

Türkiye'deki İş ve Yatırım İklimi
Business and Investment Climate in Turkey

2010



AMERİKAN ŞİRKETLER DERNEĞİ
THE AMERICAN BUSINESS FORUM IN TURKEY

AMERİKAN TİCARET ODASI TÜRKİYE OFİSİ
Affiliate of THE UNITED STATES CHAMBER OF COMMERCE

About GfK Türkiye



Foundation:

Founded in 1987 in Turkey. Provides its services as part of the **GfK Group**, established in Germany in 1934, ranking 4th in the league table of market reserach institutes worldwide.

Number of employees

GfK Türkiye has 230+ full time employees.

GfK Group has 10.000 full time employees in 155 firms in 114 countries.

Research Models

- Satisfaction Surveys
- (Client / Employee / Dealer)
- Brand and Communication Surveys
- Usage and Attitude Research
- Product Development Research
- (Concept / Product / Package / Name)
- Profile and Segmentation Research
- Corporate Communication/Reputation Research
- Social and Opinion Research
- Panel Research (Durables)

Sectors

- FMCG
- Automotive
- Medical
- Finance
- Retail
- Durable Goods
- Telecommunication
- IT
- Construction
- Social / Public



Content

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2. Objectives
3. Methodology and Sampling
4. Findings
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1 INTRODUCTION

Introduction



The American Business Forum in Turkey (ABFT) was established in 2004. ABFT's mission is "to promote U.S. investments in Turkey and the region by providing advocacy, exchange of business information and networking opportunities."

ABFT has set up several committees to promote U.S. investments and relationships with the government in Turkey. ABFT membership includes 60 U.S. companies operating in a wide variety of sectors.

ABFT commissioned GfK Türkiye to conduct research on the outlook and perceptions of member and non-member U.S. companies for the years 2007, 2008, 2009 and 2010. GfK surveyed senior executives on the current commercial and investment environment in Turkey.

This document outlines the key findings of the "ABFT Survey on the Business & Investment Climate in Turkey" for 2007, 2008, 2009 and 2010.



OBJECTIVES

Objectives

□ This study focuses on the following areas, reflecting the current perceptions of US company executives on the Turkish business and investment environment :

- General Environment**
- Macroeconomics**
- Interaction with government officials/agencies**
- Infrastructure**
- Taxation**
- Legal System**
- Workforce**
- Education**
- Future expectations on investment trends**
- Company profile**

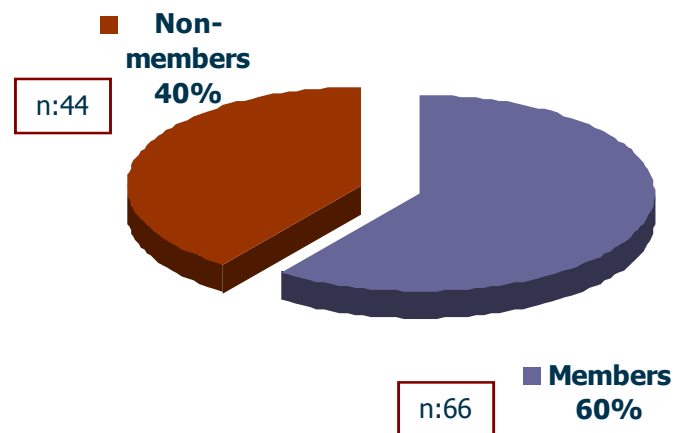
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METHODOLOGY AND SAMPLING

Methodology & Sampling

- ▶ On-line Interviews were conducted based on a questionnaire which was prepared by GfK Turkey and approved by ABFT prior to fieldwork.
- ▶ A total of 110 interviews were completed in 2010. The sample breakdown according to membership & sector status is as follows :

Membership Status



Sector Status

SERVICE	55
Audit	3
Banking	5
Consulting	8
Financial consulting	9
IT	8
HR Consulting	1
Education	3
Logistics	3
Media	1
Real Estate Consulting	6
Technology Services	4
Tourism	4

INDUSTRY	55
Diversified	11
Construction	5
Energy	6
Engineering	2
FMCG	5
Food Support	4
Industrial Manufacturing	3
Pharmaceuticals	13
Telecommunication	2
Healthcare	4

4

FINDINGS

4.1

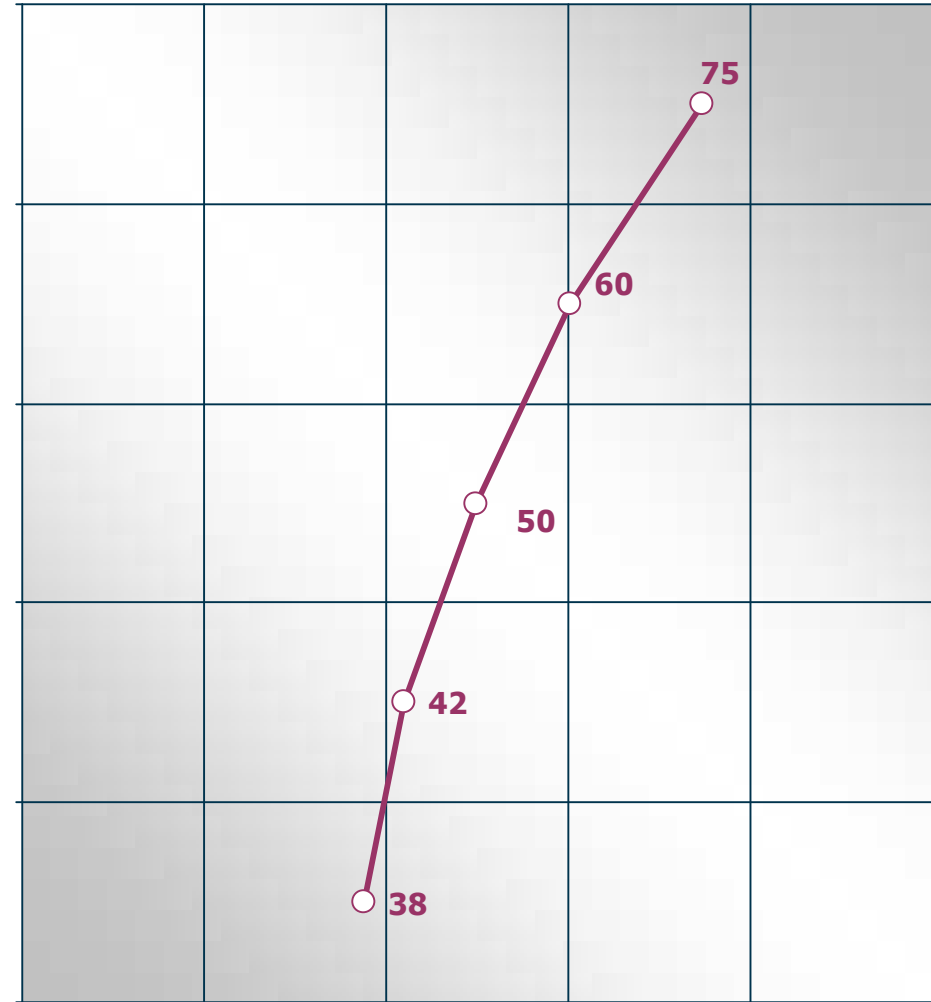
General Business Environment

General Business Environment



Total

I believe the market potential in Turkey is considerable
I believe the environment in Turkey is conducive to the development of my business
Turkey's business and investment environment is where it should be, in comparison to similar emerging markets
Government investment incentives are such that my company considering further investments in the country
Corruption does not impact my business



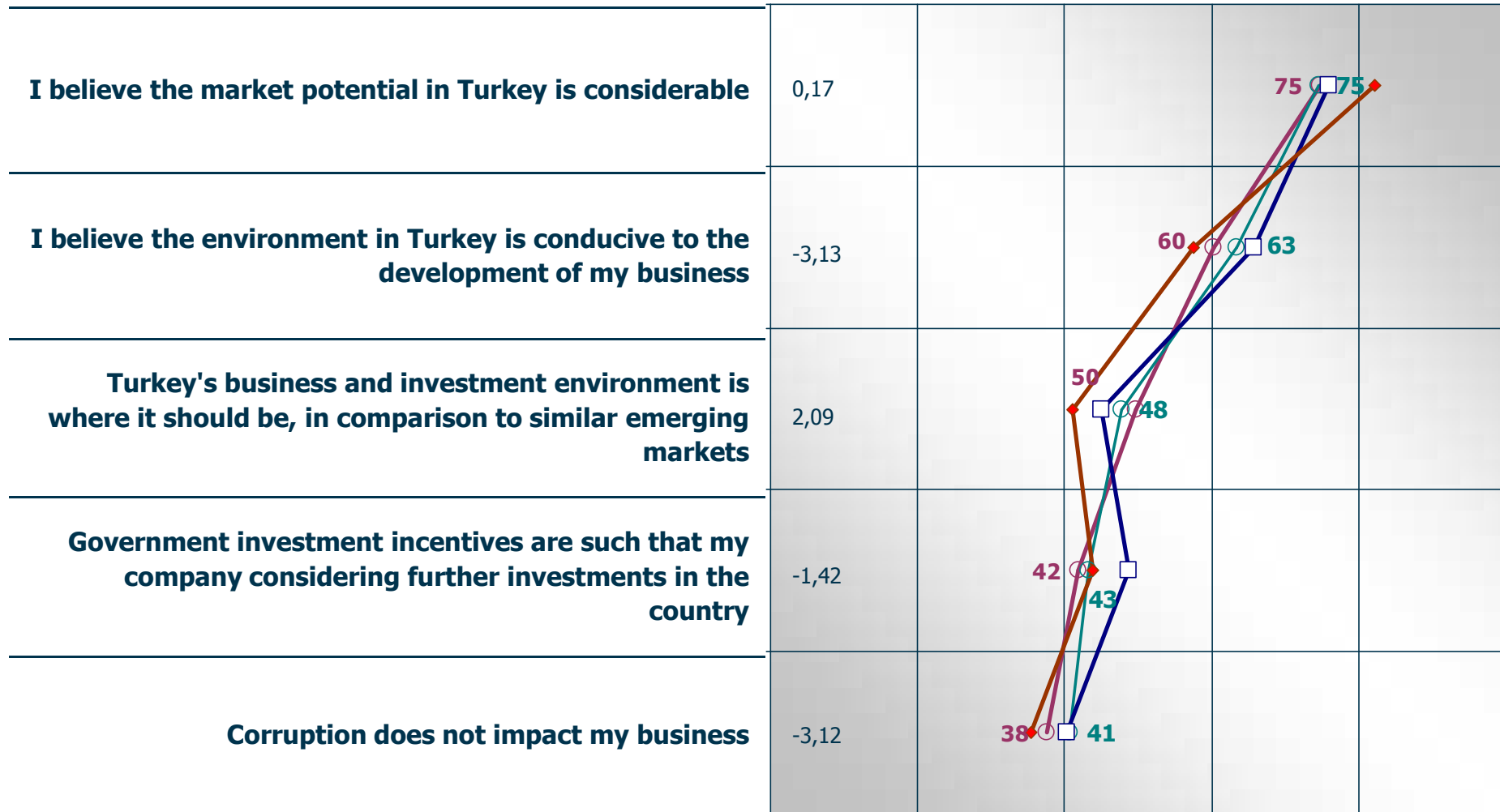
2010 (n:110)

Mean (./100)

General Business Environment – 2007-2008-2009-2010



Total



2009 (n:105)

2008 (n:72)

2007 (n:51)

2010 (n:110)

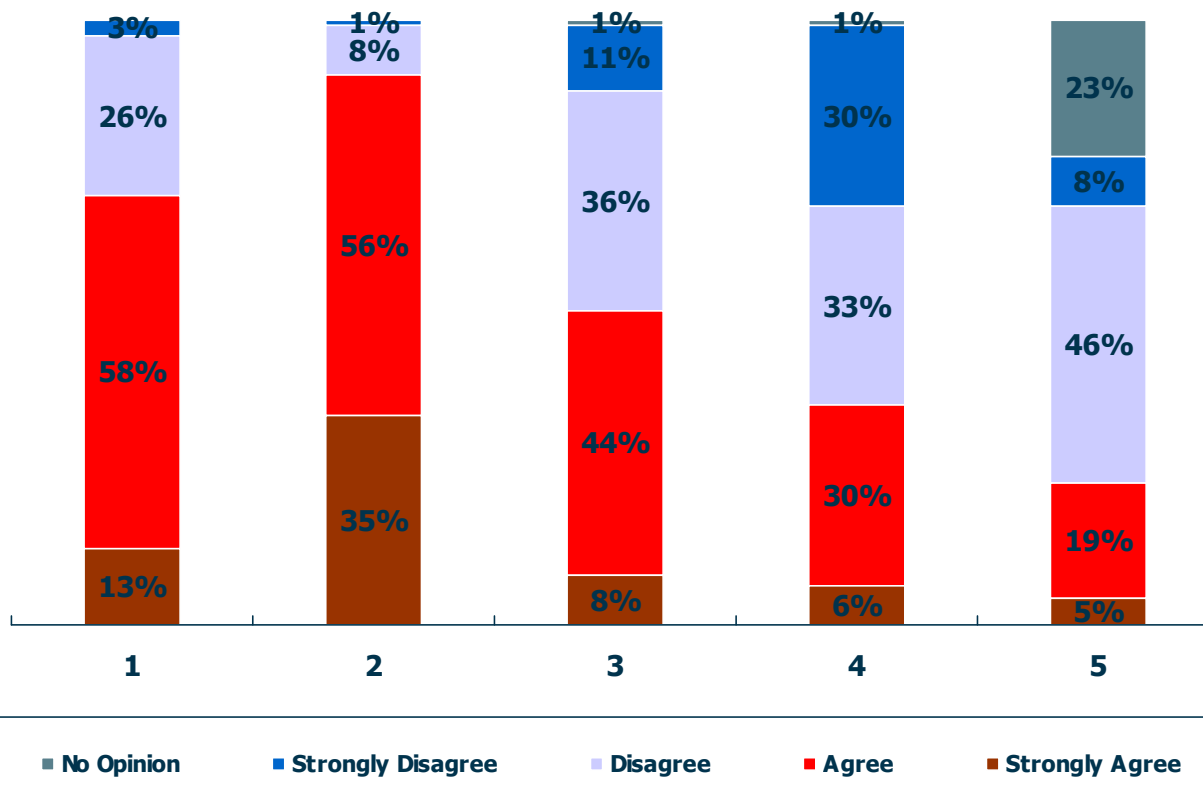
% change from 2009

Mean (./100)

General Business Environment



Total



1	I believe the environment in Turkey is conducive to the development of my business.
2	I believe the market potential in Turkey is considerable.
3	Turkey's business and investment environment is where it should be, in comparison to similar emerging markets.
4	Corruption does not impact my business.
5	Government investment incentives are such that my company is considering further investment in the country.

Comments on General Business Environment

DUE TO THE LACKS OF THE CERTAINTY AND PREDICTABILITY OF THE LAW AND TRANSPARENCY CATCHING INVESTORS DEPENDS ON PROVIDING HIGH YIELD AND TAX- INCENTIVES.

THE BUSINESS ENVIRONMENT IS UNPREDICTABLE DUE TO HEAVY GOVERNMENT INVOLVEMENT IN EVERY ASPECT OF THE BUSINESS LIFE. PERMITS REQUIRED FOR MANY BUSINESS DEVELOPMENT INITIATIVES ARE HINDERED BY UNCERTAINTIES IN THE OFFICIAL PROCEDURES, SUB-STANDARD GOVERNMENT INSTITUTION CAPACITIES, CONSTANTLY REPEALED REGULATIONS/LAWS, TECHNICAL INCOMPETENCE OF GOVERNMENTAL WORKERS, AND INAPTNESS OF COURTS IN TECHNICAL MATTERS, LACK OF OBJECTIVE AND STANDARDIZED APPROACHES/PROCEDURES. MOST OF THE DAY-TO-DAY WORK INVOLVING GOVERNMENT (WHETHER LOCAL OR CENTRAL) REQUIRES KNOWING THE "RIGHT" PEOPLE IN GOVERNMENTAL ORGANIZATIONS.

SELECTIVE APPLICATION OF THE LAW. POOR BUSINESS ETHICS. THE CONCEPT OF A WRITTEN "CONTRACT" IS NOT MAINSTREAMED. TURKEY WILL ALWAYS HAVE GREAT POTENTIAL. I WONDER IF THEY WILL EVER REACH THAT POTENTIAL.

IN ORDER TO BE THE CENTER OF ATTRACTION IN GLOBAL MEANS IN THE PHARMACEUTICAL SECTOR, REGULATIONS SPECIAL TO THE SECTOR WHICH CAN PROMOTE THE INVESTMENTS ARE SUPPOSED.

General Business Environment

INVESTORS WANT TO SEE PREDICTABILITY FOR FURTHER INVESTMENTS.

THE FACT THAT INTELLECTUAL PROPERTY IS NOT ADOPTED PREVENTS EVERY KIND OF INTELLECTUAL CAPITAL INVESTMENT

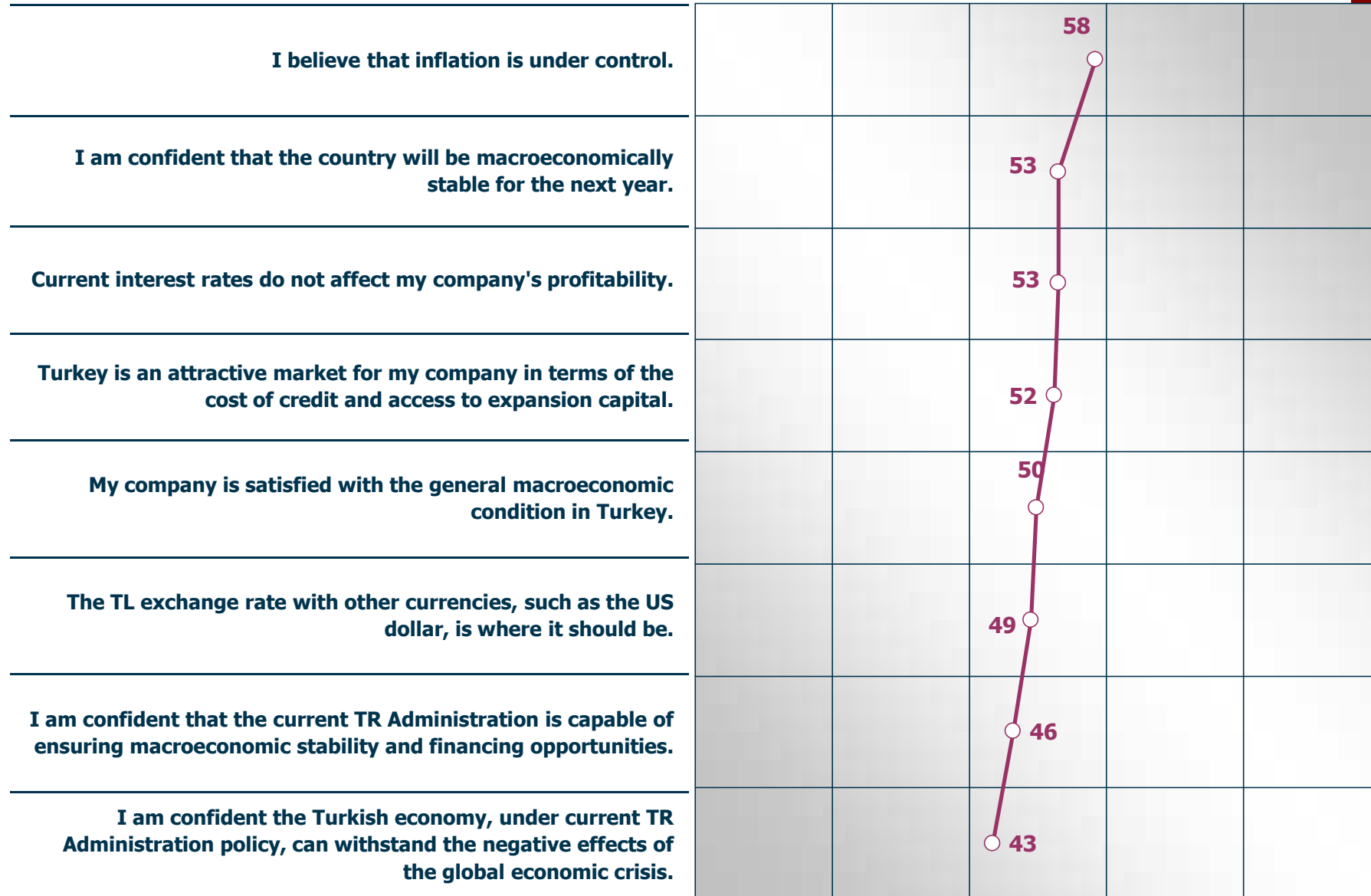
IN TURKEY, WE NEED PRIVATE, TARGETED, SECTORAL PROMOTIONS WHICH CAN ATTRACT INVESTMENTS

PRIMAL INVESTMENT COSTS AND RISKS ARE HIGH. THAT GENERATES QUESTION MARKS ABOUT THE RETURN OF THE INVESTMENT AND AGGRAVATES CONVINCING THE INTERNATIONAL CENTER.

