This study has been conducted on behalf of TAIK to determine U.S. Direct investment in Turkey.
We combine the results of several studies that address a set of related research hypotheses. (meta-analysis)
Secondary data has been used for the study and has been gathered from below sources.

- The World Bank
- Ministry of Economic
- Turkish Statistical Institute (Turkstat)
- Central Bank of the Republic of Turkey (CBRT)
- U.S. Bureau of Economic
- United Nations Conference on Trade and Development
- The World Trade Organization (WTO)
- U.S. State Department
- U.S. Commercial Service
- Several newspapers (Bloomberg, Financial Times...)
- S&P, Moody’s and Fitch
- Economic Intelligent Unit, ISA, Heidrick & Struggles reports..
To understand key drivers of investment, The country benchmark has been performed (to compare economic indicators of Turkey, Poland and Czech Republic)

According to U.S. Direct Investment outflows, Turkey a fourth-grade county with 5 billion USD investment.

Nine Questions has been defined to figure out how to increase U.S. direct investment.
Agenda

1
Turkey Investment Climate 03

2
US Trade & Outflow FDI Trends 23

3
Turkey & US Trade and Investment 32

4
Benchmark 46

5
Questions 61
Agenda

1. Turkey Investment Climate
2. US Trade & Outflow FDI Trends
3. Turkey & US Trade and Investment
4. Benchmark
5. Questions
Turkey has recovered fast from the global financial crisis and Turkey has the fastest economic growth rates in Europe.

After a sharp economic slowdown in 2008 and 2009, economic growth soared in 2010 and 2011 as both domestic and export demand rose at a strong pace.

Regional power

Soap operas followed by all neighbours

Data for 2012 is the first nine months of 2012, Ministry of Economy, Data for 2013 - 2014 is World bank's prediction, ISA Country Report, Economic Outlook
Turkey was the 18\textsuperscript{th} largest economy in the world.

In 2011, Turkey was the 18\textsuperscript{th} largest economy in the world, with a GDP of $775 billion.

Over the last three years, Turkey has been one of the fastest growing economies in the world, growing at 9.2\% in 2010 and 8.5\% in 2011.

Turkey is the closest follower of BRIC countries.
Ratings

In 2012, Fitch, one of the three main ratings firms, lifted Turkey's long-term foreign-currency debt to triple-B-minus from double-B-plus.

<table>
<thead>
<tr>
<th>Country</th>
<th>S&amp;P Rating</th>
<th>Moody's rating</th>
<th>Fitch Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>BBB</td>
<td>Baa2</td>
<td>BBB-</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>AA-</td>
<td>A1</td>
<td>A+</td>
</tr>
<tr>
<td>Greece</td>
<td>B-</td>
<td>C</td>
<td>CCC</td>
</tr>
<tr>
<td>Hungary</td>
<td>BB</td>
<td>Ba1</td>
<td>BB+</td>
</tr>
<tr>
<td>India</td>
<td>BBB-</td>
<td>Baa3</td>
<td>BBB-</td>
</tr>
<tr>
<td>Israel</td>
<td>A+</td>
<td>A1</td>
<td>A</td>
</tr>
<tr>
<td>Italy</td>
<td>BBB+</td>
<td>Baa2</td>
<td>A-</td>
</tr>
<tr>
<td>Poland</td>
<td>A-</td>
<td>A2</td>
<td>A-</td>
</tr>
<tr>
<td>Russia</td>
<td>BBB</td>
<td>Baa1</td>
<td>BBB</td>
</tr>
<tr>
<td>Turkey</td>
<td>BB</td>
<td>Ba1</td>
<td>BBB-</td>
</tr>
</tbody>
</table>

“Fitch believes that the Turkish economy is on track to return to a sustainable growth rate, having narrowed the current account deficit and lowered inflation after overheating in 2011”
- Debt/GDP ratio of Turkey was 39.4% in 2011
- Below the Maastricht Criteria (60%)
- 50% population is under 29 of age
Economic Targets of 2013-2015 Medium Term

Medium Term Programme which covers 2013-2015 period aims to strengthen macroeconomic and financial stability by reaching potential economic growth rate, decreasing the current account deficit further, reducing inflation and improving public fiscal balances.

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (Billion $, Current Prices)</td>
<td>799</td>
<td>858</td>
<td>919</td>
<td>998</td>
</tr>
<tr>
<td>GDP Per Capita ($)</td>
<td>10.673</td>
<td>11.318</td>
<td>11.982</td>
<td>12.859</td>
</tr>
<tr>
<td>Real GDP Growth</td>
<td>3.2</td>
<td>4.0</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Unemployment Rate (%)</td>
<td>9.0</td>
<td>8.9</td>
<td>8.8</td>
<td>8.7</td>
</tr>
<tr>
<td>Tourism Income (Billion $)</td>
<td>23.5</td>
<td>25.4</td>
<td>27.0</td>
<td>28.4</td>
</tr>
<tr>
<td>Current Account Balance (Billion $)</td>
<td>-58.7</td>
<td>-60.7</td>
<td>-63.6</td>
<td>-64.7</td>
</tr>
<tr>
<td>Current Account Balance/GDP (%)</td>
<td>-7.3</td>
<td>-7.1</td>
<td>-6.9</td>
<td>-6.5</td>
</tr>
</tbody>
</table>

*Forecast (Medium Term Programme, Ministry of Development – October 9, 2012), Economic Outlook Feb 2013, Ministry of Economic Development*
Turkey is rapidly becoming an important center for manufactured exports to Europe and the Middle East.

