



DOING BUSINESS IN TURKEY

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Market profile

Turkey is a transcontinental Eurasian country. Istanbul is the largest city in the country while Ankara is the capital. Turkey has a unitary structure in terms of administration and the provinces are subordinate to the central government in Ankara.

Turkey's constitution governs the legal framework of the country. The President of Turkey is the head of state who is elected for a 5-year term by direct elections. Executive power is exercised by the President, including the power to issue decrees, appoint his own cabinet, draw up the budget, dissolve parliament by calling early elections, and make appointments to the bureaucracy and the courts. There is no office of the Prime Minister and the legislative power is vested in the unicameral parliament. The judiciary is independent from the executive and the legislature, but the constitutional changes in recent years gave larger powers to the President and the ruling party for appointing or dismissing judges and prosecutors.

FACTS

- Main Export Breakdown: Manufacturing (Metals, Automotive, Textile&Apparel, Food) Agriculture & Forestry, Mining
- Capital: Ankara
- Official language: Turkish
- Area: 783 562 sq km
- Population: 84.7 million

Economy and business structure

- GDP 2021: 802.6 billion USD (+11%)
- GDP per capita 2021: 9,539 USD
- Exports of Goods in 2021: 213.6 USD billion (+33%)
- Bilateral trade between Finland and Turkey hit an all-time high in 2021, total exports from Finland to Turkey reached 1 092 MEUR.
- Number of Finnish companies in Turkey: Around 50 daughter companies and more than 200 representatives/distributors

Turkey experienced an accelerating economic recovery in 2021 amidst the COVID-19 pandemic, but also rising macro-financial volatility. The economy grew 11% y-o-y in 2021 and unemployment fell. The rapid recovery in 2021 has helped reverse the pandemic's impact on employment, but underlying challenges have resurfaced. The Lira depreciated to record low levels in the Q4 of 2021, losing over half its value by early December before appreciating but remaining volatile.

Growth in 2022 is expected to be largely driven by a continued strong rebound in exports. Net exports are expected to drive more than 2/3 of growth in 2022. However, continued Lira depreciation and high inflation may further exacerbate macro financial vulnerabilities, erode real incomes, distort price signals, and disrupt production and supply channels.

Although the economic turbulence, Turkey kept its attractiveness for foreign direct investments with its young innovative companies, robust business culture and young talent force. In recent years, FDI to Turkey has slowed down compared to other emerging markets. Good quality FDI is important for Turkey to catch-up to high income levels.

Turkey also needs to prepare for the impacts of the EU's Carbon Border Adjustment Mechanism (CBAM), which will affect Turkish exports to the EU. The manufacturing industry (cement, iron and steel, aluminum and fertilizer) will be affected by the first wave of regulations. Other energy-intensive industries that later could be affected by CBAM are chemistry, textiles and paper industries.

Key industries and their trends

Textile

Turkey belongs to the top five world export champions in the textile sector. The industry recorded an export volume of \$12.9 billion in 2021, increasing 33.2% compared to the previous year. With this volume, Turkey has broken a record, peaking at the highest point in its history. In 2022, this growth is to be exceeded with the target volume set at \$15 billion. Turkey is the second largest supplier of the EU's ready-to-wear and apparel industry. In recent years, position of Turkey in international and European markets was further fortified by disruption in global supply chains. EU's efforts for Green Transition in the field of sustainability will bring results that will directly affect the export and production structure of the Turkish ready-made clothing and apparel industry.

