

Turkey

1Bilateral trade relations

According to customs statistics in China, the volume of bilateral trade between China and Turkey in 2006 totaled US \$ 8.069 billion, up 65.5% over the preceding year, among which China's exports to Turkey jumped by 71.7% to arrive at US \$ 7.304 billion, while China's imports from Turkey reached US \$ 765 million, an increase of 23.1% over the same period of the preceding year. China enjoyed a trade surplus of US \$ 6.539 billion with Turkey. China mainly exported to Turkey electro-mechanic products, audio-video equipment, machinery, motor vehicles and their spare parts, plastics and plastic products, and mineral fuels. China's main imports from Turkey included, among others, mineral products, iron and steel, inorganic chemical products, certain machinery and its components, and chemical short-staple fibers.

According to the figures released by China's Ministry of Commerce(MOFCOM), by the end of 2006, the accumulative total turnover of the completed engineering contracts and the turnover of the completed labor service cooperation contracts by Chinese firms in Turkey stood at US \$ 260 million and US \$ 16.81 million respectively.

According to MOFCOM, the non-financial foreign direct investment from China to Turkey is US \$ 6.84 million upon the approval or on the record of MOFCOM and companies from Turkey invested in 32 projects in China in 2006, with a contractual investment of US \$ 48.4 million and an actual utilization of US \$ 13.45 million.

2Trade and investment administration

The Foreign Trade Regulations Law is the major legislation in Turkey in the administration of trade. Other laws pertaining to trade administration include the Law on the Prevention of Unfair Competition by Imports, the Customs Law, the Free Zones Law, the Law on Measures to be taken by the Government Relating to Taxes for the Purpose of Promoting Exports, and the Value-Added Taxes Law.

The Undersecretariat of the Prime Ministry for Foreign Trade(UFT) is the leading government body in the administration of foreign trade in Turkey. Other relevant departments are: the General Directorate of the Customs, responsible for formulating customs policies and tariff policies; the Turkish Standards Institution(TSE), responsible for the inspection of industrial products; the Ministry of Industry and Trade(MIT), responsible for the formulation and enforcement of trade-related laws.

Turkey is one of the EU associated countries, and launched its EU accession negotiations in October 2005. Although the European Commission has suspended

talks with Turkey in eight negotiating areas such as financial services, customs union and trade in services since December 2006, Turkey will continue to conduct gradual reforms with reference to EU laws and restructure its laws and regulations governing trade and investment.

2.1 Trade administration and its changes

2.1.1 Tariff system

As a result of the customs union formed with the European Union in 1996, Turkey applies the EU common external tariff (CET) to industrial products and agricultural machinery from third countries, and includes into its Generalized System of Preferences (GSP) all industrial products covered by the EU's GSP regime, offering the same preferential terms as the EU.

Goods imported into Turkey may be subject to five types of charges: customs duty rates, excise duties, the Mass Housing Fund (MHF) levy (on fishery products), special consumption tax (SCT), and the value added tax (VAT). Customs duties fall into five kinds: ad valorem, specific, compound, mixed and formula duties.

In 2006, Turkey revised the Customs Law and significantly reduced or suspended customs duties applied to imports of certain products, including alcoholic beverages, tobacco, animal oil, raw materials and semi-finished goods for textile, some agricultural products and processed agricultural products, mineral water, and hair products.

2.1.2 Import administration

2.1.2.1 Customs procedures

According to the "Commission Decision No.1/2006 of the EC-Turkey Customs Cooperation Committee" issued in September 2006 by the EC-Turkey Customs Cooperation Committee, trade in goods between Turkey and EU members uses A.TR form, while form EUR1 is required for imports from non-EU countries with which Turkey has free trade agreements. The format of the Turkish customs declaration has been aligned to the single administrative document (SAD) used in the EU for customs procedures. All imported goods must be presented to customs through the SAD accompanied by other pertinent documents.

On September 26, 2006, the EC-Turkey Customs Cooperation Committee issued Decision No 1/2006 of the EC-Turkey Customs Cooperation Committee, which has specified the measures set forth in the Decision No.1/1999 of the Committee to enable them to better serve the goal of free flow of goods. The Decision has also abolished former corresponding decisions made by the Committee.

2.1.2.2 Rules of origin

Turkey applies two different sets of rules of origin: non preferential and preferential. The non preferential rules of origin assign origin to the country where the goods underwent its “last substantial transformation and an important stage of manufacture”. Preferential rules of origin, specifying the standards for processing and added value of the relevant products, are applied to imports from countries with which Turkey has signed bilateral or multilateral trade preference arrangements.