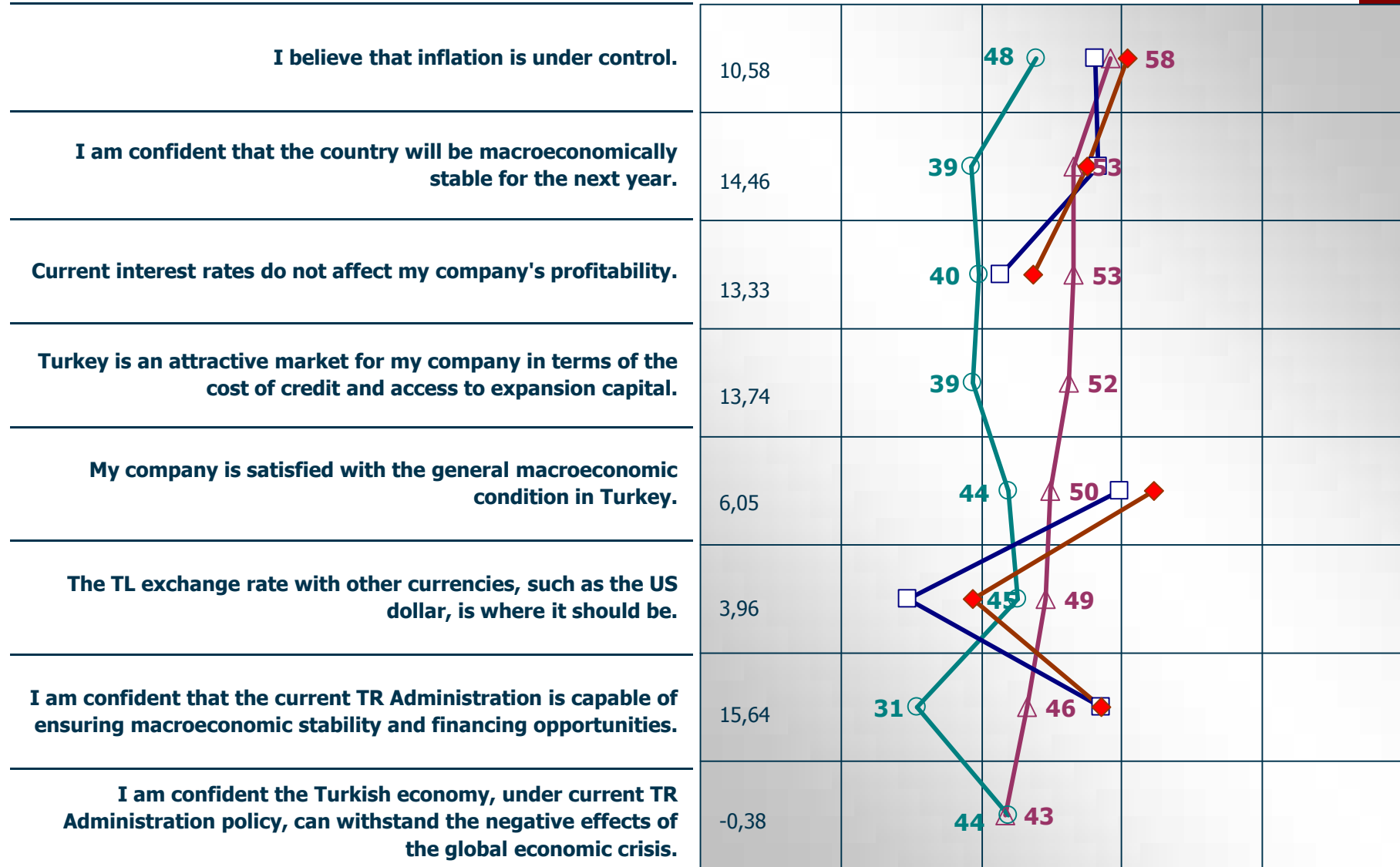
THERE HAS BEEN GOOD PROGRESS IN ESTABLISHING A GOOD BUSINESS ENVIRONMENT IN TURKEY HOWEVER FREQUENT SITUATIONAL CHANGES IN LAWS AND REGULATIONS AND POLICIES, BE IT TAX RELATED OR IN OTHER AREAS, IS OF MAJOR CONCERN.

4.2

Macroeconomics



Macroeconomics -2007-2008-2009-2010 **Total**



2010 (n:110) 2009 (n:105) 2008 (n:72) 2007 (n:51)

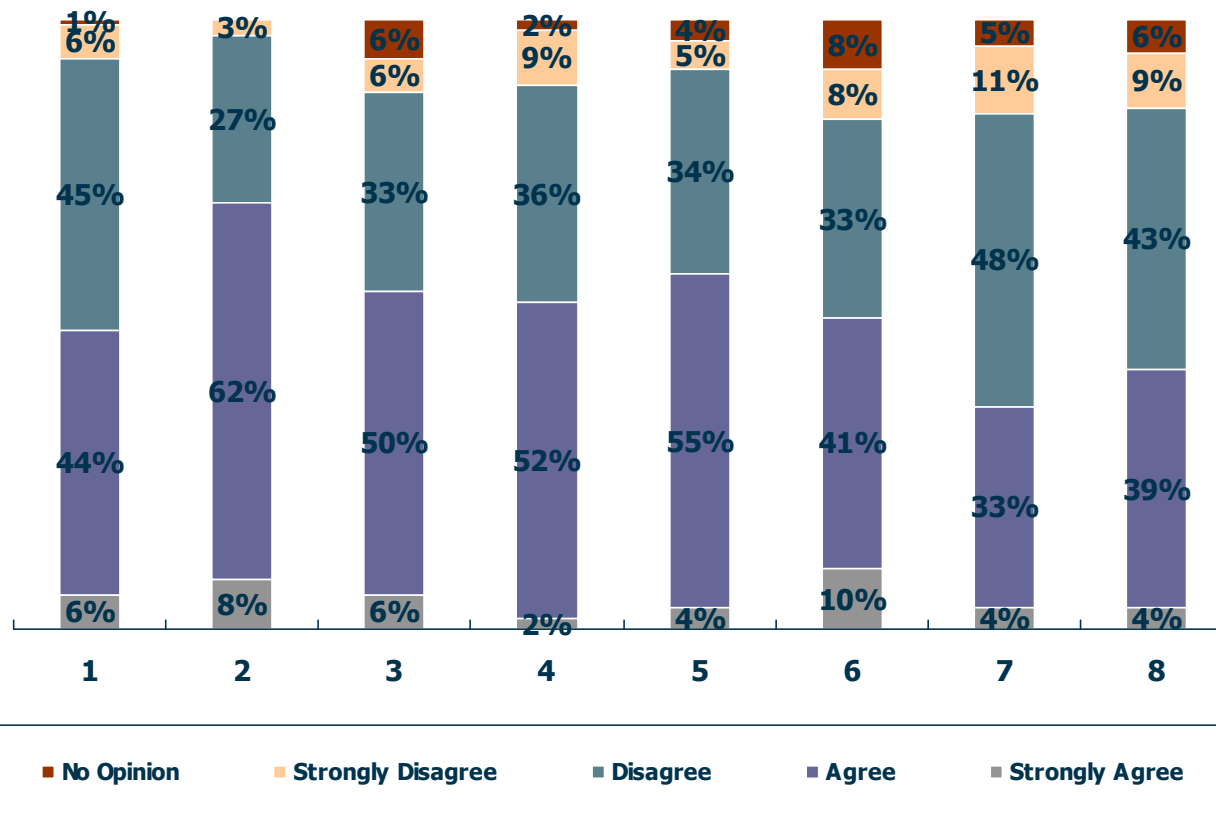
% change from 2009

Mean (./100)

Macroeconomics



Total



1	My company is satisfied with the general macroeconomic condition in Turkey.
2	I believe that inflation is under control.
3	Current interest rates do not affect my company's profitability.
4	The TL exchange rate with other currencies, such as the US dollar, is where it should be.
5	I am confident that the country will be macroeconomically stable for the next year.
6	Turkey is an attractive market for my company in terms of the cost of credit and access to expansion capital.
7	I am confident the Turkish economy, under current TR Administration policy, can withstand the negative effects of the global economic crisis.
8	I am confident that the current TR Administration is capable of ensuring macroeconomic stability and financing opportunities.

Makroekonomi Hakkında Yorumlar

TAXES ARE TOO HIGH. PUBLIC ENTITIES WITH STRONG MACROECONOMIC FUNCTION SUCH AS SGK AND TEIAS DELAYING PAYMENTS. CONTINUING POPULIST IMPLEMENTATIONS AT MUNICIPAL LEVELS DRAWING ON RESOURCES.

I FIND THE MONETARY POLICIES GOOD. I THINK THEY MAKE CRUCIAL MISTAKES ABOUT SUPPORTING THE EXPORTS.

EXTERNAL DEMAND NARROWNESS AND THE DIFFICULTIES LIVED BY EXPORTERS ARE THE MOST PRIMAL ECONOMIC PROBLEMS. THE STRONGEST SIDE IS THE FACT THAT BANKING SECTOR IS AFFECTED MINIMUM FROM THE GLOBAL CRISIS.

Macroeconomics

THE GOVERNMENT IS VERY FOCUSED ON BALANCING BUDGETS AND FISCAL HEALTH, BUT HAS LOST ITS WAY IN TERMS OF POLICIES THAT ENCOURAGE BUSINESS EXPANSION AND INVESTMENT.

TRADE DEFICIT IS UNSUSTAINABLE. LINKAGES TO NEIGHBORING EMERGING MARKETS WILL BRING THE BIGGEST GAINS.

STILL RISKS TO INFLATION/INTEREST RATES FROM GOVERNMENT SPENDING POLICIES AND LACK OF IMF PROGRAM

DETERMINED AND DISCIPLINED APPLICATION OF FISCAL POLICY IN COORDINATION WITH THE MONETARY POLICY WILL PAY OFF IN THE LONGER TERM. IT SEEMS THAT THE FISCAL SIDE IS QUITE WEAK AND IS LACKING AN ANCHOR.

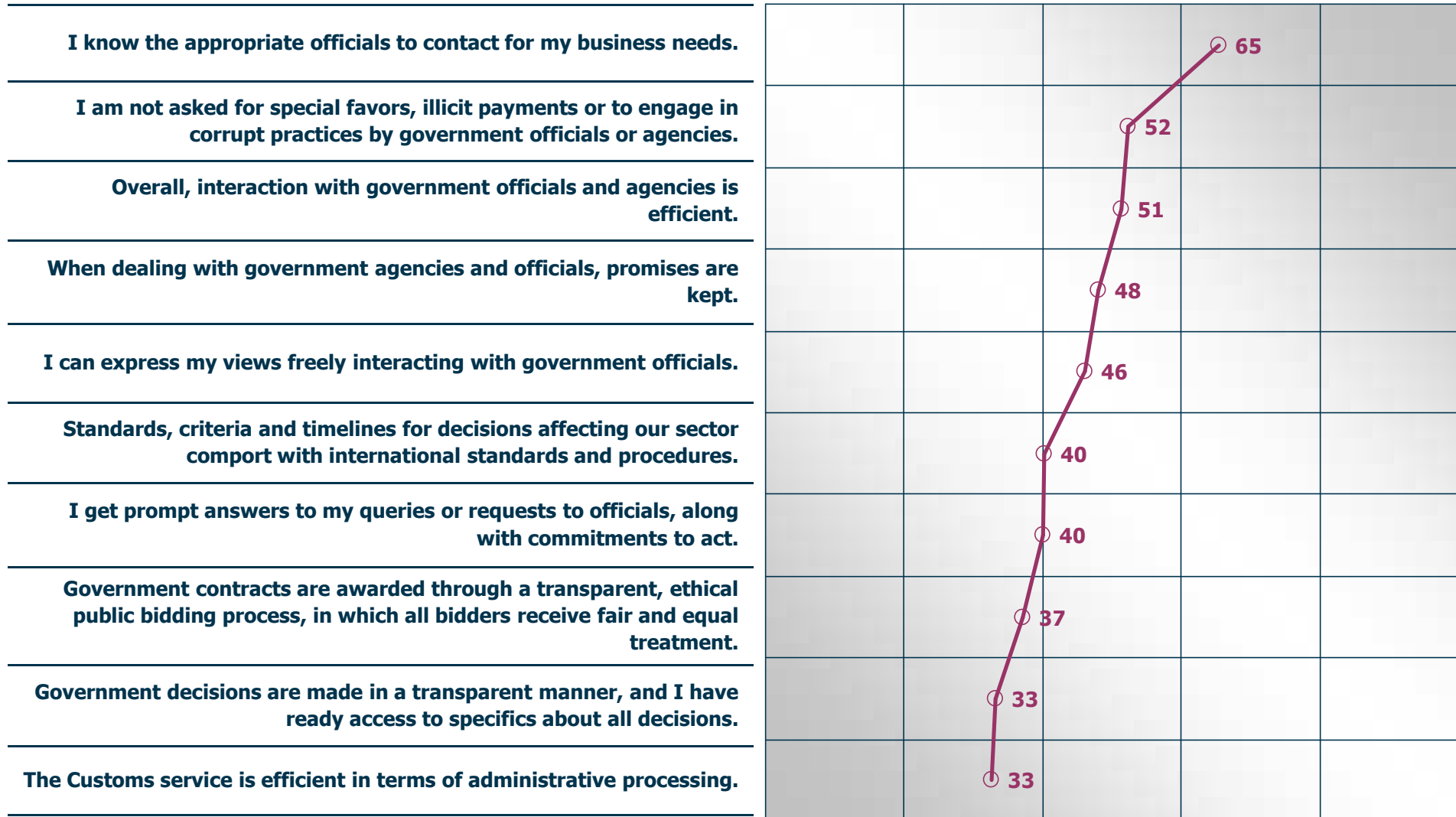
TURKISH GOVERNMENT SHOULD ACCEPT THE REALITY MORE BUT THE PROBLEM IS THAT POLITICAL ISSUES CARRIED ON THE AGENDA HARMS THE ECONOMIC AGENDA

4.3

Interaction with Government Officials/Agencies

Interaction with Government Officials/Agencies

Total

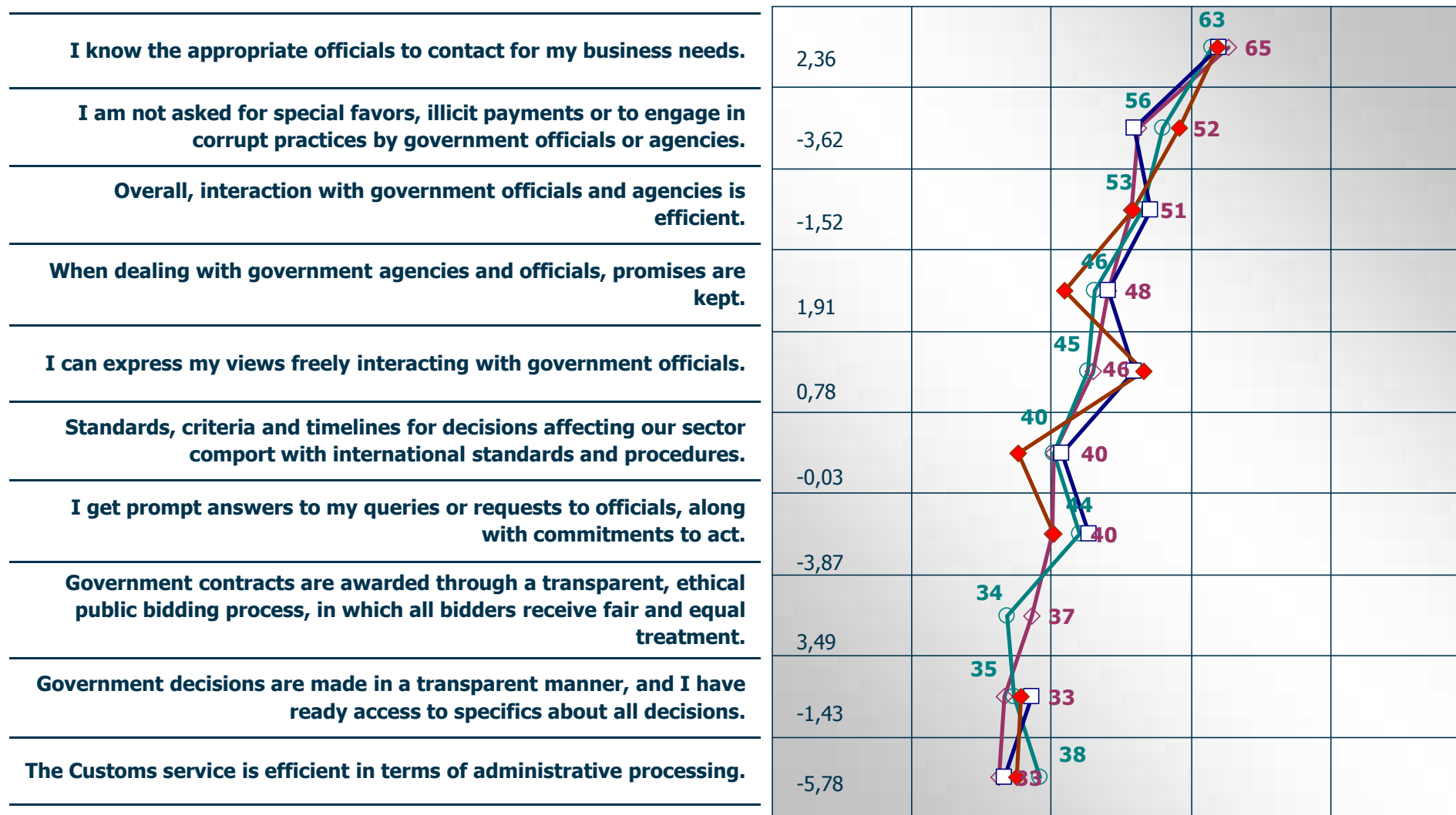


2010 (n:110)

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Interaction with Government Officials/Agencies–2007-2008-2009-2010

Total



2010 (n:110) 2009 (n:105) 2008 (n:72) 2007 (n:51)

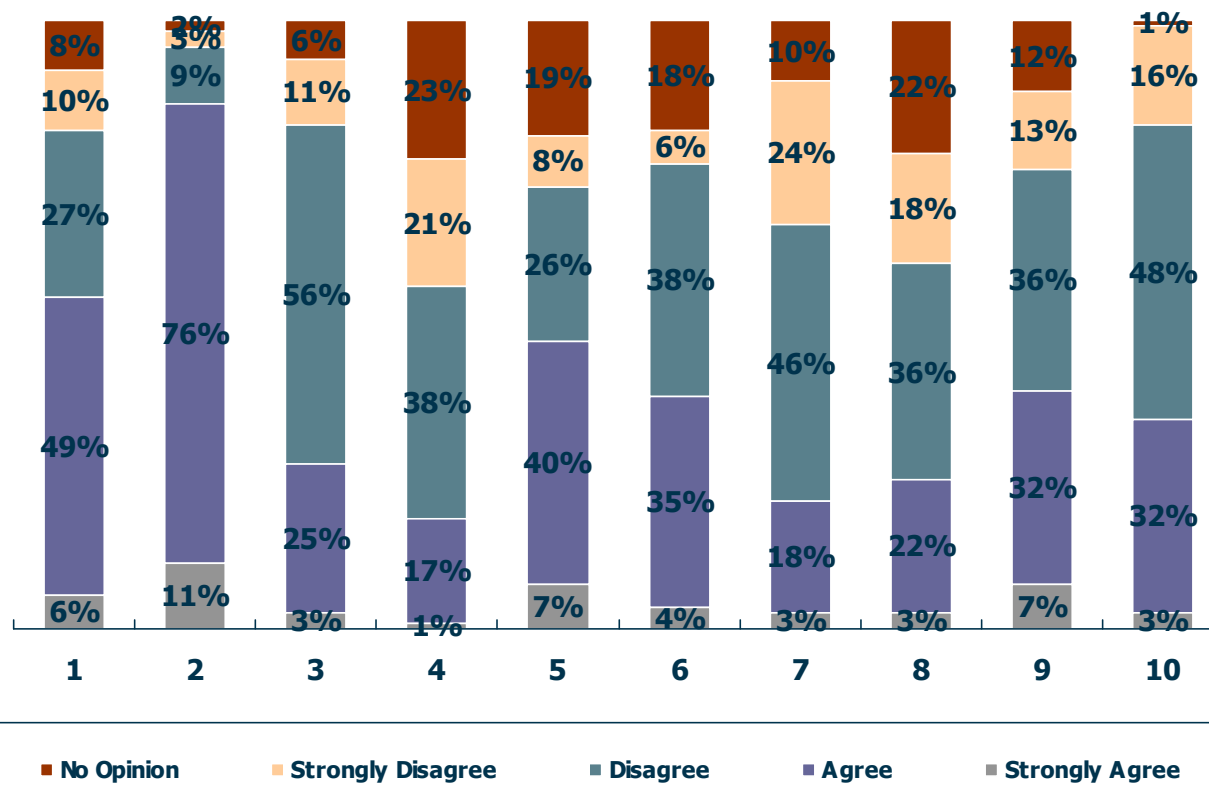
% change from 2009

Mean (../100)

Interaction with Government Officials/Agencies



Total



1	Overall, interaction with government officials and agencies is efficient.
2	I know the appropriate officials to contact for my business needs.
3	I get prompt answers to my queries or requests to officials, along with commitments to act.
4	The Customs service is efficient in terms of administrative processing.
5	I am not asked for special favors, illicit payments or to engage in corrupt practices by government officials or agencies.
6	When dealing with government agencies and officials, promises are kept.
7	Government decisions are made in a transparent manner, and I have ready access to specifics about all decisions.
8	Government contracts are awarded through a transparent, ethical public bidding process, in which all bidders receive fair and equal treatment.
9	I can express my views freely interacting with government officials.
10	Standards, criteria and timelines for decisions affecting our sector comport with international standards and procedures.