While exports have suffered in recent years due to the weakness of key European export markets, the longer-term outlook calls for healthy export growth rates in the years ahead.

Data for 2012 is provisional. Turkstat, ISA Country Report 2013
## Main Export Items

<table>
<thead>
<tr>
<th>Rank</th>
<th>Code</th>
<th>Description</th>
<th>Annual 2011</th>
<th>Annual 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>71</td>
<td>Precious stones, precious metals: and articles thereof</td>
<td>3,739</td>
<td>16,328</td>
</tr>
<tr>
<td>2</td>
<td>87</td>
<td>Vehicle other than railway or tramway rolling_stock,parts thereof</td>
<td>15,803</td>
<td>15,151</td>
</tr>
<tr>
<td>3</td>
<td>84</td>
<td>Boilers, machinery and mechanical appliances: parts thereof</td>
<td>11,561</td>
<td>12,015</td>
</tr>
<tr>
<td>4</td>
<td>72</td>
<td>Iron and steel</td>
<td>11,225</td>
<td>11,342</td>
</tr>
<tr>
<td>5</td>
<td>85</td>
<td>Electrical machinery and equipment: parts thereof</td>
<td>8,874</td>
<td>9,380</td>
</tr>
<tr>
<td>6</td>
<td>61</td>
<td>Knitted and crocheted goods and articles thereof</td>
<td>8,386</td>
<td>8,428</td>
</tr>
<tr>
<td>7</td>
<td>27</td>
<td>Mineral fuels, minerals oils and product of their distillation</td>
<td>6,539</td>
<td>7,707</td>
</tr>
<tr>
<td>8</td>
<td>73</td>
<td>Articles of iron and steel</td>
<td>5,748</td>
<td>6,103</td>
</tr>
<tr>
<td>9</td>
<td>62</td>
<td>Non knitted and crocheted goods and articles thereof</td>
<td>5,124</td>
<td>5,436</td>
</tr>
<tr>
<td>10</td>
<td>39</td>
<td>Plastic and articles thereof</td>
<td>4,580</td>
<td>5,016</td>
</tr>
</tbody>
</table>

USD Million
# Main Export Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>USD Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>13,132</td>
</tr>
<tr>
<td>Iraq</td>
<td>10,830</td>
</tr>
<tr>
<td>Iran</td>
<td>9,923</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>8,701</td>
</tr>
<tr>
<td>U.A.E</td>
<td>8,177</td>
</tr>
<tr>
<td>Russia</td>
<td>6,683</td>
</tr>
<tr>
<td>Italy</td>
<td>6,376</td>
</tr>
<tr>
<td>France</td>
<td>6,202</td>
</tr>
<tr>
<td>USA</td>
<td>5,615</td>
</tr>
<tr>
<td>Spain</td>
<td>3,721</td>
</tr>
</tbody>
</table>

2012, USD Million

Turkstat
Global Talent Index

In the long-run, the low-cost of the Turkish labour force will attract additional foreign investment.

<table>
<thead>
<tr>
<th>Rank 2011</th>
<th>Country</th>
<th>Rank 2015</th>
<th>Rank 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>United States</td>
<td>74,2</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Denmark</td>
<td>64,7</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Finland</td>
<td>63,2</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Norway</td>
<td>61,9</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>Singapore</td>
<td>60,2</td>
<td>6</td>
</tr>
<tr>
<td>6</td>
<td>Australia</td>
<td>60,1</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td>Sweden</td>
<td>59,5</td>
<td>4</td>
</tr>
<tr>
<td>8</td>
<td>Hong Kong</td>
<td>59,1</td>
<td>10</td>
</tr>
<tr>
<td>9</td>
<td>Switzerland</td>
<td>58,5</td>
<td>9</td>
</tr>
<tr>
<td>10</td>
<td>Israel</td>
<td>58,3</td>
<td>11</td>
</tr>
<tr>
<td>10</td>
<td>Netherlands</td>
<td>58,3</td>
<td>13</td>
</tr>
<tr>
<td>48</td>
<td>Turkey</td>
<td>35</td>
<td>43</td>
</tr>
</tbody>
</table>

The rankings remain reasonably stable in both year, but noteworthy advances in 2015 are registered by Canada, Chile and Turkey.

Improved economic performance is expected to help talent environments improve in these countries, while tough economic conditions contribute to the largest falls in the index in 2015, suffered by Greece and Venezuela.
Cost of living levels are very high in Istanbul, whereas in the rest of the country, living costs are far lower. In fact, Istanbul is one of the most expensive cities in the entire Eastern Mediterranean region.
Logistics

- Europe’s biggest truck fleet (45 thousands trucks and 1,420 companies)
- Almost 1,1 million flights in 2012 (2.4 million tonnes freight and 130 million passengers)
- 25. biggest fleet in the world
- 48 airports and 76 ports
- Total length of divided highways will reach 15 thousand kilometers.
- High-speed railway projects are carried out rapidly.
Free Zones in Turkey

Turkey’s 19 free zones registered $22.6 billion in turnover last year and created employment for 54,000 people.
FTA Countries

1. EFTA (Norway, Switzerland, Iceland, Liechtenstein)
2. Israel
3. Macedonia
4. Croatia
5. Bosnia and Herzegovina
6. Palestine
7. Tunisia
8. Morocco
9. Syria (**)
10. Egypt
11. Albania
12. Georgia
13. Montenegro
14. Serbia
15. Chile
16. Jordan
17. Lebanon*
18. Mauritius*
19. South Korea*

(*) Agreements that are in the approval process
(**) Pending

Ministry of Economy
In 2011, Turkey recorded a strong recovery of FDI; inflows rose by more than 75 percent, from US$9 billion to almost US$16 billion. Turkey stood as an exception to regional trends, with inflows registering a 76 percent increase to $16 billion, maintaining the country’s position as the region’s second largest FDI recipient and increasing its share in the region’s total from 16 to 33 percent. Turkey’s geographical position is an asset.
In addition, Turkey’s FDI promotion policy has been shifting towards a more sector-specific approach, aiming directly at high value added, high-tech and export-oriented projects.

