58 | 3,787,522 | 1.87 | 23,337,280 | 11.55 | 202,114,839 | 100 |
| 2019 | 116,987,865 | 81.97 | 7,670,179 | 5.37 | 18,069,010 | 12.66 | 142,727,054 | 100 |
| 2020 | 143,443,401 | 83.14 | 9,439,234 | 5.47 | 19,644,018 | 11.39 | 172,526,653 | 100 |
| 2021 | 254,402,839 | 84.61 | 13,193,476 | 4.39 | 33,076,660 | 11.00 | 300,672,975 | 100 |

Source: Information provided by the authorities.

Table 3.27 Domestic preferences, 2016-21

| Year | Open to foreign suppliers (TRY '000) | Price advantage for domestic suppliers in procurements open for foreign suppliers (TRY '000) | % |
|------|--------------------------------------|--|-------|
| 2016 | 115,795,915 | 48,782,045 | 42.13 |
| 2017 | 158,733,113 | 70,037,444 | 44.12 |
| 2018 | 122,689,198 | 53,988,136 | 44.00 |
| 2019 | 87,058,306 | 42,599,153 | 48.93 |
| 2020 | 102,925,485 | 47,997,897 | 46.63 |
| 2021 | 177,438,433 | 88,784,739 | 50.04 |

Source: Information provided by the authorities.

Table 3.28 Major procurement suppliers, 2016-21

| Year | Türkiye | | EU-27 | | United States | | Other | |
|------|-------------------------------|-------|-------------------------------|------|-------------------------------|-------|-------------------------------|------|
| | Amount of contract (TRY '000) | % | Amount of contract (TRY '000) | % | Amount of contract (TRY '000) | % | Amount of contract (TRY '000) | % |
| 2016 | 167,385,853 | 98.55 | 864,388 | 0.51 | 12,945 | 0.01 | 1,582,907 | 0.93 |
| 2017 | 226,097,126 | 98.47 | 524,456 | 0.23 | 41,691 | 0.02 | 2,940,780 | 1.28 |
| 2018 | 193,053,303 | 97.34 | 2,753,089 | 1.39 | 15,089 | 0.1 | 2,505,835 | 1.26 |
| 2019 | 134,462,526 | 99.56 | 266,232 | 0.20 | 11,334 | 0.01 | 316,783 | 0.23 |
| 2020 | 160,377,716 | 98.34 | 1,062,446 | 0.65 | 6,354 | 0.004 | 1,640,903 | 1.01 |
| 2021 | 283,166,402 | 98.50 | 170,529 | 0.06 | 3,396,922 | 1.18 | 745,646 | 0.26 |

Source: Information provided by the authorities.

¹⁹⁰ European Commission, *Commission Staff Working Document: Türkiye 2022 Report*, p. 70. Viewed at: https://neighbourhood-enlargement.ec.europa.eu/turkiye-report-2022_en.

¹⁹¹ Data provided by the authorities.

¹⁹² European Commission, *Commission Staff Working Document: Türkiye 2022 Report*, p. 70.

¹⁹³ Data provided by the authorities.

3.165. The number of appeals submitted to the PPA declined from 3,395 in 2016 to 2,343 in 2021, i.e. 3.25% of public procurement contracts in 2021 (Table 3.29).

Table 3.29 Appeals to the Public Procurement Authority, 2016-21

| Year | Number of complaints | % of public contracts subject to complaints |
|------|----------------------|---|
| 2016 | 3,395 | 3.45 |
| 2017 | 3,526 | 3.59 |
| 2018 | 2,017 | 2.41 |
| 2019 | 1,864 | 2.87 |
| 2020 | 2,316 | 3.53 |
| 2021 | 2,343 | 3.25 |

Source: Information provided by the authorities.

3.3.6.3 National preferences

3.166. As indicated in Türkiye's previous Review¹⁹⁴, the PPL provides for two different kinds of national preference. First, a procuring entity may confine the participation of procurement proceedings solely to domestic suppliers or contractors if the value of the contract in question is below certain thresholds. Second, regardless of the value of the contract, whether below or above the threshold, in procurement of service and works, up to a 15% price advantage may be granted for all domestic tenderers, and in procurement of goods, up to a 15% price advantage may be granted for tenderers who offer domestic products. However, this provision does not apply to domestic tenderers who participate in the tender proceedings by forming joint ventures with foreign tenderers. The percentage of price advantage is determined solely by the contracting entity or by a related Ministry contracting entity within the range of 0 to 15%.

3.167. As a consequence of amendments made in 2016, it has become mandatory to provide a price advantage of 15% in favour of tenderers offering domestic products in procurement of goods that are selected by the Ministry of Industry and Technology from among medium and high technology industry products and that are included in the list declared by the PPA. It is also mandatory to provide a price advantage of 15% in favour of tenderers offering domestic software products. Moreover according to Article 63 of PPL, all or a portion of the machinery, materials, equipment, and software to be used in construction works may be required to be domestic goods. However, machinery, material, and equipment to be used in the work, which are selected from among medium-low, medium-high, and high technology products by Ministry of Industry and Technology regarding machinery and equipment and by the Ministry of Environment, Urbanization and Climate Change regarding materials, by taking opinions of relevant institutions and organizations, and which are included in the list declared by the PPA, must be domestic goods.

3.3.6.4 Recent developments

3.168. Under its Eleventh Development Plan (2019-23) (Section 2.2), Türkiye aims at increasing the domestic production of certain goods (e.g. chemicals, pharmaceuticals and medical devices, electronics, machinery, and electrical equipment), including through the use of the 15% domestic price advantage and offset practices in public procurement.¹⁹⁵ The percentage of international tenders where domestic price advantage is applied increased from 37% in 2017 to 45% in 2021, while the overall value of such tenders also rose from 44% to 50% during the same period.¹⁹⁶ A domestic price advantage was applied in 63% of supplies (46% of total value), 40% of works (57% of total value), 21% of services (33% of total value), and 79% of consultancy service tenders (84% of total value).¹⁹⁷

3.169. For major infrastructure projects (e.g. bridges, airports, ports, and hospitals), the Government has increasingly held tenders on a build-operate-transfer (BOT) or public-private partnerships (PPP) basis. According to some estimates, Türkiye has invested some TRY 1.1 trillion

¹⁹⁴ WTO document WT/TPR/S/331/Rev.1, 9 August 2016, paras. 3.197-3.200.

¹⁹⁵ Presidency of Strategy and Budget, *Eleventh Development Plan (2019-2023)*. Viewed at: <https://www.sbb.gov.tr/kalkinma-planlari/>.

¹⁹⁶ European Commission, *Commission Staff Working Document: Türkiye 2022 Report*, p. 71. Viewed at: https://neighbourhood-enlargement.ec.europa.eu/turkiye-report-2022_en.

¹⁹⁷ European Commission, *Commission Staff Working Document: Türkiye 2022 Report*, p. 71.

through 257 PPP projects.¹⁹⁸ On the one hand, the depreciation of the lira over the last few years (Section 1.2.1) has raised the cost of these projects to taxpayers because the Government guarantees companies involved in such projects a minimum level of income, normally in hard currency. On the other hand, because of budget constraints, the Government would have not been able to afford some of these costly projects by paying for them directly.¹⁹⁹

3.170. Türkiye's recent RTA with Singapore and the revised RTA with Bosnia and Herzegovina (Section 2.3.2) contain dedicated chapters on government procurement that provide for market access rights to foreign suppliers through provisions on national treatment and non-discrimination.²⁰⁰ Government procurement is not covered by the Türkiye-EU Customs Union. As an accession candidate country to the European Union, Türkiye is required to have a procurement regime that conforms to EU norms and regulations, i.e. the EU *acquis*.

3.3.7 Intellectual property rights

3.171. In 2022, Türkiye was the 3rd top innovation economy in the Northern Africa and Western Asia Region and ranked 37th among the 132 economies featured in the Global Innovation Index (GII), entering the top 40 for the first time. It is one of only two middle-income economies that registered growth in total R&D and business R&D in 2020, with an increase of 5.2%. Türkiye tops the region in "creative outputs" (15th) and ranks 4th worldwide in "intangible assets", becoming a global leader in the indicators of industrial designs (1st), trademarks (6th), and intangible asset intensity (15th). Istanbul and Ankara are among the top 100 GII Science and Technology Clusters (Table 3.30).²⁰¹

Table 3.30 GII rankings for Türkiye, 2019-2022

| Year | GII ranking | Innovation inputs | Innovation outputs |
|------|-------------|-------------------|--------------------|
| 2019 | 41 | 45 | 41 |
| 2020 | 51 | 52 | 53 |
| 2021 | 49 | 56 | 49 |
| 2022 | 37 | 49 | 33 |

Source: WIPO, *Global Innovation Index 2022: Türkiye*. Viewed at: https://www.wipo.int/edocs/pubdocs/en/wipo_pub_2000_2022/tr.pdf.

3.172. Türkiye is a net importer of intellectual property (IP). Exports of IP royalties and licensing fees remained stable between 2013 and 2017, oscillating between USD 80 million and nearly USD 230 million. Imports almost doubled between 2013 and 2021, when they reached over USD 2,500 million (Chart 3.4).

¹⁹⁸ *Daily Sabah* (2022), "Turkey Makes \$80 Billion Investment via Public-Private Partnership", 14 February. Viewed at: <https://www.dailysabah.com/business/economy/turkey-makes-80b-investment-via-public-private-partnership>.

¹⁹⁹ *The Economist* (2022), "Turkey's Public-Private Partnerships Are Pricier than Promised", 1 January. Viewed at: <https://www.economist.com/europe/2022/01/01/turkeys-public-private-partnerships-are-pricier-than-promised>.

²⁰⁰ Information provided by the authorities.

²⁰¹ The Global Innovation Index (GII) ranks world economies according to their innovation capabilities and consists of almost 80 indicators and aims to capture the multi-dimensional facets of innovation. WIPO, *Global Innovation Index 2022*. Viewed at: https://www.wipo.int/global_innovation_index/en/2022/.

Chart 3.4 Charges for the use of intellectual property rights, 2013-21

(USD million)



Note: Charges for the use of IP are payments and receipts between residents and non-residents for the authorized use of proprietary rights (such as patents, trademarks, copyrights, industrial processes and designs including trade secrets, and franchises) and for the use, through licensing agreements, of produced originals or prototypes (such as copyrights on books and manuscripts, computer software, cinematographic works, and sound recordings) and related rights (such as for live performances and television, cable, or satellite broadcast).

Source: WTO Statistics.

3.173. WIPO statistics indicate an overall growth in the use of most forms of intellectual property rights (IPRs) over the period 2017-21 and a notable increase in trademark applications.²⁰² The number of patents granted peaked in 2021 (Table 3.31).

Table 3.31 Applications for trademarks, industrial designs, and patents, and patents granted, 2017-21

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---------------------------------------|---------|---------|---------|---------|---------|
| Trademark applications | | | | | |
| Resident | 215,220 | 211,109 | 248,754 | 331,480 | 395,159 |
| Non-resident | 32,260 | 33,373 | 33,693 | 32,212 | 39,247 |
| Total | 247,480 | 244,482 | 282,447 | 363,692 | 434,406 |
| Abroad | 81,544 | 74,705 | 90,388 | 93,348 | 109,610 |
| Industrial design applications | | | | | |
| Resident | 39,255 | 35,462 | 39,239 | 42,073 | 59,353 |
| Non-resident | 7,675 | 6,870 | 6,972 | 5,580 | 6,571 |
| Total | 46,930 | 42,332 | 46,211 | 47,653 | 65,924 |
| Abroad | 16,110 | 19,678 | 16,322 | 20,396 | 19,448 |
| Patent applications | | | | | |
| Resident | 9,083 | 7,728 | 8,340 | 8,520 | 8,971 |
| Non-resident | 380 | 310 | 217 | 238 | 242 |
| Total | 9,463 | 8,038 | 8,557 | 8,758 | 9,213 |
| Abroad | 2,074 | 1,632 | 1,707 | 1,590 | 1,897 |

²⁰² WIPO, *Statistical Country Profiles: Turkey* (last update from December 2022). Viewed at: https://www.wipo.int/ipstats/en/statistics/country_profile/profile.jsp?code=TR.

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|------------------------|-------|-------|-------|-------|-------|
| Patents granted | | | | | |
| Resident | 2,055 | 2,887 | 2,121 | 2,301 | 3,377 |
| Non-resident | 143 | 285 | 185 | 134 | 262 |
| Total | 2,198 | 3,172 | 2,306 | 2,435 | 3,639 |
| Abroad | 836 | 816 | 867 | 943 | 771 |

Source: WIPO, *Statistical Country Profiles: Turkey* (last update from December 2022). Viewed at: https://www.wipo.int/ipstats/en/statistics/country_profile/profile.jsp?code=TR.

3.174. Türkiye started implementing its National Intellectual and Industrial Property Strategy during the period 2015-2018. One of the most significant results of the Strategy was the new Industrial Property Code. Currently, Türkiye is implementing the 2019-2023 Intellectual Property Strategy, which was jointly prepared by the Ministry of Culture and Tourism and the Turkish Patent and Trademark Office. The General Directorate of Copyright, as provided for the Eleventh Development Plan, is responsible for 13 policy measures contained in the chapter on IPRs, which aim at strengthening the legal framework and practice, developing an ecosystem that supports IPRs, and accelerating the commercialization of IPRs.

3.175. During the period under review, Türkiye undertook some initiatives on IP. For example, the Hezarfen project, launched in 2007, aims to help increase the innovative culture in small and medium-sized enterprises (SMEs) and to create an IP strategy for SMEs to protect their inventions.²⁰³ Under this project, a total of 759 companies participated in 28 projects in 25 different cities between 2007 and 2021. In 2022, the Project benefited 114 companies in different provinces. In 2018, the Ministry of Culture and Tourism, the Turkish Patent and Trademark Office, and WIPO established the IP Academy to raise awareness about IP and provide theoretical and practical training in accordance with international norms.²⁰⁴ Additionally, several state aid programmes are in place to support and promote IP protection as well as R&D and innovation (Section 3.3.1).

3.3.7.1 Legal and institutional framework

3.176. The main institutions responsible for IP are the General Directorate of Copyright in the Ministry of Culture and Tourism (for copyright and related rights)²⁰⁵; the Turkish Patent and Trademark Office for patents, utility models, trademarks, geographical indications, designs, and topographies of integrated circuits;²⁰⁶ and the MAF for plant breeders' rights. As of 1 January 2020, all physical document transactions before Turkish Patent and Trademark Office were terminated and the new electronic application system (EPATS) was adopted, and as of July 2020, the new electronic notification system (ETEBS) was introduced.

3.177. There have been some changes to the main IP laws, decree-laws, and regulations in Türkiye since the last Review. The key features of the main IP laws and regulations are summarized in Table A3.6.

3.178. The new Industrial Property Code entered into force on 10 January 2017.²⁰⁷ It replaces a series of individual laws, executive decrees, and regulations enacted in 1995 to comply with the provisions of the Türkiye-EU Customs Union, and it covers all matters related to trademarks, geographical signs, designs, patents, utility models, and traditional product names harmonizing national legislation with EU standards. The Industrial Property Code also covers applications, registrations, and post-registration processes and criminal sanctions concerning the violation of these rights. The main novelties are the shortening of the opposition periods for designs (from six to three months) and trademarks (from three to two months), as well as the possibility to register sound and colour trademarks.²⁰⁸

3.179. Regarding traditional products, a provision introduced the protection of "Traditional Speciality Guaranteed" for the traditional goods' names that cannot be considered as appellation of

²⁰³ Viewed at: <https://www.turkpatent.gov.tr/en/news/hezarfen-bursa-yalova>.

²⁰⁴ Regulation of the Intellectual Property Academy, Article 4. *Official Gazette* (2019), No. 30948, 14 November. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2019/11/20191114-1.htm>.

²⁰⁵ General Directorate of Copyright. Viewed at: <https://www.telifhaklari.gov.tr/Misyon-ve-Vizyon>.

²⁰⁶ Viewed at: <https://www.turkpatent.gov.tr/en/about-us>.

²⁰⁷ Law No. 6769 (Industrial Property Code), *Official Gazette* (2017), No. 29944, 10 January. Viewed at: <https://turklegal.com.tr/resources/public/en/legal/Turkish-Industrial-Property-Code-in-English.pdf>.

²⁰⁸ Industrial Property Code, Article 4.

origin nor a designation of origin but are proven to have been traditionally used in the relevant market. The registration period of GIs has been shortened, by decreasing the publication period that is open to third-party objections from six to three months; and an objection right was granted to the applicant, against the decisions of the Turkish Patent and Trademark Office.

3.180. The Department of Geographical Indications was created at the Patent and Trademark Office. Personnel from several institutions (such as the Ministry of Trade, the MAF, the Ministry of Justice, various Chambers of Commerce and Industry, universities, and SMEs) have been trained in order to strengthen specialization in the registration. An electronic database of GIs is available to the public.

3.181. The new Industrial Property Code also introduced new provisions related to designs for compatibility with the EU Community Design Regulation. Ex officio cancellation was introduced for design applications that are not new, thus, aiming to protect genuine design applications.

3.182. On patents, new provisions were introduced in order to accelerate the patent granting processes and to eliminate the administrative bottlenecks. The non-examination patent system has been abolished. Framework provisions were introduced for the ownership of patent rights that are generated at the projects supported by the governmental institutions/bodies in order to incentivize the inventions at these projects, promote the participation in these R&D initiatives, and encourage the cooperation between governmental institutions/bodies and commercial firms.

3.183. Article 121 of the Industrial Property Code stipulates that the provisions on employee inventions shall be applied to the inventions made in the context of scientific studies and research conducted in higher education institutions that are defined in Article 3.1.c of the Higher Education Law, and in higher education institutions associated with the Ministry of National Defence and/or the Ministry of the Interior.

3.184. Türkiye's Industrial Property Code contains provisions on compulsory licences (CLs) and regulates the application and implementation of compulsory licences (CLs). The application for a CL is made either before a Court, which initiates procedures if the conditions set in Article 129 are met, or before the Competition Authority. In cases of public interest (e.g. public health and/or national security), the President of the Republic may decide on granting CLs. As of October 2022, the only CL had been granted in 1998, under previous legislation.

3.185. Further to the new Industrial Property Code and various incentive programs implemented by the Technological and Research Council of Türkiye (TÜBİTAK) (Section 3.3.1.2), the number of patent applications originating from universities has been increasing. In recent years, the level of awareness on IPRs and the innovation ecosystem has improved in Türkiye. As a result, the innovation ecosystem, of which universities and IP are indispensable and significant components, has been strengthened and the use of IPRs has increased. Patent applications from universities have grown from zero in 2002 to the peak of 966 in 2019. In 2021, universities submitted 855 patent applications.²⁰⁹

3.186. As a result of the adoption of the new Industrial Property Code, secondary legislation has been enacted, including the Regulation on the Implementation of Industrial Property Code²¹⁰; the Regulation on the Re-examination and Evaluation Department Boards of the Turkish Patent and Trademark Office²¹¹; the Regulation on Employee Inventions, Inventions Realized within Higher Education Institutions and Inventions Arisen from Projects Supported by Public Authorities²¹²; the Regulation on the Emblems of Geographic Indications and Traditional Product Names²¹³; and the

²⁰⁹ Information provided by the authorities.

²¹⁰ Regulation on the Implementation of Industrial Property Code, *Official Gazette* (2017), No. 30047, 24 April, as amended by Regulations published in *Official Gazette* (2017), No. 30223, 27 October, and *Official Gazette* (2019), No. 30825, 8 July. Viewed at: <https://wipolex.wipo.int/en/legislation/details/17697>.

²¹¹ Regulation on the Re-examination and Evaluation Department Boards of the Turkish Patent and Trademark Office, *Official Gazette* (2017), No. 30064, 12 May. Viewed at: <https://wipolex.wipo.int/en/legislation/details/18447>.

²¹² Regulation on Employee Inventions, Inventions Realized within Higher Education Institutions, and Inventions Arisen from Projects Supported by Public Authorities, *Official Gazette* (2017), No. 30195, 29 September. Viewed at: <https://wipolex.wipo.int/en/legislation/details/18458>.

²¹³ Regulation on the Emblems of Geographic Indications and Traditional Product Names, *Official Gazette* (2017), No. 30285, 29 December. Viewed at: <https://wipolex.wipo.int/en/legislation/details/18456>.

Regulation on the Examination, Registry and Discipline of Patent Attorneyship and Trademark Attorneyship.²¹⁴

3.187. With respect to parallel imports, the Industrial Property Code provides for international exhaustion for patents, trademarks, industrial designs, utility models, patents, geographical signs, and traditional product names.²¹⁵ The Law for Topographies of Integrated Circuits contains provisions that adopt the international exhaustion doctrine.²¹⁶

3.188. Türkiye's Copyright Law, known as Law No. 5846 on Intellectual and Artistic Works, amended in 2014²¹⁷, has undergone changes. On 25 December 2021, Article 72 was amended to reflect the EU Information Society Directive and cover all works, performances, phonograms, productions, and broadcasts. Therefore, those who produce, put for sale, sell, or possess products and tools (e.g. password cracking devices and software) aimed at deactivating encrypted broadcasts or to circumvent additional technological measures developed to prevent illegal reproduction of a computer programme²¹⁸ can be prosecuted. Currently, the maximum prison term for copyright infringement is six years.

3.189. Article 44 of the Copyright Law provides that natural and legal persons who manufacture or import for commercial purposes any kind of materials carrying works such as blank video cassettes, audio cassettes, computer discs, CDs, DVDs, and technical equipment for the reproduction of intellectual and artistic works are obliged to collect every month an amount to be determined by the Presidency, not exceeding 3% of the manufacturing or importation costs, and deposit it in a special account to be opened in a national bank in the name of the Ministry of Culture and Tourism. The Presidential Decision, published on the Official Gazette No. 31058 on 4 March 2020, provides the definitions of technical equipment and the range of the percentages. Smart mobile phones were also included in the scope of this decision for the first time in Türkiye.

3.190. This measure aims at protecting the creative industries, as Türkiye is one of the top 10 performing developing economies in trade in creative goods.²¹⁹ Nevertheless, according to some sources, there are long-standing problems concerning the governance and management of collective management organizations because foreign right holders are not allowed to become full members or participate in the decision-making process.²²⁰ On 7 April 2022, the Regulation on Professional Associations in the Field of Copyright was adopted with the objective of making collecting societies more effective and transparent, and adapting to technological and international developments, particularly the relevant EU directive 2014/26/EU.²²¹

3.191. In order to address issues encountered in the copyright regime, the secondary legislation was amended to make the system more effective. The regulation on "The Authorization Certificate to be Given to Collecting Societies" entered into force on 1 January 2021 and the regulation "On the Authorization Certificate to be Given by the Owners of Intellectual and Artistic Works" was abolished. In order to strengthen the representation capabilities of collecting societies in licensing activities, a new regulation is being prepared in accordance with the Directive No. 2014/26.

3.192. Training activities on copyrights conducted at the Copyright Training Centre since 2019 have reached more than 10,000 members of the judiciary, academics, lawyers, students, consumers,

²¹⁴ Regulation on the Examination, Registry and Discipline of Patent Attorneyship and Trademark Attorneyship, *Official Gazette* (2021), No. 31447, 7 April. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2021/04/20210407-19.htm>.

²¹⁵ Law No. 6769 (Industrial Property Code), Article 152. Viewed at: <https://turklegal.com.tr/resources/public/en/legal/Turkish-Industrial-Property-Code-in-English.pdf>.

²¹⁶ Law No. 5147 on Integrated Circuits, Article 12.c (International Exhaustion).

²¹⁷ Law No. 5846 of 5 December 1951 on Intellectual and Artistic Works (as amended by Law No. 6552 of 10 September 2014). Viewed at: <https://wipolex.wipo.int/en/text/440050>.

²¹⁸ WTO document WT/TPR/M/331/Add.1, 9 May 2016, p. 83.

²¹⁹ United Nations Conference on Trade and Development (UNCTAD) (2019) *Creative Economy Outlook: Trends in International Trade in Creative Industries 2002-2015 Country Profiles 2005-2014*, p. 9. Viewed at: <https://unctad.org/webflyer/creative-economy-outlook-trends-international-trade-creative-industries>.

²²⁰ European Commission Staff Working Document (2021), *Report on the Protection and Enforcement of Intellectual Property Rights in Third Countries*, p. 30. Viewed at: https://trade.ec.europa.eu/doclib/docs/2021/april/tradoc_159553.pdf.

²²¹ Regulation on Professional Associations in the Field of Copyright. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2022/04/20220407-17.pdf>.

enforcement units, provincial inspection commissions, collective management organizations, and citizens. The Copyright Training Centre has signed cooperation agreements with 14 universities on IP and creative and cultural industries.

3.3.7.2 International agreements and conventions

3.193. In May 2014, Türkiye accepted the Protocol Amending the TRIPS Agreement under which special CLs for the export of medicines to countries with insufficient or no manufacturing capacities in the pharmaceutical sector will become a permanent part of the TRIPS Agreement. As at mid-October 2022, Türkiye had not made any notifications to the WTO about the use of the special compulsory licensing system. Türkiye is a signatory to several IP conventions and treaties. It ratified the WIPO Marrakesh Treaty to Facilitate Access to Published Works for Persons who are Blind, Visually Impaired or Otherwise Print Disabled in 2021.²²²

3.194. The criteria for the competency of the International Searching and International Preliminary Examining Authority, as provided by the Patent Cooperation Treaty (PCT), were duly fulfilled, and the Turkish Patent and Trademark Office was accepted as an authority in the General Assembly of the World Intellectual Property Organization (WIPO) on 6 October 2016.

3.195. During the review period, Türkiye modified the scope of some of its pre-existing legal commitments. In this regard, on 18 October 2019 the Government withdrew the declaration made under Article 14.5 of the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (Madrid Protocol).²²³ This means that trademark owners may register trademarks in Türkiye via a subsequent designation filed through WIPO, also in respect of international registrations (basic marks) dated before the implementation date of the Madrid System (1 January 1999, the date on which the Madrid Protocol entered into force in Türkiye). Furthermore, since 2021 Türkiye has been integrated to the Madrid System's online interface, which allows for international trademark registration applications to be completed directly and in a shorter time, as well as facilitating the post-registration management.²²⁴

3.196. Even though Türkiye's accession negotiations to the European Union have been at a standstill since 2018 (Section 2.3.2.1.1), Türkiye continues to participate in a joint Türkiye-EU Intellectual Property Rights (IPR) Working Group on institutional, legislative, enforcement, and public-awareness-related issues. Working Group meetings are held at least once a year, and some meetings are open to IPR stakeholders from the private sector. As indicated in Türkiye's previous Review, since legislative alignment is at an advanced level, most of the discussions within the group have been aimed at enhancing implementation, through exchange of best practices.

3.3.7.3 Border measures and enforcement

3.197. The General Directorate of Customs in the Ministry of Trade remains responsible for border measures. The Ministry of Culture and Tourism's General Directorate of Copyright and its regional representatives are responsible for identifying cases of piracy and acting on them.²²⁵

3.198. The General Directorate of Customs has the authority to suspend customs transactions for goods considered as infringing IP rights either based on an application by a right holder or its representative, or on its own initiative. In *ex officio* cases, the Directorate must identify the right holder and an application needs to be submitted within three working days for the detention or suspension of the release of the goods to continue.

²²² Law No. 7299, adopted on 11 March 2021. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2021/03/20210320-3.htm>.

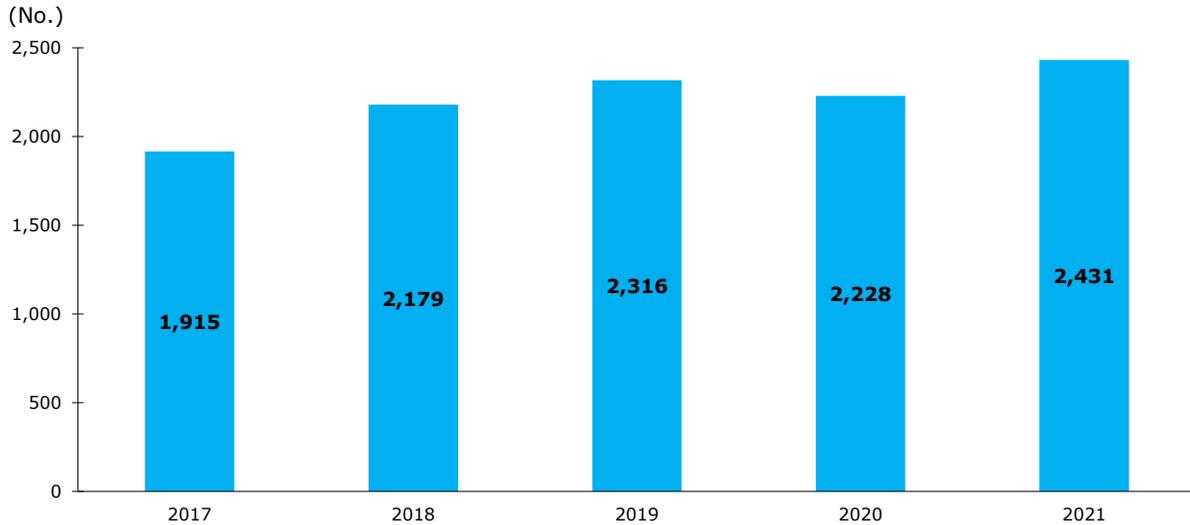
²²³ WIPO, Information Notice No. 59/2019, 28 October 2019. Viewed at: https://www.wipo.int/edocs/madrdocs/en/2019/madrid_2019_59.pdf?utm_source=WIPO+Newsletters&utm_campaign=05a0f3781e-EMAIL_CAMPAIN_2019_10_28_11_08&utm_medium=email&utm_term=0_bcb3de19b4-05a0f3781e-255728405.

²²⁴ See full list on WIPO website. WIPO, *Madrid e-Filing: Participating IP Offices*. Viewed at: https://www.wipo.int/madrid/en/how_to/efile/offices.html.

²²⁵ EIU, *Turkey: IPR Overview*. Viewed at: <http://country.eiu.com/article.aspx?articleid=781641061&Country=Turkey&topic=Regulation&subtopic=Intellectual+property+and+e-commerce&subsubtopic=IPR+overview&aid=1&oid=781641061>.

3.199. During the review period, the majority of border measures were initiated by the right holders, showing an increase in collaboration between right holders and customs. Right holders may submit Applications for Action online. Chart 3.5 shows the number of applications received by the General Directorate of Customs.

Chart 3.5 The number of applications for action, 2017-21

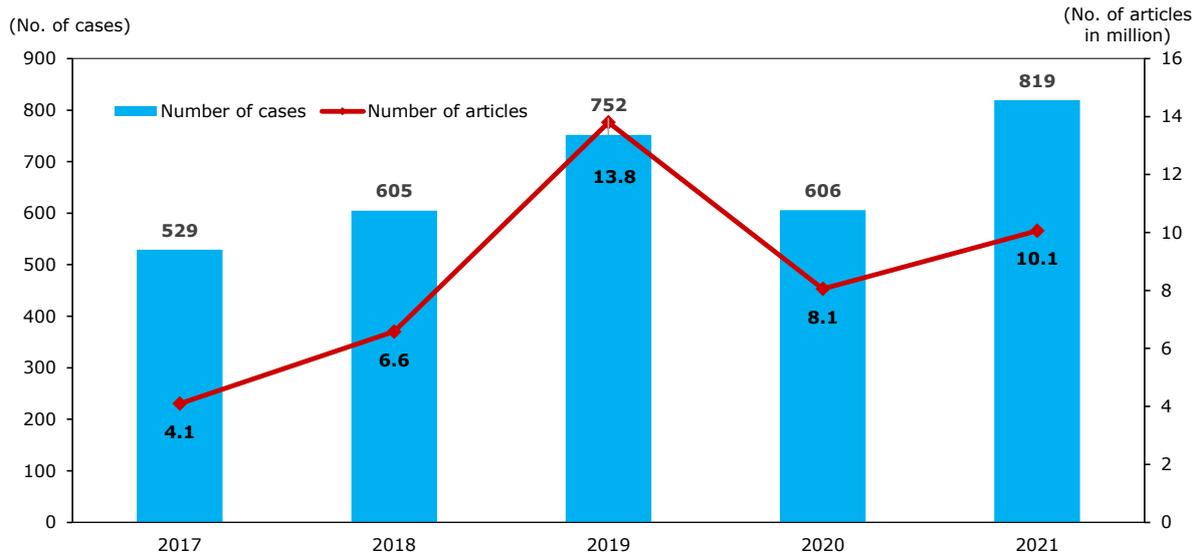


Source: General Directorate of Customs.

3.200. The main categories of detained articles in 2021 were perfumes and cosmetics (41.16%), electronics and computer equipment (13.34%), vehicle spare parts and accessories (9.52%), and cigarettes (6.34%).²²⁶

3.201. The number of seizures undertaken by the General Directorate of Customs increased from 529 in 2017 to 819 in 2021 (Chart 3.6). The total number of IPR seizures increased by 35% in 2021 compared to 2020. The total number of the articles detained shows a remarkable increase of 25% in 2021 compared to the previous year.

Chart 3.6 IPR seizures, 2017-21



Source: General Directorate of Customs.

²²⁶ Information provided by the authorities.

3.202. Despite recent legislative changes, concerns have been expressed regarding overall IP protection and enforcement in Türkiye²²⁷, and that Türkiye's geographic location makes it a major transit hub for counterfeit goods coming from China into European and Middle Eastern markets.²²⁸ According to a recent report written jointly by the European Union Intellectual Property Office (EUIPO) and the OECD²²⁹, Türkiye was described as one of the main provenances of dangerous counterfeit goods destined for the European Union considering both the global seized value and the number of global customs seizures. Similarly, in a 2018 report Türkiye was among the top three sources of counterfeit and pirated goods worldwide.²³⁰

3.203. The institutional capacity of the General Directorate of Customs was strengthened by the EU Project "Border Enforcement of IPR", which was implemented between December 2015 and October 2017 with an approximate budget of EUR 1.5 million. The Project delivered 12 in-house trainings, 3 regional seminars, and 2 national seminars for customs officers and other relevant government institutions and civil society. Additionally, a short film was created and aired on popular TV channels and websites to raise awareness about the dangers of counterfeiting; 3,000 posters targeting different groups of the society were produced; 10,000 brochures were distributed to customs officers; and a Product Identification Manual was developed to facilitate the daily work of customs officers.²³¹

3.204. Türkiye has 23 active courts across the country that specialize in IP-related dispute cases: 14 are civil IPR courts and 9 are criminal IPR courts. IP cases in other geographical areas are handled by general civil courts and general criminal courts. This is possible thanks to Law No. 7251 Amending the Civil Procedure Code and Some Other Laws, which entered into force in 2020. According to the new Law, where there are no civil or criminal courts for intellectual and industrial property rights, the jurisdiction of the civil and criminal courts of first instance should be competent when determined by the Council of Judges and Prosecutors upon the recommendation of the Ministry of Justice, regardless of the provincial or district boundaries. Furthermore, public prosecutors' offices in 22 different courthouses specialize in handling IP investigations.