Comments on Interaction with Government Officials/Agencies

25

THERE IS A STRONG NEED FOR A REFORM IN THE GOVERNMENTAL AGENCIES. THERE HAS TO BE STRUCTURAL REFORMS AND CAPACITY BUILDING. GOVERNMENTAL WORKERS NEED TO BE MADE "PERSONALLY" ACCOUNTABLE FOR THEIR ACTIONS AND DECISIONS AND SHOULD BE TAKEN OUT OF THE PROTECTIVE UMBRELLA THAT THE GOVERNMENT OFFERS. THERE IS CORRUPTION IN DIFFERENT LEVELS OF THE GOVERNMENT.

OFFICIALS PUT THEMSELVES FIRSTLY OVER THE STATE THEY REPRESENT.

THE FACT THAT, IN THE PUBLIC DOMAIN, EQUAL PRIVATE LEGAL CORPORATE PERSON ARE TREATED DIFFERENTLY CREATES MISTRUST AGAINST THE PUBLIC INSTITUTIONS AND, WORKS AND OPERATIONS MADE UNDER THE FRAME OF INVESTMENT PLAN. ESTABLISHED RELATIONS WITH THE PUBLIC OFFICIALS IS EFFECTIVE ON THE PROCESS OF CONDUCT AND THE COMPLETION OF THE WORKS. THUS, RISK OF FACING UNEXPECTED RESULTS GENERATES ABSTENTION FOR NEW PLANS.

Interaction

UNFORTUNATELY, IN LEGAL INFRASTRUCTURE, THERE ARE MANY DIFFICULTIES IN MANY SECTORS. LAWS ARE CHANGING WITHOUT EXAMINING AND FASTLY AND THE CHANGES ARE APPLIED RETROACTIVELY. DIFFICULTIES IN THE REGULATION ENVIRONMENT AFFECTS THE COMPETITION IN MANY SECTORS.

LOCAL VS STATE POLITICS VERY DIFFERENT AND THEIR RESPECTIVE INTERPRETATIONS AFFECTS MY BUSINESS NEGATIVELY

IN TURKEY, WE FACE 2 CRITICAL CHALLENGES. ON THE ONE HAND, WHICH GOVERNMENT IS IN CHARGE IN ANKARA...SOME ARE SUPPORTIVE OF INVESTORS, SOME LESS SO. THERE IS A LACK OF COHERENCE. ON THE OTHER, WE COME ACROSS MULTIPLE INSTANCES WHERE OFFICIALS AND BUREAUCRATS INTERPRET RULES, REGULATIONS, EVEN INTERNATIONAL OBLIGATIONS IN AN ARBITRARY WAY, OR DRAG THEIR FEET ON IMPLEMENTATION OR MEETING LONG STANDING OBLIGATIONS. THIS IS DEEPLY DISCOURAGING TO INVESTORS, AND ADDS TO THE UNPREDICTABILITY OF THE BUSINESS ENVIRONMENT.

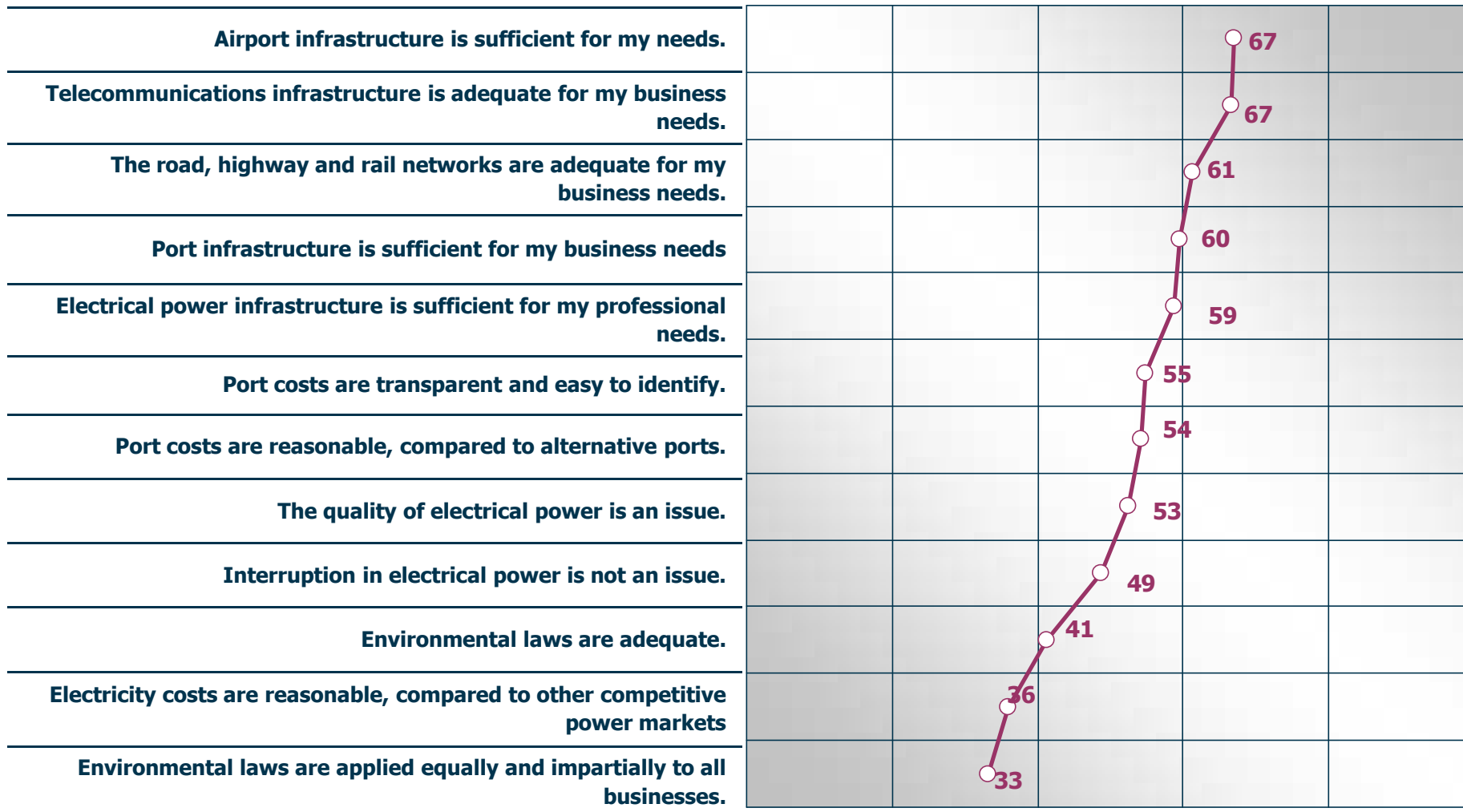
4.4

Infrastructure

Infrastructure



Total

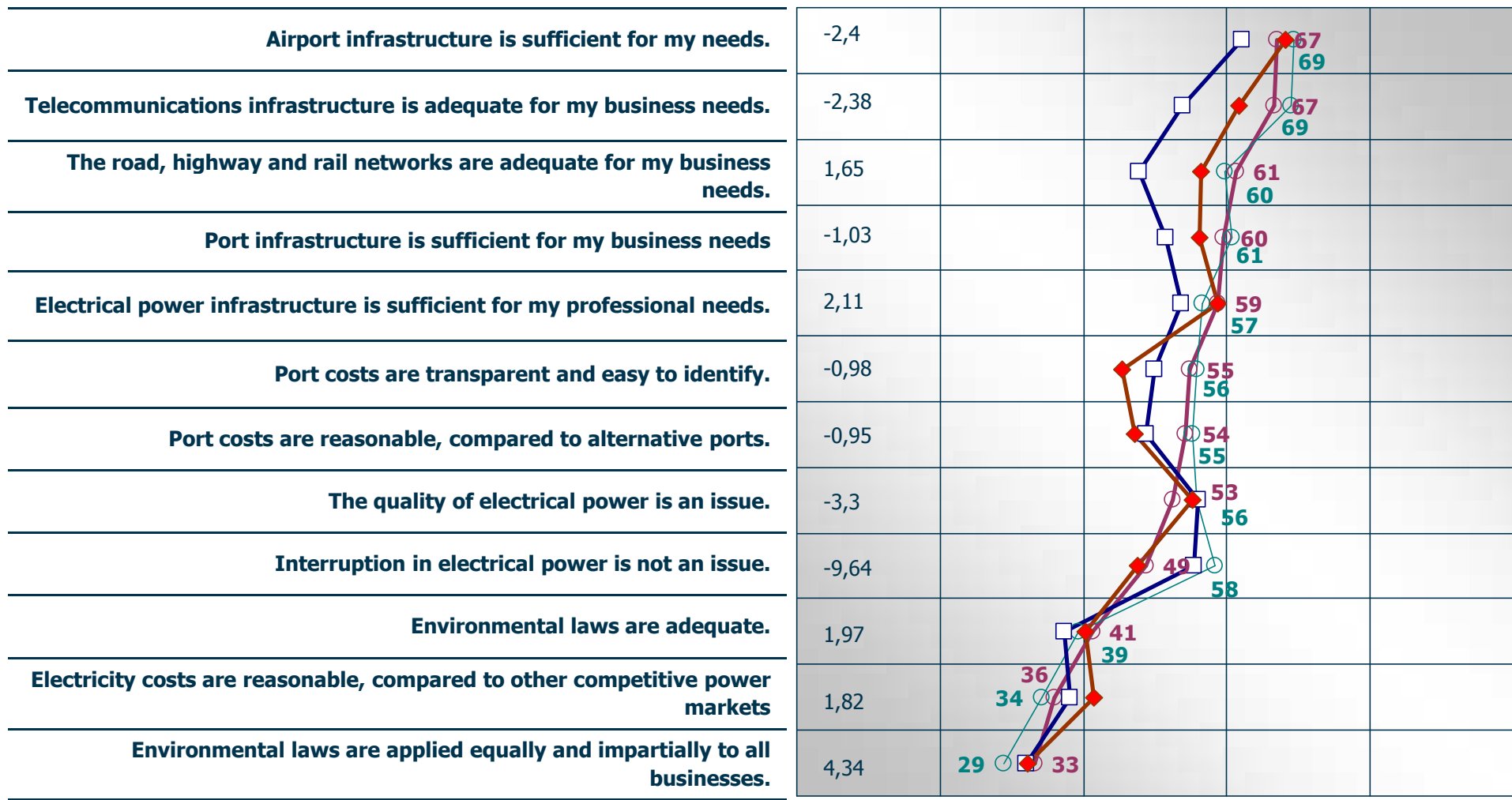


Mean (../100)

2010 (n:110)

Infrastructure – 2007-2008-2009-2010

Total



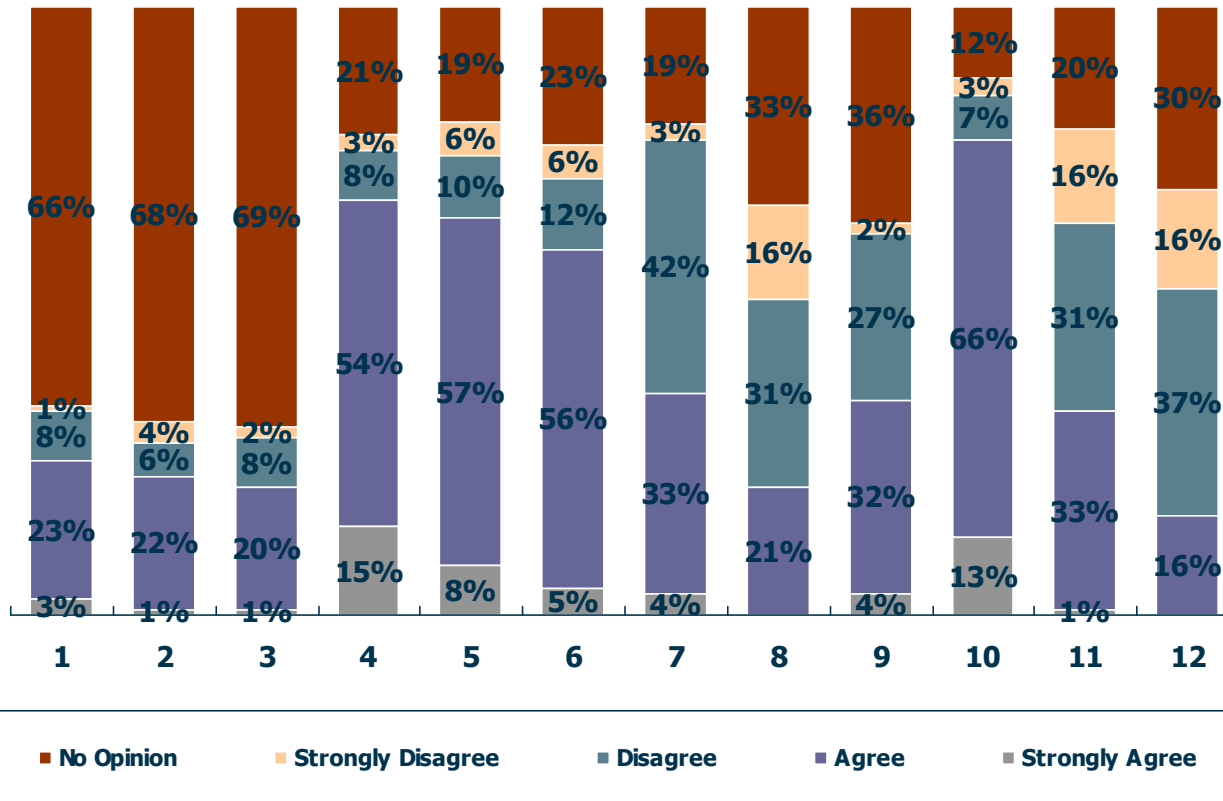
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Mean (../100)

Infrastructure



Total



1	Port infrastructure is sufficient for my business needs
2	Port costs are reasonable, compared to alternative ports.
3	Port costs are transparent and easy to identify.
4	Airport infrastructure is sufficient for my needs.
5	The road, highway and rail networks are adequate for my business needs.
6	Electrical power infrastructure is sufficient for my professional needs.
7	Interruption in electrical power is not an issue.
8	Electricity costs are reasonable, compared to other competitive power markets (i.e. where the cost of power is not under state control).
9	The quality of electrical power is an issue.
10	Telecommunications infrastructure is adequate for my business needs.
11	Environmental laws are adequate.
12	Environmental laws are applied equally and impartially to all businesses.

Comments on Infrastructure

30

THE ENFORCEMENT OF THE ENVIRONMENTAL REGULATIONS ARE GENERALLY VERY LAX. THE ENFORCEMENT IS ALSO INCONSISTENT, WHICH CREATES UNFAIR DISADVANTAGE TO CERTAIN INVESTORS. GENERALLY THE FOREIGN INVESTORS ARE PUT UNDER HIGH SCRUTINY AND EVEN THE BEST INTERNATIONAL ENVIRONMENTAL PRACTICES APPLIED BY THE FOREIGN INVESTORS ARE DEEMED INSUFFICIENT BY THE GOVERNMENTAL AGENCIES AND COURTS. CONTRARY TO THIS MOST LOCAL INVESTORS ENJOY A VERY RELAXED ENVIRONMENTAL ENFORCEMENT. MOST OF THE LOCAL ESTABLISHMENTS DO NOT COMPLY WITH ENVIRONMENTAL STANDARDS AND CAN GET AWAY WITH THIS.

POWER CUTS IS A BIG BARRIER AGAINST THE APPLICATION OF MANY SOLUTIONS WHICH CAN PROVIDE COST ADVANTAGES IN THE SECTOR I TAKE PLACE ESPECIALLY.

INTERNET PLATFORM IS STILL INADEQUATE YOUTUBE BAN IS UNACCEPTABLE

Infrastructure

INFRASTRUCTURE IS IMPROVED WITH THE METHOD OF TRIAL AND ERROR AND CONTINUOUS REPAIRMENT, RESTORATION WHICH INCREASES THE COSTS. THE WORKS ARE GIVEN TO THE INCAPABLE PEOPLE IN ORDER TO MAKE LOW-PRICED WORK. THIS ELIMINATES THE PEOPLE WHO CAN MAKE THE JOB CORRECTLY AND ACCORDING TO STANDARDS AND CAUSES HIGH COST INVESTMENTS.

INFRASTRUCTURE IS A BRIGHT SPOT IN THE ECONOMY, ALTHOUGH IT IS QUITE ASTONISHING THAT WE DO NOT HAVE A MODERN, 6 LANE HIGHWAY CONNECTING ISTANBUL TO IZMIR, OR THAT AFTER YEARS OF DISCUSSION THERE IS NO FINAL DECISION ON THE 3RD BOSPHORUS BRIDGE. THE DELAYS IN COMPLETING THE TUNNELS UNDER THE BOSPHORUS AND EXPANSION OF THE METRO SYSTEM ARE CONTINUING AREAS OF CONCERN FOR ISTANBUL, BUT THE AVIATION SECTOR IS WELL DEVELOPED AND EFFICIENT.

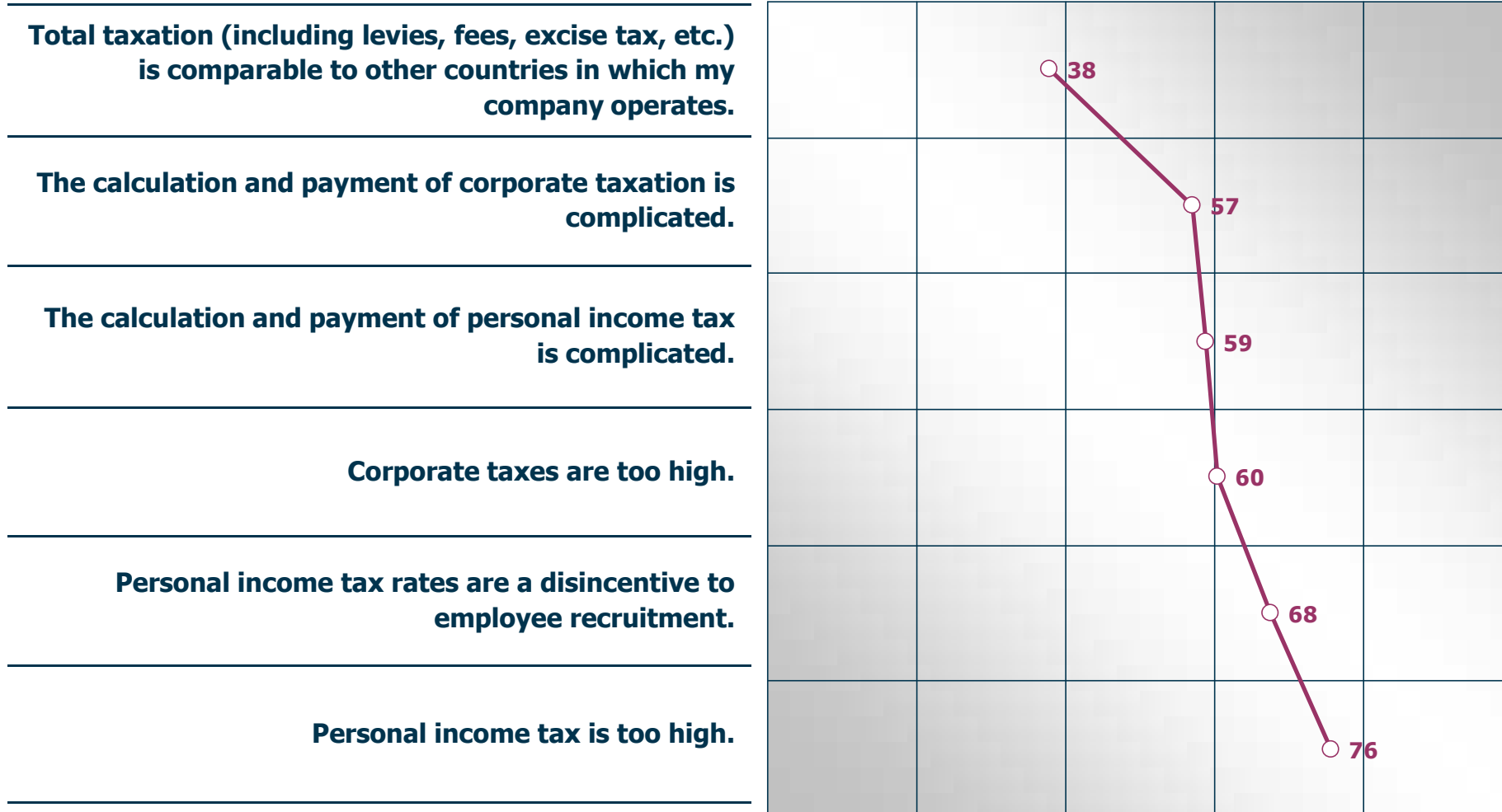
4.5

Taxation

Taxation



Total

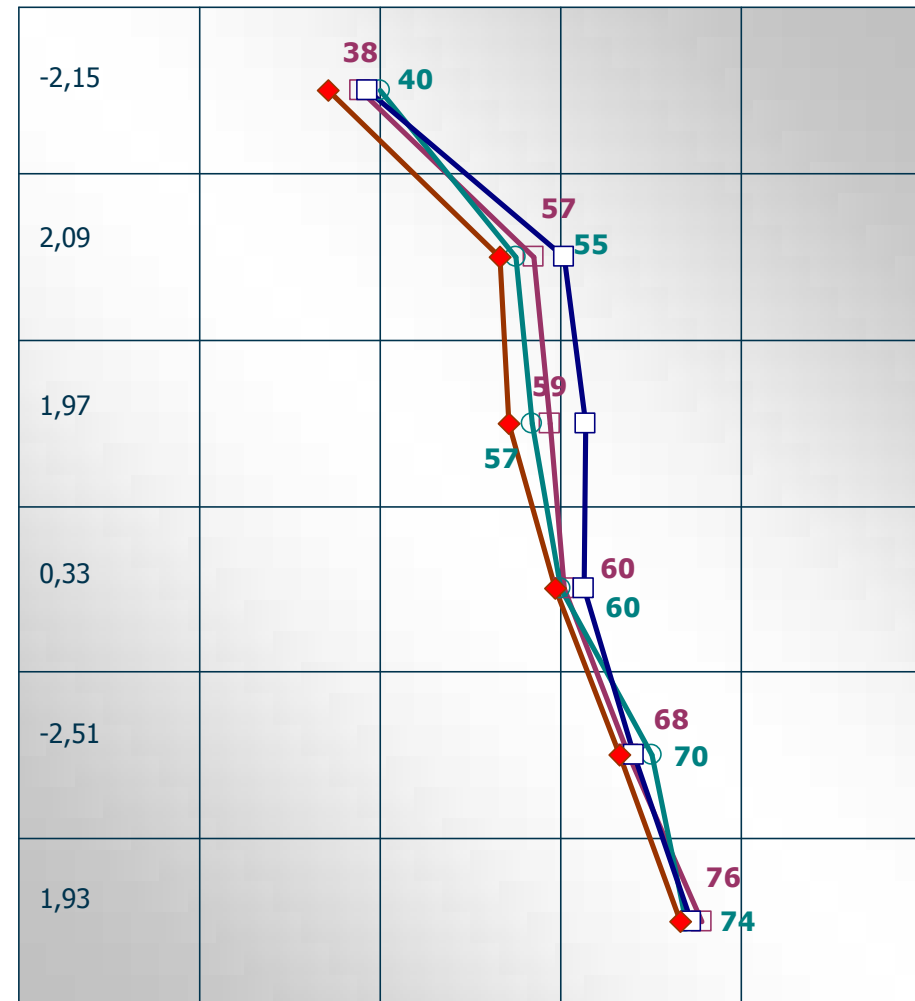


Mean (../100)

Taxation – 2007-2008-2009-2010

Total

Total taxation (including levies, fees, excise tax, etc.) is comparable to other countries in which my company operates.
The calculation and payment of corporate taxation is complicated.
The calculation and payment of personal income tax is complicated.
Corporate taxes are too high.
Personal income tax rates are a disincentive to employee recruitment.
Personal income tax is too high.