<table>
<thead>
<tr>
<th>Country</th>
<th>2010</th>
<th>2011</th>
<th>2011*</th>
<th>2012*</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>245</td>
<td>905</td>
<td>788</td>
<td>1992</td>
</tr>
<tr>
<td>Austria</td>
<td>1584</td>
<td>2419</td>
<td>2361</td>
<td>1399</td>
</tr>
<tr>
<td>Luxemburg</td>
<td>292</td>
<td>555</td>
<td>487</td>
<td>1226</td>
</tr>
<tr>
<td>Netherlands</td>
<td>486</td>
<td>1424</td>
<td>1329</td>
<td>1090</td>
</tr>
<tr>
<td>Germany</td>
<td>597</td>
<td>665</td>
<td>460</td>
<td>462</td>
</tr>
<tr>
<td>USA</td>
<td>323</td>
<td>1402</td>
<td>693</td>
<td>346</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>12</td>
<td>1266</td>
<td>11</td>
<td>339</td>
</tr>
<tr>
<td>Switzerland</td>
<td>122</td>
<td>233</td>
<td>204</td>
<td>325</td>
</tr>
<tr>
<td>Lebanon</td>
<td>29</td>
<td>44</td>
<td>44</td>
<td>315</td>
</tr>
<tr>
<td>Malaysia</td>
<td>6</td>
<td>14</td>
<td>11</td>
<td>294</td>
</tr>
<tr>
<td>Italy</td>
<td>25</td>
<td>111</td>
<td>102</td>
<td>161</td>
</tr>
</tbody>
</table>

Inflow USD Million
Foreign Direct Investments

Investments in automotive and petrochemical industries have been designated primary objectives by the Investment Support and Promotion Agency, and the mining sector will soon be added as well.

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative FDI (net)</td>
<td>2,785</td>
<td>10,031</td>
<td>20,185</td>
<td>22,047</td>
<td>19,504</td>
<td>8,411</td>
<td>9,038</td>
<td>15,904</td>
</tr>
<tr>
<td>FDI</td>
<td>1,442</td>
<td>8,190</td>
<td>17,263</td>
<td>19,121</td>
<td>16,567</td>
<td>6,629</td>
<td>6,544</td>
<td>13,891</td>
</tr>
<tr>
<td>Capital (Net)</td>
<td>888</td>
<td>8,053</td>
<td>16,876</td>
<td>18,100</td>
<td>14,313</td>
<td>5,382</td>
<td>5,792</td>
<td>13,297</td>
</tr>
<tr>
<td>Inflow</td>
<td>986</td>
<td>8,454</td>
<td>17,533</td>
<td>18,843</td>
<td>14,348</td>
<td>5,464</td>
<td>5,827</td>
<td>15,288</td>
</tr>
<tr>
<td>Outflow</td>
<td>(98)</td>
<td>(401)</td>
<td>(657)</td>
<td>(743)</td>
<td>(35)</td>
<td>(82)</td>
<td>(35)</td>
<td>(1,991)</td>
</tr>
<tr>
<td>Reinvested Earnings</td>
<td>204</td>
<td>81</td>
<td>106</td>
<td>294</td>
<td>399</td>
<td>788</td>
<td>411</td>
<td>599</td>
</tr>
<tr>
<td>Other Capital</td>
<td>350</td>
<td>56</td>
<td>281</td>
<td>727</td>
<td>1,855</td>
<td>459</td>
<td>341</td>
<td>(5)</td>
</tr>
<tr>
<td>Real Estate Purchases (Net)</td>
<td>1,343</td>
<td>1,841</td>
<td>2,922</td>
<td>2,926</td>
<td>2,937</td>
<td>1,782</td>
<td>2,494</td>
<td>2,013</td>
</tr>
</tbody>
</table>

USD Million

CBRT
As the countries of Eastern Europe become more expensive, Turkey will be in a position to gain significant amounts of manufacturing FDI, if the political climate is favorable.
Breakdown of FDI in Manufacturing (%)
Agenda

1. Turkey Investment Climate
   03

2. US Trade & Outflow FDI Trends
   23

3. Turkey-US Trade and Investment
   32

4. Benchmark
   46

5. Questions
   61
By location, in 2010 and 2011, U.S. firms focused slightly more than half of their investments in the highly developed economies of Europe with investments in other developed economies raising the share of investments going to developed economies to about 70% of total U.S. direct investment abroad.
New spending by U.S. firms on businesses and real estate abroad, or U.S. direct investment abroad rose by 27% in nominal terms in 2011 over the amount invested in 2010, reflecting improvements in the rate of economic growth in Europe and elsewhere.