3.205. Right holders have the possibility to ask for the following civil measures in civil courts of first instance: precautionary measures; prevention or cessation of infringement; damages; confiscation of the products and equipment/machinery used in the production of pirated and counterfeit goods; or transfer of ownership, or destruction, of the products and the means of production seized. The average length of cases in specialized civil IP courts was 357 days in 2021 (377 days in 2014). The average duration of criminal cases was 237 days in 2021 (compared with 249 days in 2014).²³²

3.206. On 1 January 2019, mediation for commercial disputes regarding compensation claims became mandatory in Türkiye. As a result, IP holders must first undergo mandatory mediation proceedings before filing a lawsuit in relation to a commercial payment claim. This aims at fixing numerous backlogs in the judicial system, in which IPR cases tend to take at least a year to complete and it is not unusual for cases to exceed the statute of limitations and therefore be dropped.²³³ In 2021, 143,636 cases were initiated, 66,559 of which reached an agreement.²³⁴

3.207. The amended Regulation on the Procedures and Principles Regarding the Banderole Requirement entered into force on 14 January 2021 and updated the procedures and principles of mandatory and optional banderole (strip stamp) requirements to combat piracy and IPR infringements. A banderole is the holographic security label or digitally produced security strip

²²⁷ For example, in 2022, the Office of the U.S. Trade Representative kept Türkiye on its annual Watch List of countries, arguing that Türkiye has insufficient protection against unfair commercial use and an insufficiently effective mechanism to address online piracy.

²²⁸ Office of the U.S. Trade Representative (2021), *Review of Notorious Markets for Counterfeiting and Piracy*, p. 49. Viewed at: <https://ustr.gov/sites/default/files/IssueAreas/IP/2021%20Notorious%20Markets%20List.pdf>.

²²⁹ OECD and EUIPO (2022), *Dangerous Fakes: Trade in Counterfeit Goods that Pose Health, Safety and Environmental Risks*, p. 48. Viewed at: <https://www.oecd.org/publications/dangerous-fakes-117e352b-en.htm>.

²³⁰ OECD and EUIPO (2018), *Why Do Countries Export Fakes? The Role of Governance Frameworks, Enforcement and Socio-Economic Factors*, p. 17. Viewed at: <https://www.oecd.org/gov/why-do-countries-export-fakes-9789264302464-en.htm>.

²³¹ Information provided by the authorities.

²³² WTO document WT/TPR/M/331/Add.1, 9 May 2016.

²³³ EIU. Viewed at: <http://www.eiu.com>.

²³⁴ Information provided by the authorities.

that is affixed on the reproduced copies of works and non-periodical publications and that disintegrates and loses the properties of the material to which it is attached, if dismantled.²³⁵

3.208. In accordance with Article 50 of the Turkish Criminal Code, prison sentences of more than one year cannot be converted into fines. Judges have the authority to provisionally close facilities and seize equipment used to produce illegal copies once a case goes to court. The police can seize pirated material in contravention of the banderole requirements or without a banderole on the spot, without needing a court decision.

3.209. IP crimes and penalties are pursuant to various IP laws and are both civil and criminal in nature. Various civil remedies apply to a range of IP violations. Operational activities and the fight against crime and criminals are carried out by the General Directorate of Security within the framework of the relevant legislation in order to protect IPRs. Details on nationwide operations related to copyright and industrial property crimes are contained in Tables 3.32 and 3.33, respectively. In Türkiye's 81 provinces, Department of Intellectual Property Crimes Bureaus have been established under the Security Branch Offices. Personnel are regularly informed about new crime methods, and training activities take place frequently. Awareness activities are also carried out in order to inform citizens and to get their support.²³⁶

Table 3.32 Nationwide operations related to copyright crimes carried out by police, 2020-22

| | 2020 | 2021 | Up to 31 October 2022 |
|------------------------------|---------|---------|-----------------------|
| Number of operations | 598 | 540 | 866 |
| Number of suspects processed | 658 | 587 | 904 |
| Number of articles | 582,300 | 430,651 | 523,183 |

Source: Information provided by the authorities.

Table 3.33 Nationwide operations related to industrial property crimes carried out by police, 2020-22

| | 2020 | 2021 | Up to 31 October 2022 |
|------------------------------|-----------|------------|-----------------------|
| Number of operations | 4,203 | 4,937 | 3,772 |
| Number of suspects processed | 4,495 | 5,250 | 9,935 |
| Number of articles | 9,970,813 | 11,126,405 | 14,266,899 |

Source: Information provided by the authorities.

²³⁵ As seen on <https://www.mondaq.com/turkey/copyright/1027332/ministry-introduces-significant-amendments-to-the-banderole-requirement>.

²³⁶ Information provided by the authorities.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture

4.1.1 Features

4.1. Agriculture continues to play a fundamental role in Türkiye's economy and according to information provided by the authorities accounted for 5.5% of GDP and 17.2% of total employment in 2021. Türkiye's diverse climatic and geographic conditions allow it to produce a wide variety of agricultural and horticultural products. It leads the world in the production of hazelnuts, raisins, dried figs, and apricots.¹ In addition, it is a major producer of wheat, sugar beets, milk, poultry, cotton, tomatoes, and other fruits and vegetables.² Türkiye is the world's seventh-largest agricultural producer, ranks first in Europe in terms of agricultural area, is self-sufficient in food production, and is a net exporter of agricultural products.³ According to the authorities, Türkiye also has a comparative advantage in trade with its fertile soils, proximity to export markets, and high-value production; it exports 1,914 agricultural products to 194 countries. Most exports are products for consumption, while most imports are destined for further processing.

4.2. Total agricultural output (the sum of the value of crops, livestock, and processed agricultural products) was on a growing trend during the review period (Section 4.1.2). The increase in agricultural production has been connected to increased irrigated area and the opening of inactive arable land to sustainable production.

4.3. In 2021 Türkiye had an estimated 38.1 million hectares (ha) of agricultural land, 14.6 million ha of pastures and meadows, and 23.1 million ha of forest.⁴ Its agricultural land comprises approximately one third of Türkiye's land area, of which half is covered by field crop products, including cereals. Animal grazing uses roughly one third of the agricultural land.⁵ Türkiye has nearly 3 million agricultural holdings with an average size of 6 ha; small-scale or family farms still predominate. Nearly 65% of farmers hold less than 5 ha of land.⁶

4.1.2 Production

4.4. During the review period, the value of crop production continued to increase, peaking at TRY 305 billion in 2021 (TRY 119 billion in 2016) (Table 4.1). The largest contributor to crop production was the cereals subsector, accounting for 43.4% of total crop production value in 2021; wheat, maize, and barley led this subsector. Fruits, beverages, and spice crops are also important in terms of their crop production value, accounting for 36.9% in 2021 (33.2% in 2016); the largest earners were stone fruits and hazelnuts (Table 4.1).

¹ FAO (2021), *Digital Agriculture Profile: Turkey*. Viewed at: <https://www.fao.org/3/cb3954en/cb3954en.pdf>.

² OECD, *Agricultural Policy Monitoring and Evaluation 2022: Reforming Agricultural Policies for Climate Change Mitigation*. Viewed at: <https://www.oecd-ilibrary.org/docserver/c2e35ce5-en.pdf?expires=1662967922&id=id&accname=ocid54015567&checksum=CEC55497186CDBFA8E719AA35F3462AD>.

³ Ministry of Agriculture and Forestry (MAF) (2022), *Administrative Annual Report 2021*. Viewed at: https://www.tarimorman.gov.tr/SGB/Belgeler/Bakanl%C4%B1k_Faaliyet_Raporlar%C4%B1/TOB%202021%20YILI%20%C4%B0DARE%20FAAL%20YET%20RAPORU.pdf.

⁴ MAF (2021), *Towards Sustainable Food Systems: National Pathway of Turkey*. Viewed at: https://www.tarimorman.gov.tr/ABDGM/Belgeler/Uluslararası%C4%B1%20Kurulu%C5%9Flar/NATIONAL%20PATHWAY%20OF%20TURKEY_29%20Kas%C4%B1m.pdf.

⁵ OECD (2021), *Building Agricultural Resilience to Natural Hazard-Induced Disasters: Turkey Case Study*. Viewed at: [https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/CA/APM/WP\(2020\)26/FINAL&docLanguage=En](https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/CA/APM/WP(2020)26/FINAL&docLanguage=En).

⁶ FAO (2021), *Digital Agriculture Profile: Turkey*.

Table 4.1 Major crop production, 2016-21

(TRY million)

| | Production value | | | | | | (% of total) | |
|---|------------------|---------|---------|---------|---------|---------|--------------|------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2016 | 2021 |
| Crop production (Total) | 117,639 | 135,885 | 159,142 | 197,455 | 246,017 | 306,373 | 100 | 100 |
| Cereals and other products | 46,387 | 56,119 | 62,215 | 79,174 | 98,170 | 133,813 | 39.4 | 43.7 |
| Cereals, of which: | 28,105 | 31,705 | 33,788 | 42,501 | 58,185 | 75,862 | 23.9 | 24.8 |
| Wheat | 17,179 | 19,424 | 19,790 | 23,913 | 33,539 | 43,428 | 14.6 | 14.2 |
| Maize | 4,330 | 4,325 | 4,873 | 6,417 | 8,413 | 14,151 | 3.7 | 4.6 |
| Rice in the husk | 1,440 | 1,645 | 2,237 | 2,946 | 3,777 | 4,442 | 1.2 | 1.4 |
| Barley | 4,688 | 5,744 | 6,286 | 8,363 | 11,154 | 12,314 | 4.0 | 4.0 |
| Potatoes; dried leguminous vegetables; edible roots and tubers, of which: | 6,683 | 8,153 | 9,776 | 14,148 | 12,510 | 14,569 | 5.7 | 4.8 |
| Potatoes | 3,064 | 3,422 | 4,746 | 9,392 | 6,210 | 6,987 | 2.6 | 2.3 |
| Dry pulses | 3,619 | 4,729 | 5,027 | 4,753 | 6,296 | 7,577 | 3.1 | 2.5 |
| Oil seeds | 4,278 | 4,816 | 5,826 | 7,768 | 10,646 | 16,909 | 3.6 | 5.5 |
| Sunflower | 2,988 | 3,663 | 4,109 | 5,243 | 7,040 | 12,786 | 2.5 | 4.2 |
| Tobacco ^a | 1,081 | 1,451 | 1,379 | 1,450 | 1,498 | 1,979 | 0.9 | 0.6 |
| Sugar beets ^a | 2,203 | 4,484 | 4,159 | 5,832 | 8,220 | 7,329 | 1.9 | 2.4 |
| Fodder crops | 14 | 11 | 12 | 12 | 9 | 11 | 0.0 | 0.0 |
| Raw materials used in textiles, cotton (raw) | 3,850 | 5,329 | 6,991 | 7,111 | 6,820 | 16,861 | 3.3 | 5.5 |
| Plants used in perfumery, in pharmacy or for similar purposes and fodder crops seed | 172 | 171 | 284 | 354 | 281 | 293 | 0.1 | 0.1 |
| Vegetables | 31,711 | 33,846 | 41,397 | 50,448 | 55,284 | 59,398 | 27.0 | 19.4 |
| Bulb and root vegetables | 3,486 | 3,102 | 3,785 | 5,625 | 6,609 | 6,310 | 3.0 | 2.1 |
| Vegetables cultivated for their fruits, of which: | 25,727 | 28,074 | 34,724 | 40,647 | 44,277 | 47,633 | 21.9 | 15.5 |
| Tomatoes | 12,671 | 13,811 | 18,306 | 20,000 | 21,453 | 22,845 | 10.8 | 7.5 |
| Cucumber | 2,098 | 2,450 | 2,722 | 3,170 | 3,411 | 3,939 | 1.8 | 1.3 |
| Pepper | 3,008 | 3,419 | 4,051 | 6,100 | 5,854 | 6,831 | 2.6 | 2.2 |
| Leguminous vegetables | .. | .. | 2,382 | 3,106 | 3,315 | 3,597 | 0.0 | 1.2 |
| Other vegetables n.e.c. | 2,497 | 2,670 | 2,888 | 4,177 | 4,398 | 5,455 | 2.1 | 1.8 |
| Fruits, beverage and spices crops | 39,541 | 45,920 | 55,531 | 67,833 | 92,562 | 113,163 | 33.6 | 36.9 |
| Grapes | 3,717 | 4,079 | 4,691 | 6,123 | 7,870 | 7,678 | 3.2 | 2.5 |
| Citrus, pomes, stones, nuts and other fruits, of which: | 32,812 | 38,666 | 46,750 | 56,646 | 79,288 | 95,547 | 27.9 | 31.2 |
| Bananas, kiwis, avocados, figs | .. | .. | 2,899 | 3,983 | 5,445 | 7,836 | .. | 2.6 |
| Citrus fruits | .. | .. | 4,602 | 4,869 | 6,606 | 8,772 | .. | 2.9 |
| Oranges | 1,074 | 1,309 | 1,484 | 1,767 | 1,950 | 3,520 | 0.9 | 1.1 |
| Mandarins | 0,839 | 1,129 | 1,344 | 1,239 | 2,016 | 2,844 | .. | 0.9 |
| Pome fruits | .. | .. | 6,635 | 7,851 | 10,856 | 13,327 | .. | 4.3 |
| Apples | 2,958 | 3,568 | 5,261 | 6,113 | 8,716 | 10,668 | 2.5 | 3.5 |
| Stone fruits | .. | .. | 6,350 | 9,451 | 11,949 | 15,938 | .. | 5.2 |
| Peaches | 1,160 | 1,378 | 1,425 | 2,097 | 2,811 | 4,166 | 1.0 | 1.4 |
| Cherries | 2,113 | 2,528 | 2,104 | 3,368 | 4,092 | 4,378 | 1.8 | 1.4 |
| Other fruits | .. | .. | 2,519 | 3,573 | 4,346 | 6,696 | 0.0 | 2.2 |
| Strawberries | 1,002 | 1,226 | 1,494 | 2,216 | 2,538 | 4,028 | 0.9 | 1.3 |
| Olives and other nuts | .. | .. | 23,744 | 26,919 | 40,086 | 42,978 | .. | 14.0 |
| Olives | 5,066 | 5,857 | 5,760 | 5,400 | 5,804 | 9,464 | 4.3 | 3.1 |
| Almonds | 0,697 | 0,845 | 1,115 | 2,015 | 2,414 | 2,946 | .. | 1.0 |
| Hazelnuts | 4,497 | 6,695 | 5,367 | 11,077 | 12,445 | 15,686 | 3.8 | 5.1 |
| Walnuts | 2,872 | 3,339 | 3,775 | 4,517 | 6,105 | 8,024 | 2.4 | 2.6 |
| Pistachios | 2,478 | 1,463 | 6,938 | 2,922 | 12,238 | 5,297 | 2.1 | 1.7 |
| Spices, not processed | 622 | 575 | 610 | 860 | 768 | 4,326 | 0.5 | 1.4 |
| Tea | 2,390 | 2,600 | 3,480 | 4,205 | 4,636 | 5,612 | 2.0 | 1.8 |

.. Not available.

a 2021 data are provisional.

Source: Turkish Statistical Institute, *Data Portal for Statistics: Agriculture*. Viewed at: <https://data.tuik.gov.tr/>.

4.5. Animal production more than doubled from 2016 to 2020 and was supported mainly by border measures, breeding programmes, and investment (in terms of total agriculture value, animal production continuously outperformed crop production (Tables 4.1 and 4.2)). In 2020, the production of animal products outpaced the production of livestock (Table 4.2).⁷ Türkiye ranks first

⁷ Animal production refers to the sum of livestock production and production of animal products.

in Europe and is among the top 10 countries in the world regarding sheep and goat numbers.⁸ Türkiye is also competitive in poultry and ranks second in terms of production in Europe.⁹

Table 4.2 Major animal production, 2016-20

(TRY million)

| | Production value | | | | | (% of total) | |
|--------------------------------|------------------|---------|---------|---------|---------|--------------|------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2016 | 2020 |
| Animal production (total) | 178,108 | 219,243 | 260,340 | 313,545 | 369,865 | 100 | 100 |
| Livestock production of which: | 89,866 | 117,797 | 146,184 | 165,318 | 195,239 | 50.5 | 52.8 |
| Sheep | 17,174 | 22,281 | 29,685 | 37,247 | 49,665 | 9.6 | 13.4 |
| Goats | 4,702 | 5,584 | 7,261 | 9,082 | 10,827 | 2.6 | 2.9 |
| Cattle | 62,228 | 83,752 | 103,303 | 112,113 | 124,655 | 34.9 | 33.7 |
| Buffaloes | 489 | 578 | 754 | 751 | 936 | 0.3 | 0.3 |
| Horses | 128 | 116 | 101 | 18 | 75 | 0.1 | 0.0 |
| Hens | 4,679 | 4,941 | 4,649 | 5,518 | 8,298 | 2.6 | 2.2 |
| Animal products of which: | 88,242 | 101,447 | 114,156 | 148,227 | 174,626 | 49.5 | 47.2 |
| Milk ^a | 24,319 | 28,807 | 35,023 | 43,653 | 55,277 | 13.7 | 14.9 |
| Meat ^a | 29,213 | 30,860 | 32,484 | 38,140 | 40,715 | 16.4 | 11.0 |
| Hide ^a | 214 | 212 | 216 | 241 | 209 | 0.1 | 0.1 |
| Poultry meat | 26,155 | 31,624 | 35,326 | 54,445 | 66,160 | 14.7 | 17.9 |
| Wool | 103 | 105 | 123 | 124 | 119 | 0.1 | 0.0 |
| Hen eggs | 5,627 | 6,529 | 7,513 | 7,350 | 7,506 | 3.2 | 2.0 |
| Honey | 2,611 | 3,309 | 3,471 | 4,274 | 4,640 | 1.5 | 1.3 |

a Each product group covers sheep, goat, cattle, and buffalo.

Source: Turkish Statistical Institute, *Data Portal for Statistics: Agriculture*. Viewed at: <https://data.tuik.gov.tr/>.

4.1.3 Trade

4.1.3.1 Overview

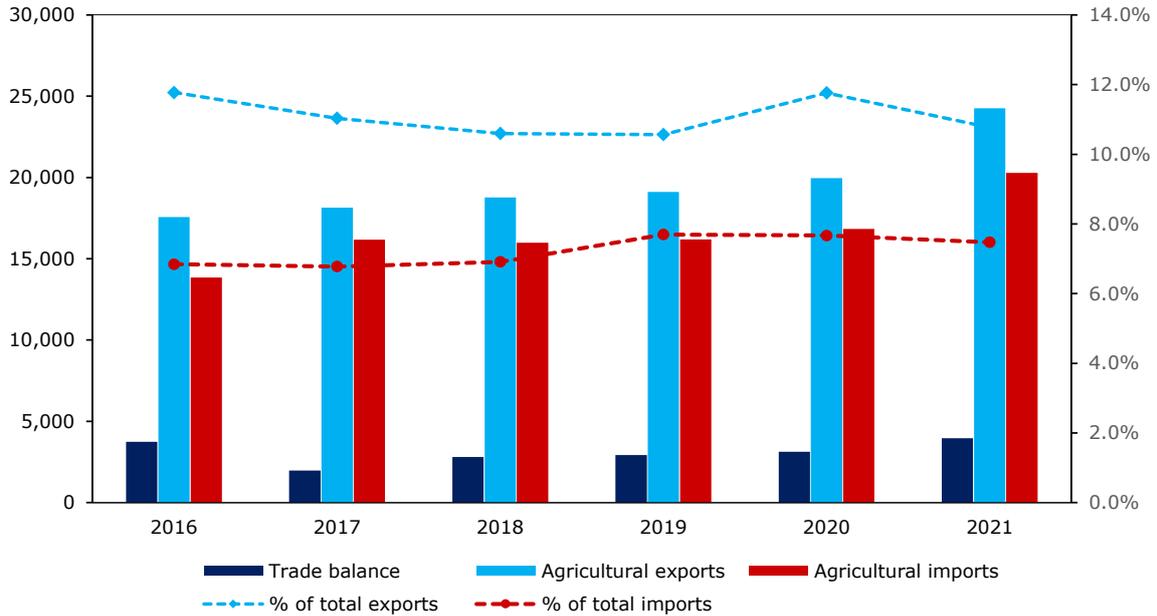
4.6. Trade is important to the sector; both imports and exports grew over the period 2016-21, contributing to a growing trade surplus in agricultural products with exports of USD 24.2 billion and imports of USD 20.2 billion in 2021. Exports of agricultural products gradually increased over the period and recorded the largest increase from 2020 to 2021 (Chart 4.1). On the other hand, imports fluctuated during the review period and, similarly to exports, peaked in 2021.

⁸ Summit Dialogues (2021), *Towards Sustainable Food Systems: National Pathway of Turkey* (draft). Viewed at: <https://summitdialogues.org/wp-content/uploads/2021/09/Turkey-National-Pathway-14.09.2021.pdf>.

⁹ Summit Dialogues (2021), *Towards Sustainable Food Systems: National Pathway of Turkey* (draft).

Chart 4.1 Trade in agriculture, 2016-21

(USD million)



Note: WTO definition of agriculture.

Source: WTO Secretariat calculations, based on UN Comtrade database.

4.7. The main agricultural exports are nuts, fresh or dried; wheat or meslin flour; and bakery products. In the top three export categories, there was a steady increase, with the notable exception in 2020 because of COVID-19, in both volume and value terms over the period 2016-21. By contrast, exports of other top 10 products in 2020, such as citrus fruit, fresh or dried; fruit, nuts and other edible parts of plants; sunflower-seed, safflower or cotton-seed oil; and pasta, saw a marked increase (Table 4.3). The top three destinations of total agricultural exports are the EU-27 (26.2%), Iraq (16.9%), and the United States (5.5%).¹⁰

Table 4.3 Exports of agricultural products, 2016-21

(USD million, %)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Average value 2016-21 |
|---|---------|---------|---------|---------|---------|---------|-----------------------|
| Total agriculture exports | 17,572 | 18,148 | 18,778 | 19,105 | 19,955 | 24,252 | 19,635 |
| Total exports | 149,247 | 164,495 | 177,169 | 180,833 | 169,658 | 225,234 | 177,772 |
| (% of total exports) | 11.8 | 11.0 | 10.6 | 10.6 | 11.8 | 10.8 | 11.0 |
| 0802 Other nuts, fresh or dried | 1,509 | 1,486 | 1,340 | 1,685 | 1,542 | 1,811 | 1,562 |
| 1101 Wheat or meslin flour | 1,078 | 1,052 | 1,006 | 1,052 | 951 | 1,107 | 1,041 |
| 1905 Bread, pastry, cakes, biscuits and other bakers' wares | 892 | 946 | 1,007 | 1,080 | 1,091 | 1,190 | 1,034 |
| 0805 Citrus fruit, fresh or dried | 895 | 854 | 890 | 752 | 941 | 934 | 878 |
| 2008 Fruit, nuts and other edible parts of plants | 754 | 765 | 732 | 834 | 908 | 1,028 | 837 |
| 0806 Grapes, fresh or dried | 551 | 621 | 645 | 724 | 672 | 684 | 649 |
| 1512 Sunflower-seed, safflower or cotton-seed oil and fractions thereof | 666 | 582 | 449 | 501 | 737 | 937 | 645 |
| 1902 Pasta | 422 | 491 | 553 | 609 | 761 | 776 | 602 |
| 0207 Meat and edible offal, of poultry of heading 01.05, fresh, chilled or frozen | 398 | 571 | 606 | 607 | 546 | 844 | 595 |
| 0713 Dried leguminous vegetables, shelled | 716 | 582 | 503 | 463 | 592 | 689 | 591 |
| 1806 Chocolate and other food preparations containing cocoa | 407 | 462 | 511 | 566 | 555 | 688 | 531 |

¹⁰ WTO Secretariat based on Turkish Statistical Institute, *National Accounts*. Viewed at: <https://www.tuik.gov.tr/>.

| | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Average value 2016-21 |
|------|---|------|------|------|------|------|------|-----------------------|
| 1704 | Sugar confectionery, not containing cocoa | 417 | 464 | 454 | 481 | 487 | 636 | 490 |
| 2402 | Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes | 505 | 486 | 471 | 472 | 431 | 342 | 451 |
| 2106 | Food preparations not elsewhere specified or included | 374 | 375 | 422 | 399 | 400 | 444 | 402 |
| 0809 | Apricots, cherries, peaches, plums and sloes, fresh | 247 | 297 | 312 | 329 | 463 | 442 | 348 |

Note: WTO definition of agriculture.

Source: WTO Secretariat calculations, based on UN Comtrade database.

4.8. The agricultural sector's share of total merchandise imports increased during 2016 and 2020, and declined slightly in 2021 (Table 4.4). Agricultural imports increased in almost all top 10 import categories; there was a steady increase in both volume and value terms over the period 2016-21, with the notable exception of live bovine animals and dried leguminous vegetables, shelled (Table 4.4). The top three origins of total agriculture imports are the EU-27 (21.8%); the Russian Federation (16.4%); and the United States (9.1%).¹¹

Table 4.4 Imports of agricultural products, 2016-21

(USD million, %)

| | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Average value 2016-21 |
|----------------------------|---|--------|--------|--------|--------|--------|--------|-----------------------|
| Total agricultural imports | | 13,839 | 16,179 | 15,980 | 16,188 | 16,833 | 20,283 | 16,550 |
| (% of total imports) | | 6.8 | 6.8 | 6.9 | 7.7 | 7.7 | 7.5 | 7.2 |
| 1001 | Wheat and meslin | 914 | 1,080 | 1,317 | 2,302 | 2,335 | 2,693 | 1,773 |
| 5201 | Cotton, not carded or combed | 1,333 | 1,754 | 1,545 | 1,586 | 1,653 | 2,413 | 1,714 |
| 1201 | Soya beans, whether or not broken | 878 | 968 | 1,120 | 1,032 | 1,206 | 1,464 | 1,111 |
| 0102 | Live bovine animals | 587 | 1,160 | 1,692 | 672 | 411 | 286 | 801 |
| 1512 | Sunflower-seed, safflower or cotton-seed oil and fractions thereof | 896 | 658 | 417 | 438 | 709 | 1,205 | 721 |
| 0713 | Dried leguminous vegetables, shelled | 705 | 759 | 411 | 389 | 553 | 670 | 581 |
| 1005 | Maize (corn) | 242 | 571 | 595 | 848 | 485 | 680 | 570 |
| 1511 | Palm oil and its fractions | 403 | 437 | 422 | 416 | 527 | 798 | 501 |
| 0802 | Other nuts, fresh or dried | 437 | 529 | 493 | 510 | 460 | 464 | 482 |
| 2106 | Food preparations not elsewhere specified or included | 432 | 469 | 486 | 432 | 502 | 562 | 481 |
| 1206 | Sunflower seeds | 319 | 368 | 396 | 568 | 628 | 542 | 470 |
| 2304 | Oil-cake and other solid residues | 363 | 451 | 397 | 432 | 417 | 432 | 415 |
| 2401 | Unmanufactured tobacco; tobacco refuse | 462 | 400 | 429 | 422 | 432 | 342 | 415 |
| 2303 | Residues of starch manufacture and similar residues, beet-pulp, bagasse and other waste of sugar manufacture, brewing or distilling dregs and waste | 332 | 433 | 327 | 266 | 294 | 388 | 340 |
| 2302 | Bran, sharps and other residues | 238 | 318 | 287 | 289 | 328 | 417 | 313 |

Note: WTO definition of agriculture.

Source: WTO Secretariat calculations, based on UN Comtrade database.

4.1.4 Institutional and legal framework

4.9. In 2018, the Ministry of Food, Agriculture and Livestock and the Ministry of Forestry and Water were merged under the Ministry of Agriculture and Forestry (Section 2.1). According to the authorities, the main objectives of the MAF are to: (i) ensure the sustainable use of agricultural and

¹¹ WTO Secretariat calculation, based on UN Comtrade database.

ecological resources; (ii) increase the standard of living in rural areas; and (iii) ensure access to safe food and high-quality agricultural products for the domestic and international markets.

4.10. There were no major changes during the review period to the legal framework of Türkiye's agricultural policy. Law No. 5488 of 18 April 2006 on Agriculture defines the aims, scope, and subject of agricultural policies, and contains provisions on agricultural support and rural development and on R&D programmes. Law No. 1380 of 22 March 1971 on Fisheries was updated in November 2019; within the scope of this Law, the regulation on fish passages¹² was updated, and restocking of fish and transportation of live aquatic products would be subject to the authorization of the MAF.

4.11. During the 2016-21 period, Türkiye continued to maintain marketing boards for agricultural products, such as the Turkish Grain Board (TGB) and the Meat and Milk Board, which are state-owned entities.¹³ The TGB, under the MAF, continues to provide stability to the grain markets, manage the state monopoly on opium and narcotic drugs, hold stocks for emergencies, and implement other responsibilities given by the President. During the review period, there were price changes in grains and according to the information provided by the authorities, in 2021 the TGB announced price increases on wheat and barley. The purchase prices were determined by taking into account market conditions in domestic and foreign markets.¹⁴

4.12. In 2018, the Sugar Authority was abolished by Presidential Decree No. 1, and its duties and responsibilities were transferred to the MAF. Ten state-owned sugar factories belonging to the Türkiye Sugar Factories Inc. were privatized, and Sugar Factories Inc. was transferred to the Türkiye Wealth Fund in 2021 (Section 3.3.5).

4.1.5 Agriculture policy

4.13. The Eleventh Development Plan (2019-23) identifies agriculture as a priority sector for the economy and has set development targets, including for sustainability and efficiency in agricultural production (Table 4.5).¹⁵

Table 4.5 Agriculture in the Eleventh Development Plan, 2019 and 2023

| Targets | 2019 actual | 2023 target |
|---|-------------|-------------|
| Land consolidation activity area (million ha, cumulative) ^a | 8.2 | 8.5 |
| Land consolidation area for which registration procedures are completed (million ha, cumulative) ^a | 3.6 | 6.2 |
| Irrigated net agricultural area (million ha, cumulative) ^a | 3.3 | 5.3 |
| Pressurized irrigation system installed area ('000 ha, annual) | 40 | 200 |
| Irrigation rate (%) | 64 | 68 |
| Ratio of agricultural supports provided from central government budget to agricultural value added (%) | 6.8 | 7.2 |
| Oil seed production (million tonnes) | 4.0 | 5.4 |
| Production amount of medicinal and aromatic plants ('000 tonnes) | 700 | 1,200 |
| Ratio of culture breeds in cattle presence (%) | 49 | 56 |
| Red meat production amount (million tonnes) | 1.1 | 1.7 |
| Pasture reclamation and management area ('000 hectares, cumulative) | 68 | 518 |
| Ratio of forest areas to country area (%) | 29 | 30 |

a Based on the activities of the MAF.

Note: Data for 2018 are provided by the MAF, the General Directorate of State Hydraulic Works (DSI), and the General Directorate of Forestry.

Source: Presidency of Strategy and Budget (2019), *Eleventh Development Plan (2019-2023)*. Viewed at: https://www.sbb.gov.tr/wp-content/uploads/2022/07/Eleventh_Development_Plan_2019-2023.pdf.

¹² Restoring better fish passage creates opportunities for fish to reproduce and gain access to new habitat.

¹³ See WTO document WT/TPR/S/331/Rev.1, 9 August 2016, Section 4.1.9 for more details.

¹⁴ Bloomberg HT (2021), "TMO Announces Wheat and Barley Sales Prices", 26 May. Viewed at: <https://www.bloomberght.com/tmo-bugday-ve-arpa-satis-fiyatlarini-acikladi-2280880>.

¹⁵ Presidency of Strategy and Budget (2019), *Eleventh Development Plan (2019-2023)*. Viewed at: https://www.sbb.gov.tr/wp-content/uploads/2022/07/Eleventh_Development_Plan_2019-2023.pdf.

4.14. The MAF's 2019-2023 Strategic Plan was developed in 2019, consistent with the Eleventh Development Plan (2019-23). Its main objectives are to: (i) ensure food and feed safety from production to consumption; (ii) take necessary measures for plant and animal health and welfare; (iii) protect fisheries and aquaculture resources, to ensure their sustainable operation; (iv) ensure the sustainable management of soil and water resources; and (v) protect biological diversity and ensure its sustainable management.

4.15. Harmonization with EU legislation continued during the review period including with respect to organic agriculture, fisheries, codex, feed/food, plant and animal protection, pesticide residue, classification of animals, import certification of animal products, and legislative activities. In addition, the authorities note that activities aimed to further strengthen the coherence with the European Union such as the Farm Accountancy Data Network, the Integrated Administration and Control System, the Land Parcel Identification System, and the Livestock Information System were expected to be implemented but were slowed due to COVID-19. Furthermore, under the Instrument for Pre-Accession in Rural Development programmes, new EU-standard businesses have been developed in rural areas, such as growing and processing medicinal-aromatic plants, beekeeping, handicrafts, aquaculture, and rural tourism.

4.16. During the review period, the authorities developed and adopted the Sectoral Policy on Agricultural Mechanization 2018-22 (covering the Strategy for the Development of Agricultural Equipment and Machinery Industry)¹⁶ and the Sectoral Policy on Fertilizer 2018-22 (covering the development of the fertilizer sector, including production of fertilizers, import and export of fertilizers, and technical services for the utilization of fertilizers).¹⁷ In addition, in 2019 in partnership with the FAO, the MAF developed Türkiye's National Strategy Document on Prevention, Reduction and Monitoring of Food Loss and Waste and its Action Plan. The objectives of the policy are to develop a "sustainable and resilient food system" and "to contribute to the sustainability of the global consumption and production agri-food system".¹⁸

4.17. In 2020 several agricultural policies were adopted in response to COVID-19. The MAF established a Working Group and a Scientific Board to carry out monitoring and evaluation studies of COVID-19 "to ensure that seasonal workers can continue to work".¹⁹ In addition, the authorities extended the application deadlines for production supports to the second quarter of 2020 for cereals, legumes, oil seeds, olives, organic agriculture, and good agricultural practices. Furthermore, in April 2020, producer principal and interest payments on concessional loans were postponed to September 2020 and the interest-free loans were made available to small farmers and food enterprises.²⁰

4.18. The authorities also adopted several trade-specific policies in response to the COVID-19 pandemic, policies adopted by trading partners, and price increases. These included temporary (i) customs duty reductions/exemptions, including on paddy rice; wheat; barley; maize; oat, rye and sorghum; chickpeas and lentils; and sunflower seed oil; (ii) export prohibitions (Section 3.2.3.1); and (iii) non-automatic licensing requirements (Section 3.2.3.3).

4.1.6 Market access

4.19. Türkiye maintains a number of autonomous tariff rate quotas (TRQs) (Table 4.6) and TRQs pursuant to RTAs. It does not have any TRQs bound in its WTO schedule of tariff commitments.

4.20. The procedures for the allocation of TRQs are determined in the related Decrees and Communiqués on Tariff Rate Quotas regarding Certain Agricultural and Processed Agricultural Products for the related country. The administration of TRQs is managed by the Ministry of Trade.

¹⁶ MAF (2018), *Sectoral Policy on Agricultural Mechanization, 2018-2022*. Viewed at: <http://extwprlegs1.fao.org/docs/pdf/tur193691.pdf>.

¹⁷ MAF (2018), *Sectoral Policy on Fertilizer, 2018-2022*.

¹⁸ MAF and FAO (2020), *Turkey's National Strategy Document on Prevention, Reduction and Monitoring of Food Loss and Waste and Its Action Plan*, p. 2 Viewed at: <http://extwprlegs1.fao.org/docs/pdf/tur209489.pdf>.

¹⁹ OECD, *Agricultural Policy Monitoring and Evaluation 2021: Addressing the Challenges Facing Food Systems*. Viewed at: <https://www.oecd-ilibrary.org/sites/1dac72fb-en/index.html?itemId=/content/component/1dac72fb-en#section-d1e111487>.