2.1.2.3 Import licensing

According to the Decree Concerning the Execution of Import Surveillance and the Regulation Concerning the Implementation of Import Surveillance, when the import of a particular product causes or threatens to cause an injury to domestic producers of the same or competing products, the Directorate General of Imports of the Undersecretariat of the Prime Ministry for Foreign Trade(UFT) can impose surveillance over the product upon application or by its own judgment. The imported product under surveillance must be accompanied with an import license for the said product issued by the Directorate General of Imports of UFT in addition to other documents as required by the customs laws and regulations.

Turkey bans the imports of narcotics, products that bear a brand name or a commercial title against related international conventions on industrial property rights, silkworm eggs, natural manure used for agricultural aims, computer game machines, etc.

According to the Communiqué of Standardization for Foreign Trade(2006), Turkey places the import of the following products under licensing: certain communication appliances, some products requiring after sales service certificates, maps, products for civil aviation, and banknotes and commercial notes.

2.1.3 Export administration

Exporters in Turkey are required to register with the Exporters Union and their local business associations.

Turkey prohibits the export of the following products: cultural historical works and wild animals, India hemp, tobacco, tree species of walnut, mulberry etc., products subject to the Vienna Convention for the Conservation of the Ozone Layer, and certain chemicals. Export of products such as natural gas, some electronic devices, and unprocessed olive oil needs to be registered.

In addition, in order to encourage export and pursuant to the decision of the Special Consumption Tax Code No. 5493, deliveries of gasoline in some customs areas started to enjoy exemption from Special Consumption Tax and Value Added Tax granted by the Council of Ministers as of January 1, 2006.

2.1.4 Trade remedies

Based on relevant WTO stipulations, Turkey has established its legal system governing trade remedies. The legislative base for implementing anti dumping and countervailing measures are the Law on the Prevention of Unfair Competition in Imports, the Act on the Prevention of Unfair Competition in Imports and the Regulations on the Prevention of Unfair Competition in Imports. The Decree on Safeguard Measures against Imports and the Implementation Regulation on Safeguard Measures against Imports serve as legal basis for initiating safeguard measures.

2.2 Investment administration and its development

The major legislations in Turkey governing foreign investment are the Foreign Direct Investment Law, the Decree on Foreign Investment Framework and the Circular of the Decree on Foreign Investment Framework. Other legislation regulating foreign investment includes the Land Registry Act, the Free Zones Law, and the Corporate Tax Law, etc.

The General Directorate of Foreign Investments(GDFI) is the leading government body in the administration of foreign investment in Turkey. The Investment Advisory Council(IAC) and the Coordination Council for Improving the Investment Climate(CCIIC) are in charge of providing advice on the Government's measures to improve Turkey's investment climate. The Turkish Investment Support and Promotion Agency(TISPA), newly established in 2007, will fully take in charge of foreign investment promotion affairs according to the Law about the Establishment of Investment Support and Promotion Agency of Turkey approved by the congress.

2.2.1 Investment incentives

Foreign invested enterprises in Turkey enjoy the same preferential policies available for domestic enterprises, and are also under the protection of Law No.6224 of Turkey and the Agreement on the Reciprocal Promotion and Protection of Investments. Foreign investors are required to obtain a preferential certificate of investment from the Undersecretariat of Treasury in order to enjoy the preferential policies.

The Turkish Investment Encouragement System can be divided into three categories, the General Investment Encouragement Program(GIEP), Aids Granted to Small and Medium Sized Enterprises (SMEs) Investments and preferential policies granted to investments in priority development regions. GIEP includes exemption from customs duty and value added tax for machinery and equipment meeting requirements, or access to investment credits and operating credits in different ratio. Aids Granted to SME Investments refer to preferential treatments such as customs duty exemption, value added tax exemption for machinery and equipment and special investment credits granted to companies holding assets not exceeding 950 billion Turkish Liras(TL)(US \$ 639.8 billion) with less than 250 employees and operating in the manufacturing, agro industry, tourism, education and health, mining, and software

industries. Moreover, in order to promote balanced regional development and increase employment opportunities in underdeveloped regions, Turkey provides energy support and land use support for investments in underdeveloped areas.