The majority of U.S. direct investment abroad is in developed countries where wages, markets, industries, and consumers' tastes are similar to those in the United States. U.S. direct investment in these developed countries is oriented toward serving the markets where the affiliates are located and they tend, in the aggregate, to boost exports from the United State.
Patterns in U.S. direct investment abroad generally reflect fundamental changes that occur in the U.S. economy during the same period. As investment funds in the U.S. economy shifted from extractive, processing, and manufacturing industries toward high technology services and financial industries, U.S. investment abroad mirrored these changes.
As a result, U.S. direct investment abroad focused less on the extractive, processing, and basic manufacturing industries in developing countries and more on high technology, finance, and services industries located in highly-developed countries with advanced infrastructure and communications systems.
## GDP / U.S. Investment Position

<table>
<thead>
<tr>
<th>GDP Rank</th>
<th>Country Name</th>
<th>GDP</th>
<th>US Investment Position</th>
<th>GDP/ US Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>Netherlands</td>
<td>836</td>
<td>595</td>
<td>71.2%</td>
</tr>
<tr>
<td>7</td>
<td>U.K</td>
<td>2,445</td>
<td>549</td>
<td>22.5%</td>
</tr>
<tr>
<td>19</td>
<td>Switzerland</td>
<td>659</td>
<td>125</td>
<td>19.0%</td>
</tr>
<tr>
<td>11</td>
<td>Canada</td>
<td>1,736</td>
<td>319</td>
<td>18.4%</td>
</tr>
<tr>
<td>13</td>
<td>Australia</td>
<td>1,379</td>
<td>136</td>
<td>9.9%</td>
</tr>
<tr>
<td>14</td>
<td>Mexico</td>
<td>1,153</td>
<td>91</td>
<td>7.9%</td>
</tr>
<tr>
<td>12</td>
<td>Spain</td>
<td>1,477</td>
<td>59</td>
<td>4.0%</td>
</tr>
<tr>
<td>5</td>
<td>France</td>
<td>2,773</td>
<td>89</td>
<td>3.2%</td>
</tr>
<tr>
<td>4</td>
<td>Germany</td>
<td>3,601</td>
<td>107</td>
<td>3.0%</td>
</tr>
<tr>
<td>6</td>
<td>Brazil</td>
<td>2,477</td>
<td>71</td>
<td>2.9%</td>
</tr>
<tr>
<td>15</td>
<td>Korea, Rep.</td>
<td>1,116</td>
<td>32</td>
<td>2.8%</td>
</tr>
<tr>
<td>3</td>
<td>Japan</td>
<td>5,867</td>
<td>117</td>
<td>2.0%</td>
</tr>
<tr>
<td>20</td>
<td>Saudi Arabia</td>
<td>577</td>
<td>9</td>
<td>1.5%</td>
</tr>
<tr>
<td>16</td>
<td>Indonesia</td>
<td>847</td>
<td>12</td>
<td>1.4%</td>
</tr>
<tr>
<td>10</td>
<td>India</td>
<td>1,848</td>
<td>25</td>
<td>1.3%</td>
</tr>
<tr>
<td>8</td>
<td>Italy</td>
<td>2,194</td>
<td>25</td>
<td>1.2%</td>
</tr>
<tr>
<td>2</td>
<td>China</td>
<td>7,318</td>
<td>54</td>
<td>0.7%</td>
</tr>
<tr>
<td>18</td>
<td>Turkey</td>
<td>775</td>
<td>5</td>
<td>0.7%</td>
</tr>
<tr>
<td>9</td>
<td>Russian Fed.</td>
<td>1,858</td>
<td>10</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

2011, USD Bn

Worldbank, U.S. Bureau of Economic
The $2.73 trillion in imports during fiscal year 2012 represents a three percent increase over fiscal year 2011 import values and is the highest annual import value figure to date.

Ten commodity groups accounted for 70 percent of fiscal year 2012 import value.
- Mineral Products,
- Machinery and Mechanical Equipment,
- Appliances and Electrical Equipment,
- Vehicles,
- Aircraft and Parts,
- American Goods Returned,
- Jewelry and Precious Stones,
- Optical/Measuring Devices,
- Pharmaceutical Products,
- Chemicals and Furniture.
China remained the top trading partner with the U.S. (in terms of imports) during fiscal year 2012, followed by Canada, Mexico, Japan and Germany.
U.S. Direct Investment Position by Country

300 – 500 Bn USD

USD Bn

Netherlands
United Kingdom
Luxembourg
Canada

2005 2006 2007 2008 2009 2010 2011

U.S. Bureau of Economic

®TNS 2013
U.S. Direct Investment Position by Country

60 – 120 Bn USD

USD Bn

2005 2006 2007 2008 2009 2010 2011

Singapore Japan Germany Brazil

©TNS 2013
U.S. Direct Investment Position by Country

20 – 60 Bn USD

USD Bn

2005 2006 2007 2008 2009 2010 2011

Hong Kong
Chile
Korea, Republic of
Norway
Sweden
Italy
India
Austria
Taiwan

U.S. Bureau of Economic
U.S. Direct Investment Position by Country

3 – 6 Bn USD

USD Bn

2005 2006 2007 2008 2009 2010 2011

United Arab Emirates
Angola
Panama
Philippines
Czech Republic
Algeria
Turkey
Nigeria