2010 (n:110)

2009 (n:105)

2008 (n:72)

2007 (n:51)

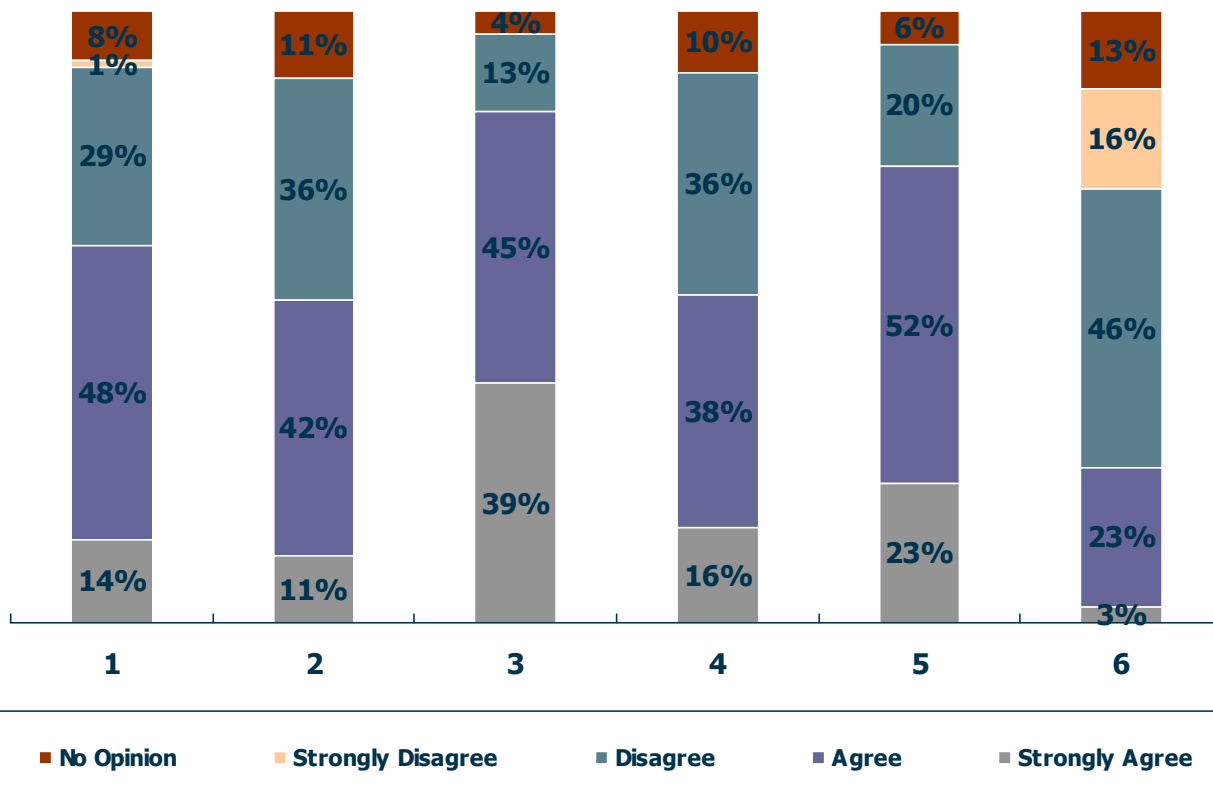
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Mean (../100)

Taxation



Total



1	Corporate taxes are too high.
2	The calculation and payment of corporate taxation is complicated.
3	Personal income tax is too high.
4	The calculation and payment of personal income tax is complicated.
5	Personal income tax rates are a disincentive to employee recruitment.
6	Total taxation (including levies, fees, excise tax, etc.) is comparable to other countries in which my company operates.

Comments on Taxation

TAX SYSTEM: THERE ARE HIDDEN TAXES. THERE IS ALWAYS AN ADDITIONAL FEE ETC WHICH INCREASES THE OVERALL TAX BURDEN AND COMPLICATES THE BUSINESS TRANSACTIONS. FOR EXAMPLE, STAMP TAX LEVIED ON BUSINESS CONTRACTS. THE INDIRECT TAXES (SALES AND OTHER) SUCH AS THOSE APPLIED TO TELECOMMUNICATION BILLS, ETC. ARE ALSO RATHER HIGH. FURTHER TO GOVERNMENTAL AGENCIES TAXES THERE ARE SEMI-OFFICIAL INSTITUTIONS THAT CHARGE FEES THAT ARE MANDATORY BY LAW. FOR EXAMPLE, TRADE CHAMBERS CHARGE MANDATORY ANNUAL FEES AS PERCENTAGE OF COMPANY REVENUE. SIMILARLY ENGINEERING CHAMBERS ALSO CHARGE CERTAIN MANDATORY AMOUNTS. THE PROBLEM IS NOT THE FEES, BUT WE DO "NOT" GET IN RETURN AS A SERVICE. THEN THERE IS MANDATORY NOTARY FEES WHICH ARE VERY HIGH.

INTERNATIONAL INVESTORS AND CORPORATIONS ARE PENALIZED BY HIGHER RATES OF TAX THAT ARE NOT COMPETITIVE WITH LOWER TAX COUNTRIES LIKE SINGAPORE OR IRELAND. THE REDUCTION IN CORPORATE TAXATION WAS A GOOD START, BUT THE ORGANIZED, CORPORATE SECTOR IS SUBSIDIZING THE INFORMAL SECTOR -- EFFORTS TO ADDRESS TAX EVASION IN THE INFORMAL SECTOR IS WELCOMED, BUT WE SHOULD ALSO BE ASKING IF TAXING PRODUCTION, CAPITAL AND INVESTMENT IS BETTER THAN TAXING CONSUMPTION, IN TERMS OF ENCOURAGING ECONOMIC GROWTH

INCOME TAXES ARE AT PAR WITH MATURE MARKETS; HOWEVER, STATE BENEFITS ARE VERY LOW COMPARED TO THE TAXES PAID.

Taxation

TAX AND EMPLOYMENT ARE IN DIRECT PROPORTION. UNFORTUNATELY, PRESENT TAX RATES CAUSES UNFAIR COMPETITION AND TAX EVASION.

TURKEY IS NOT A DEVELOPED COUNTRY AND DO NOT HAVE A STRUCTURE WHICH CAN TOLERATE HEAVY TAXES. SINCE TAXES ARE NOT COLLECTED FROM THE REVENUES GENERALLY, CONSUMPTION TAXES ARE VERY HIGH. BESIDES, INSTITUTIONS WHO PAYS THE TAXES VIA REVENUES AND PEOPLE PAY TAXES TWICE.

BOTH STRUCTURE OF THE TAXATION IS COMPLICATED AND DIFFICULT, AND RATES OF THE TAXATION IS VERY HIGH COMPARED TO RIVAL COUNTRIES. THAT URGES TURKEY'S COMPETITION ADVANTAGE.

TAXATION IN TURKEY IS VERY HIGH IN EVERY DOMAIN AND IMPLEMENTED IN AN UNFAIR WAY.

4.6

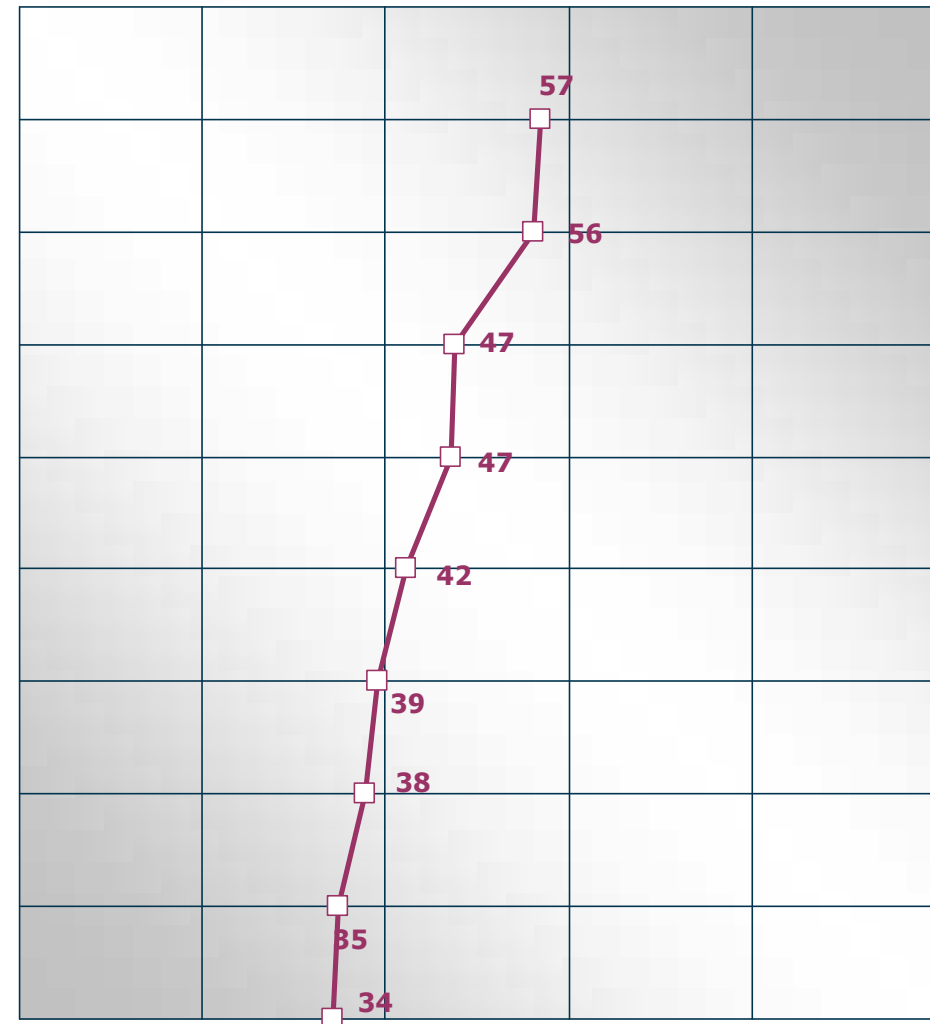
Legal System

Legal System



Total

Legal costs are reasonable.
Lawyers are well-trained and competent.
Foreign and domestic investors receive equal treatment under law in Turkey.
Judges are impartial.
I can get a fair hearing in court.
Commercial courts operate efficiently, and are responsive to the needs of business.
Corruption is not an issue within the legal system.
Intellectual property rights (patents, copyrights, trademarks and industrial designs) are well-protected, and the law is enforced as written.
The legal system is efficient.



Mean (../100)

Legal System – 2007-2008-2009-2010

Total



2010 (n:110)

2009 (n:105)

2008 (n:72)

2007 (n:51)

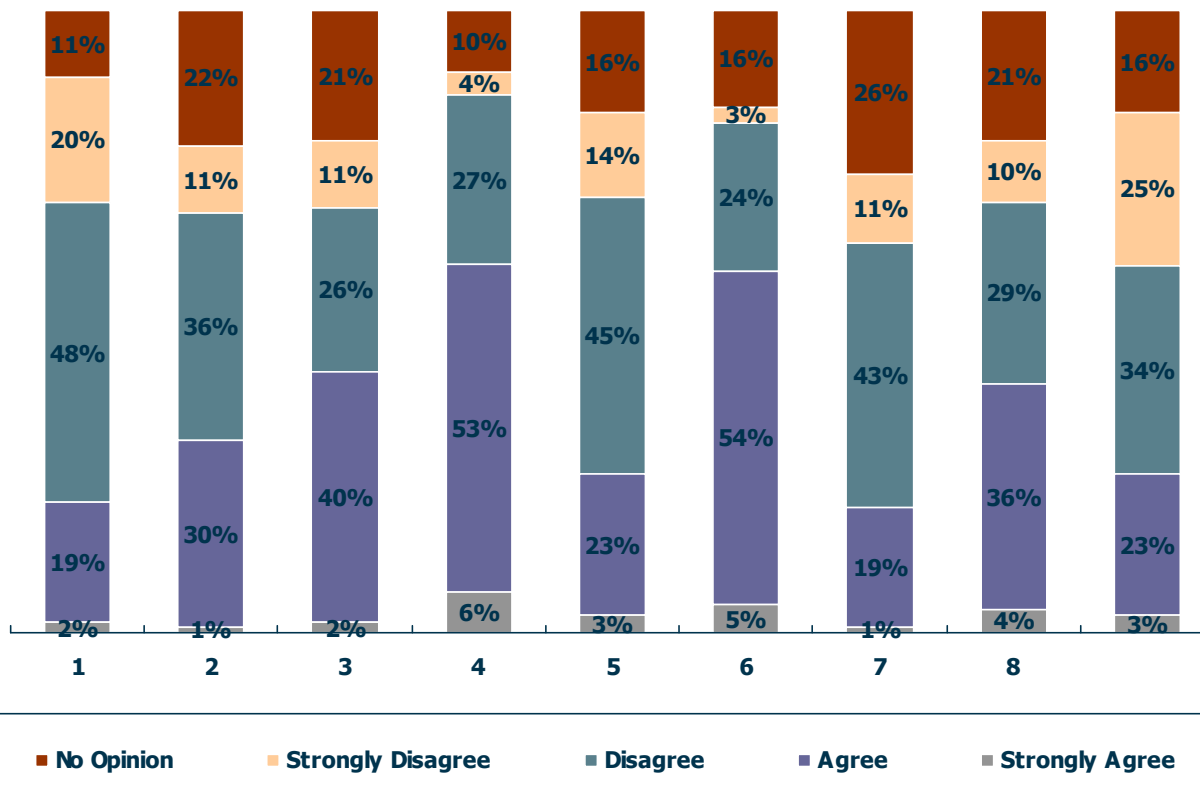
% change from 2009

Mean (./100)

Legal System



Total



1	The legal system is efficient.
2	I can get a fair hearing in court.
3	Judges are impartial.
4	Lawyers are well-trained and competent.
5	Commercial courts operate efficiently, and are responsive to the needs of business.
6	Legal costs are reasonable.
7	Corruption is not an issue within the legal system.
8	Foreign and domestic investors receive equal treatment under law in Turkey.
9	Intellectual property rights (patents, copyrights, trademarks and industrial designs) are well-protected, and the law is enforced as written.

Comments on Legal System

COMPARED TO OTHER DOMAINS LEGAL SYSTEM IS IN A GOOD SITUATION BUT WHEN YOU THINK DISCRETELY IT IS NOT.

LACK OF EXPERTS IN THE CASES ON TECHNOLOGICAL ISSUES AND HELPLESSNESS OF THE COURTS CANNOT BE ACCEPTABLE

DELAYS IN THE JURIDICAL PROCESSES AND DISCRIMINATION OF LOCAL VS. FOREIGN IN MINDS ARE IMPORTANT PROBLEMS

Legal System

CULTURE OF TRADEMARK PROTECTION HAS TO BE STRENGTHEN

IMPLEMENTATIONS ABOUT THE COPYRIGHTS AND PATENTS SHOULD BE ELABORATED IN AN INTERNATIONAL LEVEL

LEGAL SYSTEM SHOULD BE INVESTED FROM EDUCATION PROCESS TO JURIDICAL BUILDINGS INSTEAD OF RESTRUCTURING IT. JUDICIAL INDEPENDENCE SHOULD BE PROVIDED.

IT IS BETTER TO SETTLE DISPUTES OUTSIDE OF THE COURTS IF POSSIBLE. THE COURTS ARE TOO SLOW TO REACT. IN MATTERS OF TECHNICAL ISSUES, THE COURTS ARE INCOMPETENT. CERTAIN COURTS ARE BIASED IN THEIR DECISIONS.

CASES TAKES A LONG TIME. THERE ARE NO EXPERT JUDGES ABOUT THE ISSUES AND GENERALLY THE SYSTEM CONDUCTS INCH ALONG. RESULTING OF THE CASES TAKES YEARS. THAT ENFORCES THE TURKEY'S COMPETITION ADVANTAGE