2.2.2 Restricted sectors for investment

Establishment in banking and in the petroleum sector in Turkey requires special permission from the local government. In most commercial fields, there is no restriction on the proportion of foreign capital, but the equity participation ratio of foreign shareholders is restricted to 25 percent in broadcasting and 49 percent in aviation and maritime transportation.

In order to speed up the accession process, Turkey has intensified efforts in recent years to privatize some state owned monopoly enterprises and allow foreign enterprises to take part in bidding. According to the pre accession economic program of Turkey, the Turkish government will complete the privatization of power distribution network, some ports and monopoly enterprise producing tobacco and alcohol by 2008. In April 2006, to support its EU accession negotiations, Turkey decided to abolish investment encouragement subsidies. Subsidies granted in the past will be invalidated by the end of 2008.

2.2.3 Relevant organizations

According to the Official Gazette dated at February 8, 2006 and No.26074, Turkey has established the Investment Support and Promotion Agency, subordinate to the Development Agency, to help investors acquire necessary license and provide assistance concerning legal procedures.

At the sixth meeting of the Investment Advisory Council for Turkey(IAC) in June 2006, the IAC suggested to set up a Steering Committee to improve the work efficiency of the Coordination Council for the Improvement of the Investment Environment(CCIIE) established in 2001. The Steering Committee consists of six Ministries from government and four leading business associations.

2.2.4 Avoidance of Double Taxation and the Prevention of Fiscal Evasion

According to the Agreement between the People's Republic of China and the Republic of Turkey for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect of Taxes on Income signed in May 1995, on November 18, 2005, the two countries began to grant exemption from income tax, value added tax, sales tax or any other similar taxes levied on enterprises from the other country engaged in international air transport.

2.3 Trade and investment related administration system and its development

2.3.1 Land purchase

On January 7, 2006, Turkey amended Article 35 of the Land Registry Act. The

amended article has cancelled restrictions on land purchase by businesses established under the Foreign Direct Investment Law and operating within Turkish territory, but land purchases in Turkey by businesses founded in foreign countries shall continue to be regulated by the Petroleum Law, the Industrial Zones Law and the Tourism Promotion Law. It has also stipulated that foreigners can only own up to a maximum of 2.5 hectares of land and property in Turkey for residential or commercial use. This threshold may increase to a maximum of 30 hectares if authorized by the Council of Ministers.

2.3.2 Taxation system

In June 2006, the Turkish Parliament approved the new Corporate Income Tax Law. The new law has reduced corporate income tax rate from 30% to 20%, which in turn has reduced the total tax burden on foreign invested companies from 37% to 28%. The new law has also redefined Transfer Pricing and Thin Capitalisation, proposed new rules to address tax haven, and decided to levy a 15% withholding tax on incomes from financial investment.

In March 2006, the government of Turkey promulgated Official Gazette No. 26102 in which the Council of Ministers decided to reduce the Value Added Taxes on some textile products from 18% to 8%, including fiber products such as cotton, wool, silk, and clothing articles made of materials listed above or made of fur, leather, and shoes, bags, suitcases, carpets and etc.

2.3.3 Concerning the government budget

According to the draft fiscal budget for 2007 released by the Ministry of Finance in October 2006, Turkey will make an increase of 15% in 2007 tax revenues. The major source of increased tax revenue is from indirect taxes. For example, the special consumption tax levied on alcoholic beverages and tobacco will increase by 20%. Taxes for land registration certificates, passports and other official documents will also increase by 20%. Meanwhile, the government also hopes to increase revenues of direct taxes such as income tax and corporate tax through effective supervision measures. The draft budget comes into effect on January 1, 2007.

3 Barriers to trade

3.1 Tariff and tariff administration

3.1.1 Tariff peak

The average tariff rate on imports currently stands at 10% in Turkey. However, Turkey imposes much higher tariff rates on certain imports, especially on agricultural products such as meat products, dairy products, fruits, processed fruit juices and vegetables, ranging from 41% to 227.5%. Furthermore, tariff rates are often raised drastically on imports of agricultural products when there is a bumper year or when

there is a large stock of agricultural products in Turkey.

3.1.2 Tariff escalation

Tariff escalation exists in certain sectors in Turkey, such as major product items including wood and wooden products, paper and paperboard, petroleum, coal, rubber and plastics. The average tariff rate for semi finished goods is 6.4%, while the average tariff rate for fully processed products is raised to 13.6%.