U.S. Bureau of Economic
# Agenda

<table>
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<th>Title</th>
<th>Page</th>
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<td>US Trade &amp; Outflow FDI Trends</td>
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<td>61</td>
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</tbody>
</table>
U.S. direct investment in Turkey in 2011 doubled to $1.4 billion. The U.S. Department of Commerce has identified Turkey as one of several priority markets for U.S. business development – the only country in Europe with such a designation;

USD Million
U.S. Direct Investment in Turkey

Cumulative FDI Flows 2002 - 2011

- Netherlands: 15.705
- USA: 8.092
- Belgium: 7.262
- Austria: 6.912
- Greece: 6.617
- France: 5.994
- Luxembourg: 5.276
- Germany: 4.855
- UK: 4.597
- Spain: 4.128

Capital Inflow to Turkey, 2011

- Austria: 2.235
- Spain: 2.230
- The Netherlands: 1.623
- Belgium: 1.474
- USA: 1.403
- Azerbaijan: 1.265
- France: 0.985
- UK: 0.917
- Russia: 0.761
- Germany: 0.605
- Other: 2.389

U.S. is second largest investor in Turkey in the last 10 years
U.S. Direct Investment Position by Industry

Some data have been suppressed to avoid disclosure of data of individual companies. USD Million

U.S. Bureau of Economic Analysis
Trade Volume 2009 - 2012

U.S. Export have more than doubled from 2009 to 2011

Total Trade 2011 - $19.851 billion – has broken all record for the full year
U.S. Export to Turkey

- Transportation Equipment: 21.4%
- Waste and Scrap: 16.6%
- Agricultural Products: 12.7%
- Petroleum & Coal Product: 10.8%
- Chemicals: 7.9%
- All Other: 30.5%

U.S. Commercial Service
Top Three Sector for U.S. Goods & Services

Aircraft
$2,234,616,997 to $2,856,914,205
%28 increase

Iron and Steel
$1,573,299,408 to $2,475,284,045
%57 increase

Mineral Fuel, Oil
$599,676,139 to $2,136,470,172
%256 increase
Top Three Sector for Turkish Goods & Services

Vehicles
$453,149,914 to $661,868,067
%46 increase

Machinery and Engine Part
$457,925,230 to $544,043,065
%19 increase

Iron and Steel
$258,001,825 to $401,437,141
%55 increase
The U.S. and Turkey are partners in agriculture, and U.S. exporters provide critical inputs for Turkey’s food and fiber manufacturing and export industries.

**U.S. Products**
- Cotton
- Wheat
- Corn, soybeans, and live animals
- Almonds

**Turkish Products/Exports**
- Textiles
- Flour
- Meat and dairy
- Snack Food

Turkey re-exports or adds value to over 85% of products it imports from the United States.
U.S. Export Regional Market Comparison

<table>
<thead>
<tr>
<th>Country</th>
<th>USD Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>14.631</td>
</tr>
<tr>
<td>Russia</td>
<td>8.285</td>
</tr>
<tr>
<td>Egypt</td>
<td>6.183</td>
</tr>
<tr>
<td>Poland</td>
<td>3.129</td>
</tr>
<tr>
<td>Iraq</td>
<td>2.431</td>
</tr>
<tr>
<td>Greece</td>
<td>1.083</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>257</td>
</tr>
</tbody>
</table>

U.S. Census Bureau Data
Important M&A transactions of 2011

In energy sector, Cogentrix, which partners with Eti Elektrik Üretim A.Ş., was the major American investor

The acquisition of the majority of the shares in the gittigidiyor.com by the USA based Ebay for USD 217.5 million

and the acquisition of 99.9% share of Deniz Emeklilik by MetLife Foreign Direct Investments in Turkey 2011, for USD 231.7 million,

were the important M&A transactions of 2011 and reflected to the balance of payments in 2011 as capital inflows from the USA
U.S. Companies in Turkey

General Electric will invest $900 million in aviation, energy, health, transportation and infrastructure in Turkey over the next three years after the government offered incentives to investors.

3M, on their 25 anniversary in Turkey, will establish a manufacturing facility in the town of Corlu. The estimated USD 500 million investment will kick off with the groundbreaking in December.

Turkey plans to invest $5bn on smart power grids by 2015 to enhance network efficiency, allowing North American firms to expand. America sees "substantial opportunities for closer cooperation between the Turkish government and energy companies and U.S. companies that provide smart-grid technologies," a statement from the US consulate in Istanbul noted.
“Ribbit Capital, a Palo Alto, California-based venture capital firm, is looking for Turkish startups to back from its $100 million fund started last month.”

*Bloomberg  Feb 18, 2013*

"With a total 300,000 employees and 60 billion dollars in annual revenue, Pepsi Co. has now decided to increase their 800 million dollar investment in Turkey to five billion dollars. The firm plans to make Turkey their base of distribution to countries in the Middle East and North Africa," announces Çağılayan.