²⁰ OECD, *Agricultural Policy Monitoring and Evaluation 2021: Addressing the Challenges Facing Food Systems*.

TRQ allocation is carried out through either the "request collection method"²¹ or the "first-come first-serve method".

4.21. In terms of autonomous quotas, the Council of Ministers approved a number of TRQs for agricultural products, namely commodity crops, meat of bovine animals, live bovine animals, and live sheep and goats between 2016 and 2022. In this context, for commodity crops TRQs are redistributed on a yearly basis, but for live animals and meats TRQs are no longer in force. These quotas were mainly issued to marketing boards to meet shortfalls in the domestic market. In addition, Türkiye has published a new TRQ Decision for 400,000 tonnes for sugar, which ended on 15 October 2022.

Table 4.6 Autonomous tariff rate quotas, 2016-22

| Product/HS Code | Amount (tonnes) | End date | Rate (%) | Procedures | Reference |
|--|-----------------|---------------------------------------|----------|---|---|
| Meat of bovine animals 02.01 | 15,000 | 31/12/2016 | 0 | Subject to the issuance of an import licence from the Ministry of Economy | Decision No. 2016/8595 of April 2016 |
| Live bovine animals 0102.29 | 500,000 | 31/12/2017 | 0 | Subject to the issuance of an import licence from the Ministry of Economy | Decision No. 2016/9664 of December 2016 |
| Barley 10.03 | 100,000 | 31/05/2017 | 0 | Subject to the issuance of an import licence from the Ministry of Economy | Decision No. 2017/9954 of March 2017 |
| Maize 10.05 | 500,000 | 31/12/2017 | 0 | Subject to the issuance of an import licence from the Ministry of Economy | Decision No. 2017/10101 of 01/05/2017 |
| Live bovine animals 01.02 | 500,000 (piece) | 31/12/2018 | 0 | Subject to the issuance of an import licence from the Ministry of Economy | Decision No. 2017/10604 of August 2017 |
| Live sheep and goats 01.04 | 475,000 (piece) | 31/12/2018 | 0 | Subject to the issuance of an import licence from the Ministry of Economy | Decision No. 2018/11418 of March 2018 |
| Wheat 10.01 | 750,000 | 31/05/2019 | 0 | Subject to the issuance of an import licence from the Ministry of Trade | Decision No. 2018/23 of August 2018 |
| Barley 10.03 | 700,000 | 31/05/2019 | 0 | Subject to the issuance of an import licence from the Ministry of Trade | Decision No. 2018/23 of August 2018 |
| Maize 10.05 | 700,000 | 31/07/2019 | 0 | Subject to the issuance of an import licence from the Ministry of Trade | Decision No. 2018/23 of August 2018 |
| Rice 10.06 | 100,000 | 31/08/2019 | 0 | Subject to the issuance of an import licence from the Ministry of Trade | Decision No. 2018/23 of August 2018 |
| Sunflower seeds 1206.00.91.00.19 1206.00.99.00.19 | 300,000 | 30/06/2019 | 0 | Subject to the issuance of an import licence from the Ministry of Trade | Decision No. 2018/497 of December 2018 |
| Meat of bovine animals 0201.20.20.00.00 | 20,000 | 31/12/2019 | 0 | Subject to the issuance of an import licence from the Ministry of Trade | Decision No. 2018/518 of December 2018 |
| Meat of bovine animals 02.01 | 75,000 | 31/12/2019 | 0 | Subject to the issuance of an import licence from the Ministry of Trade | Decision No. 2018/518 of December 2018 |
| Canned goods 2002.90.11.00.00 2002.90.31.00.00 2002.90.91.00.00 | 25,000 | 31/05/2019 | 0 | Subject to the issuance of an import licence from the Ministry of Trade | Decision No. 2018/650 of January 2019 |
| Sugar 17.01 | 400,000 | 15/10/2022 | 0 | Subject to the issuance of an import licence from the Ministry of Trade | Decision No. 2022/5615 of May 2022 |
| Dried legumes 07.13 | 100,000 | 01/01-31/12 Every calendar year | 0 | Subject to the issuance of an import licence from the Ministry of Trade | Decision No. 2018/649 of January 2019 |
| Wheat 10.01 | 1,500,000 | 01/01-31/12 Every calendar year | 0 | Subject to the issuance of an import licence from the Ministry of Trade | Decision No. 2018/649 of January 2019 |
| Barley 10.03 | 700,000 | 01/01-31/12 Every calendar year | 0 | Subject to the issuance of an import licence from the Ministry of Trade | Decision No. 2018/649 of January 2019 |

²¹ The request collection method is where applications are received within one month before the start of the tariff quota period.

| Product/HS Code | Amount (tonnes) | End date | Rate (%) | Procedures | Reference |
|-----------------|-----------------|---------------------------------------|----------|---|---------------------------------------|
| Maize 10.05 | 700,000 | 01/01-31/12 Every calendar year | 0 | Subject to the issuance of an import licence from the Ministry of Trad | Decision No. 2018/649 of January 2019 |
| Rice 10.06 | 100,000 | 01/01-31/12 Every calendar year | 0 | Subject to the issuance of an import licence from the Ministry of Trade | Decision No. 2018/649 of January 2019 |

Source: Information provided by the authorities.

4.22. According to the information provided by the authorities, Türkiye has had TRQs on 3,071 tariff lines since 2016 on agriculture, processed agriculture products, and meat/fish. TRQs for certain agriculture and processed agricultural products are established in Türkiye's agreement with the European Union²² and its RTAs with 18 countries.²³ The EU-Türkiye agreement on the trade of agricultural products was amended in 2018 to take into account a change in definition of a tariff rate quota for beef granted to the European Union.²⁴

4.2 Support programmes

4.23. Türkiye did not notify its domestic support programmes to the WTO between 2017 and 2021. Therefore, the discussion in this report on support programmes relies heavily on annual reports from the MAF and outside sources including the OECD. According to the MAF, Türkiye paid an estimated TRY 11.3 billion in support programmes in 2016 and TRY 23.4 billion in 2021.²⁵ Support programmes included crop production, animal production, rural development, aquaculture, and R&D (Table 4.7).

Table 4.7 Türkiye agriculture support programmes, 2021

| Support programme | Type of support | Content | Amount of support 2021 (TRY) | Provider of support |
|-------------------|-----------------|---|------------------------------|---------------------|
| Crop production | Producer | Diesel support, fertilizer support, hazelnut producers area-based income support, soil analysis support, organic fertilizer support, organic agriculture support, good agricultural practices support, area-based yield loss support, small business support under five acres, plant quarantine compensation support, and biological control support | 14,299,368,107 | MAF |
| Animal production | Producer | Fodder crops production support, calf support (Malak support, female buffalo support, milk content analysis support for breeding purposes), small ruminant breeders' union for breeding purposes support (breeding sheep and goat support, herd growth and renewal support, ovine pedigree support), beekeeping support, vaccination support, waste support, ear tag application support, bovine breeding animal purchase support, bovine diseases compensation support, bovine fattening support, raw milk support, and dairy farm support | 7,196,099,301 | MAF |

²² The EC-Turkey trade agreement for agricultural products results from Decision No. 1/98 of the Association Council of 25/02/1998 last amended by Decision No. 3/2006 of the EC-Turkey Association Council of 19 December 2006. Viewed at: https://taxation-customs.ec.europa.eu/turkey-customs-unions-and-preferential-arrangements_en.

²³ The economies with which Türkiye has RTAs regarding TRQs for certain agricultural and processed agricultural products include the European Union, Albania, Bosnia and Herzegovina, Chile, Egypt, Georgia, Israel, Mauritius, Republic of Moldova, Montenegro, North Macedonia, Palestine, Serbia, Switzerland and Liechtenstein, Tunisia, the United Kingdom, and the Bolivarian Republic of Venezuela.

²⁴ Decision No. 1/2018 of the EU-Turkey Association Council of 27 March 2018. Viewed at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22018D1029&from=EN>.

²⁵ MAF, *Activity Reports*. Viewed at: <https://www.tarimorman.gov.tr/Konular/Plan-Program-Ve-Faaliyet-Raporlari/faaliyet-raporlar%c4%b1>.

| Support programme | Type of support | Content | Amount of support 2021 (TRY) | Provider of support |
|--------------------------|-------------------|---|------------------------------|---------------------|
| Rural development | Sector in general | Instrument for Pre-Accession Assistance Rural Development Support Program (IPARD) national co-financing contribution payments, rural development support, agriculture consultancy support | 1,628,678,798 | MAF |
| Aquaculture | Producer | Support for puffer fisheries, registration of traditional coastal fisheries, support for aquaculture insurance | 123,853,680 | MAF |
| Research and development | Sector in general | Agricultural R&D (R&D supports, animal genetic resources support) | 108,093,251 | MAF |

Source: MAF (2022), *Administrative Annual Report 2021*. Viewed at: https://www.tarimorman.gov.tr/SGB/Belgeler/Bakanl%C4%B1k_Faaliyet_Raporlar%C4%B1/TOB%202021%20YILI%20%C4%B0DARE%20FAAL%C4%B0YET%20RAPORU.pdf.

4.24. According to various decrees between 2016 and 2021, other support programmes included the Strategic Crops Scheme; Agricultural Insurance and Disaster Payment; Farm Accounting Data Network Participation Premium; IPARD National Co-financing Contribution Payments; and Agricultural Extension and Consultancy.²⁶ In addition, state-supported agricultural insurance, TARSIM, was provided via a public-private partnership.²⁷ Farmers registered in the Farmer Registration System or other registration systems of the MAF are covered by TARSIM, taking into account their current land, product, facility, enterprise, and breeding information. The Government funds between 50% and 67% of the farmers' total insurance premium.²⁸

4.25. The OECD developed the producer support estimate (PSE) and associated indicators. The methodology for calculating these indicators is different from that used to calculate the aggregate measure of support. The PSE assesses the annual monetary value of gross transfers to farmers at the farm gate level, arising from policy measures that support agriculture.²⁹

4.26. Over the period 2015-21, movements in the value of production were mostly reflected in corresponding fluctuations in levels of support to agriculture (Chart 4.2). As the importance of agriculture in the overall economy diminished, total support to the sector declined. The PSE declined in 2018 and 2019 because of an increase in world prices and depreciation in the value of the Turkish lira.³⁰ However, in 2020, the PSE increased sharply from an average of 15% in 2017-19 to an estimated 20%, as measures such as concessional loans were introduced to address the COVID-19 pandemic.

²⁶ MAF (2022), *Administrative Annual Report 2021*. Viewed at: https://www.tarimorman.gov.tr/SGB/Belgeler/Bakanl%C4%B1k_Faaliyet_Raporlar%C4%B1/TOB%202021%20YILI%20%C4%B0DARE%20FAAL%C4%B0YET%20RAPORU.pdf.

²⁷ MAF (2022), *Administrative Annual Report 2021*.

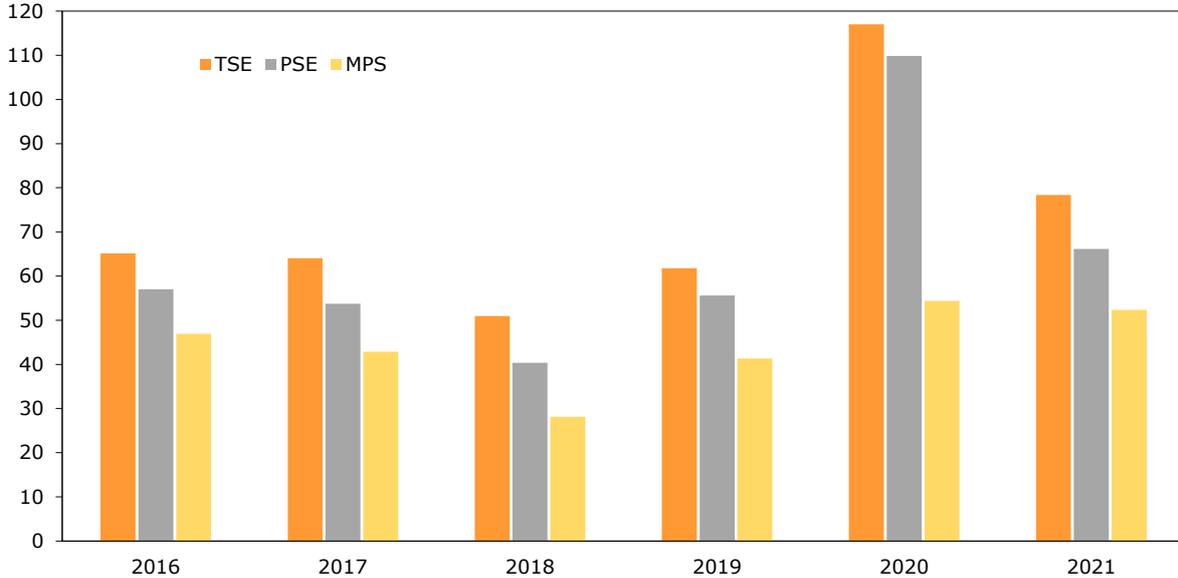
²⁸ OECD, *Agricultural Policy Monitoring and Evaluation 2021: Addressing the Challenges Facing Food Systems*. Viewed at: <https://www.oecd-ilibrary.org/sites/1dac72fb-en/index.html?itemId=/content/component/1dac72fb-en#section-d1e111487>.

²⁹ OECD (2013), *OECD Methodology of Estimation of Support to Agriculture*. Viewed at: http://www.eurasiancommission.org/ru/act/prom_i_agroprom/dep_agroprom/SiteAssets/Melyukhina_OECD%20PSE%20concepts_EN%2025.07.pdf.

³⁰ OECD, *Agricultural Policy Monitoring and Evaluation 2021: Addressing the Challenges Facing Food Systems*.

Chart 4.2 Support to agriculture, 2016-21

(TRY billion)



Note: TSE = total support estimate; PSE = producer support estimate; MPS = market price support.

Source: OECD, *Agricultural Policy Monitoring and Evaluation*. Viewed at: <http://www.oecd.org/agriculture/topics/agricultural-policy-monitoring-and-evaluation/>.

4.27. According to OECD calculations, single commodity transfers (SCTs) make up most of the support provided to agriculture in Türkiye; rates of support vary from one product to another but accounted for a large share of gross farm receipts between 2016 and 2020. For most commodities, the SCT fluctuated over the review period, showing no clear trends. SCTs were mainly provided for beef, sunflower, cotton, and potatoes (Table 4.8).

Table 4.8 Total PSE and SCT values for selected commodities, 2016-21

(TRY million, %)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|---------|---------|---------|---------|---------|---------|
| Total value of production at farm gate | 184,143 | 214,842 | 253,550 | 304,403 | 366,621 | 423,491 |
| Total PSE (PSE) | 57,020 | 53,712 | 40,353 | 55,603 | 109,845 | 66,159 |
| % PSE | 29.4 | 23.8 | 15.2 | 17.4 | 26.0 | 15.1 |
| Producer Single Commodity Transfers (PSCT) | 51,967 | 47,853 | 33,428 | 47,656 | 59,669 | 57,509 |
| % PSCT | 27.5 | 21.8 | 12.9 | 15.3 | 16.0 | 13.4 |
| Group Commodity Transfers (GCT) | 3,204 | 3,599 | 4,780 | 5,591 | 6,306 | 7,222 |
| All Commodity Transfers (ACT) | 1,848 | 2,260 | 2,146 | 2,356 | 43,870 | 1,429 |
| Other Transfers to Producers (OTP) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PSCT | | | | | | |
| Apples | | | | | | |
| SCT (TRY million) | 1,069 | 962 | 0 | 347 | 0 | 0 |
| % of gross receipts | 34.2 | 25.2 | 0.0 | 5.4 | 0.0 | 0.0 |
| Barley | | | | | | |
| SCT (TRY million) | 1,657 | 1,459 | 58 | 471 | 278 | 356 |
| % of gross receipts | 35.2 | 25.6 | 1.0 | 5.6 | 2.6 | 3.2 |
| Beef and veal | | | | | | |
| SCT (TRY million) | 17,056 | 14,376 | 11,567 | 13,808 | 11,739 | -627 |
| % of gross receipts | 62.6 | 53.1 | 40.1 | 41.0 | 30.6 | -1.6 |
| Cotton | | | | | | |
| SCT (TRY million) | 1,608 | 1,831 | 1,952 | 2,200 | 2,229 | 1,757 |
| % of gross receipts | 31.1 | 27.1 | 24.2 | 27.1 | 29.4 | 14.1 |
| Eggs | | | | | | |
| SCT (TRY million) | -240 | -229 | 0 | -113 | -408 | -721 |
| % of gross receipts | -7.3 | -6.1 | 0.0 | -1.5 | -6.1 | -9.7 |
| Grapes | | | | | | |
| SCT (TRY million) | 390 | 0 | 0 | 0 | 0 | 0 |
| % of gross receipts | 6.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Maize | | | | | | |
| SCT (TRY million) | 601 | 350 | 136 | 146 | 165 | 211 |
| % of gross receipts | 13.3 | 7.7 | 2.7 | 2.3 | 2.1 | 1.8 |

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|----------------------------|--------|--------|--------|--------|--------|--------|
| Milk | | | | | | |
| SCT (TRY million) | -338 | -565 | 1 | -198 | -442 | -781 |
| % of gross receipts | -1.6 | -2.2 | 0.0 | -0.5 | -0.9 | -1.2 |
| Potatoes | | | | | | |
| SCT (TRY million) | 1,489 | 1,347 | 2,854 | 3,491 | 2,385 | 5,463 |
| % of gross receipts | 49.0 | 39.4 | 60.9 | 37.8 | 38.0 | 90.8 |
| Poultry meat | | | | | | |
| SCT (TRY million) | 3,989 | 2,937 | 35 | -165 | -470 | 0 |
| % of gross receipts | 45.2 | 28.5 | 0.3 | -1.6 | -4.5 | 0.0 |
| Sheep meat | | | | | | |
| SCT (TRY million) | 387 | 183 | -30 | -116 | -251 | 0 |
| % of gross receipts | 19.5 | 6.6 | -0.8 | -3.0 | -5.7 | 0.0 |
| Sugar | | | | | | |
| SCT (TRY million) | 560 | 757 | 1,164 | 185 | 599 | 0 |
| % of gross receipts | 13.9 | 16.1 | 21.3 | 4.4 | 7.7 | 0.0 |
| Sunflower | | | | | | |
| SCT (TRY million) | 2,820 | 4,038 | 3,755 | 4,444 | 7,215 | 6,510 |
| % of gross receipts | 56.8 | 58.3 | 50.0 | 51.1 | 51.3 | 29.7 |
| Wheat | | | | | | |
| SCT (TRY million) | 5,033 | 4,763 | 517 | 5,982 | 15,469 | 23,309 |
| % of gross receipts | 29.1 | 23.8 | 2.6 | 25.2 | 48.8 | 62.6 |
| Non-MPS commodities | | | | | | |
| SCT (TRY million) | 15,885 | 15,642 | 11,419 | 17,174 | 21,160 | 22,031 |
| % of gross receipts | 25.9 | 21.1 | 12.7 | 15.6 | 16.1 | 14.5 |

Source: OECD, *Agricultural Policy Monitoring and Evaluation*. Viewed at: <http://www.oecd.org/agriculture/topics/agricultural-policy-monitoring-and-evaluation/>.

4.2.1 Export subsidies

4.28. Regarding export subsidies, between 2016 and 2021, Türkiye notified its export subsidies on agricultural products to the WTO Committee on Subsidies and Countervailing Measures. According to the notifications, export subsidies have been provided to specific commodities. The percentage share eligible to receive the subsidy is determined by Türkiye's WTO commitments and budgetary constraints. In general, export subsidies are granted to reduce exporters' debts (such as taxes, and telecommunications or energy costs) to public corporations.³¹

4.29. Between 2016 and 2021, there were no changes to the share of exported quantity eligible to receive the subsidies, except for honey where the share decreased from 32% in 2016-17 to 20% in 2018-21 (Table 4.9). The maximum payment rate remained the same for all commodities except for preserved poultry meat products, which increased from 10% in 2017 to 13% in 2018-21 (Table 4.9).

Table 4.9 Türkiye's export subsidies on agricultural products, as notified to the SCM Committee, 2016-21

| Product | 2016-17 | | | 2018-21 | | |
|------------------------------------|------------------|--|------------------------------|------------------|--|------------------------------|
| | Rate (TRY/tonne) | Share of exported quantity eligible to receive the subsidy (%) | Maximum ratio of payment (%) | Rate (TRY/tonne) | Share of exported quantity eligible to receive the subsidy (%) | Maximum ratio of payment (%) |
| Cut flowers (fresh) | 400 | 45 | 9 | 475 | 45 | 9 |
| Vegetables, frozen (exc. potatoes) | 160 | 45 | 10 | 180 | 45 | 10 |
| Vegetables (dehydrated) | 720 | 40 | 10 | 800 | 40 | 10 |
| Fruits (frozen) | 155 | 45 | 6 | 175 | 45 | 6 |
| Preserves, pastes | 165 | 100 | 8 | 185 | 100 | 8 |
| Honey ^a | 130 | 32 | 2 | 160 | 20 | 2 |
| Homogenized fruit preparations | 125 | 35 | 5 | 140 | 35 | 5 |
| Fruit juices (concentrated) | 320 | 15 | 12 | 360 | 15 | 12 |

³¹ OECD (2022), *Agricultural Policy Monitoring and Evaluation 2022: Reforming Agricultural Policies for Climate Change Mitigation*. Viewed at: <https://www.oecd-ilibrary.org/sites/c2e35ce5-en/index.html?itemId=/content/component/c2e35ce5-en>.

| Product | 2016-17 | | | 2018-21 | | |
|--|------------------|--|------------------------------|------------------|--|------------------------------|
| | Rate (TRY/tonne) | Share of exported quantity eligible to receive the subsidy (%) | Maximum ratio of payment (%) | Rate (TRY/tonne) | Share of exported quantity eligible to receive the subsidy (%) | Maximum ratio of payment (%) |
| Olive oil | 30 | 100 | 2 | 20 | 100 | 2 |
| Prepared or preserved fish | 485 | 100 | 5 | 550 | 100 | 5 |
| Meat of poultry (excl. edible offal) | 380 | 41 | 14 | 430 | 41 | 14 |
| Eggs | 35/1,000 pieces | 65 | 10 | 40/1,000 pieces | 65 | 10 |
| Preserved poultry meat products ^a | 485 | 50 | 10 | 550 | 50 | 13 |
| Chocolate and other food preparations containing chocolate | 235 | 48 | 5 | 270 | 48 | 5 |
| Biscuits, waffles | 235 | 18 | 7 | 270 | 18 | 7 |
| Macaroni, vermicelli | 130 | 32 | 9 | 150 | 32 | 9 |

a Subsidy payments have been suspended as of 1 January 2019.

Source: WTO documents, G/SCM/N/315/TUR, 31 August 2017; G/SCM/N/315/TUR/Suppl.1, G/SCM/N/343/TUR, 16 September 2019; and G/SCM/N/372/TUR 21 December 2021.

4.3 Manufacturing

4.3.1 Features

4.30. According to the authorities, Türkiye's sizeable and relatively young population, dynamic entrepreneurial class, and advantageous geographic position have made it a significant manufacturing hub. Türkiye positions itself in the global value chains by leveraging lower labour costs and flexible production capabilities. The recent dynamism of Türkiye's manufacturing sector is reflected in a very significant rise in the sector's contribution to GDP and employment (Table 4.10). The authorities indicate in this review that the expansion of manufacturing can be explained by the (i) increased foreign investment after the COVID-19 pandemic, with FDI flows being diverted to Türkiye due to continued restrictions in Asia; (ii) companies' access to low-cost credits; and (iii) incentives (technical knowledge and credit schemes). In 2021, the sector had the highest share of production value in Türkiye, estimated at TRY 5 billion.³²³³ Manufactured products include automotive products, aviation products, consumer goods, electronics, chemicals, and textiles and clothing. In 2020, Türkiye ranked 28th out of 154 countries in terms of its Manufacturing Competitive Industrial Performance, above the average of world and emerging industrial economies.³⁴

Table 4.10 Manufacturing's contribution to GDP and employment, 2016-21

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|-------|-------|-------|-------|-------|-------|
| % change in chain linked volume ^a | 4.0 | 9.3 | 1.2 | -2.5 | 3.4 | 18.5 |
| % of GDP at current basic price (%) | 18.8 | 19.8 | 21.2 | 20.3 | 21.5 | 24.8 |
| Employment ('000 persons) | 4,915 | 4,969 | 5,232 | 5,154 | 5,070 | 5,662 |

a In chain linked volume – to estimate real GDP volume without price effect. Approach used to estimate volumes using prices of previous years, instead of a fixed year.

Source: TurkStat, *National Accounts*. Viewed at: <https://www.tuik.gov.tr/>; TurkStat, *Labour Force Statistics*. Viewed at: <https://www.tuik.gov.tr/>; and Ministry of Treasury and Finance, *Economic Indicators*. Viewed at: <https://en.hmb.gov.tr/economic-indicators>.

³² Turkish Statistical Institute (TurkStat). Viewed at: <https://data.tuik.gov.tr/Bulten/Index?p=Annual-Industry-and-Service-Statistics-2021-45836>.

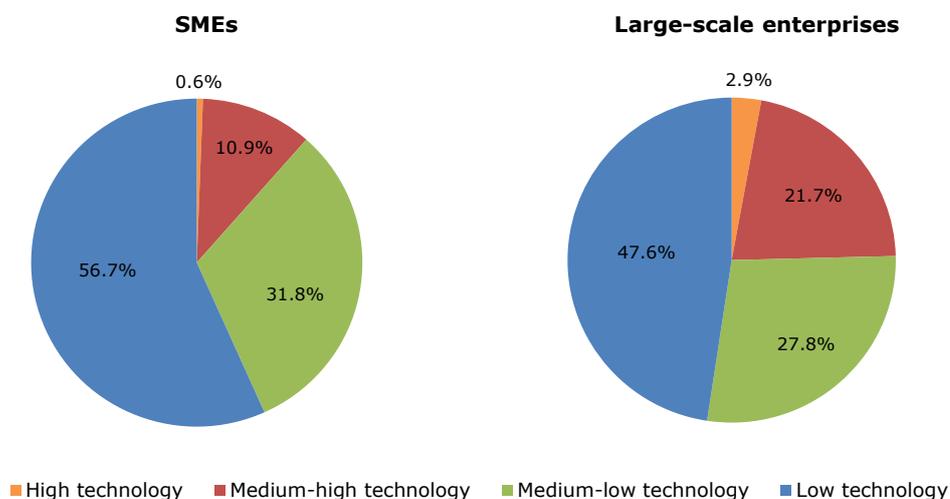
³³ Production value measures the amount actually produced.

³⁴ UNIDO, *Competitive Industrial Performance Index 2022*. Viewed at: <https://stat.unido.org/country/TUR.pdf>.

4.31. Small and medium-sized enterprises (SMEs)³⁵ continue to play an important role in the manufacturing sector in Türkiye. Slightly more than 12% (12.3%) of all SMEs participated in the sector³⁶, accounting for 42% of the production value³⁷ and 72% of employment in 2020.³⁸ Despite their continued importance in the manufacturing sector, SMEs were significantly affected by the COVID-19 pandemic; in 2020, SME value added declined by 6.3%.³⁹

4.32. In terms of technology levels, the share of high and middle-high technology use among SMEs in the manufacturing sector is small (0.6% and 10.9%, respectively); most SMEs in the manufacturing industry use low technology (56.7%) (Chart 4.3). Similarly, the majority of large-scale enterprises (47.6%) produced in the low-technology category and 2.9% in the high-technology category (Chart 4.3). In Türkiye, adopters of high-technology manufacturing include the automotive, aviation, electronics, chemicals, and textiles and clothing industries.

Chart 4.3 SMEs' and large-scale enterprises' participation in the manufacturing industry by technology level, 2020



Source: TurkStat (2021), *Small and Medium Sized Enterprises Statistics, 2020*. Viewed at: <https://data.tuik.gov.tr/Bulten/Index?p=Small-and-Medium-Sized-Enterprises-Statistics-2020-41129&dil=2>.

4.3.2 Trade

4.33. Türkiye is a large exporter of manufactured goods, which accounted for 94.5% of total merchandise exports in 2021.⁴⁰ Since 2016, exports of manufacturing goods have continuously increased; a decline in 2020 exports due to COVID-19 restrictions was followed by an increase by 33% in 2021. Türkiye's key exports in the sector are machinery and transport equipment, automotive, textiles and clothing, chemicals, iron and steel, electronics, and jewellery.⁴¹ In 2021, 36% of Türkiye's manufacturing exports consisted of medium-tech products and 3% of high-tech products.⁴² In 2020, 91.4% of the exports of SMEs were in manufactured products, including 13.9%

³⁵ SMEs are classified as enterprises that employ less than 250 employees annually and whose annual net sales revenue or financial balance does not exceed TRY 125 million. TurkStat (2021), *Small and Medium Sized Enterprises Statistics, 2020*. Viewed at: <https://data.tuik.gov.tr/Bulten/Index?p=Small-and-Medium-Sized-Enterprises-Statistics-2020-41129&dil=2>.

³⁶ TurkStat (2021), *Small and Medium Sized Enterprises Statistics, 2020*.

³⁷ European Commission, *2021 SME Country Fact Sheet: Turkey*. Viewed at: https://neighbourhood-enlargement.ec.europa.eu/system/files/2021-09/turkey_-_sme_fact_sheet_2021.pdf.

³⁸ Information provided by the authorities.

³⁹ European Commission, *2021 SME Country Fact Sheet: Turkey*.

⁴⁰ TurkStat (2022), *Foreign Trade Statistics, December 2021*. Viewed at: <https://data.tuik.gov.tr/Bulten/Index?p=Foreign-Trade-Statistics-December-2021-45535&dil=2>.

⁴¹ WTO Secretariat calculations, based on UN Comtrade database (SITC Rev. 3).

⁴² SEE Industry, *PCB Manufacturing in Turkey*. Viewed at: <https://www.see-industry.com/en/pcb-manufacturing-in-turkey/2/2068/>.

for the clothing sector, 10.1% for textile products, and 10% for machinery and equipment not elsewhere classified.⁴³

4.34. In 2021, Türkiye's main export markets for its manufactured goods were Germany (USD 19.3 billion), the United States (USD 14.7 billion), the United Kingdom (USD 13.7 billion), Italy (USD 11.4 billion), and Iraq (USD 11 billion).⁴⁴

4.35. In 2021, imports of manufactured products accounted for 75.9% of total goods imports.⁴⁵ The imports of SMEs in 2020 were basic metals (33.6%) and chemicals and chemical products (12.4%).⁴⁶ Top countries for Türkiye's imports in 2021 included China (USD 32 billion), the Russian Federation (USD 28.9 billion), Germany (USD 21.7 billion), the United States (USD 13 billion), and Italy (USD 11.5 billion).⁴⁷

4.3.3 Policy and institutional developments

4.36. The Ministry of Industry and Technology is responsible for setting industrial policy in coordination with other relevant Ministries and institutions.⁴⁸ The Union of Chambers and Commodity Exchanges of Türkiye is the main professional organization and legal representative of the private sector.⁴⁹ Other organizations that represent the industries include the Turkish Industry and Business Association, the Türkiye Exports Assembly, the Foreign Economic Relations Board, and the Association of Independent Industrialists and Businessmen.

4.37. In 2019, the Ministry of Industry and Technology adopted the 2023 Industry and Technology Strategy. The Strategy aims to increase production of high technology and innovative products and to achieve the digital transformation of the industry in the 2019-23 period.⁵⁰ The Strategy provides that public procurement policies will be used to support the suppliers of high-technology products. It also includes strategic plans in the machinery, semiconductor, aerospace, defence, transportation technology, software, electronics, chemicals, and pharmaceutical industries. The authorities also intend to further develop Digital Transformation Centres with the intention of adopting new technologies in Technology Development Zones and Organized Industrial Zones (Sections 2.4.4.1 and 2.4.4.2).⁵¹ The strategy includes plans to increase the number of software developers across Türkiye from 140,000 to 500,000. In addition, authorities plan to facilitate an increase in the number of "Turcorns" (i.e. companies that start at the venture capital level and reach a valuation of USD 1 billion and above) to 10 by 2023.⁵²

4.3.4 Automotive

4.38. Türkiye has significant production and engineering capacity in the global automotive value chain.⁵³ In 2021, it ranked 13th in global automotive production and 4th in Europe's automotive production (ranked 1st in commercial vehicle production in Europe).⁵⁴ The sector produced 1.1 million

⁴³ TurkStat (2021), *Small and Medium Sized Enterprises Statistics, 2020*.

⁴⁴ TurkStat (2022), *Foreign Trade Statistics, December 2021*.

⁴⁵ TurkStat (2022), *Foreign Trade Statistics, December 2021*.

⁴⁶ TurkStat (2021), *Small and Medium Sized Enterprises Statistics, 2020*.

⁴⁷ TurkStat (2022), *Foreign Trade Statistics, December 2021*.

⁴⁸ Ministry of Industry and Technology. Viewed at: <https://www.sanayi.gov.tr/kurumsal/teskilat-semasi>.

⁴⁹ TOBB, *Purpose and Organs*. Viewed at: <https://tobb.org.tr/Sayfalar/Eng/AmaciveYapisi.php>; and TOBB, *TOBB in Brief*. Viewed at: <https://tobb.org.tr/ozetleTOBB/ozetletobb-en.pdf>.

⁵⁰ Ministry of Industry and Technology. Viewed at: <https://www.sanayi.gov.tr/assets/pdf/SanayiStratejiBelgesi2023.pdf> and <https://www.sanayi.gov.tr/2023-sanayi-ve-teknoloji-stratejisi>.

⁵¹ Ministry of Industry and Technology. Viewed at: <https://www.sanayi.gov.tr/assets/pdf/SanayiStratejiBelgesi2023.pdf> and <https://www.sanayi.gov.tr/2023-sanayi-ve-teknoloji-stratejisi>.

⁵² Gokce (2019), "Turkey 2023 Industry and Technology Strategy Has Been Announced", *The Fine Print*, Vol. 80. Viewed at: http://gokce.av.tr/wp-content/uploads/2019/10/The-Fine-Print_Ekim_2019_Ing.pdf.

⁵³ Investment Office, *Türkiye Your Resilient Partner*. Viewed at: <https://www.invest.gov.tr/en/library/publications/lists/investpublications/invest-in-turkiye-roadshow-booklet.pdf>.

⁵⁴ TurkStat (2022), *Annual Industrial Products (PRODCOM) Statistics, 2021*. Viewed at: [https://data.tuik.gov.tr/Bulten/Index?p=Annual-Industrial-Products-\(PRODCOM\)-Statistics-2021-45835](https://data.tuik.gov.tr/Bulten/Index?p=Annual-Industrial-Products-(PRODCOM)-Statistics-2021-45835).

automobiles in 2021⁵⁵, employing an estimated 200,000 employees in 2020.⁵⁶ In 2021, 95.2% of the more than 3,000 companies in the industry were micro (56.2%), small (27.1%), and medium-sized (11.9%) enterprises, yet over 90% of net sales were from large-scale companies.⁵⁷ The automotive industry is based mainly in Izmit, Bursa, Ankara, Izmir, and Aksaray.