3.1.3 Tariff quotas

Turkey applies tariff rate quotas (“TRQ”) to rice imports. According to Turkey’s legislation, Turkish importers are required to purchase a certain amount of domestic rice, and only under this condition could they get the import license for a certain amount of imported rice at the in quota rate. This practice has seriously hampered the access of foreign rice to Turkish market. China hopes that the government of Turkey will abolish this unreasonable quota management system. Moreover, the number of tariff quotas, their implementation, the updating of timetables and the issuance of import licenses are not transparent. China expresses concern over these matters.

3.2 Barriers to customs procedures

3.2.1 Import surveillance

Turkey places some imports under customs clearance restriction by means of import surveillance. According to the pertinent Turkish regulations, if the price of imported products subject to import surveillance is lower than the “minimum surveillance prices”(minimum import prices), importers have to apply for import surveillance license issued by the Undersecretariat of the Prime Ministry for Foreign Trade(UFT). In 2006, 14 new product items were added to the surveillance list, involving such Chinese products as furniture, tableware, kitchen utensils, color TV sets and polyethylene. Moreover, UFT issued Official Gazette No.26399 on January 10, 2007, and decided to put 12 categories of products under import surveillance, including shoes, bags, tableware, kitchen utensils, etc. China is concerned if there are scientific grounds for the calculation of “minimum surveillance price”, rationality for the issuance of surveillance license and legal basis for surveillance measures. In addition, Turkey also implements its surveillance over toy imports by setting quantitative restrictions. Such practices of Turkey have created barriers to foreign products. China expresses its concern over this issue.

3.2.2 Disputes on cargo ownership

According to Turkey’s customs rules, goods imported into Turkey should be cleared and picked up within 45 days after arrival. Otherwise the goods will be confiscated and put on auction where the original importer shall have priority in purchasing them.

As a result, some importers refuse to pick up the imports under various pretexts for the purpose of buying them at a considerably lower price as the legitimate preferential purchaser when the customs put the imported goods on auction. However, this customs regulation runs counter to normal rules and practices in international trade, and puts exporters in an extremely disadvantaged position. Such a regulation has, so far, given rise to many trade disputes, causing heavy losses to foreign exporters including Chinese exporters. The Chinese government has raised this issue with the Turkish customs authorities on a number of occasions, but no satisfactory results have been produced.

3.3 Technical barriers to trade

As required by Turkey, imported products such as toys, medical equipment, machinery, low voltage equipment and electromagnetic exchange products shall be affixed a European conformity sign "CE". But products from EU, after being affixed the sign, immediately get access to the Turkey market, while same products from other countries have to go through additional testing. This has created an unfair competition between products from EU and those from other countries. China hopes that Turkey, in line with its national conditions, will soon establish its national standards with reference to international standards in order to ensure that no discrimination is caused within WTO members.

Turkey has set up a series of complicated and onerous testing and certification requirements for imports of ceramic tableware. Imported ceramic tableware must go through mandatory testing and certification conducted by the Turkish Standards Institution(TSE). The testing sometimes lasts several months and the cost is very high. Moreover, importers must provide both sanitation records issued by local veterinary offices and product content lists issued by local Chambers of Commerce. China believes that the cumbersome management and multiple tests imposed on ceramic tableware have, in fact, caused unnecessary barriers to the import of ceramic tableware, and China expresses concern over the matter.

Turkey started to implement ISPM 15 to the international standard for Wood Packaging Materials on January 1 2006. From that time on all Wood Packaging Materials bound for Turkey must be fumigated, debarked, and marked with an approved international mark certifying treatment; otherwise the goods would be sent back or destroyed.

3.4 Sanitary and phytosanitary measures

On January 24, 2006, China and Turkey signed the Animal Quarantine and Animal Health Cooperation Agreement. According to the Agreement, the two sides will take measures to prevent the spread of infectious and parasitic diseases from one country to the other caused by cross border transport of the quarantine of animals and objects may carry pathogens. China hopes that the two sides will strengthen cooperation in inspection and quarantine technology and information; enhance

exchanges of professional and technical personnel, laws and regulations, international standards and management systems.

3.5 Trade remedies

By the end of 2006, Turkey had launched altogether 63 trade remedy measures against China, including 41 anti dumping investigations, 16 safeguard measure investigations and 6 special safeguard measure investigations, which made Turkey the fourth largest user of trade remedy investigations against China.