*Sabah April 18, 2012*
Key Sectors for U.S. Companies

- Defense and Aerospace Industries
- Healthcare
- Transportation Infrastructure
- Education
- Information and Communication Technologies
- Textile Machinery
- Energy

U.S. Commercial Service
Turkey, Poland and Czech Republics
U.S. Direct Investment Position

USD Million

- Czech Republic
- Poland
- Turkey

2005: 2.729, 5.575
2006: 3.141, 6.934
2007: 3.615, 15.614
2008: 4.066, 12.489
2009: 5.053, 13.427
2010: 4.542, 13.502
2011: 4.041, 12.327

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## U.S. Direct Investment Position vs GDP

<table>
<thead>
<tr>
<th>GDP Rank</th>
<th>Country Name</th>
<th>GDP</th>
<th>US Investment Position</th>
<th>GDP/ US Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>45</td>
<td>Czech Republic</td>
<td>217</td>
<td>5</td>
<td>2.4%</td>
</tr>
<tr>
<td>22</td>
<td>Poland</td>
<td>514</td>
<td>12</td>
<td>2.4%</td>
</tr>
<tr>
<td>18</td>
<td>Turkey</td>
<td>775</td>
<td>5</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

2011, USD Bn

**Worldbank, U.S. Bureau of Economic**
Foreign direct investment, net inflows (BoP, current US$)

Worldbank

©TNS 2013
GDP growth (annual %)

- **Czech Republic**
  - 2007: 6.8%
  - 2008: 5.7%
  - 2009: 4.7%
  - 2010: 3.1%
  - 2011: 0.7%

- **Poland**
  - 2007: 5.7%
  - 2008: 5.1%
  - 2009: 1.6%
  - 2010: 2.5%
  - 2011: 4.3%

- **Turkey**
  - 2007: -4.8%
  - 2008: -4.5%
  - 2009: -4.8%
  - 2010: 9.2%
  - 2011: 8.5%

*Source: Worldbank*
GDP per capita (current US$)

- **Czech Republic**
  - 2007: 17,467
  - 2008: 21,627
  - 2011: 20,579

- **Poland**
  - 2007: 11,157
  - 2011: 13,463

- **Turkey**
  - 2007: 9,246
  - 2011: 10,524
Index of Economic Freedom

Czech Republic

Poland

Turkey

©TNS 2013

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<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>GDP Growth (%)</th>
<th>GDP/Capita ($</th>
<th>Trade Balance as % of GDP</th>
<th>Population (mil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>38</td>
<td>Poland</td>
<td>4.4</td>
<td>13,463</td>
<td>-4.3</td>
<td>38.4</td>
</tr>
<tr>
<td>41</td>
<td>Czech Republic</td>
<td>1.7</td>
<td>20,407</td>
<td>-2.9</td>
<td>10.2</td>
</tr>
<tr>
<td>52</td>
<td>Turkey</td>
<td>8.5</td>
<td>10,498</td>
<td>-10</td>
<td>79.7</td>
</tr>
</tbody>
</table>
Global Competitiveness Index

Czech Republic: 39
Poland: 41
Turkey: 43

World Economic Forum
CORRUPTION PERCEPTIONS INDEX

Poland 41
Turkey 54
Czech Republic 54
Economic Freedom Ratings

Poland: 48
Czech Republic: 58
Turkey: 75

The Fraser Institute
## Tax

<table>
<thead>
<tr>
<th>Country</th>
<th>Rank</th>
<th>Payments (number per year)</th>
<th>Time (hours per year)</th>
<th>Profit tax (%)</th>
<th>Labor tax and contributions (%)</th>
<th>Other taxes (%)</th>
<th>Total tax rate (% profit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>120</td>
<td>8</td>
<td>413</td>
<td>7.5</td>
<td>38.4</td>
<td>3.4</td>
<td>49.2</td>
</tr>
<tr>
<td>Poland</td>
<td>114</td>
<td>18</td>
<td>286</td>
<td>17.4</td>
<td>23.8</td>
<td>2.6</td>
<td>43.8</td>
</tr>
<tr>
<td>Turkey</td>
<td>80</td>
<td>15</td>
<td>223</td>
<td>17.9</td>
<td>18.8</td>
<td>4.5</td>
<td>41.2</td>
</tr>
</tbody>
</table>

**Worldbank**
## Rank in World Trade

### Export

<table>
<thead>
<tr>
<th></th>
<th>Turkey</th>
<th>Poland</th>
<th>Czech Rep</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchandise</td>
<td>32</td>
<td>27</td>
<td>30</td>
</tr>
<tr>
<td>Commercial</td>
<td>29</td>
<td>30</td>
<td>36</td>
</tr>
</tbody>
</table>

### Import

<table>
<thead>
<tr>
<th></th>
<th>Turkey</th>
<th>Poland</th>
<th>Czech Rep</th>
</tr>
</thead>
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<tr>
<td>Commercial</td>
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<td>32</td>
<td>41</td>
</tr>
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</table>
Agenda

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2. US Trade & Outflow FDI Trends
   - Page 23

5. Questions & Answers
   - Page 32

4. Benchmark
   - Page 46

5. Questions
   - Page 61
In-depths and on-line Interviews were conducted based on a questionnaire which was prepared by TNS Global and approved by TAİK prior to fieldwork.

This step was a qualitative step, with qualitative insights and with a linked in-depth interview.
Can Turkey increase U.S. direct investment stock to 18.6 billion USD? How? What are barriers?

<table>
<thead>
<tr>
<th>GDP Rank</th>
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<th>GDP/ US Investment</th>
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<tr>
<td>18</td>
<td>Turkey</td>
<td>775</td>
<td>5</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

If Turkey’s GDP/US Investment rate are equal to Czech Rep’s rate or Poland’s rate:

0.7%  USD 5.2 Bn  \[\Rightarrow\]  2.4%  USD 18.6 Bn
Can Turkey increase U.S. direct investment stock to 18.6 billion USD? How? What are barriers?

Turkey is not perceived as an European country. Poland is a country more attractive for Europe. For the process with European Union has been extended, it is the most important point of issue separating Turkey with Poland.