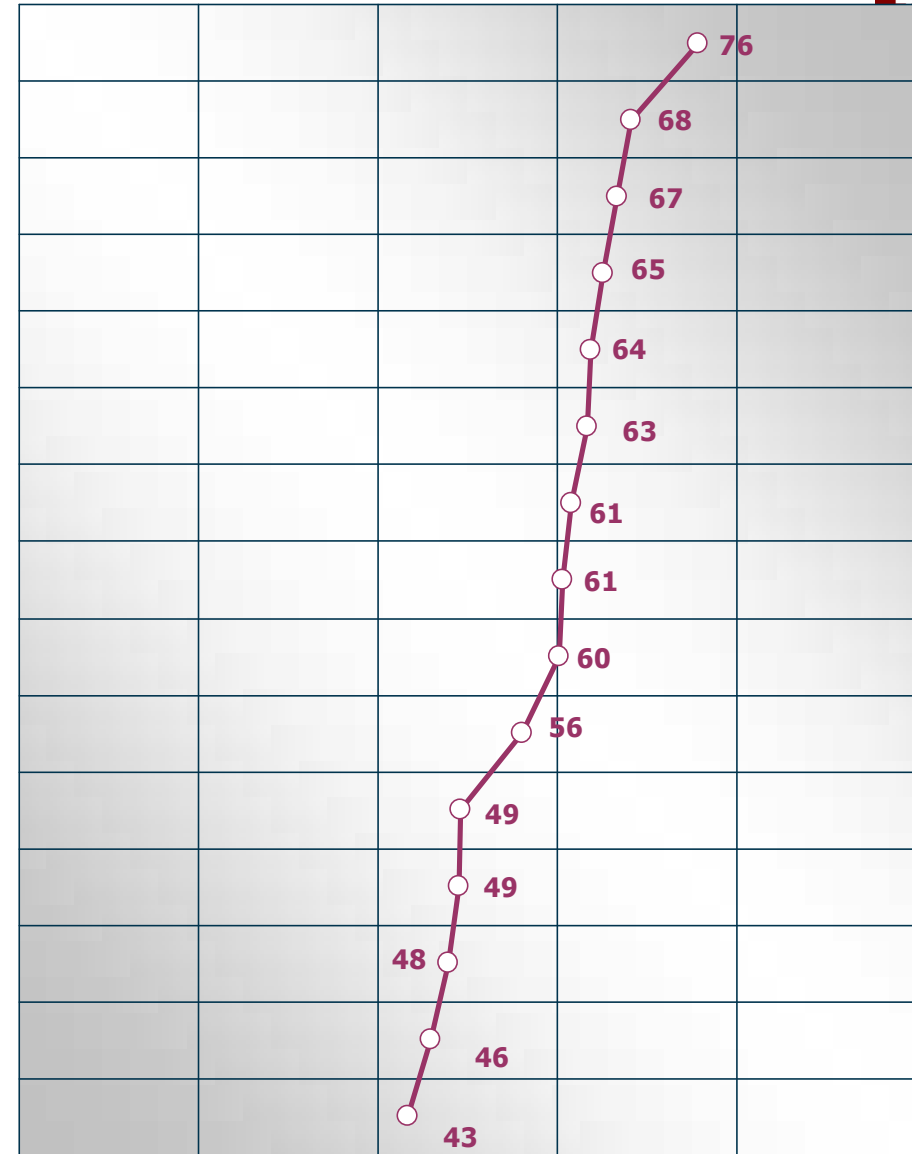
4.7

Workforce

Workforce **Total**



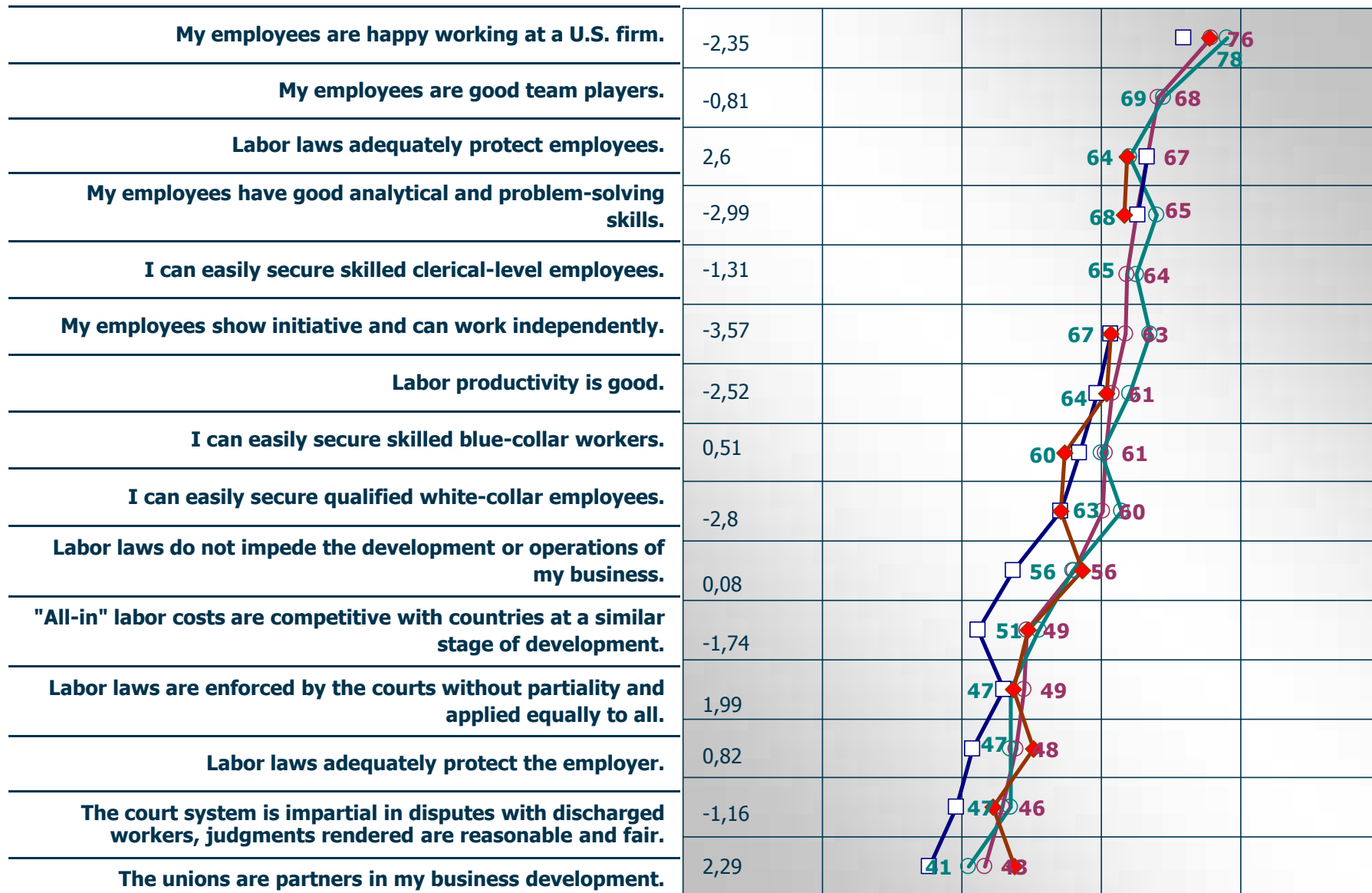
My employees are happy working at a U.S. firm.
My employees are good team players.
Labor laws adequately protect employees.
My employees have good analytical and problem-solving skills.
I can easily secure skilled clerical-level employees.
My employees show initiative and can work independently.
Labor productivity is good.
I can easily secure skilled blue-collar workers.
I can easily secure qualified white-collar employees.
Labor laws do not impede the development or operations of my business.
"All-in" labor costs are competitive with countries at a similar stage of development.
Labor laws are enforced by the courts without partiality and applied equally to all.
Labor laws adequately protect the employer.
The court system is impartial in disputes with discharged workers, judgments (awards) rendered are reasonable and fair.
The unions are partners in my business development.



Mean (../100)

Workforce – 2007-2008-2009-2010

Total



2010(n:110) 2009 (n:105) 2008 (n:72) 2007 (n:51)

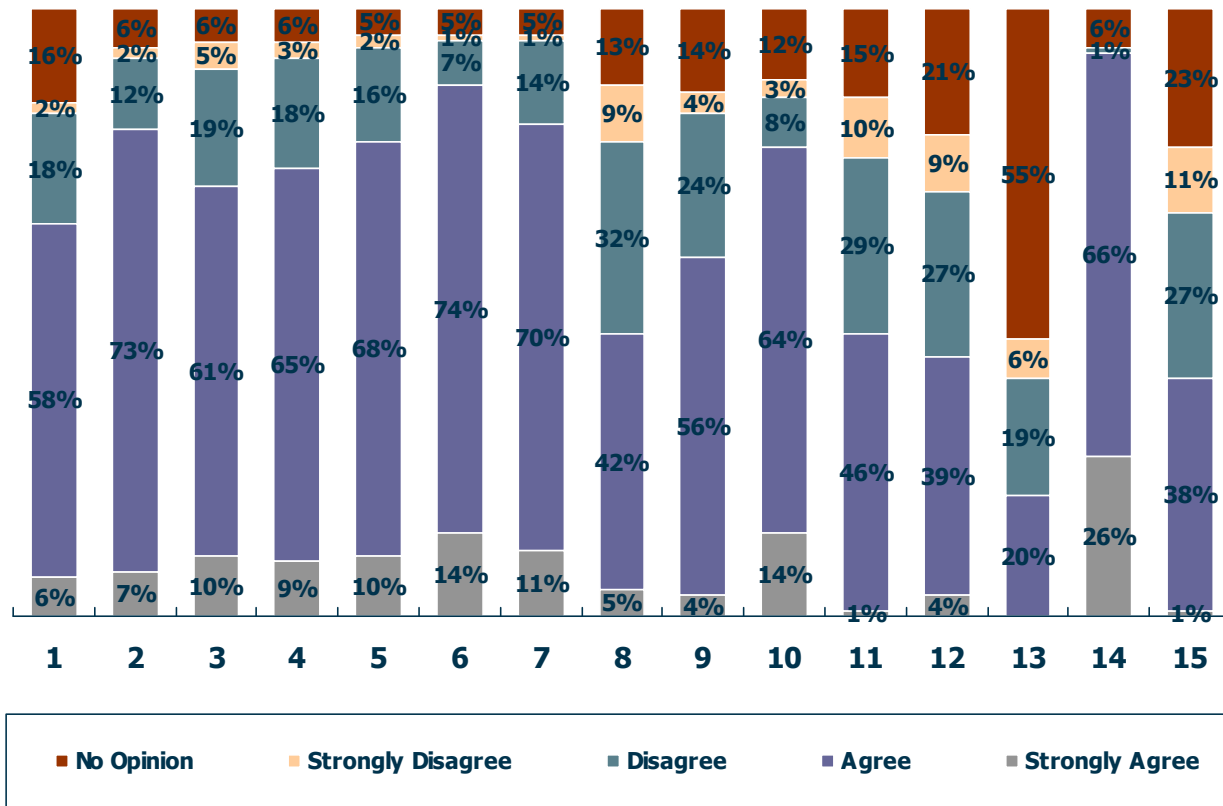
% change from 2009

Mean (./100)

Workforce



Total



1	I can easily secure skilled blue-collar workers.
2	I can easily secure skilled clerical-level employees.
3	I can easily secure qualified white-collar employees.
4	Labor productivity is good.
5	My employees show initiative and can work independently.
6	My employees are good team players.
7	My employees have good analytical and problem-solving skills.
8	"All-in" labor costs are competitive with countries at a similar stage of development.
9	Labor laws do not impede the development or operations of my business.
10	Labor laws adequately protect employees.
11	Labor laws adequately protect the employer.
12	Labor laws are enforced by the courts without partiality and applied equally to all.
13	The unions are partners in my business development.
14	My employees are happy working at a U.S. firm.
15	The court system is impartial in disputes with discharged workers, judgments (awards) rendered are reasonable and fair.

Comments on Workforce

QUALITY OF LABOR FORCE IN TURKEY IS VERY GOOD. STRONG INITIATIVE, INTEREST AND AMBITIONS SOMETIMES BEYOND ABILITIES AND KNOWLEDGE THOUGH. ALSO, LABOR LAWS FAVOR EMPLOYERS.

EDUCATION SYSTEM IN TURKEY IS VERY INSUFFICIENT IN TERMS OF BRINGING UP QUALIFIED STAFF. THUS, OUR INSTITUTION ALLOCATES HIGH BUDGETS FOR EDUCATION AND THE EDUCATION OF THE STAFF IS REALIZED AFTER THEY ARE HIRED

I DO NOT FIND THE DISPLACEMENT DECISION OF THE COURT FAIR. WORKERS ARE PROTECTED MORE THAN ADEQUATE AND EMPLOYERS ARE MISTREATED.

Workforce

FISCAL BURDENS ON THE EMPLOYMENT IS STILL VERY HEAVY. LABOUR COURTS ALWAYS DECIDE IN FAVOUR OF THE WORKERS.

IN ADDITION TO INFRASTRUCTURE, HUMAN CAPITAL IS ANOTHER BRIGHT SPOT IN THE ECONOMY, REPRESENTS A COMPARATIVE ADVANTAGE FOR TURKEY, AND OUR COMPANY IS PROMOTING TURKISH EMPLOYEES TO INTERNATIONAL RESPONSIBILITIES. ON THE OTHER HAND, THE LAW AND COURTS ARE BIASED IN FAVOR OF DISMISSED EMPLOYEES, SO INVESTORS AND EMPLOYERS ARE HESITANT TO HIRE, BECAUSE DISMISSALS FOR POOR PERFORMANCE OR UNETHICAL BEHAVIOR CAN STILL END UP COSTING COMPANIES A LOT OF MONEY WHEN COURTS SIDE WITH DISMISSED EMPLOYEES, WHICH IS THE RESULT IN THE MAJORITY OF CASES.

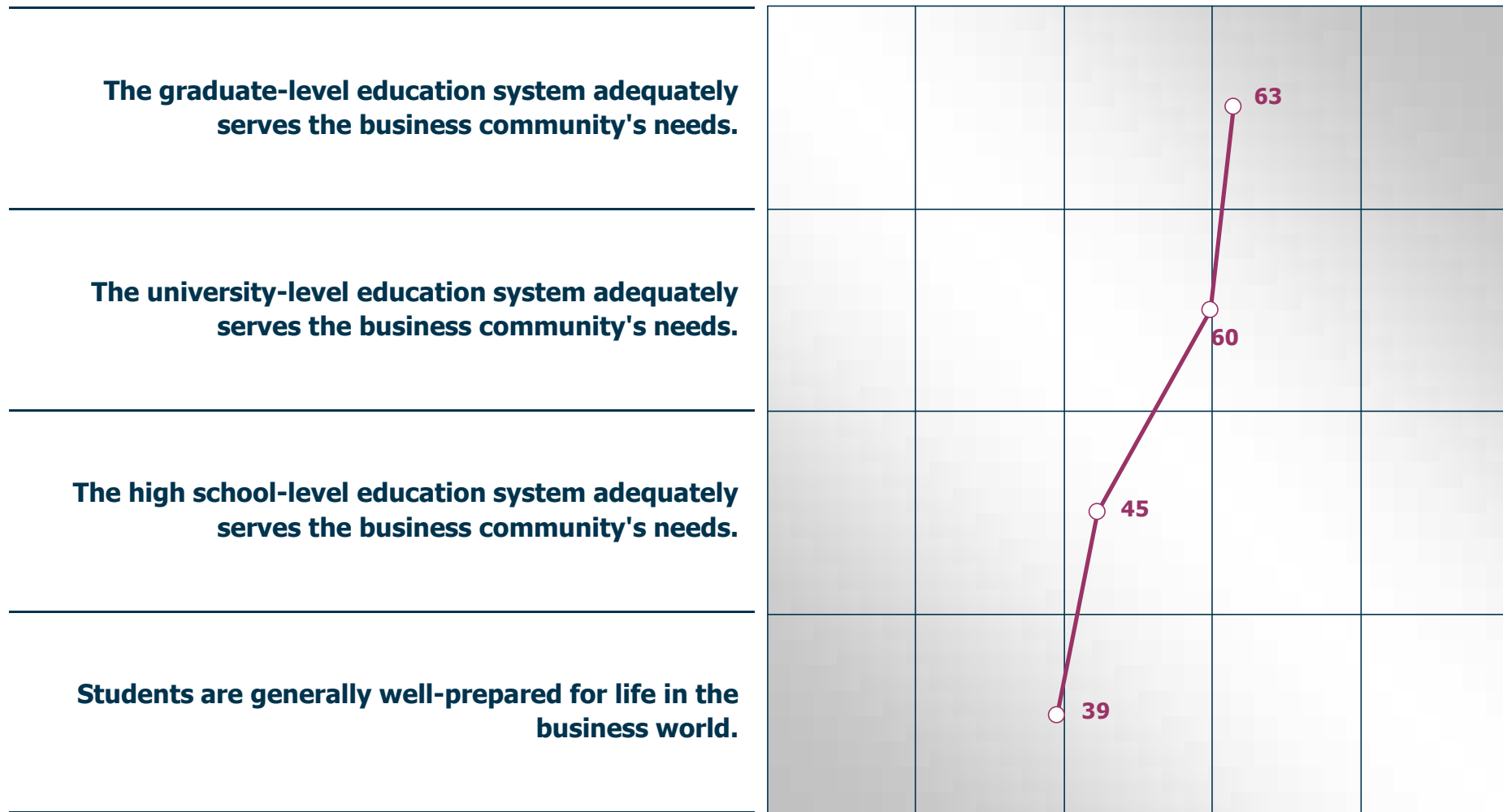
4.8

Education

Education



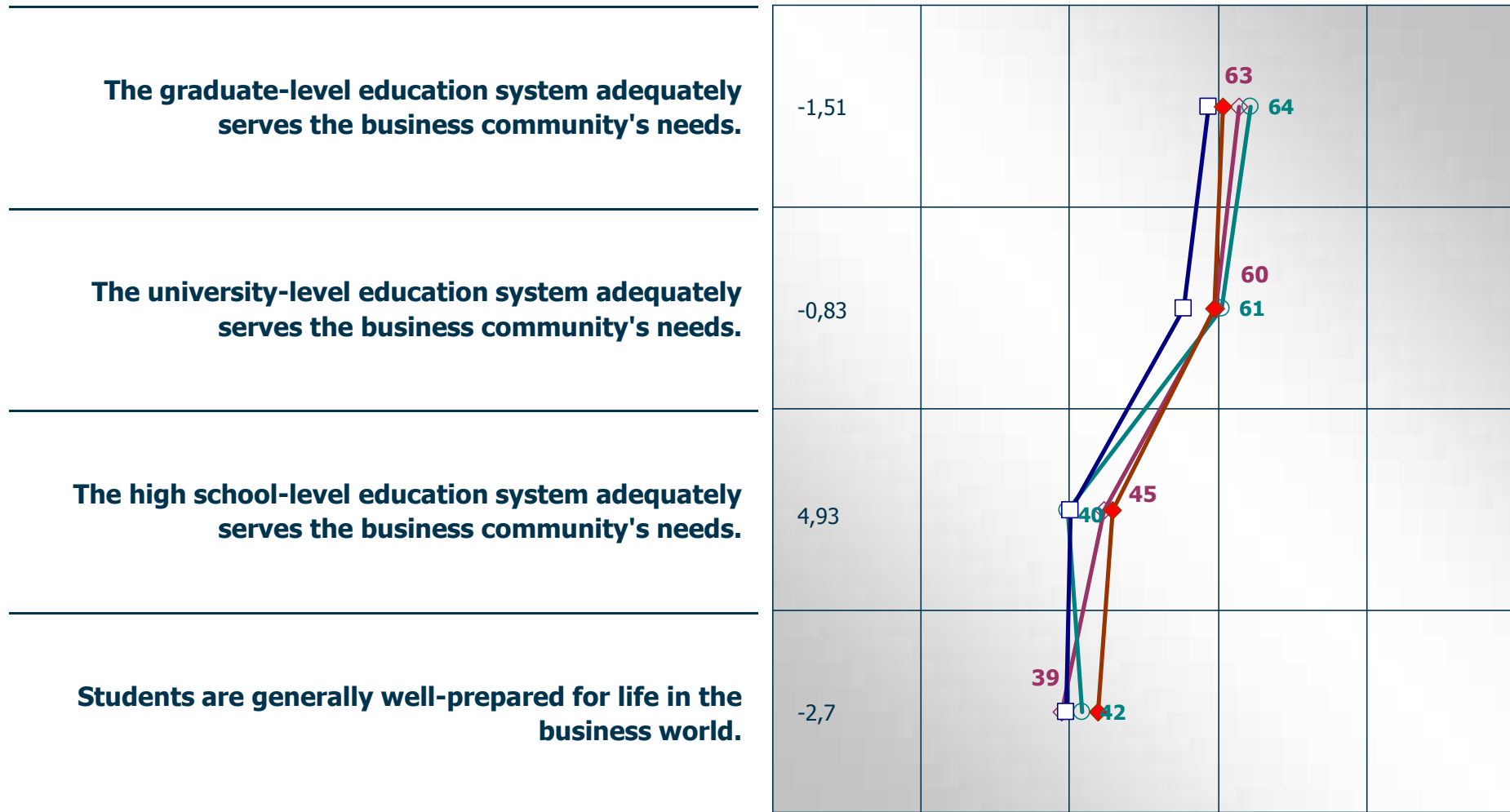
Total



Mean (../100)

Education – 2007-2008-2009-2010

Total



2010 (n:110)

2009 (n:105)

2008 (n:72)

2007 (n:51)

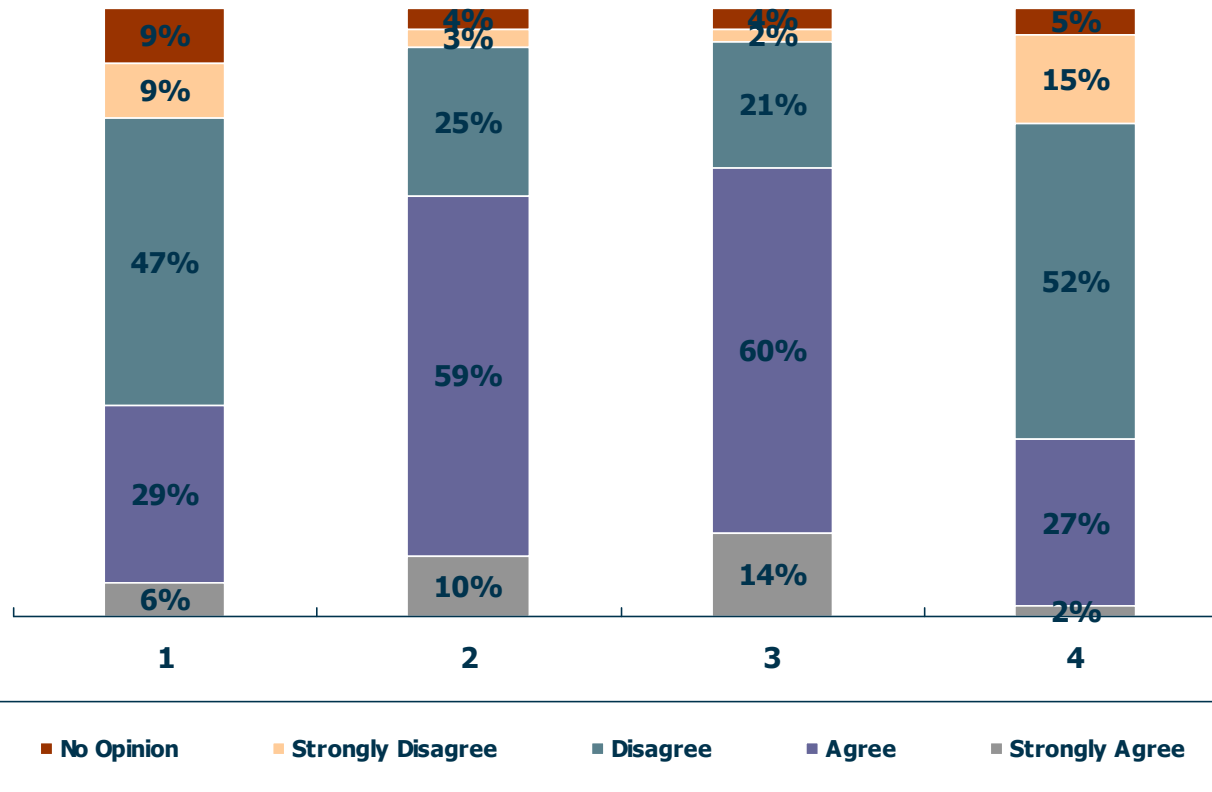
% change from 2009

Mean (./100)

Education



Total



1	The high school-level education system adequately serves the business community's needs.
2	The university-level education system adequately serves the business community's needs.
3	The graduate-level education system adequately serves the business community's needs.
4	Students are generally well-prepared for life in the business world.