4.39. In 2022, 191 research and development (R&D) and design centres belonging to automotive manufacturers and suppliers, accredited by the Ministry of Industry and Technology, were operational in Türkiye.⁵⁸ R&D expenditures in the automotive sector exceeded TRY 3.5 billion in 2020 and represent 17% of the total R&D expenditure in the manufacturing industry and 10% of all R&D expenditure.⁵⁹

4.40. The sector comprises several foreign-owned firms, joint ventures with foreign companies, and firms operating under foreign licences. Türkiye's three main automobile producers are joint ventures with global brands: Tofas (Fiat S.p.A and Koç Holding), Oyak-Renault, and Ford Otosan. These producers accounted for around 62% of all vehicles manufactured in 2021. Other important producers are Daimler, AVL Toyota, Hyundai Assan, Mercedes-Benz Türk, MAN Türkiye, Anadolu Isuzu, and Honda Türkiye. Türkiye's first electric car, Togg, is being developed, and according to the authorities sales are expected in the first quarter of 2023. Several international companies also have R&D centres in Türkiye, including Ford Otosan, Fiat, Daimler, and AVL Toyota.

4.41. Türkiye's automotive industry is also home to 14 Original Equipment Manufacturers (OEMs)⁶⁰, covering passenger cars, light commercial vehicles, and heavy-duty vehicles.⁶¹ Türkiye also offers a supportive business environment on the supply chain side; there are an estimated 1,100 component suppliers assisting in the production processes of OEMs.⁶²

4.42. In 2020, exports of vehicles decreased due to COVID-19 restrictions. However, in 2021, vehicle exports increased to USD 25.0 billion from USD 22.1 billion in 2020 (Table A1.1).

4.43. Türkiye supports companies investing in automotive manufacturing and R&D with incentives including benefits from value added tax (VAT) and customs duty exemption, VAT refund, corporate tax deduction, social security support and qualified personnel wage support, land allocation, income tax withholding support, and support for energy consumption expenditure (Section 3.3.1).⁶³

4.44. The simple average applied MFN tariff on vehicles (HS 87) was 10% in 2022.⁶⁴ Imports of second-hand vehicles, other than for personal use, are restricted for environmental reasons but are not prohibited. Approval is required from the Ministry of Industry and Technology for various motor vehicles to ensure the suitability of all imported vehicles for highways.

4.3.5 Chemicals

4.45. The chemicals industry, like other industries in the manufacturing sector, has taken advantage of Türkiye's productive labour force, competitive production costs, infrastructure, and proximity to export markets to expand and attract international investment. In 2021, it ranked as the 7th largest

⁵⁵ TurkStat (2022), *Annual Industrial Products (PRODCOM) Statistics, 2021*. Viewed at: [https://data.tuik.gov.tr/Bulten/Index?p=Annual-Industrial-Products-\(PRODCOM\)-Statistics-2021-45835](https://data.tuik.gov.tr/Bulten/Index?p=Annual-Industrial-Products-(PRODCOM)-Statistics-2021-45835).

⁵⁶ Investment Office (2021), *Mobility Industry Agenda 2021*. Viewed at: <https://www.invest.gov.tr/en/library/publications/lists/investpublications/mobility-industry-agenda.pdf>.

⁵⁷ Investment Office (2021), *Mobility Industry Agenda 2021*.

⁵⁸ Investment Office, *Automotive*. Viewed at: <https://www.invest.gov.tr/en/sectors/pages/automotive.aspx>.

⁵⁹ Investment Office (2021), *Mobility Industry Agenda 2021*.

⁶⁰ OEM is defined as a company whose goods are used as components in the products of another company, which then sells the finished item to users.

⁶¹ Investment Office, *Türkiye Your Resilient Partner*. Viewed at: <https://www.invest.gov.tr/en/library/publications/lists/investpublications/invest-in-turkiye-roadshow-booklet.pdf>.

⁶² Investment Office, *Automotive*.

⁶³ ERAI (2021), "The Automotive Industry in Turkey", 12 February. Viewed at: <https://eraiturkey.com/news/the-automotive-industry-in-turkey/#:~:text=Turkey%20is%20a%20strong%20production,and%20engineering%20for%20international%20markets>.

⁶⁴ WTO Secretariat calculations, based on data provided by the authorities.

plastics producer in the world (2nd in Europe) and the 5th largest paint producer in Europe.⁶⁵ The main products are plastics, soap and detergents, soda, chromium chemicals, boron chemicals, paints, sodium sulphate, fatty acids, and rose oil. The industry has continued to adopt production processes that increased quality, productivity, and protection of the environment, and continues to harmonize the European Union's technical standards (Section 3.3.2).⁶⁶

4.46. The main drivers for growth in the industry in 2021 included investments and innovations from leading Turkish chemicals players; supporting regulations such as investment incentives; the devaluation of the Turkish lira, which reduced the costs of production such as labour and energy; and disruption of global trade flow between the United States, Europe, and the Asia-Pacific region in 2020, which resulted in increased demand for Türkiye's chemical industry products.⁶⁷

4.47. There are an estimated 5,000 local and international companies in the chemicals industry⁶⁸ with the majority having less than 150 employees.⁶⁹ International chemical companies, such as BASF, Henkel, Bayer, 3M, Dupont, Cargill, and P&G, have significant presence in the industry. Most companies in the industry are located in Istanbul, Izmir, Kocaeli, Sakarya, Adana, Gaziantep, and Ankara.⁷⁰

4.48. The Government maintains several incentives to invest in the industry, value added tax (VAT) and customs duty exemption, VAT refund, corporate tax deduction, social security support, qualified personnel wage support, land allocation, income tax withholding support, interest support, capital contribution support, purchase guarantee, and support for energy consumption expenditure (Section 3.3.1). In addition, the Chemicals Technology Centre supports and accelerates developments of the Turkish chemicals industry.⁷¹

4.49. According to the information provided by the authorities, exports of chemicals and chemical products (including plastics and rubber industries) increased from USD 15.8 billion in 2016 to USD 32.5 billion in 2021. As a percentage of total exports, chemical exports increased from 11% in 2016 to 14% 2021. In 2021, exports of plastics products reached USD 10 billion (a 43% rise from the previous year), and synthetic rubber to 3.5 billion (30% rise from the previous year). Main export markets include the European Union and the United States.

4.50. In 2021, the main export products included plastics (33% of total exports in the chemicals industry); pharmaceutical products (6.3%); synthetic rubber (5.8%); dyes, pigments, paints and varnishes (3.7%); and soap and detergents (3.3%). Main export markets include the EU-27, Iraq, the United States, and Egypt.

4.51. In 2022, the simple average applied MFN tariff for chemicals was 6.2%, which remains lower than the overall applied MFN average (19.6% in 2022) (Table A3.2).

4.3.6 Textiles and clothing

4.52. The textiles and clothing sector is characterized by qualified human resources, design capacity, accumulation of know-how, investment in technology, and a large production capacity. In 2021 Türkiye was the 7th largest supplier of textiles and clothing in the world and the 4th largest supplier to the European Union.⁷² Accordingly, its global share of knitted clothing is 4.0% (ranked 6th among exporting countries) and its share of global woven clothing is 3.2 % (ranked 7th among

⁶⁵ Investment Office, *Türkiye Your Resilient Partner*.

⁶⁶ Ministry of Trade, *Industry: Chemicals*. Viewed at: <https://www.trade.gov.tr/data/5b8fd4fb13b8761f041fee78/Chemical%20Industry.pdf>.

⁶⁷ PwC, *Chemicals Industry 2030 and Beyond*. Viewed at: <https://www.strategyand.pwc.com/tr/2030-and-beyond-despite-recent-figures-achieving-sustainable-growth>.

⁶⁸ Investment Office, *Turkey: Bright Spot for Chemical Investments*. Viewed at: <https://www.invest.gov.tr/en/library/publications/lists/investpublications/chemicals-industry.pdf>.

⁶⁹ Investment Office, *Turkey: Bright Spot for Chemical Investments*.

⁷⁰ CEFIC, *Turkey: Key Facts*. Viewed at: <https://cefic.org/a-pillar-of-the-european-economy/landscape-of-the-european-chemical-industry/turkey/>.

⁷¹ Turkchem, *The Chemistry Technology Centre Will Be Operational in 2022*. Viewed at: <https://www.turkchem.net/the-chemistry-technology-center-will-be-operational-in-2022.html>.

⁷² Ministry of Trade, *Industry: Clothing*. Viewed at: <https://www.trade.gov.tr/data/5b8fd6d913b8761f041feee0/Clothing.pdf>.

exporting countries). Türkiye has an extensive supply of cotton as a traditional cotton-producing country.⁷³ In addition, it has the 8th largest production capacity of synthetic fabrics in the world.

4.53. According to the authorities, in the 2016-19 period, textile and clothing exports followed an upward trend; the export volume was USD 28.7 billion in 2016 and increased to USD 30.3 billion in 2019. In 2020 textile and clothing exports decreased to USD 28.6 billion due to COVID-19. However, in 2021 exports increased to USD 36.2 billion (an increase of 26.6% in 2021 year-on-year). The main exports included knitted clothing and accessories with a share of 58.93% in total clothing exports (value of USD 10.78 billion) and woven clothing with 41% of total clothing exports (value of USD 7.51 billion) in 2021.⁷⁴ The main export markets included the European Union with an export value of USD 11.84 billion, accounting for 70.5% of Türkiye's total clothing exports in 2021.⁷⁵ Significant markets among the members of the European Union were Germany, Spain, and the Netherlands.

4.54. The textiles and clothing industry continued to be protected in 2016-22 with bound tariffs covering 15.1% of textiles and 2.1% of clothing tariff lines.⁷⁶ In 2021, the simple average applied MFN tariff was 18.4% on textiles and 40.7% on clothing (Table A3.2). The textiles and clothing sector is qualified for support under the General Investment Incentives Scheme (exemptions from VAT and customs duties for imported machinery and equipment) and the Regional Investment Incentives Scheme, which provides a more comprehensive range of incentives.

4.4 Services

4.4.1 Financial services

4.4.1.1 Features

4.55. Financial services' contribution to GDP fluctuated during the review period, increasing from 3.3% in 2016 to 3.7% in 2020 and then declining to 2.9% in 2021.⁷⁷ The value added of financial and insurance services activities more than doubled from 2016 to 2020 (Table 4.11). The number of enterprises also increased (Table 4.11). In 2021, the sector accounted for 1% of total employment.⁷⁸ In terms of asset size of financial institutions in 2021, the banking subsector had an 82% share (TRY 6,392 billion), followed by insurance companies (6%, TRY 483 billion) and portfolio management companies (4%, TRY 340 billion).⁷⁹

Table 4.11 Financial intermediary institutions statistics, 2016-21

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|--------|--------|--------|--------|--------|--------|
| Value added at factor cost (TRY billion) | | | | | | |
| Financial and insurance activities | 133.9 | 155.8 | 253.5 | 259.0 | 312.6 | 436.1 |
| Financial services activities (except insurance and pension funding) | 119.3 | 138.7 | 227.9 | 226.4 | 272.9 | 380.7 |
| Insurance, reinsurance, and pension funding (except compulsory social security) | 10.1 | 11.7 | 18.7 | 23.9 | 26.7 | 34.9 |
| Activities auxiliary to financial services and insurance activities | 4.5 | 5.4 | 6.9 | 8.8 | 13.0 | 20.4 |
| Number of enterprises | | | | | | |
| Financial and insurance activities | 17,795 | 17,535 | 17,853 | 18,132 | 18,777 | 19,001 |
| Financial services activities (except insurance and pension funding) | 227 | 225 | 218 | 218 | 220 | 255 |
| Insurance, reinsurance, and pension funding (except compulsory social security) | 63 | 63 | 62 | 63 | 60 | 68 |

⁷³ Ministry of Trade, *Industry: Clothing*.

⁷⁴ Ministry of Trade, *Industry: Clothing*.

⁷⁵ Ministry of Trade, *Industry: Clothing*.

⁷⁶ WTO Secretariat calculations based on WTO CTS database. WTO definition of textiles in HS codes: 300590, 330620, 392112-13, 392190, 420212, 420222, 420232, 420292, 50-60 (except 5001-03, 5101-03, 5201-03, 5301-02), Ch. 63, 640520, 640610, 6501-05, 6601, 701911-19, 701940-59, 870821, 8804, 911390, 940490, 961210; and of clothing: HS 61-62.

⁷⁷ MoTF, *Economic Indicators*. Viewed at: <https://en.hmb.gov.tr/economic-indicators>.

⁷⁸ TurkStat, *National Accounts*. Viewed at: <https://www.tuik.gov.tr/>; and MoTF, *Economic Indicators*.

Viewed at: <https://en.hmb.gov.tr/economic-indicators>.

⁷⁹ The Banks Association of Türkiye (2022), *Banks in Türkiye 2021*. Viewed at: https://www.tbb.org.tr/Content/Upload/istatistikraporlar/ekler/3401/Banks_in_Turkiye_2021.pdf.

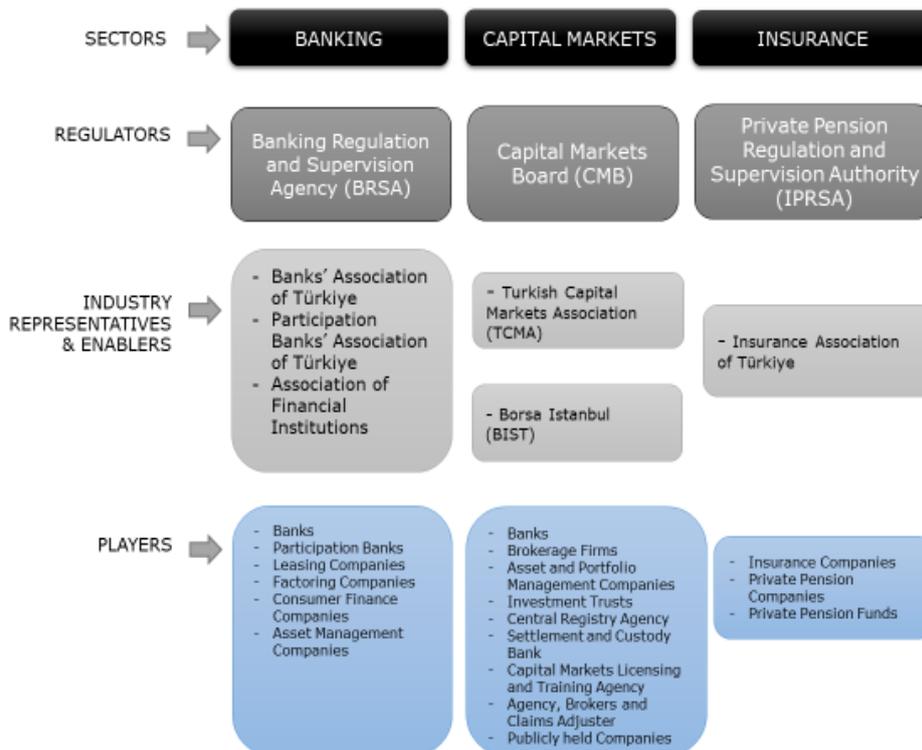
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|--------|--------|--------|--------|--------|--------|
| Activities auxiliary to financial services and insurance activities | 17,505 | 17,247 | 17,573 | 17,851 | 18,497 | 18,678 |
| Annual average number of employees ('000) | | | | | | |
| Financial and insurance activities | 311 | 306 | 305 | 299 | 299 | 302 |
| Financial services activities (except insurance and pension funding) | 237 | 230 | 227 | 224 | 222 | 222 |
| Insurance, reinsurance, and pension funding (except compulsory social security) | 20 | 20 | 20 | 20 | 20 | 21 |
| Activities auxiliary to financial services and insurance activities | 55 | 57 | 58 | 54 | 57 | 60 |
| Fixed capital investments and sales (TRY billion) | 6.7 | 5.9 | 9.8 | 12.3 | 13.1 | 17.9 |

Source: TurkStat, *Financial Intermediary Institution Statistics, 2021*. Viewed at: <https://data.tuik.gov.tr/Bulten/Index?p=Financial-Intermediary-Institution-Statistics-2021-45701>.

4.4.1.2 Institutional and legal framework

4.56. Chart 4.4 illustrates the structure of financial services regulation, which changed during the review period.

Chart 4.4 Structure of financial services regulation



Source: Information provided by the authorities.

4.4.1.3 Specific sectors

4.4.1.3.1 Banking

4.57. The banking sector (Table 4.12) is composed of state-owned, private, and foreign banks.⁸⁰ Two new banks were granted operating permission in 2020 and 2021 (Golden Global Bank in 2020 and Dogan Investment Bank in 2021). According to the authorities, in 2021, the sector had

⁸⁰ Foreign banks are divided into two groups: those that have opened a branch in Türkiye and those that were founded in Türkiye. These banks are subject to the same regulations as the other commercial banks of a domestically registered bank. A foreign bank is one in which non-residents hold 51% or more capital.

34 deposit banks (3 state-owned, 8 private, 21 foreign, and 2 banks under the management of the Savings Deposit Insurance Fund (SDIF)⁸¹; 15 investment banks (4 state-owned, 7 private, and foreign); and 6 Islamic (participation)⁸² banks.

Table 4.12 Banking sector – main indicators, 2019-21

| | December 2019 | December 2020 | December 2021 |
|--|---------------|---------------|---------------|
| Total number of banks | 53 | 54 | 55 |
| Bank assets/GDP | 104% | 121.0% | 127.8% |
| Bank deposits/GDP | 59.4% | 61.4% | 73.6% |
| Number of branches | 11,372 | 11,189 | 11,098 |
| Number of branches/thousand population | 0.14 | 0.13 | 0.13 |

Source: Information provided by the authorities.

4.58. According to the IMF, the growth in assets of the banking sector was mostly driven by state-owned banks, accounting for 45% of total banking system assets.⁸³

4.59. The five largest banks accounted for nearly 53.9% in total assets in 2021 and the share of the top 10 banks in total assets (Table 4.13) was 80.5%.⁸⁴ The first five banks in terms of assets include three state-owned banks, one private bank, and one foreign bank. Foreign presence in the banking subsector has increased. In 2021, USD 181 billion of assets (approximately 26% of total assets) were owned by foreign banks. As of October 2022, 3 banks of the top 10 are foreign owned.

4.60. The ratio of non-performing loans to total lending stood at 3.9% in December 2021. The IMF noted that the non-performing loans level is low due in part to the large credit expansion and flexibility introduced during the pandemic.⁸⁵ The capital adequacy ratio (CAR)⁸⁶ increased during the review period and, as of December 2021, was 18.4% (required minimum CAR is 8% and target CAR is 12%).^{87,88} The banking sector is therefore adequately capitalized with CAR well above the levels stipulated by international standards.⁸⁹

Table 4.13 Top 10 banks by total assets, 2021

(TRY million)

| Bank | Total assets | Operating revenue | Pre-tax profit | Principal shareholders | Ownership |
|---------------------------------|--------------|-------------------|----------------|--|-----------|
| T.C. Ziraat Bankası A.Ş. | 1,370,890 | 38,757 | 8,913 | Türkiye Wealth Fund | 100.0 |
| Türkiye Vakıflar Bankası T.A.O. | 1,007,214 | 27,363 | 5,296 | Türkiye Wealth Fund | 36.0 |
| | | | | Ministry of Treasury and Finance (Group A) | 27.5 |
| | | | | Public shares | 16.1 |
| | | | | VakıfBank Officers and Service Government Retirement and Health Support Fund | 10.6 |
| | | | | Ministry of Treasury and Finance (Group B) | 9.9 |

⁸¹ The SDIF is responsible for the protection of public rights, and the management and disposal of bank assets entering into administration or liquidation procedures.

⁸² Participation banks base their activities on interest-free banking in line with globally accepted Islamic finance principles.

⁸³ IMF Country Report No. 21/110, pp. 2 and 12.

⁸⁴ The Banks Association of Türkiye (2022), *Banks in Türkiye 2021*. Viewed at: https://www.tbb.org.tr/Content/Upload/istatistikraporlar/ekler/3401/Banks_in_Turkiye_2021.pdf.

⁸⁵ IMF Country Report No. 21/110, p. 93.

⁸⁶ CAR is a measurement of a bank's available capital expressed as a percentage of a bank's risk-weighted credit exposures.

⁸⁷ According to Board Resolution No. 2026 of 16 November 2006, the minimum capital requirement is 8% and the target capital adequacy ratio is 12%, which is required to open a new branch, issue a bond, open a branch, or acquire an affiliated or co-controlled partnership or subsidiary in off-shore banking areas.

⁸⁸ Investment Office, *Türkiye Your Resilient Partner*. Viewed at: <https://www.invest.gov.tr/en/library/publications/lists/investpublications/invest-in-turkiye-roadshow-booklet.pdf>.

⁸⁹ IMF Country Report No. 21/110, p. 94.

| Bank | Total assets | Operating revenue | Pre-tax profit | Principal shareholders | Ownership |
|------------------------------------|--------------|-------------------|----------------|---|----------------------|
| Türkiye İş Bankası A.Ş. | 926,569 | 37,834 | 15,476 | Türkiye İş Bank Cooperation Members Supplementary Social Security and Aid Fund Republican People's Party | 37.3 28.1 |
| Türkiye Halk Bankası A.Ş. | 901,217 | 22,989 | 1,406 | Türkiye Wealth Fund Public Shares | 75.3 24.7 |
| Türkiye Garanti Bankası A.Ş. | 757,802 | 55,088 | 17,305 | BBVA Banco Bilbao Vizcaya Argentaria S.A | 49.9 |
| Yapı Ve Kredi Bankası A.Ş. | 736,770 | 32,250 | 13,486 | Koç Financial Services Inc. Uni Credit (UCG) Koç Holding A.Ş. | 41.0 18.0 27.0 |
| Akbank T.A.Ş. | 708,911 | 36,766 | 16,066 | Hacı Ömer Sabancı Holding A.Ş. | 40.8 |
| QNB Finansbank A.Ş. | 371,369 | 12,641 | 4,990 | Qatar National Bank | 99.9 |
| Türkiye İhracat Kredi Bankası A.Ş. | 322,616 | 4,002 | 3,107 | Ministry of Treasury and Finance | 100.0 |
| Denizbank A.Ş. | 308,719 | 15,553 | 4,415 | Emirates Nbd Bank Pjsc | 100.0 |

Source: Information provided by the authorities.

4.61. Advanced electronic banking services by banks for secure client-oriented services are widely available.⁹⁰ Digital banking continued to increase significantly during the review period. Thus, for example, the volume of online banking transactions increased by 27% from 2020 to 2021.⁹¹

4.62. The BRSA is responsible for the regulation and supervision of banks and non-bank financial institutions as stipulated in Law No. 5411 of 19 October 2005 on Banking, Law No. 5464 of 1 March 2006 on Bank Cards and Credit Cards, and Law No. 6361 of 13 December 2012 on Financial Leasing, Factoring, Financing and Saving Financing Companies. The BRSA regulates deposit banks, participation banks, investment and development banks, branches and representative offices of foreign banks, and non-bank financial institutions (such as financial leasing, factoring, financing and saving financing companies, and asset management companies). The BRSA implements its orders through laws, regulations, communiqués, and guidelines. Under Law No. 5411, the BRSA oversees the principles and procedures regarding the prudential bank regulation related to liquidity, capital adequacy, risk management and provisioning requirements, and corporate governance principles. The BRSA is led by a board of seven members, each of whom holds office for four years.

4.63. According to the authorities, in 2021, the Banking Law was amended to: (i) require banks to prepare recovery plans and to submit them to the BRSA; (ii) include a new set of rules that recognize market manipulation and misleading transactions conducted through banking activities; (iii) expand the scope of transactions that are considered to be loans; (iv) re-determine the scopes of risk groups; (v) intensify oversight and supervision in banking; (vi) implement stronger protection of banking secrets; (vii) introduce remote customer-onboarding; and (viii) introduce the Central Bank of the Republic of Türkiye (CBRT) as the authority to set a cap on interest rates, fees, charges, commissions, and other benefits charged by banks on all kinds of transactions.

4.64. In addition, tax exemptions for asset management companies were introduced with the amendment by Law No. 7338 of 26 October 2021 on Amending the Tax Procedure Law and Certain Laws. Saving financing companies operating in Türkiye are regulated and supervised by Law No. 7292 of 7 March 2021 on the Amendment on the Financial Leasing, Factoring, Financing and Savings Financing Companies. In addition, with the same amendment, minimum capital requirements are determined as TRY 100 million for saving financing companies, and as TRY 50 million for financial leasing, factoring, and financing companies.

4.65. In 2020, the BRSA also adopted measures regarding certain Turkish lira transactions conducted by banks in response to the economic slowdowns that occurred due to COVID-19.⁹² These

⁹⁰ The Banks Association of Türkiye (2022), *Banks in Türkiye 2021*. Viewed at: https://www.tbb.org.tr/Content/Upload/istatistikraporlar/ekler/3401/Banks_in_Turkiye_2021.pdf.

⁹¹ The Banks Association of Türkiye (2022), *Banks in Türkiye 2021*.

⁹² BDDK, Press Release 28/07/2020. Viewed at: <https://www.bddk.org.tr/Duyuru/EkGetir/703?ekId=726>.

measures limited Turkish lira transactions performed by banks with financial institutions located abroad and steps were taken to encourage the use of the country's Turkish lira resources during the pandemic.

4.66. Banking regulations allow for the establishment of three types of banks: deposit, development and investment, and participation.⁹³ Banks must be established as joint-stock companies. According to the authorities, the Banking Law stipulates that in order to establish a deposit or participation bank a minimum paid-in capital of TRY 30 million is required and TRY 20 million for a development and investment bank. Newly incorporated deposit and participation banks must hold share capital as high as USD 300 million while this amount is USD 30 million for development and investment banks. Banks established in Türkiye must seek permission from the BRSA for mergers, disintegration, transfer of shares within limits and voluntary liquidations, and for establishing partnerships with individuals or corporations.

4.67. Domestic and foreign banks are subject to the same rules in terms of establishment, operation, regulatory requirements, and supervision. Domestic and foreign banks' on-site and off-site supervision is performed by the BRSA pursuant to Article 95 of the Banking Law. Provided that they meet the requirements under the Banking Law and related regulations, foreign individuals or corporations may establish and operate banks. Foreign banks may also have branches or representative offices in Türkiye to coordinate their operations with the approval of the BRSA.⁹⁴ Foreign banks are allowed to raise capital domestically.

4.68. According to the authorities, the regulatory and supervisory framework of Türkiye's banking sector is recognized as third country equivalent to EU legislation in terms of EU Regulation 575/2013 on Prudential Requirements for Credit Institutions and Investment Firms. Likewise, according to the results of the Regulatory Consistency Assessment Program carried out by the Basel Committee, as of 2016 Türkiye's risk-based capital regulations and liquidity coverage ratio regulation are considered fully in line with Basel III standards.

4.69. The regulatory framework for asset management companies (AMCs) was amended with the introduction of the Regulation Governing the Principles of Incorporation and Operations of Asset Management Companies and Transactions Related to the Acquisition of Receivables published as of 14 July 2021 in the Official Gazette No. 31541. The Regulation updated the legal infrastructure for AMCs with the objective of enhancing these companies' capacities. An AMC must be authorized by the BRSA to operate. According to the authorities, the ratio of the equity of the AMC to its total assets is required to be fixed and maintained at a minimum of 3%. In addition, the condition of having paid-in capital, free of all kinds of collusion and in cash, was increased to TRY 50 million (previously TRY 20 million). An AMC may open branches in Türkiye or abroad and may provide intermediation, support, and consultancy services in the collection, restructuring, or transfer of the receivables and other assets of the source institutions (the Savings Deposit Insurance Fund, banks, or other financial institutions that assign their receivables or other assets incurred based on their main fields of activity to the AMCs) arising from their main fields of activity.

4.70. The insurance market comprises insurance companies, reinsurance companies, and insurance intermediaries (brokers and agencies). In October 2022, there were 70 insurance companies, most of which operated in non-life insurance (Table 4.14).

Table 4.14 Insurance sector – number of companies, 2019-22

| Type of activity | December 2019 | December 2020 | December 2021 | October 2022 |
|------------------|---------------|---------------|---------------|--------------|
| Non-life | 38 | 39 | 41 | 45 |
| Life | 5 | 6 | 6 | 6 |
| Life and pension | 17 | 15 | 15 | 15 |
| Reinsurance | 2 | 3 | 3 | 4 |
| Total | 62 | 63 | 65 | 70 |

Source: Information provided by the authorities.

⁹³ Norton Rose Fulbright (2022), *Doing Business in Türkiye: Banking and Finance*. Viewed at: <https://www.nortonrosefulbright.com/en/knowledge/publications/9a3448df/doing-business-in-turkey-banking-and-finance>.

⁹⁴ Norton Rose Fulbright (2022), *Doing Business in Turkey: Banking and Finance*.

4.71. The total premium production increased from TRY 40.4 billion in 2016 to TRY 126.2 billion as of August 2022.⁹⁵ Total premiums increased by 102.3% as of August 2022 compared to August 2021 (TRY 62.4 billion as of August 2021). The share of non-life insurance premiums in total was 85.8%, while life insurance represented a share of 14.2% as of August 2021.⁹⁶ Motor insurance accounts for the largest share of non-life premiums, at around 46.16%. According to the information provided by the authorities, in August 2022 insurance sales were dominated by insurance agencies with 53% of the market share, followed by banks (21.7%), brokers 13.1%, insurance companies 9.3%, and others 3%.

4.72. In May 2021, the Special Risks Management Centre was established to cover risks with no coverage or risks for which it is difficult to find coverage. According to the authorities, in January 2019, with 100% Ministry of Treasury and Finance (MoTF) capital, Türk Reasürans A.Ş. was established to increase the domestic reinsurance capacity (Section 3.3.5.2.4). In addition, in April 2020, Türkiye Sigorta (non-life) and Türkiye Hayat Emeklilik (life/pension) were established through the merger of six state-owned insurance companies that were previously controlled by state-owned banks. The main shareholder of the merged insurance company is the Türkiye Wealth Fund (81.1% of the shares) (Section 3.3.5.2.3).

4.73. Law No. 5684 of 14 June 2007 on Insurance is the primary piece of legislation governing insurance activities and provides guidance on the supervision and audit of insurance and reinsurance companies, agencies, and brokers. The Insurance and Private Pension Regulation and Supervision Agency (IPRSA) was established, by Presidential Decree No. 47 of 18 October 2019, to regulate and supervise the insurance and private pension sectors.⁹⁷ Therefore, the authority previously given to the MoTF, the General Directorate of Insurance, and the Insurance Auditing Board was transferred to IPRSA. IPRSA conducts its activities under the MoTF and fulfils its duties independently under its own responsibility and its decisions are not subject to any review.⁹⁸ The Insurance and Private Pension Regulation and Supervision Board acts as the decision-making body of IPRSA. The responsibilities of IPRSA include: (i) preparing, implementing, and monitoring legislation related to insurance and private pension; (ii) implementing and monitoring measures for the protection of insured persons and participants; (iii) and conducting investigations, audits, and examinations related to individuals and institutions operating in the fields of insurance and private pension.⁹⁹

4.74. The Pension Monitoring Centre continues to ensure the safe and effective operation of the individual pension system; protect participants' rights and interests; oversee the operations of pension companies and individual pension intermediaries; and monitor the operations of portfolio management companies related to pension mutual funds.¹⁰⁰

4.75. An insurance company can operate only in the form of a joint-stock company or, in the case of mutual insurance funds, a cooperative company. As required by paragraph 1 of Article 11 of the Law on Insurance, insurance companies must apply to IPRSA to be licensed in each insurance licence class.¹⁰¹ As per paragraph 2 of Article 5 of the Law, insurance companies can operate only in life or non-life insurance groups.¹⁰² The minimum paid-up capital requirement for insurance and reinsurance, as of 4 February 2022, cannot be less than TRY 40 million.¹⁰³

⁹⁵ Türkiye Sigorta Birliği, *Sector Report 2021*. Viewed at: https://tsb.org.tr/media/attachments/TSB_SEKTOR_TR21_2807.pdf.

⁹⁶ Türkiye Sigorta Birliği, *Sector Report 2021*.

⁹⁷ IPRSA, *Activity Report 2020*. Viewed at: <https://seddk.gov.tr/files/doc/turkish-insurance-and-private-pension-regulation-and-supervision-authority-activity-report-2020.pdf>.

⁹⁸ GIDE (2019), "Establishment of the Insurance & Private Pension Regulation Supervision Agency in Turkey", 20 November. Viewed at: <https://www.gide.com/fr/actualites/establishment-of-the-insurance-private-pension-regulation-supervision-agency-in-turkey>.

⁹⁹ GIDE (2019), "Establishment of the Insurance & Private Pension Regulation Supervision Agency in Turkey", 20 November.

¹⁰⁰ Finance Office, *Pension Monitoring Center*. Viewed at: <https://www.cbfo.gov.tr/en/insurance-sector/pension-monitoring-center>.

¹⁰¹ The Law Reviews (2022), "The Insurance and Reinsurance Law Review: Turkey", 24 April. Viewed at: <https://thelawreviews.co.uk/title/the-insurance-and-reinsurance-law-review/turkey>.

¹⁰² ATLAW, *Turkey Insurance and Reinsurance*. Viewed at: <https://www.aktlaw.com/uploads/generalcontent/covers/AKT%20Insurance&Reinsurance%20LEGAL%20500.pdf>.

¹⁰³ The Law Reviews (2022), "The Insurance and Reinsurance Law Review: Turkey", 24 April.

4.76. Turkish and foreign insurance and reinsurance companies are subject to the same regulations. Foreign insurance and reinsurance companies may operate by opening branches, incorporating a company in Türkiye, or acquiring shares of a local insurance company. Insurable interests of residents of Türkiye must be insured by insurance companies established in Türkiye with the exceptions of import and export of freight, ship chartering, and life insurance.¹⁰⁴

4.77. IPRSA also supervises solvency of insurers. Its Regulation on Measurement and Evaluation of Capital Adequacy for Insurance, Reinsurance and Private Pension Companies published in August 2015 in Official Gazette No. 29454 sets out solvency requirements to ensure that such companies keep enough equity capital to cover losses that may arise due to their existing liabilities and potential risks. According to the authorities, under this Regulation, a capital adequacy statement must be submitted to IPRSA twice a year.

4.78. The Regulation on Activities to be Evaluated Under Insurance Services and on Distance Insurance Contracts provides the minimum conditions to be applied for insurance contracts for website or mobile applications.¹⁰⁵ The Regulation stipulates that insurers are responsible for ensuring the security of the website and mobile applications, providing customers with required information, and informing the Turkish Union of Chambers and Commodity Exchanges (TOBB) of the list of agencies that will conclude a contract in this way.¹⁰⁶

4.4.1.3.2 Securities

4.79. In December 2021, there were 561 companies registered with the CMB, 446 of which were listed on Türkiye's stock exchange, Borsa Istanbul (BIST) (Table 4.15). In 2021, the total traded value of the BIST Equity Market was USD 859 billion (USD 338 billion in 2016).¹⁰⁷ Market capitalization, which was USD 163.7 billion in 2021 (USD 240.3 billion in 2020)¹⁰⁸, was equivalent to 30.3% of GDP in 2021 (35.3% in 2020).¹⁰⁹ According to the World Federation of Exchanges (WFE) figures, in 2021, the BIST had the highest turnover velocity among the members of the WFE. In addition, it ranked 20th in traded value and 37th in market capitalization.¹¹⁰

Table 4.15 Main indicators – Borsa Istanbul

| | |
|---|--|
| Number of companies registered^a | 561 |
| Borsa Istanbul-listed companies ^b | 446 |
| Other publicly held companies | 115 |
| Borsa Istanbul markets | 2021 trading volume (USD billion) |
| Equity market | 859 |
| Bond market | 1,960 |
| Futures and options market | 490 |
| Precious metals and diamond market | 20 |

a Information taken from Borsa Istanbul, *Listed Companies*. Viewed at: <https://www.borsaistanbul.com/en/sayfa/2641/listed-companies>.

b Information taken from Turkish Capital Markets Association (TCMA), *Turkish Capital Markets*, May 2022. Viewed at: <https://www.tspb.org.tr/wp-content/uploads/2022/05/Turkish-Capital-Markets-202205-ENG.pdf>. As at March 2022, Borsa Istanbul data exclude mutual funds, investment trusts, and Pre-Market Trading Platform.