In our country, unfortunately there are tax injustice and slow processes in law. Turkey is up to one-tenth of the population of the Czech Republic. These two countries are closer to the EU. Turkey is among the neighboring countries.

In the days when The United States has decided to open up to the international community, Turkey's political and technical infrastructure was not enough, and that such decisions of direct investments are not changing from day to day. It is very high cost to slip an investment to another region. Turkey’s logistics and system infrastructure is still not enough.
Can Turkey increase U.S. direct investment stock to 18.6 billion USD? How? What are barriers?

Turkey has not been introducing enough to U.S. companies, insufficient lobbying, U.S. companies are not having awareness about Turkey's economy and the competitive advantages offered.

Bureaucracy, legal infrastructure, intellectual property rights protection, the tax system are some of the main barriers to the difficulties related to this subject.

In addition, to increase the global competitiveness of Turkish companies, they have to be more innovative and creative, more high-tech, have more focus on creating added value.

Establishing a culture of innovation and R & D partnerships will make it more attractive.
Can Turkey become a Trade-Hub / Gateway to Middle East, Central / East Europe, Russian Federation for U.S. Companies? How?

The Netherlands “Gateway to Europe”

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S. Direct Investment Position in Netherlands USD Bn.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>240</td>
</tr>
<tr>
<td>2006</td>
<td>279</td>
</tr>
<tr>
<td>2007</td>
<td>412</td>
</tr>
<tr>
<td>2008</td>
<td>423</td>
</tr>
<tr>
<td>2009</td>
<td>508</td>
</tr>
<tr>
<td>2010</td>
<td>543</td>
</tr>
<tr>
<td>2011</td>
<td>595</td>
</tr>
</tbody>
</table>
Can Turkey become a Trade-Hub / Gateway to Middle East, Central / East Europe, Russian Federation for U.S. Companies? How?

With the crisis in the European Union, they discovered the North African continent. Manufacturing can be made in Turkey and products can be sold as a commercial center, but we need time for this process.

Ties to the Middle East are narrow but we can still be a passage to the middle east, but not yet for Russia.

Turkey is a bridge for energy. Poland is more attractive for Central Europe and Eastern Europe.

Subject is not only about Turkey, the improvement of the roads and having good neighbours are also important. As long as these problems go on, Turkey can be seen as an island.

Here is a need to research the following. "Why must America prefer Turkey?"
Can Turkey become a Trade-Hub / Gateway to Middle East, Central / East Europe, Russian Federation for U.S. Companies? How?

The reason is the law in general, compliance with laws and incentives.

For the new manufacturing centers in Central and Eastern Europe, we can talk about Romania, Poland and the Czech Republic. Egypt can be counted for middle east.

U.S. direct investment in Russia is already in, therefore, Turkey can not be a door for the Russian market. Russia is already a gateway to herself.

Turkey's domestic market with high growth potential is the center of attraction herself. In addition, being only 4-hour flights from Istanbul to over 50 countries, reaching to a population of 1.5 billion, the reachable market from Turkey reached to a size of 25 trillion dollars. This is also a very important logistical advantage to our country.
Can Turkey become a Business Process Outsourcing hub for U.S. Companies? How?

Kraków - Poland, recognized by UNCTAD as the best place for the growth of BPO projects in the category of Locations for global services outsourcing.
Can Turkey become a Business Process Outsourcing hub for U.S. Companies? How?

Poland is a beautiful model. Classters are developing in industrialization and can be very successful if can be penetrated into this system. Classters have big industrial importance. Investors look to their costs and find the most advantageous costs. Bilecik and Bursa are Classters.

Technoparks are needed to be developed.

We had 5-year development plans, but they could not have been successful enough. Perhaps by working together in the overall planning can improve our success.

Language is an important factor. Human capital, human resources and the need of knowing more than one language are also very important. Turkey has a good location.
Can Turkey become a Business Process Outsourcing hub for U.S. Companies? How?

Selecting of Poland might be a result of Jewish, as Poland is Jewish center in Europe. If Turkey can make a good lobby, then it can be considered.

Turkey can be an outsourcing center because of her strong economic growth, political stability, the geographical location and providing a dynamic internal market. More than half of foreign direct investment from 2007-2012 arrived in Istanbul. With the new incentive system, there may be the possibility to withdraw from investing in other regions.

There are quality infrastructure for the industrial sector in manufacturing and logistics. However, especially when it comes to the service sector, for example for call centers, there is trouble to find multilingual end experienced staff. Similarly, new initiatives can also be existent in the health sector.
Which sectors have the most potential for U.S. direct investment?

- Defense and Aerospace Industries
- Energy
- Transportation Infrastructure
- Information and Communication Technologies
- Textile Machinery
- Healthcare
- Education
Which sectors have the most potential for U.S. direct Investment?

First, we must look to what America is selling to us. The defense industry is a great area, this area should be expanded.

With great partnerships in strategic sectors causes also other sectors of the industry to develop faster. Transportation and infrastructure are also important factors. Energy, health and education sectors can be absolutely great. Students from abroad can come to Turkey.

Also aerospace, information and communication, education and energy sectors have serious potentials.

The investments in the defense and aerospace industries will go through major investments, but investors never make these kinds of investments to a country where it is not known for this country to be in which side in the future.
What type of incentives would motivate U.S. Companies to make investment in Turkey?
What type of incentives would motivate U.S. Companies to make investment in Turkey?