Comments on Education

EDUCATION DOES NOT PROMOTE CREATIVITY OR FREE-THINKING.

EDUCATION SYSTEM CHANGES SO OFTEN, QUALITY IS GETTING DILUTED, GAP BTWN UNIVERSITIES GETTING BIGGER

OUR EDUCATION SYSTEM DOESN'T SUPPORT THE BUSINESS LIFE. THE REAL EDUCATION STARTS IN THE BUSINESS LIFE.

Education

THE VOCATIONAL EDUCATION IS NECESSARY. THE INFORMATICS SHOULD BE UP TO DATE.

THERE IS TODAY A SUFFICIENT NUMBER OF HIGHLY EDUCATED PEOPLE TO MEET OUR NEEDS, BUT THE LACK OF COORDINATION BETWEEN THE EDUCATIONAL ESTABLISHMENT AND THE PRIVATE SECTOR IS QUITE STRIKING, IN THAT THERE IS LITTLE COMMUNICATION ABOUT PROSPECTIVE WORK FORCE NEEDS VS. SETTING THE CURRICULA TODAY.

THE STRUCTURE OF EDUCATION SHOULD BE REVISED ACCORDING TO THE BUSINESS NEEDS.

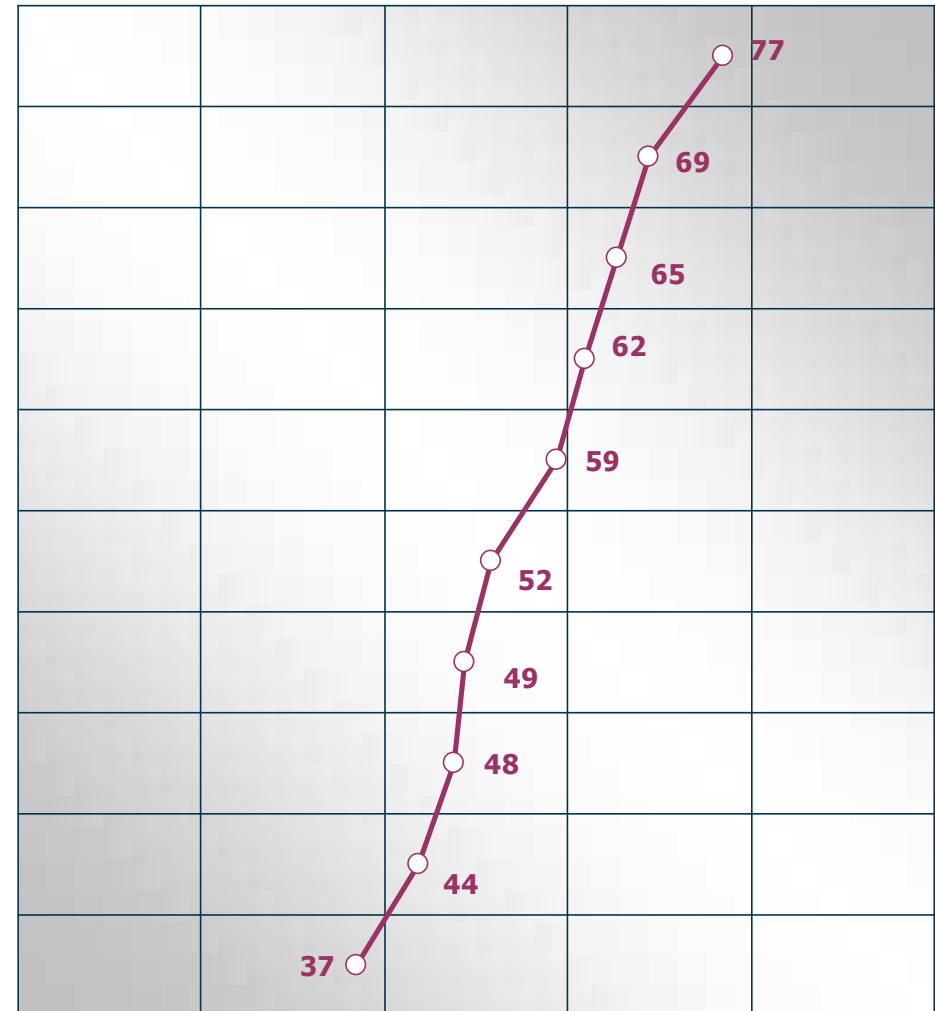
4.9

Expectations

Expectations (1)

Total

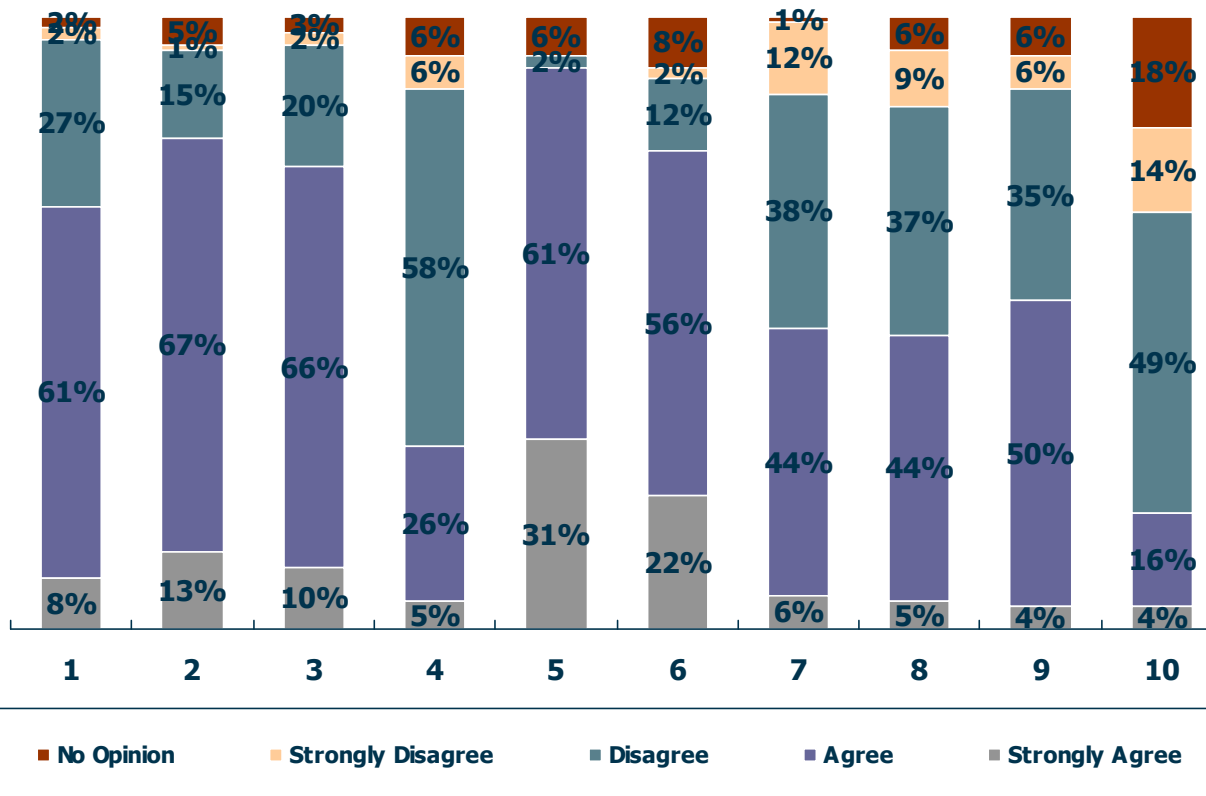
In coming years, my company anticipates staying in Turkey.
In coming years, my company anticipates investing more and/or expanding in Turkey.
The returns from doing business and/or investing in Turkey are worth the risk.
My company headquarters' perceptions of Turkey match management's own perceptions in Turkey.
The general business climate in Turkey is friendly to investors.
I believe in the current government's opportunity - inspite of political situation- to sustain the EU harmonization process in the areas which affect my business the most
I have confidence in the ability of the current government to continue on the path to EU harmonization in the areas most affecting my business, no matter what the political situation may be
I find that in my own sector, policies are predictable and stable, and do not disrupt our long range planning or investment
My company headquarters' perceptions of Turkey hinder the way I conduct business here.
In coming years I anticipate relocating



Mean (../100)

Expectations (1)

Total

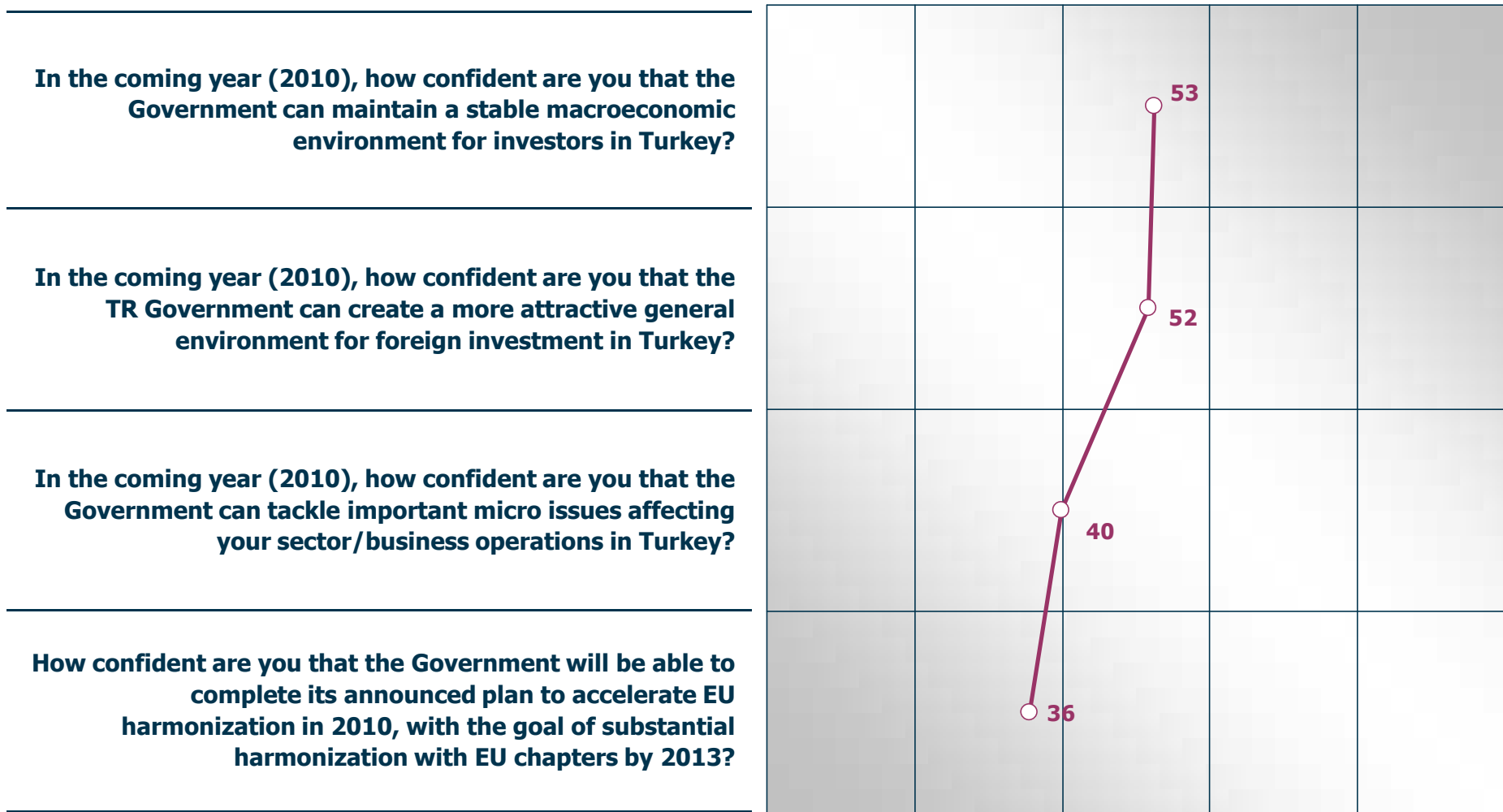


1	The general business climate in Turkey is friendly to investors.
2	The returns from doing business and/or investing in Turkey are worth the risk.
3	My company headquarters' perceptions of Turkey match management's own perceptions in Turkey.
4	My company headquarters' perceptions of Turkey hinder the way I conduct business here.
5	In coming years, my company anticipates staying in Turkey.
6	In coming years, my company anticipates investing more and/or expanding in Turkey.
7	I find that in my own sector, policies are predictable and stable, and do not disrupt our long range planning or investment
8	I have confidence in the ability of the current government to continue on the path to EU harmonization in the areas most affecting my business, no matter what the political situation may be
9	I believe in the current government's opportunity - inspite of political situation- to sustain the EU harmonization process in the areas which affect my business the most
10	In coming years I anticipate relocating

Expectations (2)



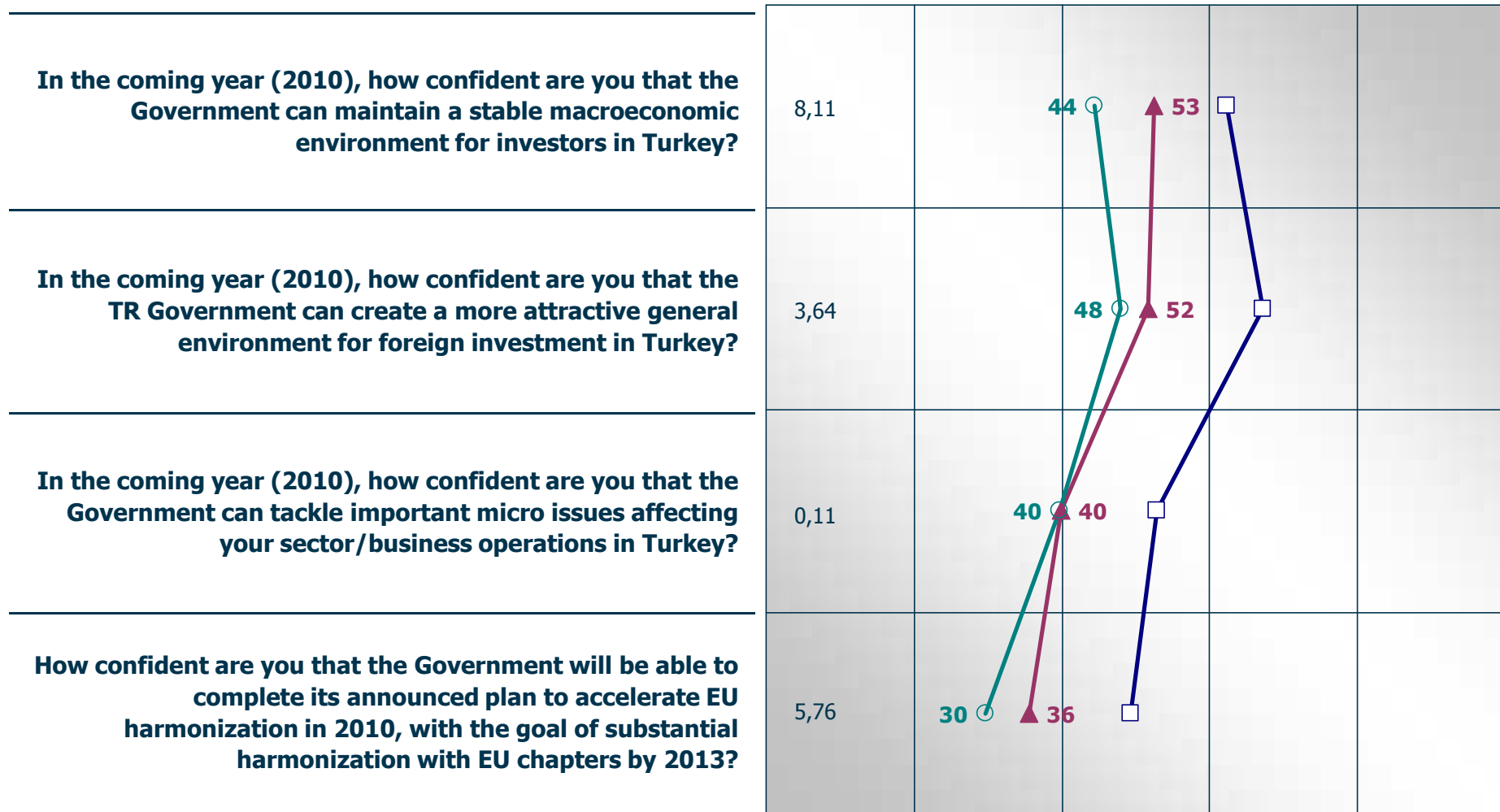
Total



Mean (../100)

Expectations (2) – 2008-2009-2010

Total



2010 (n:110)

2009 (n:105)

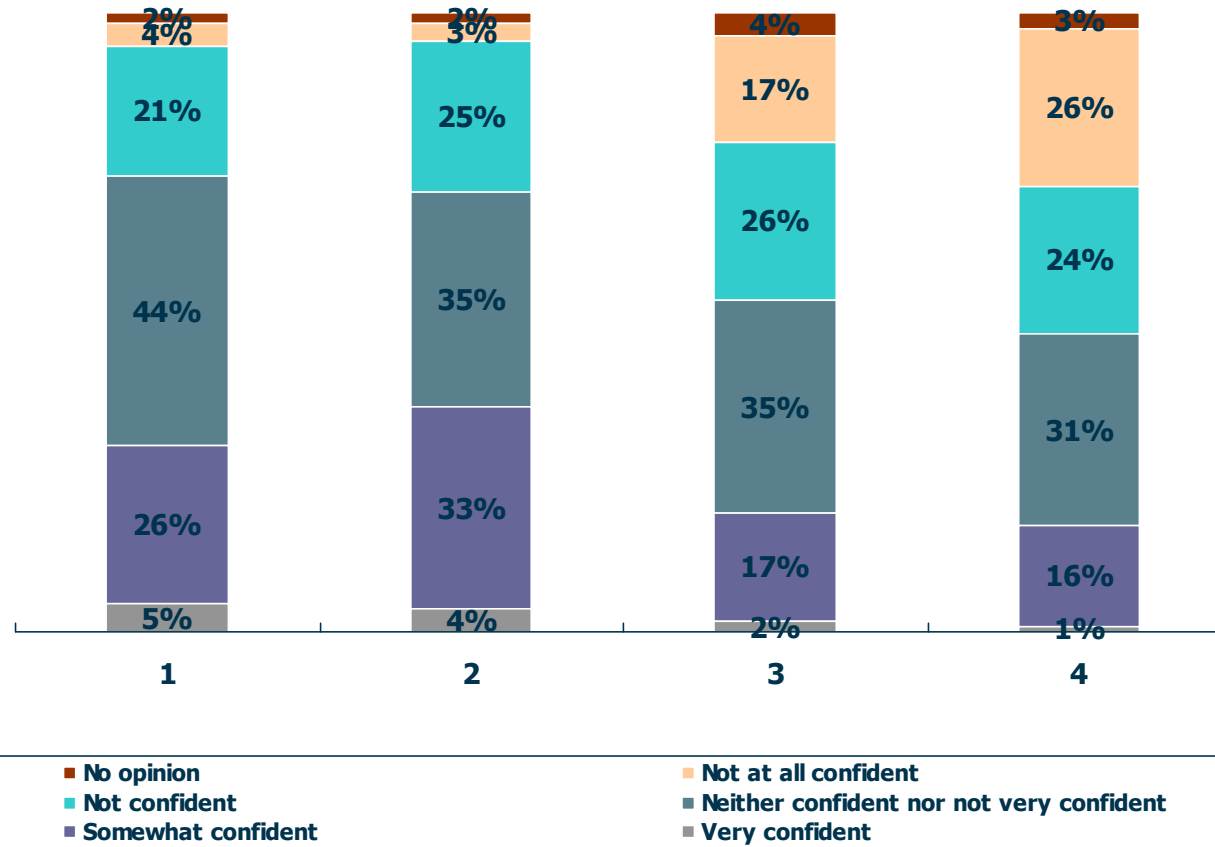
2008 (n:72)

% change from 2009

Mean (../100)

Expectations (2)

Total

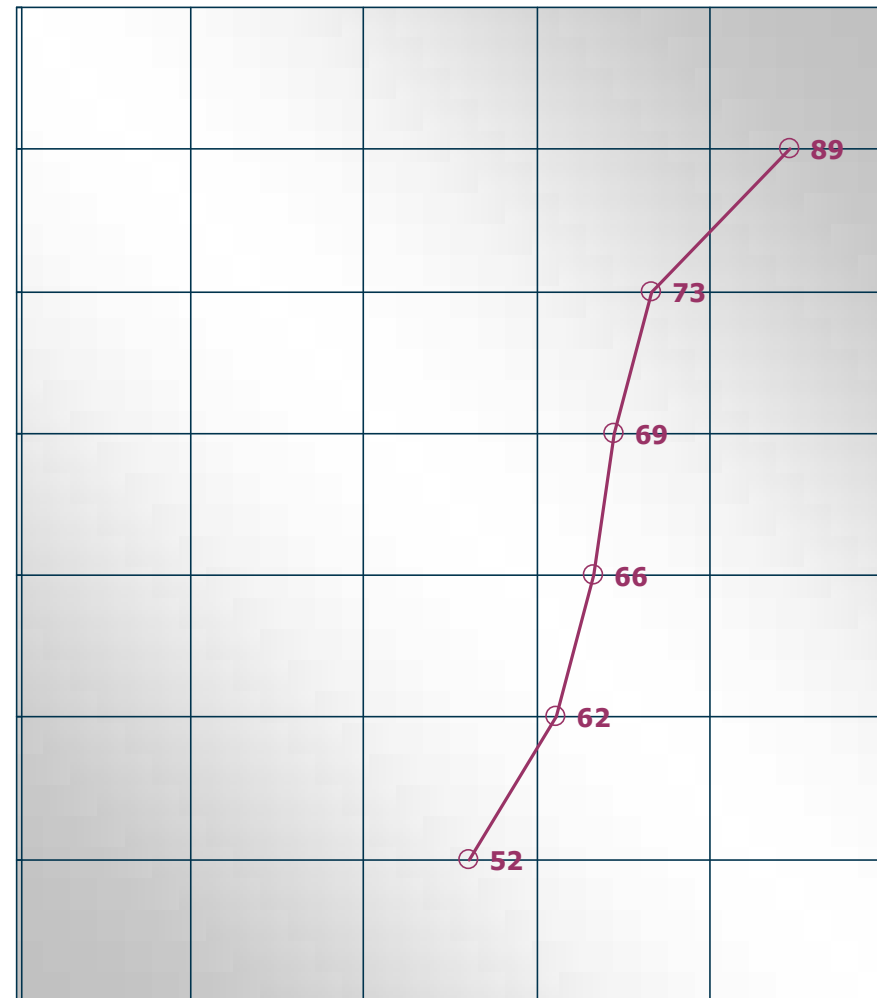


- 1 In the coming year (2010), how confident are you that the TR Government can create a more attractive general environment for foreign investment in Turkey?
- 2 In the coming year (2010), how confident are you that the Government can maintain a stable macroeconomic environment for investors in Turkey?
- 3 In the coming year (2010), how confident are you that the Government can tackle important micro issues affecting your sector/business operations in Turkey?
- 4 How confident are you that the Government will be able to complete its announced plan to accelerate EU harmonization in 2010, with the goal of substantial harmonization with EU chapters by 2013?