Source: Borsa Istanbul, *Consolidated Data*. Viewed at: <https://www.borsaistanbul.com/en/sayfa/2784/consolidated-data>.

4.80. The main regulation in the securities sector, Law No. 6362 of 6 December 2012 on Capital Markets, regulates and supervises capital markets to ensure the functioning and development of

¹⁰⁴ The Law Reviews (2022), "The Insurance and Reinsurance Law Review: Turkey", 24 April.

¹⁰⁵ *Official Gazette* (2021), No. 31513, 16 June. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2021/06/20210616-3.htm>.

¹⁰⁶ CMS Law-Now (2022), "Turkey's 2021 Overview for Insurance Sector", 12 April. Viewed at: <https://www.cms-lawnow.com/ealerts/2022/04/turkeys-2021-overview-for-insurance-sector>.

¹⁰⁷ Borsa Istanbul, *Investing in Borsa Istanbul Markets*. Viewed at: <https://www.borsaistanbul.com/files/investing-in-borsa-istanbul-markets.pdf>.

¹⁰⁸ Borsa Istanbul, *Investing in Borsa Istanbul Markets*.

¹⁰⁹ Borsa Istanbul, *2021 Annual Integrated Report*. Viewed at: https://www.borsaistanbul.com/files/BORSA_2021_2021_ANNUAL_INTEGRATED_REPORT.pdf.

¹¹⁰ Borsa Istanbul, *2021 Annual Integrated Report*.

capital markets in a secure, transparent, efficient, stable, fair, and competitive environment and to protect the rights and interests of investors.¹¹¹ Amendments to the Law on Capital Markets were published in the Official Gazette of 25 February 2020. The amendments addressed certain practical difficulties related to regulating investment funds and venture capital funds; defined the infrastructure for new capital market instruments such as project-based securities; secured issuance of securities and debt-based crowdfunding; and enhanced the efficiency of supervision and monitoring through measures such as more preventive criminal and administrative sanctions.

4.81. The CMB is the main regulatory and supervisory authority in charge of the securities and derivatives markets. Its objective is to maintain safe, fair, transparent, and efficient capital markets; protect the rights and interests of investors; and facilitate the public's participation in economic development in an efficient manner. To that end, it regulates publicly held companies, banks that perform capital market activities or issue capital market instruments, intermediary institutions, mutual funds, portfolio management companies, and investment companies. The CMB also regulates the Borsa Istanbul, Istanbul Settlement and Custody Bank, the TCMA, the Central Registry Agency, the Investor Compensation Centre, and other related institutions operating in the capital markets, such as independent audit firms, rating agencies, appraisal firms, asset leasing companies, market operators, and trade repositories (Table 4.16).

Table 4.16 Institutions in the securities market, December 2021

| Type of institution | Number of institutions |
|---|------------------------|
| Investment firms | 118 |
| Banks | 46 |
| Banks with foreign capital | 21 |
| Intermediary institutions | 72 |
| Intermediary institutions with foreign capital | 7 |
| Portfolio management companies | 52 |
| Portfolio management companies with foreign capital | 7 |
| Credit rating agencies | 9 |
| Independent audit companies | 108 |

Source: CMB.

4.82. The CMB has the authority to withdraw permission for an activity and a licence it has granted in the following cases: (i) not performing an activity under the related permission for two years starting from the date the permission was granted; (ii) having obtained permission for an activity by making false statements; and (iii) no longer being able to meet the conditions required for the permission for activity.

4.83. The TCMA is the self-regulatory organization in the Turkish capital markets that establishes and enforces regulations on subjects assigned by legislation or by the CMB.¹¹² All intermediary institutions and banks that are authorized for capital market operations, portfolio management companies, and investment trusts are obligated to become members of the TCMA.

4.84. Borsa Istanbul¹¹³ (BIST) is Türkiye's main exchange, which was formed by combining Istanbul Stock Exchange, Istanbul Gold Exchange, and Derivatives Exchange of Türkiye in 2013. BIST has four markets: equity, derivatives, debt securities, and precious metals and diamond.

4.85. The Borsa Istanbul Private Market, established in 2014, is a membership-based web platform designed to create a marketplace bringing together entrepreneurs and investors to solve their financing and liquidity problems.

4.86. According to Article 39 of the Law on Capital Markets, banks can carry out the following investment services: (i) reception and transmission of orders in relation to capital market instruments; (ii) execution of orders in relation to capital market instruments in the name and account of the customer or in their own name and in the account of the customer; (iii) dealing in

¹¹¹ Esin Attorney Partnership (2020), "Innovations in the Turkish Capital Markets Law: Security Agent, Bondholders Meetings, Project Bonds", 25 February. Viewed at: <https://www.esin.av.tr/2020/02/25/innovations-in-the-turkish-capital-markets-law-security-agent-bondholders-meetings-project-bonds-2/>.

¹¹² TCMA (2021), *Turkish Capital Markets*. Viewed at: <https://www.tspb.org.tr/wp-content/uploads/2021/01/Turkish-Capital-Markets-202101-ENG-1.pdf>.

¹¹³ Türkiye Wealth Fund owns 80.6% of Borsa Istanbul.

own account; and (iv) safekeeping and administration of capital market instruments in the name of the customer and portfolio custody services. The same Article also authorizes the CMB to determine principles and procedures regarding investment services and activities to be carried out by banks. Accordingly, deposit and participation banks may not conduct order execution and dealing in own account activities with respect to shares and derivatives on shares or on share indices, as well as leveraged foreign exchange transactions.

4.87. In addition to the investment services and activities that can be carried out by banks (including order execution and dealing on own account in shares and derivatives on shares and share indices), investment and development banks can also manage portfolios, provide investment advice, underwrite capital market instruments on a firm commitment basis, and place financial instruments without a firm commitment basis. Regulations that govern investment and development banks differ from those for banks, as capital requirements for investment and development banks are two thirds of the amount set for deposit banks.¹¹⁴

4.88. Permission from the CMB is required to establish intermediary institutions and portfolio management companies.¹¹⁵ Investment services and activities can be performed only by investment firms, and they require approval from the CMB. According to the authorities, ancillary services¹¹⁶ are performed by investment firms and portfolio management companies without being subject to a separate licence; however, they can only be performed upon notification to the CBM.

4.89. Joint-stock companies that offer their shares to the public or have more than 500 shareholders are subject to the Law on Capital Markets. In addition, securities issued by state economic enterprises, including those within the scope of the privatization programme, are subject to the disclosure requirements.¹¹⁷ In addition, their shares must be registered and issued for cash, and their capital must not be less than the amount determined by the CMB.

4.90. According to the information provided by the authorities, certain products traded at BIST are subject to zero withholding tax such as bonds, investment funds, and listed futures and options.

4.4.2 Telecommunications

4.4.2.1 Features

4.91. Türkiye's telecommunications sector accounted for 1.27% of GDP¹¹⁸ in 2020 and employed 28,012 persons in 2021. The review period witnessed strong growth in Türkiye's telecommunications market, as reflected in the substantial increases in revenue, number of subscriptions (particularly mobile and fixed broadband), and investments. International trade in telecommunications services declined during the review period, with a particularly drastic decrease in imports (Table 4.17).

Table 4.17 Telecommunications indicators, 2016-21

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|--------|--------|--------|--------|--------|--------|
| Trade in telecommunications services (USD million, BoP basis) | | | | | | |
| Trade balance | -450 | -483 | -311 | -306 | -213 | -45 |
| Exports | 498 | 487 | 471 | 394 | 332 | 433 |
| % of total services exports | 1.1 | 0.9 | 0.8 | 0.6 | 0.9 | 0.7 |
| Imports | 948 | 970 | 782 | 700 | 545 | 478 |
| % of total services imports | 3.7 | 3.6 | 2.7 | 2.4 | 2.3 | 1.5 |
| Number of employees^a | 30,285 | 29,854 | 28,183 | 27,518 | 28,451 | 28,012 |

¹¹⁴ Thomson Reuters, *Banking Regulation in Türkiye: Overview*. Viewed at: [https://uk.practicallaw.thomsonreuters.com/w-007-5596?transitionType=Default&contextData=\(sc.Default\)&firstPage=true](https://uk.practicallaw.thomsonreuters.com/w-007-5596?transitionType=Default&contextData=(sc.Default)&firstPage=true).

¹¹⁵ Law on Capital Markets, Article 43.

¹¹⁶ Ancillary services provide advisory services; grant credits; lend or provide foreign currency services associated with investment services and activities; provide investment research, financial analysis, or general advice; provide services in relation to the conduct of underwriting; provide intermediary services for obtaining financing by borrowing or through other means; and provide wealth management and financial planning.

¹¹⁷ Norton Rose Fulbright (2022), *Doing Business in Türkiye: Capital Markets*. Viewed at: <https://www.nortonrosefulbright.com/en/knowledge/publications/87504836/doing-business-in-turkey-capital-markets>.

¹¹⁸ Information provided by the authorities.

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|-------------|-------------|-------------|-------------|-------------|-------------------|
| Revenue (TRY billion) | | | | | | |
| Total | 35.3 | 39.5 | 45.0 | 50.6 | 57.6 | 67.2 |
| Fixed-telephone services | 9.0 | 9.7 | 10.4 | 11.7 | 14.6 | 17.1 ^b |
| Mobile networks | 26.4 | 29.8 | 34.7 | 38.9 | 43.0 | 50.2 |
| Number of subscriptions (No. million) | | | | | | |
| Fixed phone | 11.1 | 11.3 | 11.6 | 11.5 | 12.4 | 12.3 |
| Mobile phone | 75.1 | 77.8 | 80.1 | 80.8 | 82.1 | 86.3 |
| - of which 2G | 4.5 | 3.1 | 2.1 | 1.8 | 1.9 | 2.0 |
| - of which 3G | 18.9 | 10.2 | 6.6 | 4.8 | 4.3 | 4.1 |
| - of which 4G | 51.7 | 64.6 | 71.3 | 74.2 | 75.9 | 80.2 |
| Fixed broadband | 10.5 | 11.9 | 13.4 | 14.2 | 16.7 | 18.1 |
| Fibre-to-the-home/building Internet subscriptions | 1.9 | 2.3 | 2.8 | 3.2 | 4.0 | 4.8 |
| Penetration rate (%) | | | | | | |
| Fixed phone | 13.7 | 13.8 | 14.0 | 13.8 | 14.8 | 14.5 |
| Mobile phone | 92.6 | 94.8 | 96.7 | 96.8 | 97.6 | 101.8 |
| Fixed broadband | 13.0 | 14.5 | 16.2 | 17.0 | 19.9 | 21.4 |
| Volume of investment (TRY billion) | | | | | | |
| Total | 5.7 | 5.9 | 6.7 | 10.2 | 13.0 | 15.0 |
| Fixed phone | 1.4 | 1.8 | 1.9 | 2.4 | 3.3 | 4.8 ^c |
| Mobile phone | 4.3 | 4.0 | 4.8 | 7.9 | 9.7 | 10.2 |
| Internet users (%) | 58.3 | 64.7 | 71.0 | 74.0 | 77.7 | 81.4 |

a Full-time equivalent telecommunications employees.

b Revenue only reflects Türk Telekom's net sales revenue. It does not include the income of other fixed-telephone services operators.

c Investment amount includes only Türk Telekom's investments.

Source: Information and Communication Technologies Authority, Market Data. Viewed at: <https://www.btk.gov.tr/pazar-verileri>; ITU World Telecommunication/ICT Indicators (WTI) Database 2022, July 2022 edition; and WTO STATS. Viewed at: <https://timeseries.wto.org/>.

4.92. Türk Telekom holds significant market power in fixed-line wholesale telephone services.¹¹⁹ Its total share of the fixed telecommunications market, based on revenues, decreased to 80% in 2021 compared to 89% in 2016. Türk Telekom's shares are divided as follows: Türkiye Wealth Fund, 61.68%; MoTF, 25%; and the rest free float. In mobile services, the leading companies in terms of market shares, based on numbers of subscribers, are Turkcell (41.3%), Vodafone (30.9%) and Türk Telekom (27.9%).

4.93. There are more companies providing Internet services compared to mobile services; such companies include TTNET (a subsidiary of Türk Telekom) (59%), Superonline (14%), and Vodafone Net (7%). As of December 2021, there were 50 authorized mobile virtual network operators (MVNO) in Türkiye and 24 of them were granted with right of use (contractual agreement).^{120,121}

4.94. Both wholesale fixed and mobile termination rates declined in recent years and will continue to decrease in 2023 and 2024 (Table 4.18).

Table 4.18 Interconnection fees, 2022-24

| | 01/01/2022 | 01/01/2023 | 01/01/2024 |
|---|------------|------------|------------|
| Mobile voice call termination rates (Kr ³ /min) | | | |
| TT Mobil | 2.71 | 2.41 | 2.10 |
| Turkcell | 2.39 | 2.25 | 2.10 |
| Vodafone | 2.44 | 2.28 | 2.10 |
| Fixed voice call termination rates (Kr/min) | | | |
| Türk Telekomünikasyon AS | 1.63 | 1.55 | 1.47 |
| Türksat Uydu Haberleşme Kablo Tv ve İşletme AS, and alternative fixed network operators | 2.80 | 2.20 | 1.47 |

¹¹⁹ Thomson Reuters Practical Law, *Communications: Regulation and Outsourcing in Turkey: Overview*. Viewed at: [https://ca.practicallaw.thomsonreuters.com/7-620-0891?transitionType=Default&contextData=\(sc.Default\)&firstPage=true](https://ca.practicallaw.thomsonreuters.com/7-620-0891?transitionType=Default&contextData=(sc.Default)&firstPage=true).

¹²⁰ An MVNO "is a reseller for wireless communications services. [It] leases wireless capacity (in effect, purchases 'minutes') from a third-party mobile network operator ... at wholesale prices and resells it to consumers at reduced retail prices under its own business brand". Tech Target, *Mobile Virtual Network Operator (MVNO)*. Viewed at: <https://www.techtarget.com/whatis/definition/mobile-virtual-network-operator-MVNO#:~:text=A%20mobile%20virtual%20network%20operator,under%20its%20own%20business%20brand.>

¹²¹ Authorized MVNOs list (available in Turkish only): <https://yetkilendirme.btk.gov.tr>.

| | 01/01/2022 | 01/01/2023 | 01/01/2024 |
|--|------------|------------|------------|
| SMS termination rates for mobile networks (Kr per SMS) | 0.80 | 1.00 | 1.20 |
| MVNO call termination Rates (Kr/min) | 3.12 | 2.65 | 2.10 |

a Kurus (Kr).

Note: Taxes are not included in rates.

Source: Information and Communication Technologies Authority, *Interconnection Fees*. Viewed at: <https://www.btk.gov.tr/arabaglanti-ucretleri>; and information provided by the authorities.

4.4.3 Institutional and legal framework

4.95. Telecommunications services are regulated by the Ministry of Transportation and Infrastructure and the Information and Communication Technologies Authority (ICTA). Under Article 5 of Law No. 5809 of 5 November 2008 on Electronic Communications, the Ministry is responsible for: (i) setting strategies and policies regarding electronic communications services that are based on scarce resources such as numbering, Internet domain names, satellite position, and frequency allotment; (ii) constructing and developing electronic communications infrastructure, networks, and services; (iii) creating policies regarding the development of the electronic communications equipment industry and determining policies towards taking measures that encourage domestic production of electronic communications equipment; and (iv) conducting (including through third parties) necessary research with a view to determine and implement electronic communications policies.¹²²

4.96. As provided for in Article 6 of the Law on Electronic Communications, the main duties of ICTA are: (i) authorization, numbering, and number portability; (ii) regulation studies for the consumer rights and quality of service; (iii) tariffs, access and interconnection, settlement of disputes, and international mobile roaming; (iv) regulations regarding competition, market analysis, and determination of operators with significant market power¹²³; (v) e-signature and Registered Electronic Mail regulations; (vi) cyber security and network security; (vii) planning and allocation of the frequencies, satellite positions, installation, and use of radio equipment; and (viii) market surveillance and inspection.

4.97. Companies providing telecommunications services must obtain prior authorization from ICTA, according to Law No. 5809 on Electronic Communications and Regulation No. 27241 of 28 May 2009 on Authorization Regarding the Electronic Communications Sector. For companies that do not require an allocation of resources, notification must be given to ICTA and for those companies requiring resource allocation, prior authorization and right of use must be obtained from ICTA.

4.98. While foreign ownership in the telecommunications sector is not restricted, a company has to be established as a limited liability or joint-stock company for it to be granted authorization by ICTA. A foreign entity or individual can be the sole shareholder of such an authorized company.¹²⁴

4.99. Universal service obligations are governed under Law No. 5369 of 16 June 2005 on Universal Service.¹²⁵ The scope of the universal service may be redefined by the President upon a proposal of the Ministry of Transportation and Infrastructure in consultation with ICTA and operators at certain intervals, but not more than three years, with due consideration to Türkiye's social, cultural, economic, and technological conditions.¹²⁶

4.100. ICTA has the authority to impose one or more access obligations on operators with significant market power according to the Market Analysis Regulation. Obligations require operators to prepare

¹²² Laws Turkey, 5809 *Electronic Communications Law*. Viewed at: <http://www.lawsturkey.com/law/5809-electronic-communications-law>.

¹²³ A Cooperation Protocol concluded in 2011 between the CTA and the Competition Authority aims to ensure cooperation and coordination in areas where their tasks overlap.

¹²⁴ Lexology, *In Brief: Telecoms Regulation in Turkey*. Viewed at: <https://www.lexology.com/library/detail.aspx?g=98ffd2de-9a1c-45a4-bedb-2d59c38f1701>.

¹²⁵ Law on Universal Service (available in Turkish only). Viewed at: <https://mevzuat.gov.tr/mevzuat?MevzuatNo=5369&MevzuatTur=1&MevzuatTertip=5>.

¹²⁶ For more details on these universal service obligations, including with regard to scope, revenues, and costs, see WTO document WT/TPR/S/331/Rev,1, 9 August 2016, paras. 4.163-4.165.

a reference access and/or interconnection offer to stipulate the publicity of terms, conditions, and charges of access for services.¹²⁷

4.101. Operators freely set their tariffs, provided that they comply with ICTA's regulations and the relevant legislation. In case that an operator is designated as having significant market power in the relevant market, ICTA shall be entitled to determine the procedures regarding the approval, monitoring, and supervision of tariffs as well as the upper and lower limits of the tariffs and the procedures and principles for implementation.

4.102. The Law on Electronic Communications provides a general framework for access and interconnection regulations and the rules and principles of access and interconnection matters are set out in the Access and Interconnection Regulation (By-Law) published in Official Gazette No. 27343 on 8 September 2009. Access and interconnection agreements are freely negotiated and signed between operators, provided that they do not contradict the relevant legislation and regulations. Operators should send signed agreements to ICTA in 15 days. However, after conducting market analysis, operators designated as having significant market power in the relevant markets shall be obliged to publish their reference offers after approval of ICTA. If no agreement is reached between the related operators within two months following a new access request or that any dispute arises within the scope of an existing access agreement, any one of the parties may apply to ICTA for the dispute settlement procedure. If the parties do not reach an agreement during the dispute resolution process, ICTA shall be entitled to determine the provisions, terms, conditions, and rates of the access agreement, which constitute the subjects of dispute, within two months except for the specified exceptional cases.

4.103. In accordance with Article 60(1) of the Law on Electronic Communications, ICTA is entitled to monitor and inspect the adherence to the legislation, right of use, and other authorization requirements; charge operators with administrative fines up to 3% of the previous calendar year's net sales in case of non-adherence; take necessary measures for the enforcement of national security, public order, or public services properly and for the implementation of provisions enacted by laws, if necessary, to take over facilities in return for compensation; and revoke the authorization in case of a gross fault or in case the authorization fee is not paid in due time.

4.104. Presidential Decree No. 3469 of 29 January 2021 increased the special communications tax rate from 7.5% to 10% for electronic communications services such as mobile electronic communications services, including sales of prepaid lines; radio and television broadcast transmission services via satellite and cable platforms; and wired, wireless, and mobile Internet services.

4.105. Law No. 5651 of 31 July 2020 on Publication on the Internet and the Suppression of Crimes Committed by Means of Such Publication (Law on Publication on the Internet) provides a legal framework for determining liability and responsibility of the main Internet service providers, including collective use providers, access providers, location providers, and content providers of collective service providers. As stipulated in the Law, ICTA can instruct Internet service providers to remove or block online content in cases related to a catalogue of crimes or threats to public order, security, or other pressing and immediate dangers. Moreover, the Law instructs the removal or blocking of content by courts in cases concerning the violation of personal rights and of privacy. Article 4 of the Law on Publication on the Internet requires foreign-based social network providers whose platforms are accessed from within Türkiye more than 1 million times a day, such as Facebook, Twitter, or TikTok, to appoint a real or legal person representative with Turkish nationality that is authorized to receive service of administrative and court orders and respond to other notifications and requests made by service providers under the Law (Section 2.5).¹²⁸

4.106. Number portability is mainly regulated under the Amendment of the Regulation on Number Portability published in Official Gazette No. 31748 on 12 February 2022. The regulation stipulates that subscribers may change their operator, geographical position, and service type without having to change their subscriber number. Operators are under the obligation to provide number portability.

¹²⁷ Thomson Reuters Practical Law, *Communications: Regulation and Outsourcing in Turkey: Overview*. Viewed at: [https://ca.practicallaw.thomsonreuters.com/7-620-0891?transitionType=Default&contextData=\(sc.Default\)&firstPage=true](https://ca.practicallaw.thomsonreuters.com/7-620-0891?transitionType=Default&contextData=(sc.Default)&firstPage=true).

¹²⁸ Article 4 was added to Law on Publication on the Internet on 1 October 2020.

4.107. Türkiye has recent RTAs with provisions in telecommunication services that go beyond the GATS reference paper (Section 2.3.2.1.1).

4.4.4 Transport services

4.4.4.1 Main features

4.108. Transport is Türkiye's largest services exports category. During the review period, the transport services sector's contribution to GDP increased slightly and its share in total imports of services increased considerably (Table 4.19).

Table 4.19 Basic indicators for transport services sector, 2016-21

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|------|------|------|------|------|------|
| % change (in chain linked volume) ^{a,b} | 0.1 | 10.4 | 3.5 | 0.9 | -8.9 | 16.1 |
| % of GDP at current basic prices ^a | 7.9 | 8.1 | 8.4 | 8.5 | 7.9 | 8.8 |
| % of total employment ^a | 4.4 | 4.4 | 4.4 | 4.5 | 4.5 | 4.6 |
| Transport services (USD billion, unless otherwise indicated) | | | | | | |
| Trade balance | 12.7 | 14.3 | 14.9 | 13.8 | 8.2 | 12.8 |
| Exports | 19.7 | 22.1 | 24.3 | 23.4 | 16.3 | 24.9 |
| % of total exports | 42.6 | 41.4 | 41.5 | 37.3 | 46.0 | 43.4 |
| Passenger | 7.8 | 9.5 | 11.6 | 11.5 | 3.4 | 7.7 |
| Freight | 8.2 | 9.0 | 9.1 | 8.4 | 9.5 | 12.2 |
| Other | 3.8 | 3.7 | 3.7 | 3.5 | 3.4 | 5.1 |
| Imports | 7.1 | 7.9 | 9.5 | 9.6 | 8.1 | 12.2 |
| % of total imports | 27.3 | 28.9 | 33.2 | 33.4 | 33.7 | 39.5 |
| Passenger | 0.9 | 1.0 | 1.5 | 1.2 | 0.4 | 0.4 |
| Freight | 4.7 | 4.9 | 5.6 | 6.0 | 6.1 | 8.2 |
| Other | 1.4 | 1.9 | 2.4 | 2.4 | 1.6 | 3.5 |

a Refers to Section H – Transportation and Storage (based on NACE Rev.2). Eurostat, Glossary: Statistical classification of economic activities in the European Community (NACE) – Statistics Explained. Viewed at: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Statistical_classification_of_economic_activities_in_the_European_Community_\(NACE\)](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Statistical_classification_of_economic_activities_in_the_European_Community_(NACE)).

b In chain linked volume – to estimate real GDP volume without price effect. Approach used to estimate volumes using prices of previous years, instead of a fixed year.

Source: TurkStat, *National Accounts*. Viewed at: <https://www.tuik.gov.tr/>; Ministry of Treasury and Finance, *Economic Indicators*. Viewed at: <https://en.hmb.gov.tr/economic-indicators>; and Central Bank of the Republic of Türkiye (CBRT), *Statistics: Balance of Payments*. Viewed at: <https://www.tcmb.gov.tr/>.

4.109. Maritime transport is the main mode of transportation for exports and imports of goods. Exports of goods by maritime transport increased substantially during the review period both in terms of quantity and value (Table 4.20). In 2020, air and road transportation saw a decrease in exports in volume and value terms due to COVID-19.¹²⁹

Table 4.20 Trade by mode of transport, 2016-22

(Unit: quantity – '000 tonnes; value - USD million)

| | Total | | Maritime | | Rail | | Road | | Air | | Other | |
|----------------|----------|---------|----------|---------|----------|-------|----------|--------|----------|--------|----------|-------|
| | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value |
| Exports | | | | | | | | | | | | |
| 2016 | 104,733 | 149,247 | 80,333 | 80,139 | 544 | 674 | 22,770 | 49,537 | 846 | 17,909 | 240 | 988 |
| 2017 | 118,715 | 164,495 | 92,202 | 93,379 | 678 | 700 | 24,516 | 50,988 | 945 | 17,217 | 374 | 2,210 |
| 2018 | 131,800 | 177,169 | 104,713 | 108,803 | 619 | 754 | 25,082 | 52,222 | 1,067 | 14,128 | 320 | 1,262 |
| 2019 | 150,759 | 180,833 | 121,936 | 109,114 | 682 | 971 | 26,444 | 54,462 | 1,308 | 14,849 | 390 | 1,436 |
| 2020 | 157,242 | 169,638 | 128,937 | 100,908 | 998 | 1,288 | 26,334 | 53,128 | 607 | 12,733 | 365 | 1,582 |
| 2021 | 179,229 | 225,214 | 144,882 | 133,714 | 1,382 | 1,648 | 31,810 | 68,749 | 914 | 18,736 | 241 | 2,367 |

¹²⁹ O. Ozaydin and F. Ulegin (2020), *Impacts of COVID-19 on the Transport Sector and Measures as Well as Recommendations of Policies and Future Research: A Report on Turkey*. Viewed at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3686628.

| | Total | | Maritime | | Rail | | Road | | Air | | Other | |
|-------------------|----------|---------|----------|---------|----------|-------|----------|--------|----------|--------|----------|--------|
| | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value |
| 2022 ^a | 133,632 | 188,152 | 107,463 | 112,508 | 1,230 | 1,753 | 23,990 | 57,793 | 832 | 14,686 | 117 | 1,413 |
| Imports | | | | | | | | | | | | |
| 2016 | 207,104 | 202,189 | 197,111 | 121,013 | 886 | 1,769 | 7,943 | 36,717 | 130 | 23,107 | 1,034 | 19,584 |
| 2017 | 223,485 | 238,715 | 212,056 | 138,597 | 823 | 1,295 | 8,915 | 40,374 | 141 | 34,440 | 1,549 | 24,010 |
| 2018 | 211,051 | 231,152 | 200,205 | 136,737 | 859 | 1,299 | 9,171 | 39,129 | 122 | 28,757 | 695 | 25,230 |
| 2019 | 216,289 | 210,345 | 203,964 | 112,968 | 1,046 | 1,448 | 9,300 | 37,177 | 119 | 29,238 | 1,860 | 29,514 |
| 2020 | 222,829 | 219,517 | 208,379 | 114,838 | 1,176 | 2,145 | 9,496 | 41,883 | 101 | 39,260 | 3,677 | 21,390 |
| 2021 | 230,038 | 271,426 | 213,032 | 157,391 | 1,455 | 2,891 | 12,162 | 48,897 | 118 | 26,057 | 3,271 | 36,190 |
| 2022 ^a | 177,327 | 271,249 | 163,169 | 147,385 | 972 | 2,195 | 10,664 | 42,944 | 88 | 25,254 | 2,434 | 53,472 |

a Refers to January and September data.

Source: Information provided by the authorities.

4.110. According to the authorities, transportation services are now being accorded high importance in Türkiye's RTAs. Türkiye does not only demand liberal transport market access commitments but also includes annexes on logistics and transport services, which include different modes of transport and auxiliary services depending on the partner country. Türkiye insists on provisions such as freedom of transit, elimination of quantitative restrictions, elimination of passage fees, free movement of transport equipment, ban on specific routes, ban on mandatory modes of transport, expedited processing of perishable goods transported, non-discriminatory access and use of infrastructure, air trucking, and entry and temporary stay of professional drivers/crew. Türkiye has concluded transportation and auxiliary services annexes with Bosnia and Herzegovina, EFTA, Serbia (in force), Georgia, and Ukraine (awaiting ratification) (Section 2.3.2.1.1).

4.4.4.2 Maritime transport

4.111. Türkiye is a major global and regional maritime transport hub, and maritime transport is regarded as one of Türkiye's most strategic sectors.¹³⁰ The Turkish-owned Merchant Fleet (1,000 GT and above) ranked 15th globally in 2021.¹³¹ While the total carrying capacity of the Turkish Merchant Fleet (150 GT and above) decreased between 2016 and 2021, the total number of ships increased (Table 4.21).

Table 4.21 National fleet, 2016-21

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Carrying capacity by type of ship ('000 DWT)^a | | | | | | |
| Total fleet | 8,284 | 7,988 | 7,495 | 6,761 | 6,321 | 6,154 |
| Dry cargo ships (general cargo) | 1,443 | 1,369 | 1,246 | 1,148 | 1,071 | 946 |
| Bulk cargo ships | 3,719 | 2,693 | 2,637 | 2,225 | 1,714 | 1,692 |
| Container | 1,205 | 1,392 | 1,349 | 1,048 | 1,029 | 998 |
| Tankers carrying liquid/gas | 1,758 | 2,340 | 2,023 | 2,086 | 2,189 | 2,179 |
| Other types of ships | 159 | 194 | 240 | 254 | 318 | 339 |
| Fleet by type of ship (number of ships) | | | | | | |
| Total fleet | 1,951 | 1,999 | 2,025 | 2,024 | 2,053 | 2,100 |
| Dry cargo ships (general cargo) | 379 | 353 | 323 | 298 | 278 | 251 |
| Bulk cargo ships | 80 | 64 | 64 | 56 | 46 | 45 |
| Container | 72 | 75 | 70 | 57 | 56 | 53 |

¹³⁰ Ministry of Transportation and Infrastructure, *Reaching and Accessing Turkey 2018: Shipping*. Viewed at: <https://www.uab.gov.tr/uploads/pages/denizcilik/denizcilik.pdf>.

¹³¹ General Directorate of Maritime Affairs, *Merchant Trade Statistics 2021*, Viewed at: <https://denizcilik.uab.gov.tr/yayinlar>.

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|-----------------------------|-------|-------|-------|-------|-------|-------|
| Tankers carrying liquid/gas | 190 | 184 | 184 | 178 | 181 | 185 |
| Other types of ships | 1,230 | 1,323 | 1,384 | 1,435 | 1,492 | 1,566 |

a Ships of 150 gross tonnes and above.

Source: General Directorate of Maritime Affairs, *Merchant Trade Statistics 2021*. Viewed at: <https://denizcilik.uab.gov.tr/yayinlar>; and *Merchant Trade Statistics 2020*. Viewed at: <https://denizcilik.uab.gov.tr/yayinlar>.

4.112. In Türkiye, there are 169 port facilities that are open to international maritime trade, both public and private. The Turkish Maritime Enterprises Company is a state-owned company responsible for the operation of certain harbour and shipyards in Türkiye.¹³² According to the authorities, as of December 2022, the ports operated by the company are Sarayburnu, Kuruçeşme, Kabatepe, Gökçeada-Kuzu, and Paşalimanı. During the review period, concession agreements were reached with the private sector to operate two ports and a marina (Section 3.3.5.3).

4.113. The mission of the Ministry of Transportation and Infrastructure for the maritime transport sector is to develop safe, secure, and environmental friendly transport.¹³³ The Transport and Logistics Master Plan, developed by the Ministry, defines the main investment priorities in the maritime transport services sector until 2053 as follows¹³⁴: (i) increasing the number of port facilities from 217 to 255; (ii) making green port applications more available; (iii) increasing the adoption of renewable energy sources in ports; (iv) developing autonomous ship voyages and increasing handling efficiency with autonomous systems in ports; and (v) increasing navigational safety in the Istanbul Strait with the Canal Istanbul project.

4.114. Maritime transport activities are regulated mainly pursuant to Presidential Decree No. 1 published in the Official Gazette No. 30474 of 10 July 2018 and Decree Law No. 655 on the Organization and Duties of the Ministry of Transportation and Infrastructure, Chapter 5 of the Turkish Commercial Code (Law No. 6102 of 13 January 2011), and Law No. 815 of 19 April 1926 on Shipping on the Coasts of Türkiye (Cabotage) and the Art and Commerce Within Ports and Territorial Waters.¹³⁵

4.115. According to Chapter 5 of the Turkish Commercial Law, the National Ship Register is reserved for vessels owned by Turkish citizens and companies majority-owned (51% or more) by Turkish nationals. Ships that fulfil the conditions under the Turkish Commercial Law can benefit from the rights stipulated under the Law on Shipping on the Coasts of Türkiye (Cabotage) and the Art and Commerce Within Ports and Territorial Waters.

4.116. According to the authorities, as of December 2021, Türkiye has signed 63 bilateral maritime agreements with other countries. Maritime agreements include, among other things: ensuring equal terms in port access and maritime services; mutual recognition of official documents (especially regarding vessel classification and seafarers' licences); providing exemptions from visa requirements for seafarers; mutual respect for the environment and relations with third parties; and promotion of organizations (such as NGOs and chambers) that provide mutual benefits.

4.4.4.3 Road

4.117. Road transport is the preferred mode of domestic transport, accounting for more than 92.5% of the volume of freight and 92.8% of passengers in 2021. According to the authorities, by the end of October 2022 the road network included motorways (3,633 km, 5%); state roads (30,961 km, 45%); and provincial roads (34,131 km, 50%). Between 2016 and October 2022, several programmes were implemented to upgrade highways in Türkiye from single

¹³² Turkish Maritime Enterprises Company, *History*. Viewed at: <https://www.tdi.gov.tr/tarihce/>.