There is need to strategic consultation.

When considered the incentives given to the 6. region, it can be seen not to have stability and human resources.

Turkey has difficulties for incentives to spread to abroad. Businessmen also have difficulties in deciding from the same inconvenience.
What should TAIK do to increase Turkey’s Rating?
What should TAIK do to increase Turkey’s Rating?

Budget is required primarily. There are different groups, but as a donation for the publication of a book wanted. A lot of knowledge already go there from Turkey.

Turkey's shortcomings and weaknesses are on the basis of this situation. Competitiveness rankings are made each year, and there is a very good picture of Turkey there. Cons-pros from all sides, the positions are dumped out. We can take this research report as a basis. If we try to correct the shortcomings of other studies, then we do not need the extra work. Lobbying is also very important and effective.

It is also very important bringing together of the potential U.S. investors and senior executives of U.S. companies in Turkey who have been successful in some of the platforms and sharing of the best practices to concentrate efforts to encourage investments.
Can Istanbul International Finance Center become attractive for U.S. Holdings?

U.S. Holdings Direct Investment Position Abroad, USD Bn.

- 2007: 1.032
- 2008: 1.189
- 2009: 1.432
- 2010: 1.612
- 2011: 1.805
Can Istanbul International Finance Center become attractive for U.S. Holdings?

Turkey is not like Hong Kong or Dubai. This is not conducive with this law system.

Culturally, Turkey, the Russians and the Arabs are not close. There are not big investments although many meetings were held. According to them, Turkey is not attractive.

For Istanbul to be a financial center, some criterias should be realized, for example, a financial center is located in Dubai.

Istanbul alone can not become attractive as a financial center, beside being a financial center, the tax advantages may make her attractive.

There have been significant improvements in recent years under Istanbul International Financial Center coverage.
Can Istanbul International Finance Center become attractive for U.S. Holdings?

Last year, the legal framework has been strengthened by subtracting the new Turkish Commercial Code, Capital Markets Law and the Law of Obligations.

In order to increase the diversity of financial services and products, the transformation of the ISE Stock Exchange in Istanbul has been realized, all stock exchanges has been gathered under one roof. Istanbul Stock Exchange has been signed business and co-operation agreements with the exchanges in Tokyo, Singapore and Hong Kong. There are ongoing negotiations for strategic partnerships with London and Nasdaq exchanges. The next stage is the development of the technological infrastructure of the Stock Exchange, offering the large domestic and foreign companies in the region, providing access to a large number markets from one hand.

In these circumstances, Istanbul Finance Center will also be attractive for U.S. companies.
Can Turkey become a Logistic hub? How?
Can Turkey become a Logistic hub? How?

Turkey is an attractive country in the field of energy and the transmission is an advantage.

Turkey can be a logistics center for Iraq. However, Turkey can be the only one door that can be opened to northern Iraq, but the market there is very small. Turkey can be a logistics center for energy sector.

Financial center must be established, it is possible to realize all of them in 10 years, but this is a matter of cost. The success and failure stories must be studied.

Turkey has a good location. Especially in terms of natural resources, Turkey is a perfect country for the Caucasus and the Middle East.

The most important issue to work on for Turkey is the theme of the logistics center.
Can Turkey become a Logistic hub? How?

In many European countries, and even in Russia, there are very successful giant centers with technical infrastructures prepared with expertised.

The location is one of the parameters that can not be changed on Earth.

More specific logistics areas with airports must be studied and established. Air, sea and road networks must be interconnected with each other for Turkey to become a logistics center, it is very important.

Also easiness of the customs procedures and regulations of the storage areas will be important.
Q9

How can Turkey increase Special Trade Zone proportion?

- Free zones
- Foreign trade zones
- Export processing zones
- Free trade zones
- Special economic zones
- Industrial development zones
How can Turkey increase Special Trade Zone proportion?

Some of these areas exist now in Turkey.

Mersin region is a not studied region and it is not an attractive region.

Free trade zones are similar to plants, if the free zones which feasibility studies have been made are unsuccessful, these studies had been made wrong or no studies have been made at all.

The basic reasons of specific regions are to drop down the costs which mean to give up from one of the sources. So it is needed to gather income from other sources.
How can Turkey increase Special Trade Zone proportion?

Another benefit can be to bring together of the companies in the same industry, but the source must be balanced.

Practices in Singapore and Poland, special economic zones which processed between USA, Egypt and Jordan can be examined and adapted.

Technoparks, Organized Industrial Zones and Free Zones can be used more efficiently and effectively.

In addition, if Turkey can also take the advantage of EU-US Free Trade Agreement, it would be a significant advantage.
Benchmark...

We are up from a lot of countries in terms of human resources, but the salary levels do not create an attraction. Tax economy is law. Informal economy breaks the competition between companies. The cost of living is higher in Turkey when compared to Poland.

Salary levels, rent levels and quality of infrastructure, especially in terms of communication are quality.

We have reached to a good point in terms of human resources, but we have to be more favorable and attractive about taxes.

We are very risky about inputs (raw materials) and can not compete on that issue.
Benchmark...

We can compete on the issues below;
Young and well-educated population, skilled, efficient and cheap labor (blue and white collar), quality manufacturing, advanced supply industry, long and flexible working hours, dedication, attention to occupational health and safety, increased investments in infrastructure and technology, easiness of transportation, customs union with the EU, co-operation agreements with various countries, economic expansions, the executive power, experience and our R&D culture.
Thank you...