Expectations (3)

Total

- How important do you consider it for the US Government to engage with the Government of Turkey to improve the investment, market access, and operating climate for US companies in Turkey?
- To what extent do you think American foreign policy can positively affect the commercial and investment climate in Turkey?
- To what extent do you think the results of the 2008 US Presidential election can positively affect the commercial and investment climate in Turkey?
- Do you believe that in the new year (2010), your company's prospects for growth in Turkey are:
- Do you believe that in the new year (2010), your company is more likely to invest/expand operations in Turkey?
- How concerned are you that during the next 3 years, tensions in the US-Turkey bilateral relationship, such as disagreements over Iraq, the PKK, the proposed US House of Representatives "Armenian Resolution", Iran, and Turkish engagement with Hamas could have negative repercussions for the operating environment of your company here in Turkey?

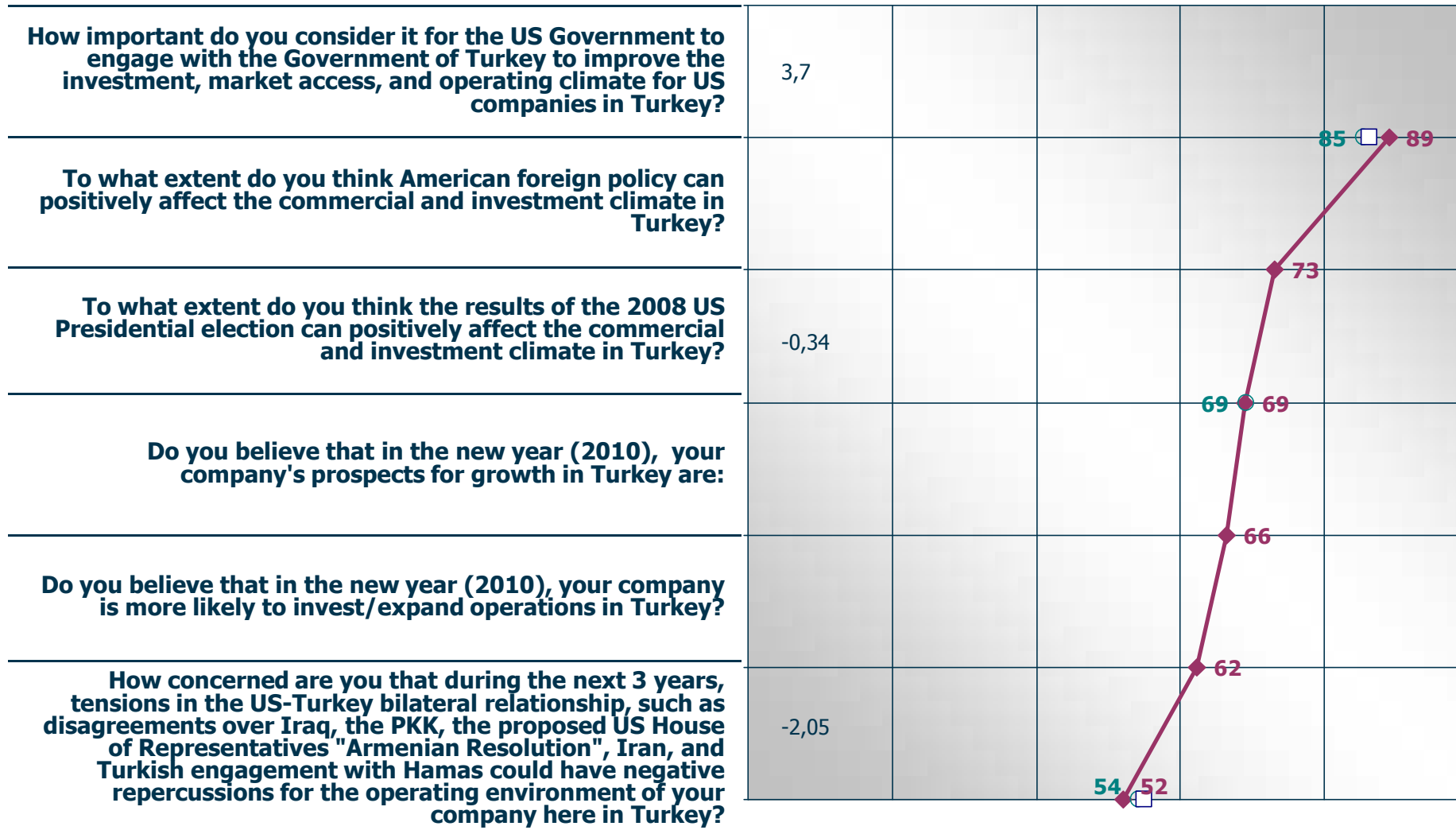


Mean (../100)

Expectations (3) 2008-2009-2010



Total



2010 (n:110)

2009 (n:105)

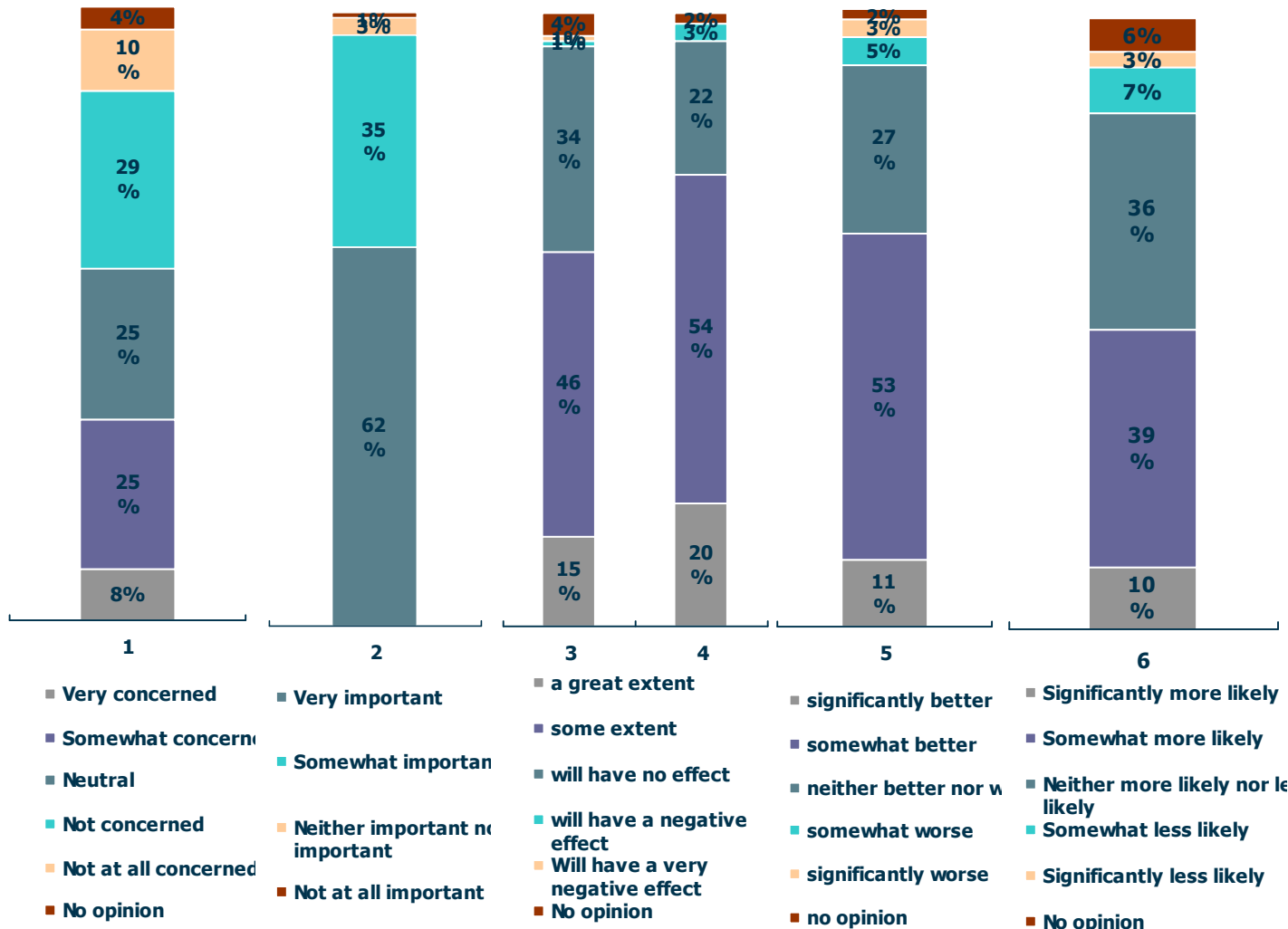
2008 (n:72)

% change from 2009

Mean (../100)

Expectations (3)

Total



2010 (n:110)

1	How concerned are you that during the next 3 years, tensions in the US-Turkey bilateral relationship, such as disagreements over Iraq, the PKK, the proposed US House of Representatives "Armenian Resolution", Iran, and Turkish engagement with Hamas could have negative repercussions for the operating environment of your company here in Turkey?
2	How important do you consider it for the US Government to engage with the Government of Turkey to improve the investment, market access, and operating climate for US companies in Turkey?
3	To what extent do you think the results of the 2008 US Presidential election can positively affect the commercial and investment climate in Turkey?
4	To what extent do you think American foreign policy can positively affect the commercial and investment climate in Turkey?
5	Do you believe that in the new year (2010), your company's prospects for growth in Turkey are:
6	Do you believe that in the new year (2010) your company is more likely to invest/expand operations in Turkey?

General Expectations

EFFICIENCY AND IMPARTIALITY OF LEGAL SYSTEM IMPARTIAL TAX SYSTEM THAT TREATS ALL EQUALLY LESS GOVERNMENT INTERFERENCE IN FREE-RUNNING OF MARKET

TO ENCOURGE THE TURKISH GOVERNMENT TO REFORM ITS LEGAL SYSTEM FOR BETTER RULE OF LAW TO BE ENFORCED AS WELL AS THE COURTS TO BE MORE OBJECTIVE WHEN HEARING FOREIGN COMPANIES PROBLEMS ENCOUNTERED IN TURKEY.

TRANSPARENCY, STANDARDIZATION IN GOVERNMENTAL AFFAIRS

TAXES NEED TO BE REDUCED

OPPORTUNITIES FOR SMALL AND MEDIUM SIZE ENTERPRISES.

Key Expectations

BRAND, TRADEMARK, INTELLECTUAL PROPERTY PROTECTION NEED TO BE IMPROVED - REGULATIONS FROM MINISTRY OF HEALTH AND MINISTRY OF TRADE HAVE TO BE CLEAR , STABLE AND APPLIED CONSISTENTLY EITHER A COMPANY IS LOCAL OR FOREIGNER

NOTABLY PUBLIC INSTITUTIONS, PROTECTION OF THE COPYRIGHT AND CONDUCTION OF THE LEGAL PROCESS EFFICIENTLY.. AT PRESENT, MANY COURTS DO NOT WANT TO MAKE A DECISION ABOUT THE PROTECTION OF COPYRIGHTS. CASES ARE CONTINUING FOR 2-3 YEARS WHICH PREVENTS THE DETERRENCE.

TRANSPARENCY AND PREDICTABILITY IN GOVERNMENT POLICIES

MORE RELAX FISCAL POLICY, INVESTMENT ACCELERATION

CAPACITY BUILDING OF GOVERNMENTAL INSTITUTIONS

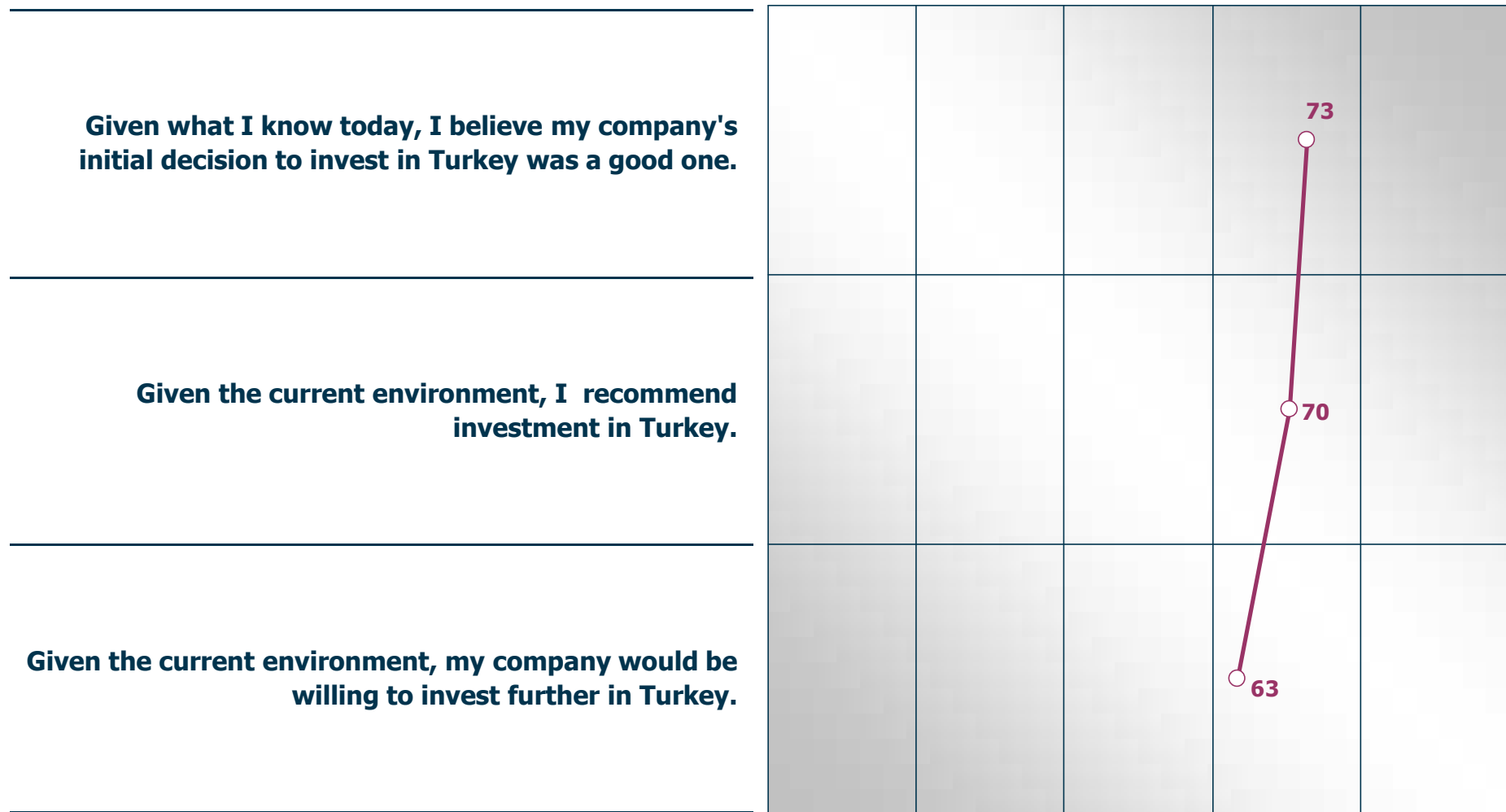


Investing in Turkey

Investing in Turkey



Total



Mean (../100)

Investing in Turkey – 2007-2008-2009-2010



Total



2010 (n:110)

2009 (n:105)

2008 (n:72)

2007 (n:51)

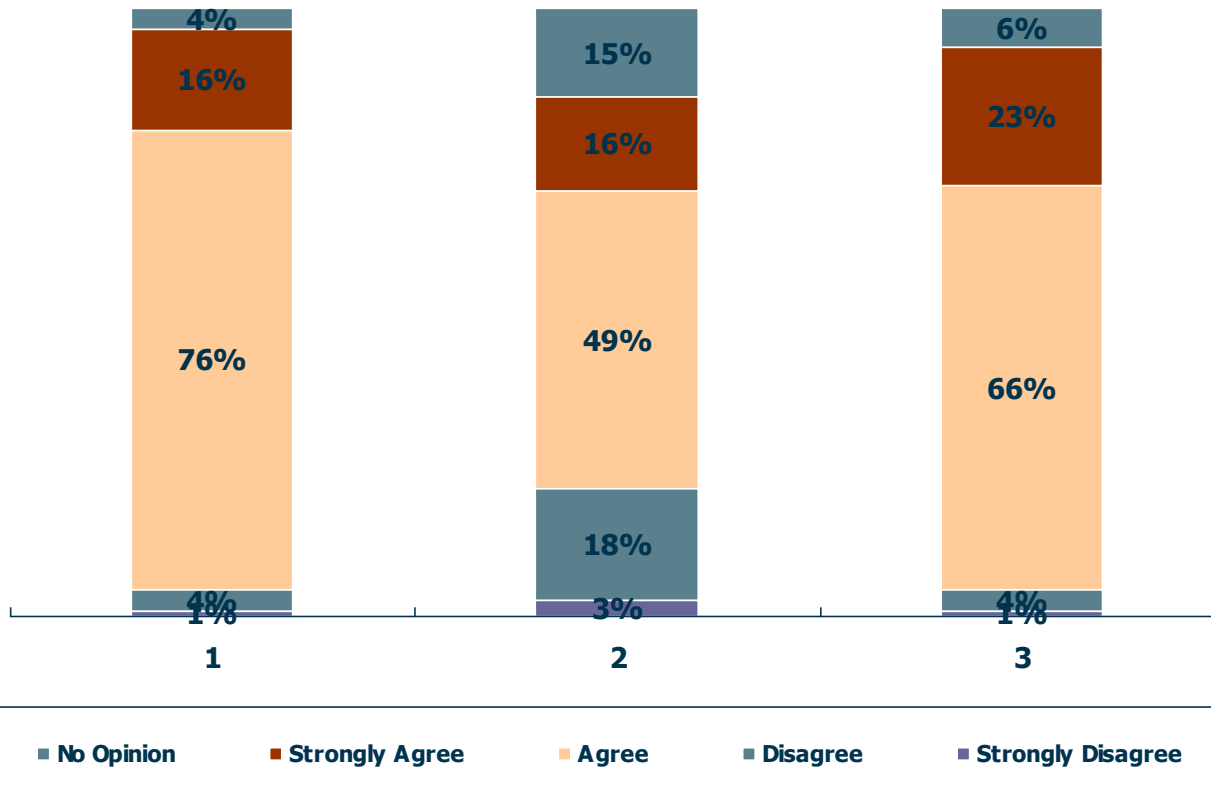
% change from 2009

Mean (./100)

Investing in Turkey



Total



1	Given what I know today, I believe my company's initial decision to invest in Turkey was a good one.
2	Given the current environment, I recommend investment in Turkey.
3	Given the current environment, my company would be willing to invest further in Turkey.

Comments on Investing in Turkey

TURKEY WILL BE A STAR MARKET FOR THE NEXT 5 YEARS

TURKEY IS LIKE A LOW VALUED STOCK WITH SIGNIFICANT UP SIDE. HOWEVER, NEEDS TO ADDRESS CORRUPTION AND BETTER ALLOCATION OF STATE FUNDS FOR LONG TERM VALUE ADD PROJECTS.