¹³³ Ministry of Transportation and Infrastructure, *Reaching and Accessing Turkey 2018: Shipping*. Viewed at: <https://www.uab.gov.tr/uploads/pages/denizcilik/denizcilik.pdf>.

¹³⁴ Ministry of Transportation and Infrastructure, *Transport and Logistics Master Plan*. Viewed at: <https://www.uab.gov.tr/uploads/pages/bakanlik-yayinlari/uab-u2053-borsur-a4-180822-ecs.pdf>.

¹³⁵ The Law on Shipping on the Coasts of Türkiye (Cabotage) and the Art and Commerce Within Ports and Territorial Waters stipulates the rules for the coastal and inland trade by the vessels flying the Turkish flag. It also contains provisions on the rights of Turkish-flagged vessels to transport goods and passengers from one point to another along Türkiye's shores and to perform towing and piloting and all other port services of any type within or between Türkiye's ports and shores.

to dual carriageways. According to the authorities, as of November 2022, 28,816 km of Türkiye's road network was dual carriageways (28,402 km in December 2021). The Transport and Logistics Master Plan of the Ministry of Transportation and Infrastructure lays out the priorities of the investments of the road transport network, including building 180 km more dual carriageways by 2023 and 390 km by 2029 (a total of 570 km). Private entrepreneurs continue to be invited to tender for road projects and, according to the authorities, Build-Operate-Transport Agreements tenders are common for road construction. In addition, motorway projects are also financed through public-private partnerships under Build-Operate-Transport Agreements. As of October 2022, 1,351 km of highways (37% of total motorways) have been built under such agreements.

4.118. The Ministry of Transportation and Infrastructure regulates road transport in Türkiye, including road-safety issues and the conditions applied to cargo operators, carrier agents, brokers, and warehouses. The municipalities are responsible for roads located in residential areas, and the General Directorate of Highways is responsible for roads connecting residential areas (such as those linking two cities). During the review period, the General Directorate of Highways ceased to administer all toll plazas, collecting tolls manually or automatically on a number of roads and bridges; bridges and toll collection is managed by the owner when roads and bridges are built under the Build-Operate-Transport Model.

4.119. Several laws on road transport were updated and adopted between 2016 and October 2022, including the Road Transport Regulation published on 8 January 2018. Under this regulation the Transportation Electronic Monitoring and Control System was established, to monitor passengers, goods, and shipments. Under this regulation users must record the following information in this system: licence plates; passenger information; delivery descriptions; and status of trips and deliveries.¹³⁶ Other regulations implemented between 2016 and 22 include Regulation on Combined Freight Transport Issue published in Official Gazette No. 31848 of 27 May 2022; Regulation on Special Equipment to be Used in the Transport of Perishable Foodstuffs, in No. 39136 of 2 July 2021; Regulation on Transport of Dangerous Goods by Road, in No. 39586 of 18 June 2022; and Regulation of Transport Services Inspection, in No. 38660 of 3 June 2021.

4.120. According to the authorities, road transport services are provided by private companies and operating licences are issued by the Ministry of Transportation and Infrastructure. Cross-border transportation of goods and passengers is subject to bilateral or multilateral agreements. Permits are issued by the transit and destination countries. Vehicles registered in a foreign country may not transport goods or passengers between two points within Türkiye. According to the authorities, transit quota limitations applied by partner countries continue to prevent the efficient use of Turkish trucks. In addition, the authorities note that despite the increase in trade relations between Türkiye and the European Union, road transport permit quotas, particularly transit quotas, have remained unchanged between 2016 and 2022. This situation worsened after COVID-19 as demand for road transportation increased due to increase in the container prices.

4.121. Between 2016 and 2022, Türkiye signed the road transportation agreements with the following partners: Slovakia (20 October 2016); Oman (10 May 2017); Montenegro (13 January 2018); Hungary (7 November 2019); Uzbekistan (28 March 2020); and China (7 August 2021).

4.4.4.4 Air transport

4.122. In 2021, air transport services contributed nearly 3% of GDP and employed 253,885 persons. As at October 2022, Türkiye had 57 airports.¹³⁷ Türkiye's main commercial airport, Istanbul Airport, which underwent a major expansion in 2019, has three runways and can facilitate 120 million passengers a year.¹³⁸ In addition, the airport serves more than 277 destinations via 72 airlines.¹³⁹ Turkish Cargo, the air cargo transportation operator of Turkish Airlines, reaches

¹³⁶ Road Transport Regulation published in Official Gazette No. 30295 on 8 January 2018. Viewed at: <https://www.resmigazete.gov.tr/eskiler/2018/01/20180108-1.htm>.

¹³⁷ Data provided by DG Civil Aviation.

¹³⁸ Eways Aviation (2020), "Why Turkey Is the Next Big Market in Aviation", 10 July. Viewed at: <https://www.eways-aviation.com/blog/why-turkey-is-the-next-big-market-in-aviation>.

¹³⁹ DG Civil Aviation.

over 340 destinations with a fleet of 383 aircraft, 20 of which are dedicated freighters.¹⁴⁰ It ranked fourth among the top global air freighters in 2022.¹⁴¹

4.123. Table 4.23 details the number of commercial aircraft movements, the number of passengers, and the volume of freight handled by the Turkish airport system during the review period. The number of passengers on international lines increased between 2016 and 2019 from 71 million passengers to 108 million passengers. However, in 2020 air passenger traffic was drastically impacted by the COVID-19 pandemic and the situation was exacerbated by continued border and travel restrictions globally.¹⁴² Turkish airports registered 32 million international passenger up until December 2020, representing 70% decline from the previous year. The impact on air cargo traffic both domestic and international was less severe than the air traffic due to sustained demand for the movement of goods between 2019 and 2020; the authorities registered a 38% decline in freight cargo from 2019. In 2021, the number of passengers on international lines increased to 60 million as COVID-19 restrictions were eased (Table 4.22).

Table 4.22 Air transport statistics, 2016-21

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---------|--------|--------|---------|---------|---------|
| Number of aircraft | 540 | 517 | 515 | 564 | 554 | 558 |
| Seat capacity | 100,365 | 97,500 | 97,351 | 103,763 | 105,336 | 104,464 |
| Freight (cargo+mail+baggage) carried domestic lines ('000 tonne) | 857 | 885 | 886 | 834 | 501 | 698 |
| Freight (cargo+mail+baggage) carried international lines ('000 tonne) | 2,220 | 2,596 | 2,969 | 3,256 | 1,990 | 2,734 |
| Domestic air traffic ('000 unit) | 886 | 909 | 892 | 840 | 573 | 738 |
| International air traffic ('000 unit) | 567 | 591 | 652 | 717 | 281 | 466 |
| Number of passengers, domestic lines (million) | 102 | 110 | 113 | 100 | 50 | 68 |
| Number of passengers, international lines (million) | 71 | 84 | 98 | 108 | 32 | 60 |

Source: TurkStat, Transportation and Communication. Viewed at: <https://data.tuik.gov.tr/>.

4.124. The powers, duties, and responsibilities of the General Directorate of Civil Aviation, a public entity with a private budget established under the Ministry of Transportation and Infrastructure, are regulated under Presidential Decree No. 4 on Organization of Affiliated, Related, Associated Institutions and Organizations with Ministries and the Organization of other Institutions and Organizations. The overall goal of the General Directorate of Civil Aviation is to ensure reliability and sustainable development of Turkish civil aviation¹⁴³ and its duties include: (i) following the developments in international civil aviation; (ii) regulating the establishment and working principles of civil aviation training organizations; (iii) implementing international bilateral and multilateral agreements regarding air transportation; (iv) taking legal action against real and legal persons acting in violation of the legislations and rules; (v) designating airworthiness terms of commercial aircrafts that operate in Turkish airspace; (vi) determining the licensing terms of personnel in the Turkish civil aviation industry; (vii) regulating and auditing air navigation of commercial aircraft; and (viii) setting technical qualities and operating conditions of the airports.¹⁴⁴

4.125. The Transport and Logistics Master Plan, developed by the Ministry of Transportation and Infrastructure, lays out the priorities of the investments of the air transport services sector until 2053.¹⁴⁵ The main priorities for the air transport sector include: (i) an increase in the number of airports to 61 from 57; (ii) an increase in the number of inbound and outbound passengers from 214.9 million in 2023 to 344.4 million; (iii) the establishment and management of infrastructure for emission monitoring, reporting, and verification; (iv) the production of

¹⁴⁰ DG Civil Aviation.

¹⁴¹ *Daily Sabah* (2022), "Turkish Cargo Named World's 4th Biggest Air Cargo Company", 30 July. Viewed at: <https://www.dailysabah.com/business/transportation/turkish-cargo-named-worlds-4th-biggest-air-cargo-company>.

¹⁴² O. Ozaydin and F. Uleengin (2020), *Impacts of COVID-19 on the Transport Sector and Measures as Well as Recommendations of Policies and Future Research: A Report on Turkey*. Viewed at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3686628.

¹⁴³ General Directorate of Civil Aviation, *Strategic Goals and Objectives*. Viewed at: <https://web.shgm.gov.tr/en/kurumsal/2206-strategic-goals-and-objectives>.

¹⁴⁴ General Directorate of Civil Aviation (2016), *Annual Report 2015*. Viewed at: https://web.shgm.gov.tr/documents/sivilhavacilik/files/pdf/kurumsal/raporlar/2015_Faaliyet_raporu_en.pdf.

¹⁴⁵ Ministry of Transportation and Infrastructure, *Transport and Logistics Master Plan*. Viewed at: <https://www.uab.gov.tr/uploads/pages/bakanlik-yayinlari/uab-u2053-borsur-a4-180822-ecs.pdf>.

environmentally friendly bio-fuels and/or synthetic fuels for airline transport; and (v) the further development of regional airline cargo transport.¹⁴⁶

4.126. According to Law No. 2920 of 14 October 1983 on Civil Aviation, access to national airports is allocated following an application to the General Directorate of Civil Aviation and a signed agreement with a ground handling company for the provisions of services. The Law stipulates that air carriers operating scheduled flights to Türkiye are authorized based on reciprocity within the framework of bilateral aviation agreements. Cargo transport is also under the provisions set out in Turkish Civil Aviation Law.

4.127. During the review period, the authorities introduced several subsidies schemes in the air services sector. As a response to the COVID-19 pandemic and its related travel restrictions, the authorities reduced the VAT rate on domestic flights from 18% to 8% from 1 April 2020 to 31 May 2021.

4.128. In the aviation sector, the majority of commercial airline companies' shares must be held by Turkish citizens, and the majority of these companies' boards of directors must also be composed of Turkish citizens.

4.129. During the review period, Türkiye concluded 22 new air transport services agreements. Two of these agreements, with Chile and with Nicaragua, exhibit several liberal features such as free pricing, free determination, and multiple designation (Table 4.23).

Table 4.23 Air transport agreements concluded between 2016 and 2021

| Partner | Date | Entry into force | 5th | 7th | Cabotage | Coop | Designation ^a | Withholding ^b | Pricing ^c | Capacity ^d | Stat | ALI ^e |
|--------------------------|------------|------------------|-----|-----|----------|------|--------------------------|--------------------------|----------------------|-----------------------|------|------------------|
| Chile | 07/12/2017 | 09/01/2022 | Y | N | N | Y | M | PPoB - S | FP | FD | N | 38 |
| Honduras | 20/04/2017 | 13/12/2021 | N | N | N | Y | M | SOEC - S | FP | B1 | Y | 19 |
| Nicaragua | 06/12/2016 | | Y | N | N | Y | M | SOEC - S | FP | FD | Y | 29 |
| Brazil | 05/12/2017 | | Y | N | N | Y | M | n.a. - S | FP | n.a. | Y | 21 |
| Maldives | 02/09/2021 | | Y | N | N | | M | | | | | |
| Israel | 07/07/2022 | | N | N | N | | M | | | | | |
| Lesotho | 19/11/2018 | | N | N | N | | M | | | | | |
| Seychelles | 13/12/2018 | | N | N | N | | M | | | | | |
| Solomon Islands | 13/12/2018 | | N | N | N | Y | M | | | | | |
| Macao, China (MSAR) | 01/10/2016 | | N | N | N | | M | | | FD | | |
| Uzbekistan | 30/04/2018 | 07/09/2021 | N | N | N | | M | | FP | PD | | |
| Angola | 27/07/2021 | | N | N | N | | M | | | | | |
| Palau | 22/11/2019 | | N | N | N | | M | | | | | |
| Saudi Arabia, Kingdom of | 07/12/2017 | | N | N | N | | M | | | | | |
| Paraguay | 31/12/2017 | | N | N | N | | M | | | | | |

n.a. Not applicable.

a M = multiple.

b SOEC = substantial ownership and effective control; PPoB = principal place of business.

c FP = free pricing.

d PD = pre-determination; B1 = Bermuda 1, i.e. post facto determination; FD = free determination.

e Air Liberalization Index (0 = no liberalization; 50 = full liberalization).

Source: WTO Secretariat, *Air Services Agreements Projector* (internal WTO information).

¹⁴⁶ Ministry of Transportation and Infrastructure, *Transport and Logistics Master Plan*.

4.4.5 Health services

4.4.5.1 Features

4.130. The health services sector is a priority in the diversification process of the economy.¹⁴⁷ Between 2016 and 2020, the sector continued to gain importance (Table 4.24). In 2021, the sector was composed of 908 public hospitals operated by the Ministry of Health, 571 private hospitals, and 68 university hospitals.¹⁴⁸

Table 4.24 Overview of health services sector, 2016-20

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|-----------|-----------|-----------|-----------|-----------|
| Total health expenditure (TRY million) | 119,755.8 | 140,647.3 | 165,234.0 | 201,030.6 | 249,931.9 |
| Health expenditure per capita (TRY) | 1,511 | 1,751 | 2,030 | 2,434 | 2,997 |
| Total health expenditure (% of GDP) | 4.6 | 4.5 | 4.4 | 4.7 | 5.0 |
| Government health expenditure (% of total health expenditure) | 78.5 | 78.0 | 77.5 | 78.0 | 79.2 |
| Social security funds (% of government health expenditure) | 68.2 | 66.6 | 67.3 | 66.3 | 64.4 |
| Private sector health expenditure (% of total health expenditure) | 21.5 | 22.0 | 22.5 | 22.0 | 20.8 |
| Private insurance (% of private sector health expenditure) | 13.1 | 11.9 | 12.4 | 13.1 | 12.5 |
| Private out-of-pocket payment (% of private sector health expenditure) | 76.0 | 77.7 | 77.0 | 76.1 | 77.3 |
| Total expenditure on hospitals (% of total health expenditure) | 50.2 | 49.5 | 48.8 | 48.5 | 49.4 |

Source: TurkStat, Health Expenditure Statistics 1999-2020. Viewed at: <https://data.tuik.gov.tr/>.

4.131. The authorities place priority on universal health coverage and in 2020 the percentage of the population covered by government health insurance was 98.8%.¹⁴⁹ Health insurance is mandatory for all under Türkiye's General Health Insurance scheme, with those earning under below a certain threshold receiving free healthcare.¹⁵⁰

4.132. In terms of the structure of the health services sector, the Ministry of Health continued to be the main provider of healthcare through a large network of public healthcare institutions, such as public hospitals, training and research hospitals, university hospitals, and clinics under the local administrative authorities.¹⁵¹ The number of total inpatient medical institutions and the number of hospital beds in total inpatient medical institutions increased between 2016 and 2021 (Table 4.25).

4.133. In terms of private healthcare, the number of private inpatient medical institutions and the number of hospital beds in private inpatient medical institutions also increased (Table 4.25).

Table 4.25 Structure of healthcare sector, 2016-21

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|--------|--------|--------|--------|--------|------|
| Visits to primary health facilities (million) | 219 | 238 | 269 | 288 | 253 | 246 |
| Secondary and tertiary healthcare visits (million) | 467 | 480 | 513 | 525 | 347 | 430 |
| Number of organ and tissue transplants | 11,772 | 12,925 | 14,587 | 14,751 | 10,518 | .. |
| Number of hospital visits (million) | 444 | 462 | 494 | 507 | 333 | 414 |
| Ministry of Health | 337 | 350 | 377 | 388 | 240 | 305 |

¹⁴⁷ Investment Office, *Report on R&D and Engineering Capabilities in the Health Sector in Turkey*. Viewed at: <https://www.invest.gov.tr/en/library/publications/lists/investpublications/rd-engineering-capabilities-in-healthcare-sector.pdf>.

¹⁴⁸ Ministry of Health, *Health Statistics Yearbook 2021 News Bulletin*. Viewed at: <https://sbsqm.saglik.gov.tr/Eklenti/44131/0/saglik-istatistikleri-yilligi-2021-haber-bultenipdf.pdf>.

¹⁴⁹ Statista, *Percentage of Population Covered by Public or Private Health Insurance in Turkey from 2002 to 2020*. Viewed at: <https://www.statista.com/statistics/1272717/population-covered-by-public-or-private-health-insurance-in-turkey/>.

¹⁵⁰ Statista, *Percentage of Population Covered by Public or Private Health Insurance in Turkey from 2002 to 2020*. Viewed at: <https://www.statista.com/statistics/1272717/population-covered-by-public-or-private-health-insurance-in-turkey/>.

¹⁵¹ Lexology (2019), "Healthcare Enforcement & Litigation in Turkey", 21 March. Viewed at: <https://www.lexology.com/library/detail.aspx?g=fe95a8bf-ad75-4770-a6a4-016d91bce09c>.

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---------|---------|---------|---------|---------|---------|
| University | 36 | 39 | 43 | 46 | 32 | 40 |
| Private | 71 | 72 | 75 | 73 | 61 | 69 |
| Total number of visits per physician | 4,735 | 4,793 | 5,110 | 5,055 | 3,505 | .. |
| Number of inpatient and outpatient medical institutions | | | | | | |
| Total | 32,981 | 33,587 | 34,559 | 34,595 | 34,621 | .. |
| Inpatient medical institutions | 1,510 | 1,518 | 1,534 | 1,538 | 1,534 | 1,547 |
| Attached to the Ministry of Health | 876 | 879 | 889 | 895 | 900 | 908 |
| University | 69 | 68 | 68 | 68 | 68 | 68 |
| Private | 565 | 571 | 577 | 575 | 566 | 571 |
| Outpatient medical institutions | 31,471 | 32,069 | 33,025 | 33,057 | 33,087 | .. |
| Number of hospital beds in public and private inpatient medical institutions | | | | | | |
| Total | 217,771 | 225,863 | 231,913 | 237,504 | 251,182 | 254,497 |
| Attached to the Ministry of Health | 132,921 | 135,339 | 139,651 | 143,412 | 156,965 | 157,714 |
| University | 37,707 | 41,324 | 42,066 | 42,925 | 41,987 | 42,978 |
| Private | 47,143 | 49,200 | 50,196 | 51,167 | 52,230 | 53,805 |
| Number of hospital beds per 1,000 population | 2.73 | 2.79 | 2.83 | 2.86 | 3.00 | .. |
| Oral and dental healthcare facilities (number of dental units) | | | | | | |
| Total | .. | 22,884 | .. | 25,994 | 27,284 | .. |
| Ministry of Health | .. | 9,522 | .. | 9,950 | 10,138 | .. |
| University | .. | 5,378 | .. | 5,872 | 5,742 | .. |
| Private | .. | 7,984 | .. | 10,172 | 11,404 | .. |

.. Not available.

Source: TurkStat, *Health Statistics*. Viewed at: <https://data.tuik.gov.tr/>; Ministry of Health, *Health Statistics Yearbook 2020 and Health Statistics Yearbook 2021 News Bulletin*. Viewed at: <https://sbsgm.saglik.gov.tr/Eklenti/44131/0/saglik-istatistikleri-yilligi-2021-haber-bultenipdf.pdf>.

4.134. Under the Public-Private Partnership (PPP) program, there has been an increase in health initiatives between 2011 and 2022 in partnership between the public and private sectors. Within the framework of the Transformation in Health Program, City Hospitals projects have been implemented, which are built to high quality and standards, use advanced technological equipment and have an operational performance that maximizes efficiency in healthcare delivery. According to the authorities, currently, 18 PPP health projects have been approved by the Government with different stages of development, from tender to operation, with an investment value of EUR 186 billion as of September 2022.

4.4.5.2 Policy and regulatory framework

4.135. The Ministry of Health is responsible for the planning of the country's healthcare policy. The Ministry is responsible for providing healthcare to the population and organizing preventive health services, building and operating state hospitals, supervising private hospitals, training medical personnel, regulating the price of medical drugs nationwide, and controlling drug production and pharmacies.¹⁵²

4.136. There are many associations engaged in policy advocacy in the field of health, including the Turkish Medical Association, the Association of Accredited Hospitals, the Turkish Nurses Association, the Turkish Midwives Association, the Turkish Dental Association, the Association of Private Hospitals and Healthcare Organizations, and the Turkish Pharmacists Association. In addition, in 2019, the International Health Services Joint Stock Company, affiliated with the Ministry of Health was established to promote Türkiye's health system and support health tourism activities.

4.137. Türkiye's main regulation in the health services sector is Law No. 3359 of 7 May 1987 on Health Services, which provides the framework for health services. The Law contains provisions on the allocation of medical staff, medical research, private health insurance, health management, treatment costs, regulations, and organizational aspects.

¹⁵² All About Turkey, *Health Care in Turkey*. Viewed at: <https://www.allaboutturkey.com/health.html>.

4.138. Recent regulatory developments include the Regulation on the Provision of Distance Health Services, published in the Official Gazette on 10 February 2022, which provides the procedures and principles regarding the provision of remote health services and supervision of health facilities.¹⁵³ As stipulated in the Regulation, a remote healthcare information system infrastructure has been developed by the Ministry of Health, and healthcare centres have been using the healthcare information system to enable written, voice, or video communication with patients. The remote healthcare information system infrastructure has been registered in the Ministry of Health database.¹⁵⁴

4.139. Prices of health services financed under the General Health Insurance are regulated within the scope of Law No. 5510 on Social Insurance and General Health Insurance of 16 June 2006 by Social Security Institution (SSI) within the scope of the Social Security Institution Health Implementation Communiqué (SUT).¹⁵⁵ Prices of health services covered by the General Health Insurance are regulated by the SSI.¹⁵⁶

4.140. Hospitals constructed through the PPP Model are selected among qualified bidders through the tender procedure within the scope of Law No. 6428 on the Construction, Renovation of Facilities and Service Procurement of 21 February 2013. All local or foreign bidders who meet the conditions established by the administration on the pre-qualification evaluation can bid for these tenders. Tender announcements are published in the Official Gazette, national newspapers and, if necessary, in newspapers abroad. Economic and Financial Qualifications, as well as Professional and Technical Qualifications are required from tenderers.

4.141. Hospital investments are supported in the scope of Investment Incentives Schemes if they meet the minimum fixed investment amounts defined for the related region where the investment is made (Section 2.4.3).

4.4.5.3 Health tourism subsector

4.142. Health tourism revenues increased gradually during the review period (Table 4.26). Health tourism is classified under four headings: (i) treatment services (medical tourism); (ii) elderly care services; (iii) health promotion services (wellness, thermal health, etc.); and (iv) rehabilitation services (addiction treatment, dialysis, etc.).

Table 4.26 Health tourism statistics, 2016-21

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---------|---------|---------|-----------|-----------|-----------|
| Receipts of health tourism (USD '000) ^a | 715,438 | 827,331 | 863,307 | 1,492,438 | 1,164,779 | 1,726,973 |
| % of total receipts | 3.1 | 3.1 | 2.8 | 3.8 | 7.9 | 5.7 |
| No. of health tourists visiting Türkiye | 533,370 | 582,498 | 719,364 | 807,604 | 464,063 | 791,076 |
| Foreign patients receiving health services in Türkiye | | | | | | |
| Total | .. | .. | .. | .. | .. | .. |
| Public health establishments | .. | .. | .. | .. | .. | .. |
| Private health establishments | .. | .. | .. | .. | .. | .. |

.. Not available.

a Data related to the 2nd quarter of 2020 were not published because surveys could not be conducted at border gates due to the COVID-19 pandemic.

Sources: TurkStat, Health Statistics. Viewed at: <https://data.tuik.gov.tr/>; and International Health Services Joint Stock Company (USHAS), *Health Tourism Data*. Viewed at: <https://www.ushas.com.tr/en/health-tourism-data/>.

¹⁵³ Esin Attorney Partnership (2022), "Turkey Publishes the Regulation on the Provision of Distance Health Services and the Regulation on the Cascading of Health Service Providers", 16 February. Viewed at: <https://www.esin.av.tr/2022/02/16/turkey-publishes-the-regulation-on-the-provision-of-distance-health-services-and-the-regulation-on-the-cascading-of-health-service-providers/#eng1>.

¹⁵⁴ Gün and Partners (2022), "Remote Provision of Healthcare Services in Turkey", 8 February. Viewed at: <https://gun.av.tr/insights/articles/remote-provision-of-healthcare-services-in-turkey>.

¹⁵⁵ Social Security Institution, Social Security Institution Health Implementation Communiqué. Viewed at: <https://www.mevzuat.gov.tr/mevzuat?MevzuatNo=17229&MevzuatTur=9&MevzuatTertip=5>.

¹⁵⁶ The price list valid for 2022 can be viewed at: <https://shgmsgudb.saglik.gov.tr/TR-92289/kamu-saglik-hizmetleri-fiyat-tarifesi-guncel.html>.

4.143. In 2017, the Ministry of Health published the Regulation on International Health Tourism and Tourist Health¹⁵⁷, which sets the standards of service to be provided within the scope of international health tourism services and which regulates the authorization and supervision of health institutions and intermediary institutions that will carry out such services. The Regulation covers persons who come from abroad to receive health services; those who need health services while in Türkiye; and public hospitals, university hospitals, and private health institutions and intermediaries that provide health services to such persons.

4.144. The authorities also provide support to the health tourism sector (Table 4.27). The main support is given in the form of tax incentives and government contributions for costs associated with education, promotions, documents, certificates, and accreditations necessary for hospitals to comply with international technical legislation or to operate in foreign markets.

Table 4.27 Health tourism incentives, 2022

| Activity | Support | Reference |
|--|---|----------------------------------|
| Foreign patients using preventive medicine, diagnosis, care, and rehabilitation services in medical institutes accredited by the Health Ministry | VAT exemption | Law No. 3065 of 25 October 1985 |
| Services to foreign patients, including medical documentation and data retention services | Healthcare service providers may take advantage of a 50% tax reduction | Law No. 6322 of 15 June 2012 |
| Support for opening a representation office abroad (up to five years) | 60% of the rental costs (up to TRY 1,440,000 per year) | Decree No. 5448 of 20 April 2022 |
| Registration and protection | 60% of the costs (up to TRY 500,000 per year) | Decree No. 5448 of 20 April 2022 |
| Employment | 60% of the costs (up to TRY 2,400,000 per year) | Decree No. 5448 of 20 April 2022 |
| Foreign language and health tourism education | 60% of the costs (up to TRY 960,000 per year) | Decree No. 5448 of 20 April 2022 |
| Certification for entry into the health tourism market | 60% of the costs (up to 600,000 per certificate) | Decree No. 5448 of 20 April 2022 |
| Advertisement, promotion, and marketing activities in the field of health tourism organized abroad | 60% of their costs reimbursed (up to TRY 6,000,000 per year) | Decree No. 5448 of 20 April 2022 |
| Participation in international health tourism activities (fair, seminars, congress and conference) | 50% of the costs (up to TRY 300,000 per activity) | Decree No. 5448 of 20 April 2022 |
| Organization, promotion, and consultancy costs, as well as transport and accommodation costs, for a trade delegation | 70% of the costs (up to TRY 1,800,000 per programme, each industry organization may make use of the incentive for up to five trade missions and five procurement committees per year) | Decree No. 5448 of 20 April 2022 |
| Promotion and education in Türkiye (promotion of facilities/health services) | 60% of the costs (up to TRY 600,000 per year) | Decree No. 5448 of 20 April 2022 |
| Product placement | 60% of the costs (up to TRY 1,200,000 per year) | Decree No. 5448 of 20 April 2022 |
| Complication and travel health insurance | 70% of the costs (up to TRY 2,000,000 per year) | Decree No. 5448 of 20 April 2022 |

Source: Investment Office, *Incentives Guide*. Viewed at: <https://www.invest.gov.tr/en/investmentguide/pages/incentives-guide.aspx>.

4.145. In Türkiye, health services commitments under the GATS are only included in hospital services, which have market access restrictions. Foreigners are required to get permission from the Ministry of Health in order to establish private hospitals, and there are no limitations on national treatment. Between 2016 and 2021 inward foreign investments in the health tourism subsector increased from USD 600 million to USD 839 million in 2021.¹⁵⁸

4.146. Given the high importance placed upon health tourism, Türkiye has health services commitments in its RTAs. To better utilize Mode 2 commitments, Türkiye have a developed healthcare annex which aims to facilitate the mobility of patients (consumers). This annex has

¹⁵⁷ *Official Gazette* (2017), No. 30123, 13 July. Viewed at: <https://shgmturizmdb.saglik.gov.tr/Eklenti/39569/0/yonetmelik-ingilizcepdf.pdf>.

¹⁵⁸ Central Bank of Türkiye. Viewed at: <https://www.tcmb.gov.tr/wps/wcm/connect/TR/TCMB+TR/Main+Menu/Istatistikler/Odemeler+Dengesi+ve+Ilgili+Istatistikler/Uluslararası+Yatırım+Pozisyonu/>.

provisions that ban currency restrictions, ensures protection of personal data of patients, requires legal framework for complaints and professional liability, ensures non-discriminatory treatment of healthcare service providers and provides for promotion activities and improved intergovernmental cooperation. Among Türkiye's RTA in force, so far, Türkiye has such an annex with Switzerland within the framework of EFTA.

4.4.6 Tourism services

4.4.6.1 Features

4.147. Türkiye is one of the most popular tourist destinations in the world and is home to 19 UNESCO World Heritage Sites.¹⁵⁹ It ranked 7th among the top 10 European countries for tourism FDI between 2016 and 2020 with 36 FDI projects.¹⁶⁰ In 2021, tourism is the second largest category in Türkiye's exports of services and accounts for more than half of Türkiye's net trade balance in services. The tourism sector expanded significantly from 2016 to 2019, suffered a severe decline in 2020 as a consequence of COVID-19-related travel restrictions, and rebounded in 2021, when its share of GDP reached 3.7% (Table 4.28). According to the authorities, in 2021, transportation types used by foreign visitors visiting Türkiye included airways (82.25%), and roadways (16.90%).

Table 4.28 Main tourism indicators, 2016-21

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---------|---------|---------|---------|-----------|-----------|
| Trade in travel services (USD million, BoP basis) | | | | | | |
| Trade balance | 14.0 | 17.7 | 20.6 | 25.7 | 9.2 | 19.2 |
| Exports | 18.7 | 22.5 | 25.2 | 29.8 | 10.2 | 20.8 |
| % of total services exports | 40.5 | 42.0 | 43.0 | 47.5 | 28.8 | 36.2 |
| Imports | 4.8 | 4.8 | 4.6 | 4.1 | 1.0 | 1.7 |
| % of total services imports | 18.5 | 17.8 | 16.1 | 14.3 | 4.4 | 5.4 |
| Tourism receipts (USD billion)^a | 22.8 | 27.0 | 30.5 | 38.9 | 14.8 | 30.2 |
| % of GDP | 2.5 | 3.1 | 3.8 | 5.1 | 2.1 | 3.7 |
| of which: | | | | | | |
| <i>Foreigners</i> | 16.7 | 21.0 | 25.0 | 33.0 | 11.9 | 24.3 |
| <i>Citizens (resident abroad)</i> | 6.2 | 6.1 | 5.5 | 5.9 | 3.0 | 5.8 |
| Number of visitors (No. million)^a | 30.9 | 38.0 | 46.1 | 51.8 | 16.0 | 30.1 |
| of which: | | | | | | |
| <i>Foreigners</i> | 25.3 | 32.4 | 39.5 | 45.1 | 12.7 | 24.7 |
| <i>Citizens (resident abroad)</i> | 5.6 | 5.6 | 6.6 | 6.7 | 3.2 | 5.4 |
| <i>Visitors by nationality (foreigners)</i> | | | | | | |
| <i>By main origins (% of total)</i> | | | | | | |
| Russian Federation | 3.4 | 14.6 | 15.2 | 15.6 | 16.7 | 19 |
| Germany | 15.3 | 11.1 | 11.4 | 11.2 | 8.9 | 12.5 |
| Bulgaria | 6.7 | 5.7 | 6.1 | 6.0 | 9.8 | 5.7 |
| Iran, Islamic Republic of | 6.6 | 7.7 | 5.1 | 4.6 | 3.1 | 4.7 |
| United Kingdom | 6.8 | 5.2 | 5.7 | 5.7 | 6.4 | 1.6 |
| Iraq | 1.7 | 2.8 | 3.0 | 3.0 | 3.0 | 3.4 |
| Number of travel agents | .. | .. | .. | .. | .. | .. |
| Tourism operation licensed facilities | 3,641 | 3,771 | 3,925 | 4,038 | 4,218 | 4,801 |
| Tourism investment licensed facilities | 1,135 | 1,051 | 981 | 723 | 649 | 585 |
| Number of beds | | | | | | |
| Tourism operation licensed facilities | 889,881 | 935,286 | 974,574 | 992,341 | 1,020,985 | 1,065,537 |
| Tourism investment licensed facilities | 312,912 | 263,033 | 225,421 | 180,852 | 167,673 | 139,703 |
| Occupancy rate (%) | 42.2 | 50.1 | 56.4 | 58.9 | 22.8 | 42.3 |
| Yacht management certificates | | | | | | |
| Local | .. | .. | .. | .. | .. | .. |
| Foreign | .. | .. | .. | .. | .. | .. |
| Number of yachts with the Flag Q that arrived in Türkiye's ports ^a | | | | | | |
| Local | 3,774 | 5,595 | 4,495 | 4,705 | 149 | 1,044 |
| Foreign | 7,857 | 5,059 | 3,891 | 4,542 | 917 | 2,572 |
| Outbound tourism^{b,c} | | | | | | |
| Tourism expenditures (USD million) | 5,049.8 | 5,137.2 | 4,896.3 | 4,403.7 | 1,104.5 | 1,851.9 |
| Number of citizen visitors (No. million) | 7.9 | 8.9 | 8.4 | 9.7 | 2.2 | 2.7 |

¹⁵⁹ Investment Office, *Tourism Sector in Turkey*. Viewed at: <https://www.invest.gov.tr/en/library/publications/lists/investpublications/tourism-industry.pdf>.

¹⁶⁰ Investment Office, *Tourism Sector in Turkey*.