3.5.1 Anti dumping

3.5.1.1 Anti dumping in 2006

In 2006, Turkey initiated 5 anti dumping investigations against China, involving conveyer belt of vulcanized rubber, synthetic staple fiber, granite, plywood and firebrick, and reviewed 3 anti dumping investigations against pipe cast fittings, woven fabrics of synthetic staple fibers and electric wall clocks. In the same year, Turkey issued its final determinations on 9 anti dumping investigations against Chinese exports of corduroy, motor, pentaerythritol, composite wood flooring, plywood, air conditioner, poly ethylene phthalate, steel pipe cast fittings and granite, and imposed anti dumping duties on the above mentioned Chinese products. Among these final determinations, the one on granite has decided to impose an anti dumping duty of US \$ 90 per metric ton on Chinese granite, and the one on plywood has decided to impose an anti dumping duty of US \$ 240 per cubic meter.

In March 2006, Turkey initiated an anti circumvention investigation against stranded wires and cables from China, and finally levied an anti dumping duty of US \$ 1 per kilogram in December. This is the first anti circumvention investigation initiated by Turkey against China in recent years.

3.5.1.2 Refusal to grant China the market economy status

Turkey's anti dumping legal system is basically based on that of EU, and also adopts the five standards used by EU in judging the market economy status. Turkey has pledged in bilateral talks to accord Chinese enterprises the market economy status on a case by case basis. However, the Turkish investigating authorities have, up to the present, granted no Chinese enterprises responding to anti dumping charges the market economy status. In addition, Turkey has refused to grant Chinese enterprises the market economy status merely on the basis of its industrial or national policies, and has never given separate tariff rates to Chinese enterprises that have responded to anti dumping investigations. China hopes that, proceeding from its actual conditions, Turkey will grant at an early date the market economy status or a separate tariff rate to Chinese industries and enterprises involved in anti dumping cases.

3.5.1.3Lack of transparency in anti dumping investigation procedures

There is a lack of transparency in Turkey's anti dumping investigation procedures, with notices often given not in a timely manner, information not fully disclosed to enterprises responding to anti dumping charges, and extent of injury determined without any explanation. Enterprises involved are unable to obtain information in a timely manner. In addition, according to the reports of Chinese enterprises, the cost for responding to anti dumping investigation cases is high and the procedure is complicated. These factors above have made it more difficult for Chinese enterprises to deal with anti dumping investigations.

3.5.2Safeguard measures

In 2006, the Undersecretariat of the Prime Ministry for Foreign Trade(UFT) adopted 5 general safeguard measures, involving motorcycle, shoes, electric iron, vacuum cleaner and salt. These safeguard measures mainly adopted the form of tariff quotas for three years. In August 2006, Turkey, under the pretext of injury to its domestic industries, announced to adopt safeguard measure investigations against imported motorcycles, and meanwhile implemented provisional safeguard measures to levy deposits ranging from US \$ 200 to US \$ 300 on imported motorcycles.

As stipulated in Article 6 of WTO's Agreement on Safeguard Measures, provisional safeguard measures only can be taken in the form of increase in tariff rates. However, Turkey's adoption of deposit money levied on imports of motorcycle has expanded the form of trade remedies in provisional safeguard measures, and has violated relevant regulations. Imports of motorcycle and rubber boots from China take up more than 90% in the imports of these products in Turkey, thus the provisional safeguard measure and general safeguard measures adopted this time are clearly against Chinese products, and have affected greatly relevant Chinese exports to Turkey. China is concerned over such issues as frequent use of safeguard measures and expanded scope of safeguard measures, and hopes that Turkey can strictly abide by the stipulations in relevant WTO agreements and use safeguard measures in a reasonable manner.

3.5.3Transitional product specific safeguard measures

Without briefing the Chinese side and seeking consultations with China, Turkey decided in August 2005 to initiate special safeguard investigations against float glass from China according to the Regulation on Safeguard Measures against Imports from the People's Republic of China. Although China had taken the matter up with Turkey on several occasions, Turkey made its final ruling in April 2006 recommending the adoption of special safeguard measures against Chinese float glass for three years, and used the form of tariff quotas to restrict imports of float glass from China

Despite the small amount of money involved in this case, the Turkish government, regardless of the many representations and all necessary efforts made by China,

insisted on taking special safeguard measures, and thus has made itself the first country to adopt special safeguard measures against Chinese products. China expresses great regret for and strong dissatisfaction with this action by Turkey. China has repeatedly stressed that the application of special safeguard measures require stringent conditions, and holds that there exists serious deficiency in the determination made by the Turkish government in this case. The data and facts in the determination are unable to support Turkey's conclusion that there exists market disruption. China hopes that Turkey can bear the overall situation of bilateral economic and trade relations in mind and immediately correct improper practices in order to remove the adverse effects. China still hopes to resolve the issues properly through friendly consultations.