Agrofood

Agricultural output in Turkey has increased significantly in recent years, with exports of agri-food products rising to about \$20.7 billion in 2020, representing about 10 percent of national exports. The sector accounts for 6.6 percent of Turkey's economy and employs about 18 percent of the labor force. However, it faces important productivity challenges as growth in agricultural output has been driven primarily by input intensification and far less by improvements in resource-use efficiency and technological adoption. The World Bank approved a \$341.27 million loan to Turkey to support a more sustainable and competitive agricultural sector and promote the use of climate-smart technologies and practices in several provinces in the country under The Turkey Climate Smart and Competitive Agricultural Growth Project (TUCSAP)

Automotive

Since early 1960s, Turkey's automotive industry sector transformed from assembly-based partnership to a full-fledged industry with design capability and massive production capacity. 30 of the top 50 global suppliers have production facilities in Turkey. Turkey became 14th largest automotive manufacturer in the world and 4th largest in Europe by the end of 2021. There are also around 1,100 component suppliers supporting the production of OEMs.

Machinery

Machinery manufacturing continues to be one of the key growth drivers of the Turkish economy. Global machinery companies have been present in Turkey, using Turkey as a hub to access regional markets. Turkish machinery industry has been growing over the past decade with approx. 5% CAGR. Accounting for a 10% share of the total exports, machinery products are shipped to more than 200 countries. 60% of total machinery product exports are shipped to the USA and EU countries.

Energy

Demand for energy and natural resources has been increasing in Turkey posting the fastest growth in the OECD, with an annual growth rate of 5.5% since 2002. Turkey is a net energy importer country. Import

dependence has been the main driving force behind the formulation and implementation of new policies and investment models to commission local and renewable energy resources.

ICT (Market & Startup Ecosystem)

ICT market in Turkey exceeded USD 27 billion. Telecommunications, e-commerce, gaming, banking and finance, data analytics and AI, cloud & data center operations, digital transformation of the Turkish industry, and ICT application in the automotive, healthcare, and hospitality sectors all offer plenty of chances. In 2021, 294 startups raised a total of USD 1.6 billion. In 2021, as for capital raising, grocery delivery, gaming, proptech, fintech and blockchain were the leading verticals, whereas gaming, artificial intelligence, deeptech, fintech and healthtech led the number of deals. Turkey expects more unicorns to emerge in the near future.

Important things to consider when doing business in Turkey

- Business culture in Turkey is very similar to the rest of the countries around the Mediterranean. It is important to build a relationship with customers.
- When greeting, always greet the oldest person first; Turks have a great respect for the elderly.
- Do not use deadlines or high-pressure tactics during business negotiations with your Turkish colleagues. Be patient during negotiations as decision making can be slow.
- It could be beneficial to talk about football to break the ice. Mentioning positive views on Turkey is something you should do as it goes down extremely well with the Turkish people.
- Turkey is a secular country, but there are still about 99% Muslims. It is important to keep track of festivals and holidays but other than that religion has no big impact on the sales process.
- Turks do not require as much personal space as many other cultures and it may be construed as unfriendly if you back away when Turkish colleagues stand close during a conversation.
- Don't offer gifts that are too lavish or personal and be sure to check that your Turkish counterparts drink before offering alcohol.
- Maintain eye contact with your Turkish counterparts whilst speaking, as Turks take this as a sign of sincerity.
- Turkey has had a turbulent political history and you should try and avoid discussing sensitive issues involving Turkey, especially Kurdish issues, Cyprus and EU membership.

Annual main trade shows and events

You may find all events in Turkey in the link below, based on sectoral division and main product type.

[FairCalenderMain2022.xls \(live.com\)](#)

You may kindly check the exact dates from our office.

Market data sources and other useful links

- [Invest in Turkey](#)
- [Türkiye - Finland Business Council - DEİK | Dış Ekonomik İlişkiler ... \(deik.org.tr\)](#)
- [The World Bank in Turkey: Development news, research, data | World Bank](#)
- [The EBRD in Turkey](#)
- [Ministry of Treasury and Finance](#)
- [Turkish Statistical Institute](#)
- [Central Bank of Turkey](#)
- [Ministry of Trade of Turkey and e-services](#)
- [Directorate general of Migration Management](#)

- [Turkey Tourism Portal](#)
- [Study in Turkey](#)
- [Turkey Trade Registry Gazette](#)
- [Istanbul Chamber of Commerce Information Bank](#)

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