TÜRKİYE İS PASSİNG THROUGH AN İMPORTANT TRANSİTİON PERİOD. İN THİS PROCESS, ALL İMPLEMENTATIÖNS OF THE GOVERNMENT MAY NOT BE COHERENT BUT TURKEY HAS THE POTENTIAL OF BEİNG A CENTER OF ATTRACTİON FOR THE GLOBAL CAPITAL ONLY İN THE LONG TERM OR MİD TERM.

Investing in Turkey

IF 2008 WAS A LOST YEAR FOR REFORMS, İN MANY WAYS, 2009 REPRESENTED A STEP BACKWARD FOR MY SECTOR...TURKEY CONTİNUES TO PUNCH WELL BELOW İTS WEIGHT, AND WE ARE NOT ACHİEVİNG OUR FULL POTENTIAL.

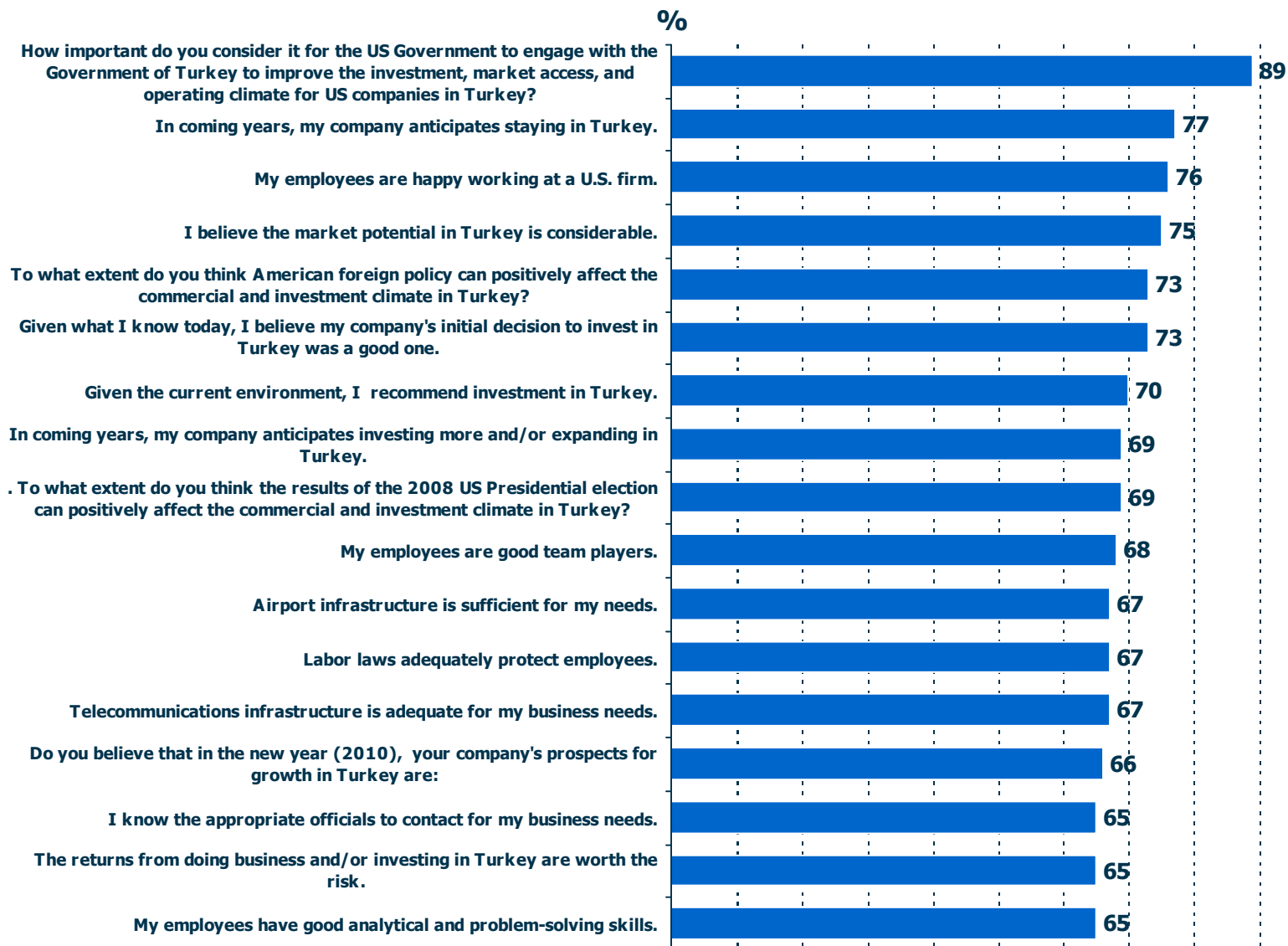
TURKEY İS VERY PRICE SENSİTİVE MARKET AND THEREFORE SOMETİMES VALUE ADDED SERVICES OR GOODS DO NOT MEET WITH RETURN ON İNVESTMENT CRİTERIA WHİCH MAY DETER DIRECT İNVESTMENTS İN MANY İNDUSTRİES.

İN ORDER NOT TO LOSE İTS COMPETİTİON ADVANTAGE COMPARED TO THE OTHER DEVELOPİNG MARKETS, TURKEY SHOULD MAKE AN EFFORT ON THE LEGAL REGULATIÖNS AND LEGAL PLATFORM.

5

SUMMARY

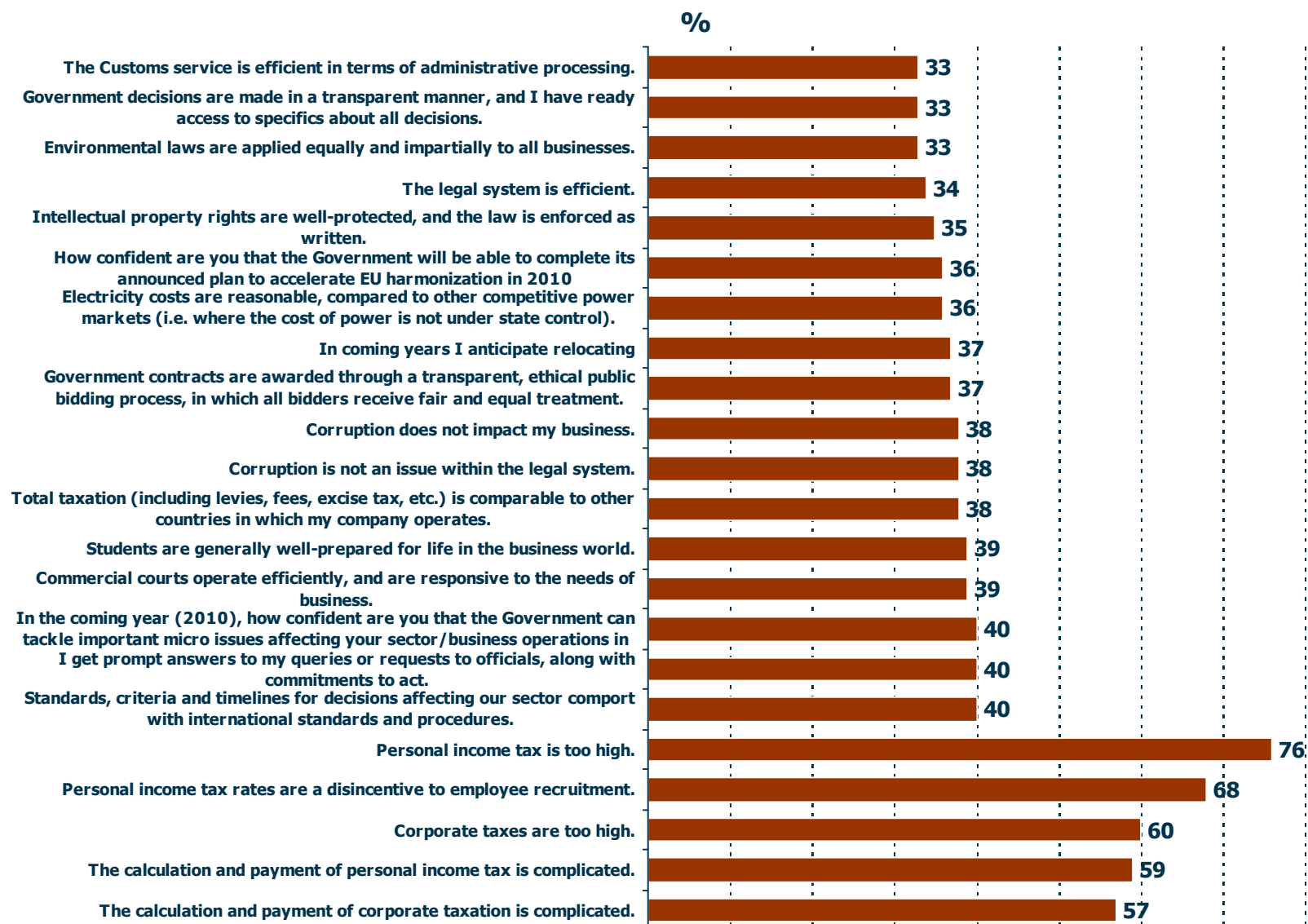
KEY FINDINGS – STRONG AREAS



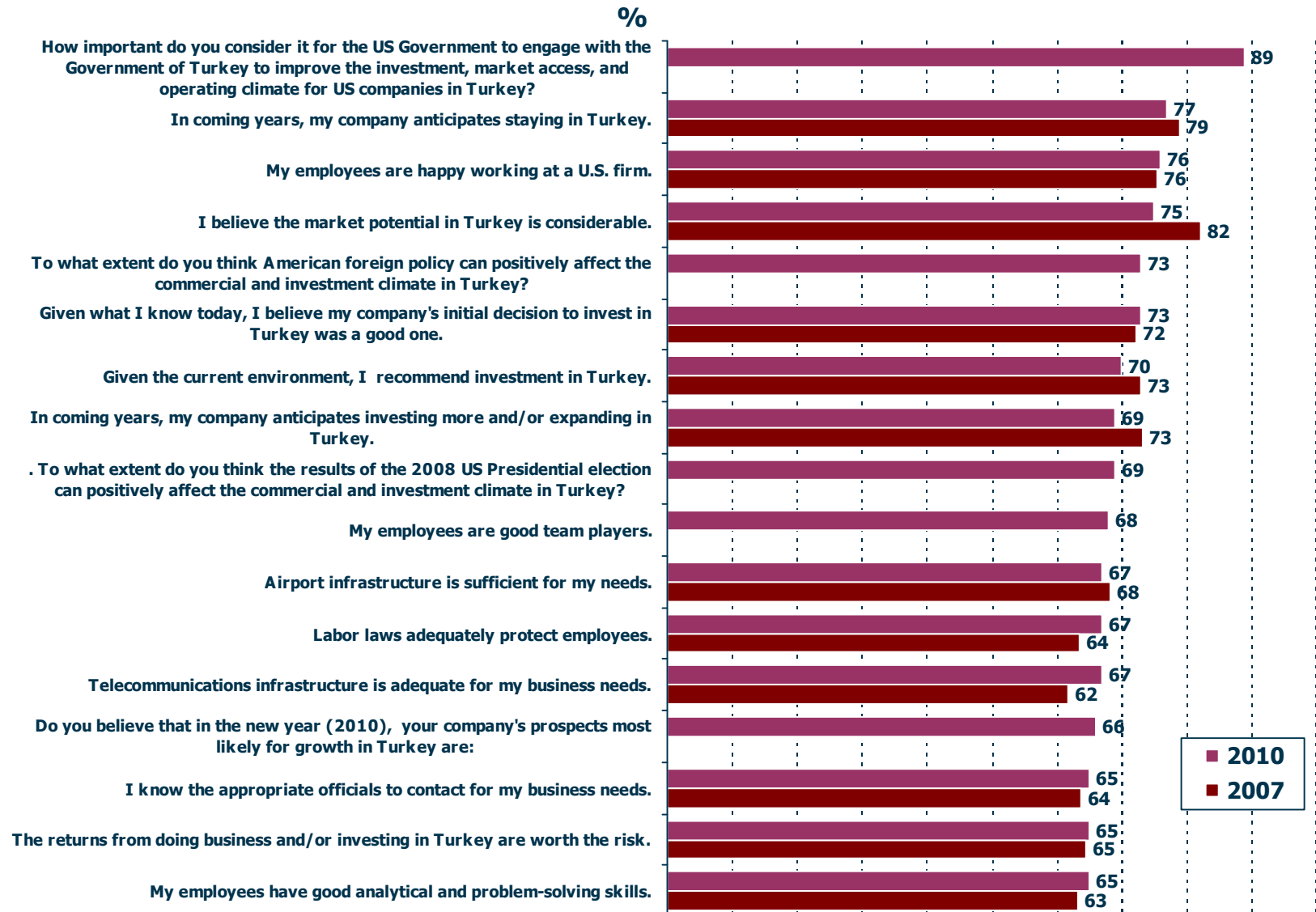
KEY FINDINGS –AREAS THAT SHOULD BE IMPROVED



69



KEY FINDINGS – STRONG AREAS _COMPARISON WITH 2007

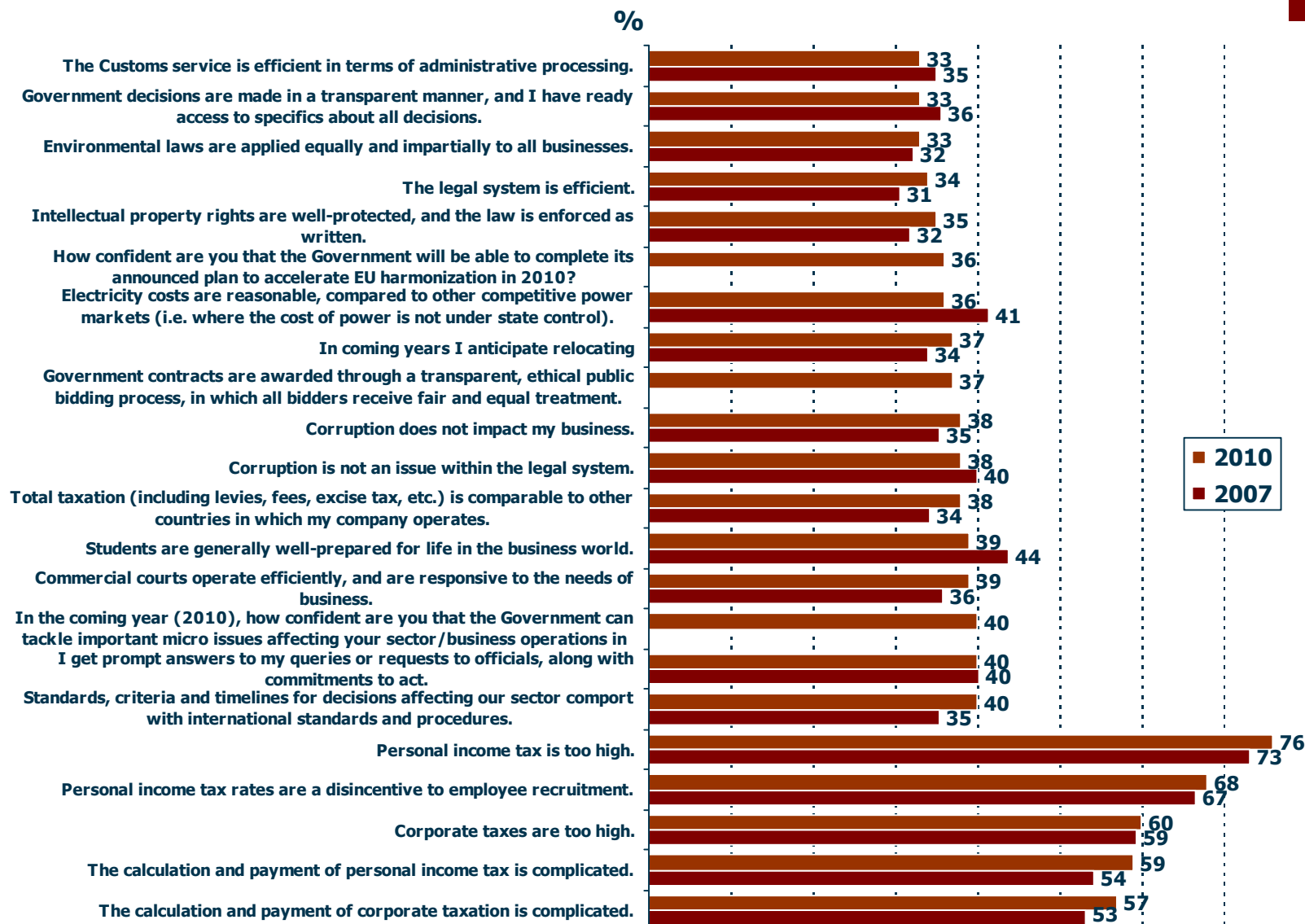


2010 (n:110)

2007 (n:51)

* Criteria whose values are blank are not questioned in 2007

KEY FINDINGS –AREAS THAT SHOULD BE IMPROVED _COMPARISON WITH 2007



2010 (n:110)

2007 (n:51)

* Criteria whose values are blank are not questioned in 2007

KEY FINDINGS

General Environment:

- Turkey's general environment is mostly regarded as having a considerable market potential (75%) (82% in 2007 and 76% in 2008, 75% in 2009) and being conducive to business development (60%) (57% in 2007 and 66% in 2008, 63% in 2009).
- Current government incentives have average effectiveness in considering further investments in Turkey (42%) (44% in 2007 and 49% in 2008, 43% in 2009).
- Corruption remains to be a concern as in 2007, 2008 and 2009.

Macroeconomics:

- Satisfaction level for general macroeconomic condition in Turkey has increased compared to 2009 (50%). It has been above the average in 2007 and 2008 and 44% in 2009.
- Exchange rate is still perceived to be a concern.
- Stability expectations for the next year and confidence in officials in this matter are increased compared to 2009 (46%). In 2007 and 2008 this rate was above the average as 57% and below the average as 31% in 2009.

KEY FINDINGS

Interaction with government officials/agencies:

- The overall efficiency of interaction with government officials and agencies is on average level (51%) (52% in 2007 and 54% in 2008, 53% in 2009).
- Customs services (33%), transparency in decision making (33 %), and being parallel to international procedures and standards in terms of decisions (37%) are the weakest aspects.

Infrastructure:

- Application of environmental laws (33%) (32% in 2007 and 2008, 29% in 2009), adequacy of environmental laws (41%) (40% in 2007 and 37% in 2008, 39% in 2009), and electricity costs (36%) (41% in 2007 and 38% in 2008, 34% in 2009) and quality of electricity (53%) (55% in 2007 and 56% in 2008, 56% in 2009) are the main concerns regarding infrastructure.
- Airport infrastructure (67%) (68% in 2007 and 62% in 2008, 69% in 2009), telecommunications infrastructure (67%) (62% in 2007 and 54% in 2008, 69% in 2009), port infrastructure (60%), and port costs (55%) are considered to be more adequate.

KEY FINDINGS

Taxation:

- **Personal income taxes are still considered too high as in 2007, 2008 and 2009 (76%) (73% in 2007 and 74% in 2008-2009) and a disincentive to recruitment (68%) (67% in 2007, 68% in 2008, 70% in 2009).**
- **The total taxation is not found to be comparable to other countries in which the companies operate (38%) (34% in 2007 and 39% in 2008, 40% in 1009).**

Adli Sistem:

- **The efficiency of the legal system is found to below average (34%) (31% in 2007 and 35% in 2008, 33% in 2009).**
- **Judges are considered to be generally impartial as in 2007, 2008 and 2009 (%47).**
- **The main issue is still the protection of intellectual property rights (35%) (32% in 2007 and 30% in 2008, 30% in 2009).**

KEY FINDINGS

Workforce:

- **The most positive aspect regarding workforce is that employees are happy to be working in a US firm (76%) (76% in 2007 and 72% in 2008, 78% in 2009).**
- **Ease of finding blue collar (61%) (55% in 2007 and 57% in 2008, 60% in 2009) and white collar (60%) (54% in 2007 and 54% in 2008, 63% in 2009) employees are above average level.**
- **Labor productivity (61%) (61% in 2007 and 60% in 2008, 64% in 2009), employees ability to be a good team worker (68%) (69% in 2009), employees ability to show initiative and independent working (63%) (61% in 2007 and 61% in 2008, 67% in 2009), and having good analytical and problem solving skills (65%) (63% in 2007 and 65% in 2008, 68% in 2009) are the other aspects regarded positively.**

Education:

- **Adequacy of graduate level (63%) (61% in 2007 and 59% in 2008, 64% in 2009) and university level (60%) (59% in 2007 and 55% in 2008, 61% in 2009) education are found adequate.**
- **High school level education (40%) and general preparedness for life and business life (42%) are still the concerns as in 2007, 2008 and 2009.**

KEY FINDINGS

Expectations:

- ❑ Companies are anticipating staying (77%) and investing more (69%) in 2009 in Turkey as in 2007, 2008 and 2009.
- ❑ The company headquarters' perceptions of Turkey have continued on hindering conducting business in Turkey (44%) (42% in 2009)
- ❑ It can be said that people are medium sure that the new government will create a more attractive general environment for foreign investment in Turkey (52%) (67% in 2008, 48% in 2009). There is an increase in new government's success to provide a stable macroeconomic environment (53%) (62% in 2008, 44% in 2009).
- ❑ US government's positive engagement with Turkish government is considered to be the most important aspect in improvement (89%) as in 2009.

Investing in Turkey:

- ❑ Investment in Turkey in the current environment is recommended highly (70%), as it has been in 2007, 2008 and 2009
- ❑ In 2010 companies are happy that they made a decision to invest in Turkey (73%) as in 2009 (75%). It is a bit lower in 2007 (72%)