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|------|------|------|------|------|------|
| Number of Blue Flag Beaches in Türkiye | 444 | 454 | 459 | 463 | 486 | 519 |

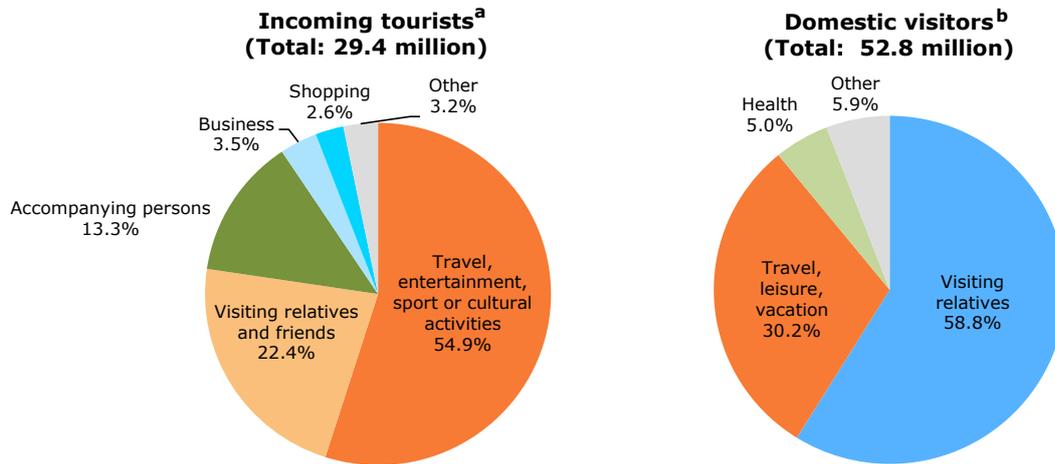
.. Not available.

- a Yachts that enter a foreign harbour from the territorial waters of another country are obliged to fly a Q (quarantine) flag to signal that a vessel is free of disease and requests boarding and inspection.
- b Data related to the 2nd quarter of 2020 were not published because a survey could not be conducted at border gates due to the COVID-19 pandemic.
- c Citizens (resident in Türkiye) visited abroad.

Source: TurkStat, *Tourism Statistics*. Viewed at: <https://data.tuik.gov.tr/>; Central Bank of the Republic of Türkiye (CBRT), *Statistics Balance of Payments*. Viewed at: <https://www.tcmb.gov.tr/>; and Ministry of Culture and Tourism, *Tourism Statistics*. Viewed at: <https://www.ktb.gov.tr/EN-249283/tourism-statistics.html>.

4.148. In 2020, there were 4,218 tourism operation licensed facilities in Türkiye (Table 4.28). Türkiye has 60 operational hotel chains, 44 of which are domestically owned and 16 are internationally owned.¹⁶¹ In 2021, most incoming visitors visited Türkiye for travel, entertainment, and sport and cultural activities (Chart 4.5). On the other hand, most domestic visitors intended to visit relatives (Chart 4.5). During the review period, there was a considerable increase in the percentage of total foreign visitors from the Russian Federation.

Chart 4.5 Tourism: Incoming tourists and domestic visitors by purpose of visit, 2021



- a Non-resident tourists include foreigners and citizen living abroad. Based on the number of departing visitors.
- b Based on the number of trips.

Source: TurkStat, *Tourism Statistics*. Viewed at: <https://data.tuik.gov.tr/>.

4.4.6.2 Institutional and legal framework

4.149. The Ministry of Culture and Tourism is the main body responsible for tourism policy.¹⁶² The mission of the Ministry is to promote the universal culture, art, and tourism values of Türkiye and to increase Türkiye's share of world tourism.¹⁶³ The duties and powers of the Ministry of Culture and Tourism are to: (i) develop, protect, and promote historical and cultural values; (ii) develop and market all national opportunities suitable for tourism in order to make it an efficient sector of the national economy; (iii) direct public institutions and organizations related to culture and tourism issues; and (iv) provide financial assistance to projects developed by local administrations, public

¹⁶¹ Investment Office, *Tourism Sector in Turkey*. Viewed at: <https://www.invest.gov.tr/en/library/publications/lists/investpublications/tourism-industry.pdf>.

¹⁶² Law on Foundation of the Ministry of Culture and Tourism, Law No. 4848.

¹⁶³ Ministry of Culture and Tourism, *Our Mission and Vision*. Viewed at: <https://www.ktb.gov.tr/TR-133260/misyonumuz-vizyonumuz.html>.

institutions, and organizations whose main purpose is culture, art, tourism, and promotional activities.¹⁶⁴

4.150. The Türkiye Tourism Promotion and Development Agency was established in 2019 to support and develop tourism activities as a related institution of the Ministry of Culture and Tourism. In line with tourism strategies and policies set by the Ministry, the Agency is tasked with promoting and marketing activities to serve Türkiye's tourism goals.¹⁶⁵

4.151. The Ministry of Culture and Tourism maintains 81 provincial culture and tourism directorates and has attachés in approximately 41 countries to promote tourism.¹⁶⁶ Several private sector associations have a role in supporting and promoting the tourism industry, including the Association of Turkish Travel Agencies, the Union of Chambers and Commodity Exchanges of Türkiye (TOBB), the Union of Tourist Guides' Chambers, the Turkish Hoteliers Federation (Türofed), the Tourism Investors Association, and chambers of commerce. The private sector organizations consult informally with the Ministry on Tourism Policy.

4.152. The Ministry's Tourism Strategy 2023, with a timeframe of 16 years (2007-23), is a national policy with a multi-sectoral approach.¹⁶⁷ The objective of the Strategy is to develop the tourism and travel industry with a sustainable tourism approach to increase employment opportunities and ensure economic growth. According to the Strategy, the types of tourism will be diversified, including coastal, health, plateau, and ecotourism.

4.153. Law No. 2634 of 12 March 1982 on the Encouragement of Tourism is the main tourism regulation in Türkiye and stipulates the necessary measures for the regulation and development of the tourism services sector. The Law provides guidance for the preservation and utilization of natural tourism¹⁶⁸ resources; incentives for the tourism services sector; and implementation of a tourism development fund.

4.154. Significant changes to Law No. 2634 were made by Law No. 7334 Amending the Law on the Encouragement of Tourism and Certain Laws, published in the Official Gazette on 28 July 2021. First, Law No. 7334 provides that tourism services management associations will be established in cooperation with the private sector to protect and develop social and technical infrastructure, and to operate culture and tourism preservation and development zones approved by the Ministry of Culture and Tourism. Second, Law No. 7334 also brought about important changes to the certification of tourism establishments to ensure that accommodation facilities have minimum standards and are under the supervision of the Ministry of Culture and Tourism. The Law stipulates that accommodation facilities are obliged to obtain a tourism establishment certificate from the Ministry within one year of the date of obtaining a workplace opening and operating licence. Accommodation facilities that continue their activities without such a certificate before the Law came into force may obtain a simple accommodation tourism establishment certificate within one year of the effective date of the Law. However, facilities with simple accommodation tourism establishment certificates may not benefit from tourism incentives and tourism loans, and they will be subject to the distance rules and restrictions set by the Public Health Law and the Primary Education and Education Law regarding selling and licensing alcoholic beverages. Accommodation and beach establishments that do not obtain the tourism establishment certificate and the simple accommodation tourism establishment certificate within the set period will not be able to operate, and their workplace operating licences will be cancelled within one month.

4.155. Third, Law No. 7334 further clarifies the procedures regarding the approval of zoning plans within tourism centres and culture and tourism preservation and development zones. Plan proposals

¹⁶⁴ Ministry of Culture and Tourism, *Organization and Duties*. Viewed at: <https://www.ktb.gov.tr/TR-96130/kurulus-ve-gorevler.html>.

¹⁶⁵ Türkiye Tourism Promotion and Development Agency, *About Us*. Viewed at: <https://www.tga.gov.tr/about-us/>.

¹⁶⁶ Ministry of Culture and Tourism, *Our Units*. Viewed at: <https://www.ktb.gov.tr/TR-96682/birimlerimiz.html>.

¹⁶⁷ Ministry of Culture and Tourism, *Tourism Strategy*. Viewed at: <https://yigm.ktb.gov.tr/Eklenti/906.ttstratejisi2023pdf.pdf?0>.

¹⁶⁸ Natural tourism is a type of tourism that is linked with rural settlements and based on natural resources.

will be submitted to the Ministry of Culture and Tourism, and plans approved by the Ministry will be sent to the Ministry of Environment, Urbanization and Climate Change for further authorization.

4.156. Finally, Law No. 7334 removed the obligation to obtain approval of the Ministry of Culture and Tourism in cases where: (i) all the investments or establishments are transferred, leased, or given to an operator; (ii) there is a change in the company title or shareholding structure; and (iii) there is partial or complete change in the type of business. Instead of obtaining the Ministry's approval, it is sufficient to notify it.

4.157. Other important tourism services legislation includes Law No. 1618 of 14 September 1972 on Travel Agencies and Union of Travel Agencies (lists procedures and provisions for the establishment of travel agencies and operation and obligations of the agencies); Law No. 6326 of 6 July 2012 on Tourist Guide Professions (provides rules, regulations, and enforcement procedures related to the tourist guide profession); Law No. 5225 of 21 July 2004 on Cultural Investments Incentive (covers procedures of certification and supervision of cultural investments); and Law No. 2863 of 23 July 1983 on the Protection of Cultural Values and Natural Resources (sets rules of expropriation and responsibilities of real and legal persons regarding cultural and natural assets).

4.158. Between 2016 and 2022, Türkiye signed 13 Tourism Cooperation Agreements; 3 Tourism Implementation Programmes; and 9 Tourism Cooperation Memorandums of Understanding.¹⁶⁹ Furthermore, the recently modernized RTA between Türkiye and EFTA (Section 2.3.2) contains a dedicated tourism and travel services annex (XVIII). In this annex, parties developed disciplines that ensure movement of tourists, repatriation in case of bankruptcy, confidentiality of personal data, national treatment of letters of credit, access to local administrative services, emergency health services, communication and legal services, access to touristic sites and responsible tourism, and the prevention of currency restrictions and unnecessary travel security warnings. Parties also agreed to cooperate in research and observation, training, and capacity-building, as well as online business models and sharing economy in the tourism sector.

4.159. Several incentives are available for the tourism sector. Article 13 of Law No. 2634 lays down the incentives in the tourism sector and procedures concerning the ways in which tourism investments and establishments may benefit from such incentives. Priority for investments is given to tourism areas, tourism centres, cultural and tourism preservation and development regions, and other sites designated by the Ministry of Tourism and Culture. Türkiye's Cultural Investments Incentive Law provides for employment, energy, and immovable property allocation support. Regarding employment support in the tourism sector, the Law provides for a reduction for income withholding tax on employee salaries and employer's social security premium contributions of 50% during the first three years, followed by 25% for a maximum of seven years. The energy support amounts to 20% of electricity or gas costs for the first five years and is financed by the Treasury. The Ministry of Culture and Tourism may allocate immovable property to investors for a fixed period. According to Article 5 of the Property Tax Law, also in line with Law No. 2634, income tax or corporate taxpayers benefit from a temporary property tax exemption for the buildings used for tourism purposes for five years if they have a tourism establishment certificate. The Law on the Protection of Cultural Values and Natural Resources provides corporate income tax deductions for companies involved in the protection, development, or maintenance of Turkish cultural values. In addition, the Law also provides an exemption from VAT for restoration, restitution, or building surveying projects.

4.160. In 2020, the authorities introduced several support programmes for the tourism sector to mitigate the negative effects of COVID-19. The MoTF announced the introduction of a Tourism Support Package for businesses operating in the sector to support the protection of production and employment capacities. The Tourism Support Package assisted salary and rent payments, contractual or invoice-based fixed expenses, and cash needs and corporate credit card expenditures of enterprises in the tourism sector as well as their suppliers. Specific domestic banks provided TRY 10 billion in loans with guarantees of the MoTF and the Credit Guarantee Fund. The loans had a maturity of 48 months, with a maximum grace period of 12 months (cannot exceed 1 November 2021). The upper limit of guarantee per beneficiary was TRY 32 million, and the upper

¹⁶⁹ Ministry of Culture and Tourism, *Culture and Tourism Agreements Directory*. Viewed at: <http://teftis.kulturturizm.gov.tr/TR,14104/kultur-ve-turizm-anlasmalari-dizini.html>.

limit of credit was TRY 40 million.¹⁷⁰ The authorities also introduced other measures to support tourism sector businesses to mitigate the negative effects of COVID-19 crisis: bank loans were provided for reimbursement of advance payments for early bookings; social security payments were postponed for six months; debt payments of tourism facilities located on public lands were delayed for six months; bank loans were offered to small-scale tourism agencies without need of repayment for six months; and accommodation tax in hotels and tourism facilities was waived until November 2020.¹⁷¹

4.161. The number of foreign personnel that can be employed in hotels and restaurants cannot exceed 10% of the total personnel. This ratio may be increased to up to 20% with approval from the Ministry of Tourism and Culture. According to Article 18 of Law No. 2634, this provision remains in force. In addition, with certain exceptions Turkish citizens are required to pay up to USD 100 to the Public Housing Fund, for each exit out of Türkiye. However, Turkish citizens going abroad for education and health purposes, as well as the ones who are either employed or assigned to permanent official duties in foreign countries, are exempt from this payment.¹⁷² According to Law No. 5597 of 8 March 2007 on the Duty of Travelling Abroad, Turkish citizens are still required to pay this fee when travelling abroad.

4.162. Establishment and licensing in Türkiye are required for travel agencies and tour operators to provide services in Türkiye. Foreign travel agencies i.e. travel agencies not established in Türkiye, may not organize tours abroad. Commercial companies established in Türkiye can operate by obtaining a travel agency certificate in accordance with the Law of Travel Agencies and Union of Travel Agencies regardless of whether their ownership is domestic or foreign. Thus, there is no discrimination for domestic or foreign companies under this law.¹⁷³

¹⁷⁰ MoTF, *About Tourism Support Package Application*. Viewed at: https://www.tbb.org.tr/Content/Upload/Dokuman/7713/TBB_KD_161020.pdf.

¹⁷¹ OECD, *Tourism Policy Responses to the Coronavirus (COVID-19)*. Viewed at: <https://www.oecd.org/coronavirus/policy-responses/tourism-policy-responses-to-the-coronavirus-covid-19-6466aa20/>.

¹⁷² WTO document GATS/SC/88, 15 April 1994.

¹⁷³ As noted in the previous Review, Türkiye eliminated limitations on national treatment of foreign travel agencies by equalizing the amounts required for guarantees for both domestic and foreign operators and abolishing the requirement for foreign exchange. In addition, the provision on the amount of capital to be brought by branches of foreign travel agencies has also been removed.

5 APPENDIX TABLES

Table A1.1 Merchandise exports by group of products, 2016-21

| HS Section/chapters/subheadings | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|----------------------|--------------|--------------|--------------|--------------|--------------|
| Total exports (USD billion) | 149.2 | 164.5 | 177.2 | 180.8 | 169.7 | 225.2 |
| | (% of total exports) | | | | | |
| 01 Live animals and products | 1.2 | 1.3 | 1.4 | 1.4 | 1.4 | 1.4 |
| 02 Vegetable products | 5.5 | 4.9 | 4.6 | 4.6 | 5.1 | 4.5 |
| 08 Edible fruit and nuts; peel of citrus fruit or melons | 2.8 | 2.7 | 2.5 | 2.5 | 2.8 | 2.4 |
| 03 Fats and oils | 0.8 | 0.7 | 0.6 | 0.6 | 0.8 | 0.9 |
| 04 Prepared food, beverages, and tobacco | 4.6 | 4.4 | 4.4 | 4.4 | 4.9 | 4.3 |
| 05 Mineral products | 4.4 | 5.4 | 5.5 | 6.9 | 5.2 | 6.3 |
| 27 Mineral fuels | 2.3 | 2.9 | 3.3 | 4.7 | 2.8 | 3.8 |
| 06 Chemicals and products thereof | 3.8 | 3.9 | 4.3 | 4.4 | 5.2 | 4.7 |
| 07 Plastics and rubber | 5.1 | 5.1 | 5.4 | 5.4 | 5.7 | 6.0 |
| 39 Plastics and articles thereof | 3.6 | 3.5 | 3.7 | 3.8 | 4.1 | 4.4 |
| 08 Raw hides and skins; leather, furskins and articles thereof | 0.4 | 0.4 | 0.4 | 0.4 | 0.3 | 0.4 |
| 09 Wood, cork, straw | 0.4 | 0.5 | 0.5 | 0.5 | 0.6 | 0.7 |
| 10 Pulp of wood; paper and paperboard | 1.0 | 1.0 | 1.0 | 1.1 | 1.1 | 1.1 |
| 11 Textiles and textile articles | 18.1 | 16.8 | 16.2 | 15.8 | 16.1 | 15.3 |
| 61 Articles of apparel and clothing accessories, knitted or crocheted | 6.0 | 5.4 | 5.2 | 5.1 | 4.9 | 4.8 |
| 62 Articles of apparel and clothing accessories, not knitted or crocheted | 4.2 | 3.9 | 3.8 | 3.8 | 3.9 | 3.3 |
| 12 Footwear, headgear, etc. | 0.5 | 0.5 | 0.5 | 0.6 | 0.5 | 0.5 |
| 13 Articles of stone, plaster, cement | 2.0 | 1.9 | 1.9 | 2.0 | 2.2 | 2.1 |
| 14 Precious stones and metals | 8.2 | 6.6 | 4.0 | 4.1 | 3.9 | 4.9 |
| 71 Natural or cultured pearls, precious or semi-precious stones | 8.2 | 6.6 | 4.0 | 4.1 | 3.9 | 4.9 |
| 15 Base metals and articles thereof | 10.5 | 11.6 | 13.8 | 12.6 | 12.6 | 15.8 |
| 72 Iron and steel | 4.1 | 5.0 | 6.5 | 5.5 | 5.2 | 7.6 |
| 73 Articles of iron or steel | 3.4 | 3.5 | 3.8 | 3.7 | 3.8 | 3.9 |
| 76 Aluminium and articles thereof | 1.5 | 1.6 | 1.7 | 1.7 | 1.8 | 2.3 |
| 16 Machinery, electrical equipment | 14.8 | 14.6 | 15.1 | 15.2 | 15.4 | 14.6 |
| 84 Machinery and mechanical appliances; parts thereof | 8.9 | 9.0 | 9.6 | 9.8 | 9.9 | 9.2 |
| 85 Electrical machinery and equipment and parts thereof | 5.9 | 5.6 | 5.5 | 5.4 | 5.5 | 5.3 |
| 17 Transport equipment | 15.0 | 16.9 | 16.8 | 16.3 | 14.5 | 12.8 |
| 87 Vehicles | 13.7 | 15.0 | 15.5 | 14.9 | 13.0 | 11.1 |
| 18 Precision equipment | 0.6 | 0.6 | 0.6 | 0.7 | 0.8 | 0.7 |
| 19 Arms and ammunition | 0.3 | 0.2 | 0.2 | 0.2 | 0.4 | 0.5 |
| 20 Miscellaneous manufactured articles | 2.5 | 2.4 | 2.6 | 2.7 | 2.9 | 2.6 |
| 94 Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings | 1.9 | 1.8 | 2.0 | 2.1 | 2.3 | 2.1 |
| 21 Works of art, etc. | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |

Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A1.2 Merchandise exports by destination, 2016-21

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|------------------------------------|----------------------|--------------|--------------|--------------|--------------|--------------|
| Total exports (USD billion) | 149.2 | 164.5 | 177.2 | 180.8 | 169.7 | 225.2 |
| | (% of total exports) | | | | | |
| Americas | 6.8 | 7.9 | 7.9 | 7.5 | 8.6 | 10.0 |
| United States | 4.9 | 5.6 | 5.1 | 5.0 | 6.0 | 6.5 |
| Other America | 1.9 | 2.3 | 2.7 | 2.5 | 2.6 | 3.4 |
| Europe | 53.4 | 51.4 | 54.7 | 53.2 | 52.5 | 52.1 |
| EU-27 | 40.8 | 42.0 | 44.4 | 43.2 | 41.8 | 41.9 |
| Germany | 10.2 | 9.9 | 9.8 | 9.2 | 9.4 | 8.6 |
| Italy | 5.3 | 5.3 | 5.7 | 5.4 | 4.8 | 5.1 |
| Spain | 3.5 | 4.0 | 4.6 | 4.5 | 3.9 | 4.3 |
| France | 4.2 | 4.2 | 4.3 | 4.4 | 4.2 | 4.1 |
| Netherlands | 2.6 | 2.5 | 2.9 | 3.2 | 3.1 | 3.0 |
| Romania | 1.9 | 2.0 | 2.3 | 2.3 | 2.3 | 2.3 |
| Belgium | 1.8 | 2.0 | 2.3 | 1.9 | 2.1 | 2.2 |
| Poland | 1.8 | 1.9 | 2.0 | 1.9 | 2.0 | 2.1 |
| Bulgaria | 1.7 | 1.8 | 1.6 | 1.5 | 1.6 | 1.8 |
| Greece | 1.0 | 1.0 | 1.3 | 1.2 | 1.1 | 1.4 |
| EFTA | 2.2 | 1.0 | 1.3 | 1.0 | 1.1 | 1.0 |
| Other Europe | 10.3 | 8.4 | 9.0 | 9.0 | 9.6 | 9.3 |
| United Kingdom | 8.0 | 6.0 | 6.5 | 6.2 | 6.6 | 6.1 |
| Ukraine | 0.9 | 0.9 | 1.0 | 1.2 | 1.2 | 1.3 |
| CIS^a | 5.5 | 5.9 | 5.9 | 6.6 | 7.4 | 7.2 |
| Russian Federation | 1.2 | 1.7 | 2.1 | 2.3 | 2.7 | 2.6 |
| Africa | 8.0 | 7.4 | 8.5 | 9.2 | 9.0 | 9.4 |
| Egypt | 1.9 | 1.5 | 1.8 | 1.9 | 1.8 | 2.0 |
| Morocco | 1.0 | 1.0 | 1.1 | 1.3 | 1.2 | 1.3 |
| Libya | 0.7 | 0.6 | 0.9 | 1.1 | 1.0 | 1.2 |
| Middle East | 20.9 | 21.5 | 16.5 | 17.5 | 16.4 | 15.2 |
| Iraq | 5.7 | 6.1 | 5.3 | 5.7 | 5.4 | 4.9 |
| Israel | 2.0 | 2.1 | 2.3 | 2.5 | 2.8 | 2.8 |
| United Arab Emirates | 3.7 | 5.6 | 1.8 | 2.0 | 1.7 | 2.4 |
| Iran, Islamic Republic of | 3.7 | 2.3 | 1.6 | 1.5 | 1.3 | 1.2 |
| Asia | 5.4 | 5.8 | 6.4 | 6.0 | 6.2 | 6.0 |
| China | 1.6 | 1.8 | 1.7 | 1.5 | 1.7 | 1.6 |
| Japan | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 |
| Other Asia | 3.6 | 3.7 | 4.4 | 4.3 | 4.2 | 4.1 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 |
| Memo: | | | | | | |
| EU-28 | 48.8 | 48.1 | 50.9 | 49.4 | 48.4 | 48.0 |

a Commonwealth of Independent States, including certain associate and former member States.

Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A1.3 Merchandise imports by group of products, 2016-21

| HS Section/chapters/subheadings | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|----------------------|--------------|--------------|--------------|--------------|--------------|
| Total imports (USD billion) | 202.2 | 238.7 | 231.2 | 210.3 | 219.5 | 271.4 |
| | (% of total imports) | | | | | |
| 01 Live animals and products | 0.5 | 0.8 | 1.1 | 0.6 | 0.4 | 0.3 |
| 02 Vegetable products | 2.7 | 2.7 | 2.7 | 3.6 | 3.5 | 3.4 |
| 03 Fats and oils | 0.8 | 0.6 | 0.5 | 0.6 | 0.7 | 0.9 |
| 04 Prepared food, beverages and tobacco | 2.1 | 2.0 | 1.9 | 2.2 | 2.3 | 2.0 |
| 05 Mineral products | 14.1 | 16.4 | 19.6 | 20.6 | 13.9 | 19.7 |
| 27 Mineral fuels | 13.6 | 15.8 | 18.9 | 19.8 | 13.2 | 18.7 |
| 06 Chemicals and products thereof | 8.8 | 8.5 | 9.1 | 9.9 | 9.4 | 10.6 |
| 29 Organic chemicals | 2.3 | 2.4 | 2.8 | 2.8 | 2.7 | 3.4 |
| 30 Pharmaceutical products | 2.1 | 1.9 | 1.9 | 2.3 | 2.3 | 2.5 |
| 07 Plastics and rubber | 7.1 | 6.8 | 6.9 | 6.8 | 6.6 | 7.8 |
| 39 Plastics and articles thereof | 5.8 | 5.6 | 5.7 | 5.6 | 5.3 | 6.5 |
| 08 Raw hides and skins; leather, furskins and articles thereof | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 |
| 09 Wood, cork, straw | 0.6 | 0.5 | 0.4 | 0.2 | 0.2 | 0.2 |
| 10 Pulp of wood; paper and paperboard | 1.8 | 1.6 | 1.7 | 1.7 | 1.6 | 1.5 |
| 11 Textiles and textile articles | 5.4 | 5.0 | 4.8 | 5.0 | 4.1 | 4.2 |
| 12 Footwear, headgear, etc. | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 |
| 13 Articles of stone, plaster, cement | 0.9 | 0.8 | 0.7 | 0.7 | 0.8 | 0.8 |
| 14 Precious stones and metals | 3.6 | 7.3 | 5.4 | 6.4 | 12.1 | 2.6 |
| 71 Natural or cultured pearls, precious or semi-precious stones | 3.6 | 7.3 | 5.4 | 6.4 | 12.1 | 2.6 |
| 7108 Gold unwrought or in semi-manufactured forms, or in powder form | 3.2 | 6.9 | 4.9 | 5.4 | 11.5 | 2.0 |
| 15 Base metals and articles thereof | 11.9 | 12.7 | 14.1 | 12.9 | 12.3 | 16.9 |
| 72 Iron and steel | 6.3 | 7.1 | 8.0 | 7.2 | 6.9 | 10.2 |
| 7204 Ferrous waste and scrap | 2.1 | 1.7 | 2.7 | 3.4 | 2.6 | 2.3 |
| 76 Aluminium and articles thereof | 1.4 | 1.5 | 1.8 | 1.7 | 1.6 | 2.4 |
| 74 Copper and articles thereof | 1.4 | 1.4 | 1.5 | 1.4 | 1.5 | 1.9 |
| 16 Machinery, electrical equipment | 23.5 | 20.3 | 19.1 | 17.9 | 19.3 | 18.8 |
| 84 Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof | 13.9 | 11.7 | 11.6 | 10.5 | 11.5 | 11.4 |
| 85 Electrical machinery and equipment and parts thereof | 9.6 | 8.6 | 7.5 | 7.3 | 7.8 | 7.4 |
| 8517 Telephone sets | 2.3 | 1.8 | 1.4 | 1.4 | 1.5 | 1.3 |
| 17 Transport equipment | 11.7 | 9.9 | 7.9 | 7.0 | 9.2 | 7.3 |
| 87 Vehicles | 9.1 | 7.5 | 6.2 | 4.8 | 7.0 | 5.7 |
| 88 Aircraft, spacecraft, and parts thereof | 2.2 | 1.2 | 1.2 | 1.7 | 1.7 | 1.0 |
| 18 Precision equipment | 2.5 | 2.3 | 2.2 | 2.3 | 2.3 | 1.9 |
| 90 Medical or surgical instruments and apparatus; parts and accessories thereof | 2.3 | 2.2 | 2.1 | 2.1 | 2.2 | 1.8 |
| 19 Arms and ammunition | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| 20 Miscellaneous manufactured articles | 1.1 | 0.9 | 0.8 | 0.7 | 0.6 | 0.6 |
| 21 Works of art, etc. | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | 0.1 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 |

Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A1.4 Merchandise imports by origin, 2016-21

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|------------------------------------|----------------------|--------------|--------------|--------------|--------------|--------------|
| Total imports (USD billion) | 202.2 | 238.7 | 231.2 | 210.3 | 219.5 | 271.4 |
| | (% of total imports) | | | | | |
| Americas | 8.9 | 9.2 | 10.4 | 9.5 | 8.9 | 8.5 |
| United States | 5.6 | 5.1 | 5.6 | 5.6 | 5.3 | 4.8 |
| Other America | 3.3 | 4.0 | 4.8 | 3.9 | 3.7 | 3.7 |
| Brazil | 0.9 | 1.1 | 1.4 | 1.3 | 1.5 | 1.4 |
| Europe | 43.2 | 42.1 | 39.8 | 38.7 | 41.4 | 37.0 |
| EU-27 | 37.3 | 34.4 | 33.4 | 32.3 | 33.4 | 31.5 |
| Germany | 11.2 | 9.3 | 9.3 | 9.2 | 9.9 | 8.0 |
| Italy | 5.3 | 5.1 | 4.7 | 4.4 | 4.2 | 4.3 |
| France | 3.8 | 3.5 | 3.4 | 3.2 | 3.2 | 2.9 |
| Spain | 2.9 | 2.7 | 2.5 | 2.1 | 2.3 | 2.3 |
| Belgium | 1.6 | 1.6 | 1.6 | 1.5 | 1.7 | 2.1 |
| Netherlands | 1.5 | 1.6 | 1.5 | 1.5 | 1.7 | 1.7 |
| Poland | 1.7 | 1.5 | 1.4 | 1.2 | 1.4 | 1.3 |
| Romania | 1.2 | 1.1 | 1.2 | 1.3 | 1.3 | 1.3 |
| Czech Republic | 1.3 | 1.2 | 1.2 | 1.1 | 1.3 | 1.0 |
| EFTA | 1.6 | 3.3 | 1.6 | 2.0 | 3.9 | 1.5 |
| Switzerland | 1.3 | 2.9 | 1.2 | 1.6 | 3.5 | 1.1 |
| Other Europe | 4.4 | 4.5 | 4.8 | 4.3 | 4.1 | 4.1 |
| United Kingdom | 2.7 | 2.9 | 3.3 | 2.7 | 2.5 | 2.0 |
| Ukraine | 1.3 | 1.2 | 1.2 | 1.3 | 1.2 | 1.7 |
| CIS^a | 9.4 | 10.2 | 11.6 | 13.0 | 9.9 | 13.0 |
| Russian Federation | 7.6 | 8.4 | 9.8 | 11.0 | 8.1 | 10.7 |
| Africa | 2.7 | 3.0 | 3.1 | 2.8 | 3.3 | 3.0 |
| Middle East | 6.8 | 8.3 | 7.9 | 7.3 | 8.9 | 5.5 |
| Saudi Arabia, Kingdom of | 0.9 | 0.9 | 1.1 | 1.0 | 0.8 | 1.3 |
| Iran, Islamic Republic of | 2.4 | 3.2 | 3.0 | 1.7 | 0.5 | 1.0 |
| Asia | 25.8 | 23.8 | 22.4 | 21.5 | 21.3 | 24.0 |
| China | 12.3 | 10.0 | 9.3 | 9.1 | 10.5 | 11.9 |
| Japan | 2.0 | 1.9 | 2.0 | 1.7 | 1.7 | 1.6 |
| Other Asia | 11.5 | 12.0 | 11.2 | 10.7 | 9.1 | 10.5 |
| India | 2.8 | 2.6 | 3.3 | 3.2 | 2.2 | 2.9 |
| Korea, Republic of | 3.2 | 2.9 | 2.9 | 2.7 | 2.6 | 2.8 |
| Malaysia | 1.0 | 1.3 | 1.0 | 0.9 | 0.9 | 1.1 |
| Other | 3.3 | 3.4 | 4.8 | 7.2 | 6.2 | 9.0 |
| EU-28 | 40.0 | 37.2 | 36.7 | 35.0 | 36.0 | 33.5 |

a Commonwealth of Independent States, including certain associate and former member States.

Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A2.1 Notifications made by Türkiye to the WTO, 1 January 2016 to 31 October 2022

| Agreement/decision | Symbol and date of notification | Description of requirement and frequency |
|---|---|---|
| Agreement on Agriculture | | |
| Articles 10 and 18.2 | G/AG/N/TUR/40 to G/AG/N/TUR/43, 19/12/2019 G/AG/N/TUR/44 to G/AG/N/TUR/47, 08/01/2020 G/AG/N/TUR/26 to G/AG/N/TUR/35, 12/04/2019 G/AG/N/TUR/22 to G/AG/N/TUR/25, 29/01/2019 | Export subsidies; annual |
| Article 18.2 | G/AG/N/TUR/36 to G/AG/N/TUR/39, 13/12/2019 G/AG/N/TUR/48 to G/AG/N/TUR/50, 16/11/2020 G/AG/N/TUR/17 to G/AG/N/TUR/18, 29/11/2018 G/AG/N/TUR/19 to G/AG/N/TUR/20, 30/11/2018 G/AG/N/TUR/21, 29/11/2018 G/AG/N/TUR/15 to G/AG/N/TUR/16, 10/07/2017 | Domestic support; annual |
| Agreement on Import Licensing Procedures | | |
| Article 7.3 | G/LIC/N/3/TUR/19, 22/09/2022 G/LIC/N/3/TUR/18, 22/09/2022 G/LIC/N/3/TUR/17, 05/01/2021 G/LIC/N/3/TUR/16, 26/03/2020 G/LIC/N/3/TUR/15, 10/10/2016 | Completion of questionnaire; annual |
| Agreement on Rules of Origin | | |
| Article 5 and Annex II, paragraph 4 | G/RO/N/237, 14/03/2022 G/RO/N/236, 14/03/2022 G/RO/N/235, 14/03/2022 G/RO/N/174, 09/10/2018 G/RO/N/155, 21/07/2017 G/RO/N/156, 21/07/2017 | Changes in laws and regulations (rules of origin in effect); <i>ad hoc</i> |
| WT/L/917/Add.1, paragraph 4.3 | G/RO/LDC/N/TUR/1, 18/09/2019 | Preferential rules of origin for LDCs; <i>ad hoc</i> |
| Agreement on Implementation of Article VI of the GATT 1994 | | |
| Article 16.4 | Various (See Section 3.1.6) | Anti-dumping actions (preliminary and final) (<i>ad hoc</i>) and anti-dumping actions taken within the preceding six months (semi-annual) |
| Agreement on Subsidies and Countervailing Measures | | |
| Articles 25.1 and XVI:1 of the GATT 1994 | G/SCM/N/372/TUR, 21/12/2021 G/SCM/N/300/TUR, 04/09/2017 G/SCM/N/315/TUR, 31/08/2017 | Subsidy programmes; every three years for full notifications, annual for changes |
| Article 25.11 | (See Section 3.1.6) | Semi-annual report on countervailing measures |
| Agreement on Safeguards | | |
| Article 9.1 and footnote 2; Article 12.1(a), (b), (c); Article 12.4; Article 12.5 | Various. (see Section 3.1.6) | Various, <i>ad hoc</i> |
| Agreement on Technical Barriers to Trade | | |
| Articles 2.9, 2.10, 5.6, and 5.7 | 136 notifications (including revisions) from G/TBT/N/TUR/62, 28/04/71, 13/01/2016 to G/TBT/N/TUR/203, 03/08/2022 | Technical regulations and conformity assessment procedures; <i>ad hoc</i> |
| Agreement on the Application of Sanitary and Phytosanitary Measures | | |
| Article 7, Annex B | 63 notifications (including revisions) from G/SPS/N/TUR/68, 12/01/2016 to G/SPS/N/TUR/128, 05/09/2022 | Sanitary and phytosanitary measures; <i>ad hoc</i> |

| Agreement/decision | Symbol and date of notification | Description of requirement and frequency |
|--|---|---|
| Agreement on Trade Facilitation | | |
| Article 1.4, 10.4.3, 10.6.2, and 12.2.2 | G/TFA/N/TUR/2/Rev.1, 10/06/2020 G/TFA/N/TUR/2, 15/05/2019 | Notification on procedures for importation, exportation and transit |
| WT/MIN(13)/36, WTL/L911 | G/TFA/N/TUR/1, 15/03/2018 | Category A commitments |
| Agreement on Trade-Related Investment Measures (TRIMS) | | |
| Article 6.2 | G/TRIMS/N/2/Rev.29, 08/09/2020 | Publications in which TRIMS may be found; <i>ad hoc</i> |
| Decision on Notification Procedures for Quantitative Restrictions | | |
| G/L/59/Rev.1 | G/MA/QR/N/TUR/2/Add.3, 15/02/2022 G/MA/QR/N/TUR/2/Add.2, 06/10/2021 G/MA/QR/N/TUR/2/Add.1, 09/04/2021 G/MA/QR/N/TUR/2/Corr.1, 04/12/2019 G/MA/QR/N/TUR/2, 06/11/2019 | Notifications of quantitative restrictions; every two years |
| General Agreement on Trade in Services | | |
| Article V:7(a) | S/C/N/1078, 22/02/2022 S/C/N/1073, 11/01/2022 S/C/N/916, 17/09/2018 | Economic integration agreements; <i>ad hoc</i> |
| Article VII:4 | | Autonomous recognition measures; <i>ad hoc</i> |
| WT/L/847 and WT/L/918 | S/C/N/824/Rev.1, 16/06/2016 | Preferential treatment to services and services suppliers of least developed countries |
| General Agreement on Tariffs and Trade 1994 | | |
| Article XVII:4(a) | G/STR/N/15/TUR and G/STR/N/16/TUR, 27 October 2016 | Notification on state trading enterprises; every three years for full notifications, on an annual basis for changes (as from 2004, every two years) |
| Article XXIV:7(a) | WT/REG434/N/1/Add.1, 21/10/2022 WT/REG461/N/1, 22/12/2021 WT/REG434/N/1, 07/01/2021 WT/REG294/N/2, 07/10/2019 WT/REG392/N/1, 17/09/2018 WT/REG379/N/1, 21/02/2017 WT/REG378/N/1, 14/12/2016 | Agreement establishing a free trade area; <i>ad hoc</i> |
| Schedule XXXVII | G/MA/373, 14/08/2020 | Invocation of paragraph 5 of Article XXVIII, <i>ad hoc</i> |

Source: Compiled by the WTO Secretariat.