On August 15, 2006, Turkey initiated special safeguard investigations against polyvinyl chloride(PVC) and ceramic tiles and ceramic wall tiles(tile) from China, without briefing the Chinese side and seeking consultations with China. At the same time, it implemented provisional special safeguard measures for 200 days and imposed provincial deposits of US \$ 320 per metric ton and US \$ 270 per metric ton respectively on the two products. China is deeply concerned over the two special safeguard measures cases, and has held intensive talks with the Turkish side. During the talks, the Chinese side has expressed hopes that Turkey will excise restraint in adopting discriminatory safeguard measures, and has as well sought ways to address Turkey's concerns so as to avoid creating obstacles to the healthy development of trade between the two countries. Positive progress has been made in these talks.

3.5.4 Transitional textile special safeguard measures

In December 2004, immediately after promulgating the Regulation on Surveillance and Safeguard Measures against Textile Specific Imports, Turkey announced that in accordance with the above regulation, 42 items of textile products of Chinese origin would be placed under import quota restrictions, which was later extended to 44 items in 2006. In December 2006, Turkey circulated an official gazette to announce that imports of textile from China had caused or threatened to cause market disruption, and thus decided to continue the quota restriction on 44 items of textile products imported from China in 2007.

According to Paragraph 242 as contained in the Report of the Working Party on the Accession of China(Paragraph 242), any WTO members should first demonstrate the presence of "market disruption" before they can adopt transitional textile safeguard measures against Chinese exports. However, Turkey did not provide any substantial supporting information in the announcement of the imposition of special safeguard measures. China demands that Turkey should fully comply with Paragraph 242 as well as relevant WTO rules and take due prudence when considering the initiation of safeguards against Chinese products. At the same time, Turkey has authorized the Secretariat of the Istanbul Union of Exporters in Textiles and Garments to administer the allocation and management of quotas. As the Istanbul Union could be the applicant to the Turkish government for safeguard measures against Chinese textile

products, China is extremely concerned with the fairness of the Istanbul Union in its administration of quotas.

3.6 Barriers to trade in services

According to relevant laws of Turkey, foreigners are prohibited from engaging in public health, lawyers, auditing, and other professions, including doctor, dentist, nurse, pharmacist, notary, certified public accountant, lawyer and pharmaceutical plant manager, and private security guard.

Many Chinese invested companies in Turkey report that Turkey applies very strict standards to the issuance of working visas to Chinese business people and that it is sometimes difficult even for a Chinese businessperson who has been living in Turkey for a long time to get a work permit. In recent years, it has become increasingly difficult for Chinese business people to be granted a work permit, which has caused much inconvenience to Chinese enterprises in Turkey. China expresses its concern over the matter.

3.7 Insufficient intellectual property rights (IPR) protection

In recent years, Turkey has strengthened the protection of intellectual property rights (IPR) by making greater efforts to crack down on piracy and increasing the penalties. However, frequent changes in Turkish laws have reduced predictability of laws and efficiency of the implementation of IPR protection. In addition, Chinese enterprises have experienced other problems in Turkey such as illegal registration of trademarks owned by these companies. China expresses concern over these matters.

3.8 Government Procurement

The Public Procurement Act of Turkey stipulates that local bidders, compared to joint ventures, can enjoy a price priority of 15%. This provision constitutes discrimination against foreign bidders. Meanwhile, the requirement for eligibility certification in bidding for government procurement involves high cost and complicated procedures, and has made many enterprises unable to participate because of the difficulty to obtain certification, and has thus reduced the fairness of open bidding.

4 Barriers to investment

In 2006, Turkey has adopted a series of measures to improve its investment environment. In the appraisal list of investment destinations most favored by multinationals in UN's "World Investment Report 2006", Turkey ranked No.32. However, there are still some obstacles to foreign investment in Turkey.

Turkey currently restricts investment in such sectors as civil aviation, maritime transport, road transport, airport services, broadcasting, power, finance companies, tourism, education and national defense. Moreover, establishment of foreign invested

companies in Turkey requires special permission license pursuant to local industrial regulations or must meet some mandatory requirements, for example, joining in chambers of commerce or business associations.