Table A3.1 Tax revenue, 2016-21

| | TRY billion | | | | | | (% of taxes) | | | | | |
|---|-------------|-------|-------|-------|-------|--------|--------------|-------|-------|-------|-------|-------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Taxes | 459.0 | 536.0 | 621.3 | 673.3 | 833.1 | 1164.8 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Taxes on income, profits and capital gains | 139.6 | 165.3 | 217.7 | 241.5 | 263.9 | 397.6 | 30.4 | 30.8 | 35.0 | 35.9 | 31.7 | 34.1 |
| Taxes on property | 10.6 | 11.5 | 13.8 | 15.6 | 17.3 | 21.1 | 2.3 | 2.2 | 2.2 | 2.3 | 2.1 | 1.8 |
| Domestic taxes on good and services | 191.3 | 212.0 | 213.0 | 230.9 | 314.9 | 377.4 | 41.7 | 39.5 | 34.3 | 34.3 | 37.8 | 32.4 |
| Domestic VAT | 54.0 | 55.6 | 56.4 | 55.4 | 71.5 | 123.4 | 11.8 | 10.4 | 9.1 | 8.2 | 8.6 | 10.6 |
| Special Consumption Tax | 120.4 | 138.3 | 133.9 | 147.1 | 207.3 | 205.4 | 26.2 | 25.8 | 21.6 | 21.9 | 24.9 | 17.6 |
| Petroleum and natural gas | 56.3 | 63.6 | 55.6 | 61.0 | 69.0 | 31.3 | 12.3 | 11.9 | 8.9 | 9.1 | 8.3 | 2.7 |
| Motor vehicles | 18.9 | 22.0 | 17.3 | 13.8 | 46.6 | 66.4 | 4.1 | 4.1 | 2.8 | 2.1 | 5.6 | 5.7 |
| Beverages | 7.9 | 10.0 | 12.4 | 14.7 | 16.5 | 22.8 | 1.7 | 1.9 | 2.0 | 2.2 | 2.0 | 2.0 |
| Tobaccos | 32.2 | 37.4 | 42.7 | 50.4 | 61.8 | 67.6 | 7.0 | 7.0 | 6.9 | 7.5 | 7.4 | 5.8 |
| Coke | 0.4 | 0.4 | 0.9 | 1.0 | 1.3 | 2.0 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 |
| Durable goods and others | 4.7 | 4.9 | 5.0 | 6.2 | 12.1 | 15.3 | 1.0 | 0.9 | 0.8 | 0.9 | 1.4 | 1.3 |
| Banking and insurance transaction tax | 11.1 | 13.3 | 18.2 | 22.7 | 27.1 | 33.0 | 2.4 | 2.5 | 2.9 | 3.4 | 3.2 | 2.8 |
| Gambling tax | 0.9 | 1.0 | 1.2 | 1.7 | 3.5 | 6.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.4 | 0.5 |
| Special communication tax | 5.0 | 3.8 | 3.4 | 4.0 | 4.5 | 6.6 | 1.1 | 0.7 | 0.6 | 0.6 | 0.5 | 0.6 |
| Digital Services Tax | 0.0 | 0.0 | 0.0 | 0.0 | 1.1 | 2.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.2 |
| Other domestic taxes on good and services | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Taxes on international trade and transactions | 86.2 | 112.4 | 138.0 | 142.3 | 185.4 | 297.5 | 18.8 | 21.0 | 22.2 | 21.1 | 22.3 | 25.5 |
| Customs duties | 9.1 | 12.3 | 15.2 | 16.8 | 25.6 | 34.4 | 2.0 | 2.3 | 2.5 | 2.5 | 3.1 | 3.0 |
| VAT on imports | 76.8 | 99.6 | 122.1 | 124.9 | 159.2 | 261.9 | 16.7 | 18.6 | 19.7 | 18.5 | 19.1 | 22.5 |
| Other taxes on international trade and transactions | 0.3 | 0.5 | 0.7 | 0.6 | 0.6 | 1.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Stamp duties | 13.4 | 15.6 | 17.0 | 18.8 | 21.0 | 28.2 | 2.9 | 2.9 | 2.7 | 2.8 | 2.5 | 2.4 |
| Fees | 17.8 | 19.2 | 21.7 | 24.1 | 30.7 | 42.0 | 3.9 | 3.6 | 3.5 | 3.6 | 3.7 | 3.6 |
| Other taxes not elsewhere classified | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 1.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Taxes on international trade and transactions as a share of central government revenues | 15.6 | 17.8 | 18.2 | 16.2 | 18.0 | 21.1 | | | | | | |

Source: Central Bank of the Republic of Türkiye (CBRT), Electronic Data Delivery System. Viewed at: <https://evds2.tcmb.gov.tr/index.php>.

Table A3.2 MFN applied tariff summary, 2022

| | Number of lines | Average (%) | Range (%) | CV ^a | Duty free (%) | Non-ad valorem (%) |
|---|-----------------|-------------|-----------|-----------------|---------------|--------------------|
| All products | 11,581 | 19.6 | 0-225 | 1.6 | 18.8 | 2.1 |
| HS 01-24 | 2,662 | 51.8 | 0-225 | 0.9 | 9.7 | 6.9 |
| HS 25-97 | 8,919 | 10.0 | 0-47 | 1.1 | 21.5 | 0.7 |
| By WTO category | | | | | | |
| WTO agricultural products | 2,281 | 49.2 | 0-225 | 1.1 | 13.7 | 8.8 |
| Animals and products thereof | 371 | 98.8 | 0-225 | 0.7 | 8.1 | 0.0 |
| Dairy products | 155 | 120.4 | 7.6-180 | 0.5 | 0.0 | 9.7 |
| Fruit, vegetables, and plants | 547 | 37.4 | 0-159.1 | 0.7 | 6.6 | 5.1 |
| Coffee and tea | 51 | 20.3 | 0-175.5 | 1.5 | 2.0 | 56.9 |
| Cereals and preparations | 259 | 32.5 | 0-130 | 0.8 | 7.7 | 29.3 |
| Oils seeds, fats, oil and their products | 194 | 16.4 | 0-74.3 | 0.9 | 21.6 | 3.1 |
| Sugars and confectionery | 49 | 82.6 | 9-135 | 0.7 | 0.0 | 30.6 |
| Beverages, spirits and tobacco | 341 | 49.2 | 0-74.9 | 0.5 | 15.5 | 4.4 |
| Cotton | 6 | 0.0 | 0 | 0.0 | 100.0 | 0.0 |
| Other agricultural products, n.e.s. | 308 | 9.7 | 0-75 | 1.3 | 40.3 | 5.2 |
| WTO non-agricultural products | 9,300 | 12.3 | 0-81.9 | 1.2 | 20.1 | 0.5 |
| Fish and fishery products | 536 | 48.6 | 0-81.9 | 0.3 | 5.6 | 0.0 |
| Minerals and metals | 1,739 | 8.7 | 0-40 | 1.1 | 25.8 | 0.9 |
| Chemicals and photographic supplies | 1,710 | 6.2 | 0-31.5 | 0.9 | 18.2 | 0.4 |
| Wood, pulp, paper and furniture | 680 | 5.5 | 0-33.7 | 1.8 | 60.6 | 0.0 |
| Textiles | 1,095 | 18.4 | 0-39.7 | 0.6 | 1.7 | 0.1 |
| Clothing | 340 | 40.7 | 12-42 | 0.1 | 0.0 | 0.0 |
| Leather, rubber, footwear and travel goods | 319 | 18.3 | 0-47 | 0.8 | 17.9 | 0.0 |
| Non-electric machinery | 1,127 | 5.8 | 0-31.7 | 1.0 | 20.5 | 0.0 |
| Electric machinery | 601 | 5.2 | 0-32.7 | 1.4 | 27.0 | 0.0 |
| Transport equipment | 380 | 8.0 | 0-35 | 0.9 | 7.1 | 0.0 |
| Non-agricultural products, n.e.s. | 727 | 8.7 | 0-29.7 | 1.1 | 22.7 | 2.6 |
| Petroleum | 46 | 3.8 | 0-4.7 | 0.3 | 4.3 | 0.0 |
| By ISIC sector | | | | | | |
| ISIC 1 - Agriculture, hunting and fishing | 751 | 29.4 | 0-159.1 | 1.1 | 27.3 | 1.7 |
| ISIC 2 - Mining | 120 | 1.7 | 0-25 | 3.5 | 81.7 | 3.3 |
| ISIC 3 - Manufacturing | 10,709 | 19.1 | 0-225 | 1.6 | 17.5 | 2.1 |
| Manufacturing excluding food processing | 8,691 | 10.2 | 0-47 | 1.1 | 19.8 | 0.6 |
| ISIC 4 - Electrical energy | 1 | 0.0 | 0 | 0.0 | 100.0 | 0.0 |
| By stage of processing | | | | | | |
| First stage of processing | 1,360 | 24.6 | 0-175.5 | 1.2 | 36.0 | 1.8 |
| Semi-processed products | 3,701 | 11.1 | 0-135 | 1.4 | 18.1 | 0.5 |
| Fully processed products | 6,520 | 23.3 | 0-225 | 1.5 | 15.6 | 3.0 |
| By HS section | | | | | | |
| 01 Live animals and products | 996 | 73.5 | 0-225 | 0.8 | 8.1 | 1.5 |
| 02 Vegetable products | 600 | 29.2 | 0-175.5 | 0.8 | 11.2 | 4.2 |
| 03 Fats and oils | 149 | 19.0 | 0-67.5 | 0.8 | 16.1 | 1.3 |
| 04 Prepared food, beverages and tobacco | 917 | 48.2 | 0-135.9 | 0.7 | 9.4 | 15.5 |
| 05 Mineral products | 241 | 1.8 | 0-25 | 2.4 | 57.7 | 1.7 |
| 06 Chemicals and products thereof | 1,622 | 5.5 | 0-31.5 | 0.9 | 19.2 | 1.4 |
| 07 Plastics, rubber, and articles thereof | 364 | 10.0 | 0-31.5 | 0.8 | 20.6 | 0.0 |
| 08 Raw hides and skins, leather, and its products | 169 | 16.7 | 0-39.7 | 0.8 | 21.9 | 0.0 |
| 09 Wood and articles of wood | 340 | 3.7 | 0-30 | 2.0 | 53.2 | 0.0 |
| 10 Pulp of wood, paper and paperboard | 300 | 4.0 | 0-25 | 2.0 | 75.7 | 0.0 |
| 11 Textiles and textile articles | 1,389 | 23.2 | 0-42 | 0.6 | 4.0 | 0.1 |
| 12 Footwear, headgear, etc. | 120 | 30.8 | 0-47 | 0.4 | 1.7 | 0.0 |
| 13 Articles of stone, plaster, cement | 268 | 9.7 | 0-34 | 1.2 | 12.7 | 4.5 |
| 14 Precious stones and metals, pearls | 66 | 5.0 | 0-19 | 1.4 | 62.1 | 0.0 |
| 15 Base metals and articles thereof | 1,193 | 10.2 | 0-40 | 0.9 | 19.3 | 0.0 |
| 16 Machinery, electrical equipment, etc. | 1,739 | 5.5 | 0-32.7 | 1.1 | 23.1 | 0.0 |
| 17 Transport equipment | 397 | 7.8 | 0-35 | 0.9 | 6.8 | 0.0 |
| 18 Precision equipment | 395 | 5.3 | 0-29.7 | 1.2 | 29.6 | 4.8 |
| 19 Arms and ammunition | 25 | 2.3 | 0-3.2 | 0.5 | 16.0 | 0.0 |
| 20 Miscellaneous manufactured articles | 264 | 19.0 | 0-33.7 | 0.5 | 3.8 | 0.0 |
| 21 Works of art, etc. | 27 | 0.0 | 0 | 0.0 | 100.0 | 0.0 |

a Coefficient of variation.

Note: 2022 tariff schedule is based on HS 2022 nomenclature (at the 10-digit tariff line level). *Ad valorem* equivalents (AVEs) were estimated based on 2021 import data at the 10-digit tariff from the authorities.

Source: WTO Secretariat calculations, based on data provided by the authorities.

Table A3.3 Export prohibitions notified to the WTO, 2022

| Description | Rationale | Legal basis (date of entry into force) |
|---|--|--|
| Antiques and archaeological works | National treasures | Law on Ancient Works of Art (21/07/1983) |
| Indian hemp | Health | Law on the Control of Narcotics (24/06/1933) |
| Tobacco seeds and tobacco seedlings | Environment | Directive on Procedure and Basis on Production of Tobacco, Marketing of Producer's Tobacco, Domestic and Foreign Trade, Control of Tobacco and Export of Tobacco (04/12/2002) |
| All game and wild animals (except species on the list of "exports requiring a licence"), alive or meat and/or pieces and garments thereof | Environment | Decision of the Council of Ministers (08/03/1990) |
| Trunk, log, lumber and wooden beams of walnut, mulberry, cherry, pear, plum, ash, clin, linden and yew trees | Environment | Decision of the Council of Ministers (24/04/1974) |
| Natural flower bulbs | Environment | Export Regime Decree (22/12/1995) |
| Wood | Environment | Export Regime Decree (22/12/1995) |
| Liquidambar orientalis | Environment | Export Regime Decree (22/12/1995) |
| Pterocarya carpinifolia | Environment | Export Regime Decree (22/12/1995) |
| Datca dates | Environment | Export Regime Decree (22/12/1995) |
| Plants of olive, fig (except species certified domestically that are registered and published in the National Species List), hazelnut, pistachio, and grapevine (sultanas seedless) | Environment | Export Regime Decree (22/12/1995) |
| Sahlep (powder and of all sorts) | Environment | Export Regime Decree (22/12/1995) |
| Chemicals in Annexes 1 and 2 to the Chemical Weapon Convention to non-contracting parties for chemicals listed in Annex 1 and to all parties or non-parties for chemicals listed in Annex 2 (with exceptions for exports for research and other purposes) | Compliance with international convention; security | Law No. 4738 (<i>Official Gazette</i> (1997), No. 22960, 10 April) Law No. 5564 (<i>Official Gazette</i> (2006), No. 26383, 21 December) Communiqué No. 2017/7 (<i>Official Gazette</i> (2017), No. 230144, 4 August) |
| Ozone-depleting substances | Health, compliance with international convention | Regulation on Substances that Deplete the Ozone Layer (07/04/2017) Communiqué No. 2014/1 on Export of Ozone-depleting Substances (24/01/2014) |

Source: WTO document G/MA/QR/N/TUR/2/Add.3, 15 February 2022.

Table A3.4 Exports requiring a licence, 2022

| Description (changes to legal/regulatory requirements since January 2016) | Authority responsible | Rationale | Automatic/ non-automatic |
|---|--|---|-----------------------------|
| Opium and poppy heads | Ministry of Health | Prevent the production of drugs | non-automatic |
| Narcotic drugs, psychotropic substances, precursors and chemicals under international control | Ministry of Health | Prevent the production of drugs | non-automatic |
| Raw diamonds | Ministry of Treasury and Finance | Take necessary precautions against fraud | non-automatic |
| Products subject to Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal | Ministry of Environment, Urbanization and Climate Change | Protect human health and the environment from the negative effects of persistent organic pollutants | non-automatic |
| Living or non-living boars, wolves, jackals, foxes, martens, badgers, snakes, turtles, lizards, and identifiable parts of and clothing produced from them | Ministry of Agriculture and Forestry | CITES requirements | non-automatic |
| Fertilizers (excluding chemical fertilizers) | Ministry of Agriculture and Forestry | Supply security and compatibility with standards | non-automatic |
| Seeds (except forest-tree seeds) (Circular No. 2019/4 on Seed Export Implementation Rules and Procedures) | Ministry of Agriculture and Forestry | Phytosanitary reasons | non-automatic |
| Fisheries products subject to "prohibition derived from the principles of fishery" (including leeches) (Law No. 1380 of 22 March 1971 as amended by Law No. 7191 of 6 November 2019, and Communiqué No. 5/1 on Regulating Fisheries for Commercial Purposes (Official Gazette (2020), No. 31221, 22 August)) | Ministry of Agriculture and Forestry | CITES requirements | non-automatic |
| Racehorses | Ministry of Agriculture and Forestry | Biodiversity. Health and standards requirements | non-automatic |
| Feeds covered by the Feed Law | Ministry of Agriculture and Forestry | Supply security | non-automatic |
| Pharmaceuticals for veterinary purposes | Ministry of Agriculture and Forestry | Compatibility with standards | non-automatic |
| Export of natural flower bulbs subject to quota or any other kind of restriction | Ministry of Agriculture and Forestry | CITES requirements. Biodiversity protection of environment and species | non-automatic |
| Live animals kept for stud | Ministry of Agriculture and Forestry | Supply security | non-automatic |
| Natural mushrooms (only exports to EU countries) | Ministry of Agriculture and Forestry | Biodiversity. Compatibility with standards | non-automatic |
| Live tuna fish (Thynnus thunnus) | Ministry of Agriculture and Forestry | ICCAT requirements | non-automatic |
| Materials within the context of Munitions List of Wassenaar Arrangement / goods covered by the Missile Technology Controlling Regime | Ministry of National Defence | Regulate procedures for establishment, operation and control of industries producing war tools and equipment, and weapons and ammunition | non-automatic |
| Sugar | Ministry of Agriculture and Forestry | Issuing of licences through EVIS System | automatic |
| Technology and equipment used for nuclear purposes and radioactive materials (Regulation No. 31038 of 13 February 2020 on Nuclear Export Control and Law No. 7381 on Nuclear Regulation of 5 March 2022) | Turkish Energy Nuclear and Mineral Research Agency | Control of activities related to nuclear energy and ionizing radiation, on the basis of the principle of peaceful use, and the legal liability for nuclear damages resulting from nuclear incidents | non-automatic |
| Tobacco leaf and tobacco refuse | Ministry of Agriculture and Forestry | Compatibility with standards | automatic |

| Description (changes to legal/regulatory requirements since January 2016) | Authority responsible | Rationale | Automatic/ non-automatic |
|--|--|---|-----------------------------|
| Forest-tree seeds and other breeding materials | Ministry of Environment, Urbanization and Climate Change | .. | .. |
| Olive tree sapling (species certificated domestically which are registered and published in the National Species List) | Ministry of Agriculture and Forestry | Protection of genetic resources | non-automatic |
| Explosive materials within the context of Regulatory Statute No. 87/12028 | Ministry of Internal Affairs | security measures relating to the production of explosive products | non-automatic |
| Angora goats | Ministry of Agriculture and Forestry | Protection and reproduction activities (Angora goat is registered as genetic race) | non-automatic |
| Various native goats, sheep, chickens, dogs, cats, rabbits, honeybees, silkworms, horses and donkeys ^a | Ministry of Agriculture and Forestry | .. | non-automatic |
| Communiqué Concerning the Export of Chemical Substances listed in annex II (to member states only) and annex III to the Convention of Chemical Weapons Communiqué No. 2017/07, Official Gazette No. 30144 of 4 August 2017 | Ministry of Trade | Requirements from membership of Convention of Chemical Weapons | non-automatic |
| Communiqué Concerning the Control of the Export of Dual-use and Sensitive Goods | Ministry of Trade | International commitment for enhancing security in the margins of Wassenaar Arrangement List of Dual-Use Goods and Technology and Australia Group List of Chemical Precursors | non-automatic |

.. Not available.

- a The list of these native animals/birds/insects has remained unchanged since Türkiye's previous Review and can be found in WTO document WTO/TPR/S/331/Rev.1, 9 August 2016, Table 3.20.
b International Commission for the Conservation of Atlantic Tunas (ICCAT).
c Convention on the International Trade in Endangered Species of Wild Fauna and Flora (CITES).

Note: The legal/regulatory basis for export licensing requirements for each product group, where unchanged, is contained in WTO document WTO/TPR/S/331/Rev.1, 9 August 2016, Table 3.20.

Source: Information provided by the authorities.

Table A3.5 Communiqués on product safety and inspection, 2022

| Communiqué | Overview |
|------------|---|
| 2022/1 | Industrial products within the scope of some Turkish Standards, which are at the same time mandated in the domestic market, are subject to inspection by the Turkish Standards Institution (TSE) on behalf of the Ministry of Trade. The inspections are carried out in respect of minimum health, safety, and protection of environment standards, to provide adequate information to the consumers. |
| 2022/3 | This Communiqué includes wastes whose import is controlled (Annex-I) or prohibited (Annex-II/A, Annex-II/B) in accordance with the European Waste Catalogue and the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal. According to this Communiqué, import of wastes in its Annex-I are subject to physical control carried out by the Ministry of Environment, Urbanization, and Climate Change. Following the conformity assessment procedure, the Conformity Document, which is required to be submitted to the customs authorities during importation, is issued by the Ministry. |
| 2022/4 | According to this Communiqué, the import of drugs and psychotropic substances, which can be imported only with the permission of the Ministry of Health in compliance with the relevant international agreements, is subject to the control of the Ministry. |
| 2022/5 | The purpose of this Communiqué is to regulate the principles and procedures with regard to the conformity inspection regarding human health and safety and animal and plant existence in imports of the products. A certificate of conformity is issued for all products in all Appendices by the Ministry of Agriculture and Forestry. Physical controls and sample analyses are also carried out by the Ministry. |
| 2022/6 | Covers importation of chemical products that are listed in its Annex-I. The import of all but nine of these products is banned. To import the products in HS Codes 2903.14.00.00.00, 2903.19.00.00.19, 2903.76.10.00.00.00, 2903.76.20.00.00, 2903.76.90.00.00, 2903.77.66.00.00, 2903.77.90.00.00, and 2903.79.30.00.59 the importer must obtain a Control Certificate issued by the Ministry of Environment, Urbanization, and Climate Change. Moreover, products under HS Code 2903.71.00.00.00 can be imported for specific uses listed in the Communiqué. The documents required to get the Control Certificate are stated in the Communiqué, such as a pro forma invoice, certificate of analyses, the label of the product, etc. The Control Certificate should be submitted to the customs authorities during the import stage. |
| 2022/7 | Covers importation of solid fuels listed in its Annex-I. To import these products, the importer shall receive a Conformity Document issued after analysis carried out by the laboratories that are authorized by the Ministry of Environment, Urbanization and Climate Change. The documents required to obtain the Conformity Document are defined in this Communiqué. The importer shall submit the Conformity Document to the customs authorities during the import stage. |
| 2022/8 | Covers import controls for radio and telecommunication terminal equipment, and is implemented as of 01/05/2006, coherent with EU legislation. |
| 2022/9 | This Communiqué on machinery, low voltage equipment, electromagnetic compatibility, pressure equipment, simple pressure vessels, transportable pressure equipment, appliances burning fuels, lifts, and hot-water boilers are subject to mainly documentation inspection by the TSE on behalf of the Ministry of Trade at the import stage. The inspections are carried out in respect of essential requirements, which are laid down in the technical regulations. |
| 2022/10 | Covers import controls for toys, and is implemented as of 12/12/2005, coherent with EU legislation. |
| 2022/11 | Covers the safety controls for imports of personal protective equipment and is implemented coherent with EU legislation. |
| 2022/12 | Covers importation of some consumer products that are listed in its Annex-I and subject to conformity assessment protection of human health, human life and property, environment, and consumers. |
| 2022/14 | This Communiqué regulates import controls of construction products such as thermal insulation products for buildings, steel bars, etc. |
| 2022/15 | This Communiqué regulates import controls of batteries and accumulators. |
| 2022/16 | This Communiqué regulates import controls of medical devices such as in vitro, active implantable medical devices, etc. |
| 2022/18 | This Communiqué regulates import controls of footwear, textiles, apparel, and leather products. |
| 2022/19 | The purpose of this Communiqué is to regulate the principles and procedures with regard to the conformity certification regarding market security and health, documentation, notification and inspection of the products, which are tobacco, tobacco products, alcohol and alcoholic beverages, in importation thereof. |
| 2022/20 | According to this Communiqué, importation of certain goods such as pharmaceutical products, medicines, some chemicals, etc. are subject to the control of the Ministry of Health. For the importation of these goods, the importer shall submit some documents such as the pro forma invoice or invoice, certificate of analysis, etc. to the Ministry of Health before the import stage. The importer should submit the Control Certificate to the customs authorities during the import stage. |
| 2022/21 | The products within this Communiqué must mandatorily be up to specific standards with respect to quality compliance with the commercial quality standards on exportation and importation. This Communiqué lays down principles and procedures relating to risk-based inspections of these products with respect to quality compliance with the commercial quality standards at export and import stage. |

| Communiqué | Overview |
|------------|---|
| 2021/22 | This Communiqué lays down the principles and procedures regarding the classification of firms exporting products subject to commercial quality inspections on exports, specifications on which the classification is to be based, and the rights and obligations of the firms for which the classes are determined, to determine how and how often the products on export subject to commercial quality inspection shall be subject to commercial quality inspection. |
| 2022/23 | For the importation of scrap metals listed in the Annex I of this Communiqué, the importer shall receive a Metal Scrap Importer Document issued by the Ministry of Environment, Urbanization, and Climate Change. The Metal Scrap Importer Document is only given to those firms that are licensed by the Ministry in question and have scrap melting facilities and pre-treatment facilities. As per the Communiqué, import of the metal scraps shall be done only at border customs authorities with a radiation detection system installed. Annex II of this Communiqué lists the dangerous scraps whose import is prohibited. |
| 2015/24 | This Communiqué determines the rules and conditions for formation of International Preshipment Inspection Companies. It regulates the responsibilities of these companies, as well as monitoring and inspection procedures for their activities. According to Communiqué in question, International Preshipment Inspection Companies carry out the related inspection activities for verification of the tradable goods in terms of their quality, quantity, prices, and customs classification, etc. |
| 2012/25 | This Communiqué lays down principles and procedures relating to export, import, and internal market controls of cotton. |
| 2022/25 | This Communiqué regulates import controls of vehicle parts. |
| 2012/27 | This Communiqué lays down principles and procedures relating to the infrastructure conditions of factories that are subject to classification and control of cottons, determination of cotton class and types, packaging, marking, sampling, and analysis for control processes. |

Source: Information provided by the authorities.

Table A3.6 Summary of Türkiye's protection of IPRs, 2022

| Main legislation | Duration | Selected coverage, exclusions and limitations | Fees/levies (2022) |
|---|---|--|--|
| <p>Copyrights Law No. 5846 on Intellectual and Artistic Works, as amended by Law No. 4110 of 7 June 1995, Law No. 5101 of 2 December 2004, Law No. 5571 of 28 December 2006, Law No. 5728 of 23 January 2008, Law No. 6279 of 29 February 2012, and Law No. 6552 of 10 September 2014</p> | <p>70 years from author's death (or if there is more than one author, from the death of the last remaining author). For related rights, 70 years from the date of: -first fixation or making public of the performance; -first fixation of music or film productions; or -first broadcasting of radio-TV programmes.</p> | <p>Law No. 5846 covers the moral and economic rights of authors and related right holders (performers, phonogram and film producers and radio-television organizations), the rules and procedures regarding transactions on such rights, and ways of legal recourse and sanctions. Law No. 5846 provides a series of exceptions for: -Due to public order (use works as evidence in court) (Art. 30) -Legislation and court decisions (Art. 31) -Speeches made in the official assemblies (Art. 32) -For the purposes of face-to-face education (Art. 33) -Selected and collected works for educational and instructional purposes (Art. 34) -Freedom of quotation (Art. 35) -Contents of newspapers (Art. 36) -News (use works for giving information in relation to current events) (Art. 37) -Personal use (Art. 38) -Works of fine arts permanently placed on public streets (Art. 40) -For the benefit of the people with disability (Additional Art. 11)</p> | <p>According to Article 44 of the Copyright Law, natural and legal persons who manufacture or import for commercial purposes any kind of materials such as blank cassettes, computer disks, CDs, DVDs, and any kind of technical devices enabling reproduction of works are obliged to deposit a certain amount which does not exceed 3% of the manufacturing or importation costs. This amount shall be exploited for strengthening the IP system and supporting cultural and artistic activities.</p> |
| <p>Patents Law No. 6769 of 22 December 2016 on Industrial Property (Industrial Property Law)</p> | <p>20 years from date of filing for fully protected patent following examination process 10 years for utility models</p> | <p>Patentability criteria: patents shall be granted for any inventions, in all fields of technology, provided that they are new, involve an inventive step and are susceptible of industrial application. The following in particular shall not be regarded as invention. If the patent application or patent is related to the following subject matter or activities, only these subject matters or activities</p> | <p>Patent filing fee: TRY 75 Other fees for claiming priority, time requests, publication, issuing priority documents, registration of transfer of rights, inspection of files by third parties, search report, examination report, request for reestablishment of rights etc., ranging from TRY 30 to TRY 3550</p> |

| Main legislation | Duration | Selected coverage, exclusions and limitations | Fees/levies (2022) |
|------------------|----------|---|--------------------|
| | | <p>themselves as such are excluded from patentability:</p> <ul style="list-style-type: none"> (a) discoveries, scientific theories and mathematical methods; (b) schemes, rules and methods for performing mental acts, playing games or business activities, (c) programs for computers; (d) aesthetic creations; and (e) works of scientific presentations of information. <p>Patents shall not be granted in respect of following inventions:</p> <ul style="list-style-type: none"> (a) inventions contrary to "public order" or morality; (commercial exploitation shall not be deemed to be so contrary merely because it is prohibited by law or regulation); (b) plant or animal varieties or essentially biological processes for the production of plants or animals; this provision shall not apply to microbiological processes or the products thereof; (c) all treatment methods, including diagnostic methods and surgical methods practised on the human or animal body (this provision shall not apply to products, in particular substances or compositions, for use in any of these methods; (d) the human body, at the various stages of its formation and development, and the simple discovery of one of its elements, including the sequence or partial sequence of a gene; (e) processes for cloning human beings, processes for modifying the germ line genetic identity of human beings, uses of human embryos for industrial or commercial purposes; and (f) processes for modifying the genetic identity of animals which are likely to cause them suffering without any substantial medical benefit to man or animal, and also animals resulting from such processes. | |

| Main legislation | Duration | Selected coverage, exclusions and limitations | Fees/levies (2022) |
|---|---|---|--|
| | | Criteria for utility models; novelty, and industrial applicability. Technical features, which do not contribute to the subject matter of invention, are considered in the assessment of novelty. | |
| Trademarks | | | |
| Trade Mark Law No. 6769 of 22 December 2016 on Industrial Property (Industrial Property Law) | 10 years (renewable). Failure to use marks within 5 years of registration, or subsequent 5-year periods may result in revocation. | Covers goods, service, guarantee marks and collective marks. Exclusions include marks that might confuse the public. | Single filing fee of TRY 380. Registration certificate fee of TRY 1,020. Other fees for renewals, copies, recording, editing, opposition, handling fee, division of application, appeals, etc., ranging from TRY 60 to TRY 2,505 |
| Geographical indications | | | |
| Law No. 6769 of 22 December 2016 on Industrial Property (Industrial Property Law) ^a and Geographical Indication and Traditional Product Name Emblem Regulation | Indefinite | Covers all food, agricultural, mining, handicraft and industrial products. | Application fee of TRY 65, registration fee of TRY 120. Other fees for appeals, amendments, copies, etc., ranging from TRY 60 to TRY 220. |
| Industrial designs | | | |
| Law No. 6769 of 22 December 2016 on Industrial Property (Industrial Property Law) ^b | 5 years from filing date, renewable for 5-year periods to a maximum of 25 years. | Covers new and distinctive designs. Exclusions include and computer programs (covered by Copyright Law) and topographies of semi-conductors. | Single filing fee of TRY 270. Other fees for publication, deferment, renewal, registration, transfer, licence, priority, examination, etc., ranging from TRY 60 to TRY 1,290. |
| Plant varieties | | | |
| Law No. 5042 on the Protection of Plant Breeder's Rights for New Plant Varieties, and Law No. 5553 on Seeds | 25 years after registration (30 years for trees, vines, and potatoes) | Covers plant varieties that are found to be new, distinct, uniform and stable. Covers all plants. | Application fee of TRY 620. Other fees for priority application, examinations, etc. ranging from TRY 62 to TRY 1,100. |
| Integrated circuit topographies | | | |
| Law No. 5147 on Integrated Circuits | 10 years from the date of first commercial exploitation by right holder anywhere in the world. | Covers original designs. Does not apply to the concepts, processes, systems or techniques on which the topography is based or to information stored in a microelectronic semiconductor product. Reproduction for evaluation, analysis, research or teaching is permitted. | Application fee of TRY 780. Other fees for objections, registration, amendments, extension, publication, mergers, re-registration, etc. ranging from TRY 220 to TRY 2,440. |

| Main legislation | Duration | Selected coverage, exclusions and limitations | Fees/levies (2022) |
|--|--|---|--------------------|
| Protection of undisclosed information | | | |
| Regulation on Licensing of Medical Products for Human Use (Art. 9) | Data exclusivity period of six years to commence as of first registration date in the Customs Union Area. With regard to those products which benefit from patent protection in Türkiye, the data exclusivity period is limited to the term of the patent. | Medicinal products for human use | n.a. |

n.a. Not applicable.

a Protection for unregistered geographical indications is provided through the unfair competition provisions of the Turkish Commercial Code.

b Industrial designs may be covered by both the Copyright and the Industrial Design Laws. The term is 70 years under the former and 20 years under the latter. Where the work is protected under both laws, a right holder may choose either or both.

Source: WIPO Lex. Viewed at: <http://www.wipo.int/wipolex/en>.