

**EVALUATING THE EFFECT OF EXPORT INCENTIVES ON FOREIGN
TRADE**

BURCU BALCIOĞLU

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Approval of the Institute of Social Sciences

Prof. M. Fazıl GÜLER
Director

I certify that this thesis satisfies all the requirements as a thesis for the degree of Master.

Prof. Erdal Nebol
Head of Department

This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Arts.

Doc. Erkut Akkartal
Supervisor

Examining Committee Members

Doc. Erkut Akkartal (supervisor) Yeditepe University

Prof. Erdal Nebol, Yeditepe University

Doc. Özlem Şenvar, Marmara University

PLAGIARISM

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Date : 18.07.2019

Name/Surname: **Burcu BALCIOĞLU**

Signature : 

ABSTRACT

In the underdeveloped and developing countries, making the economic growth depends on increment of export and so encouragement of export. In the developed countries, increasing and encouraging export have the importance with regards to protect and increase available share in the foreign markets and take the share from new markets. Increasing of exports has also attached importance in Turkey which has followed the ‘Export Oriented Growth Model’ since 1980, and various export incentives have been implemented depending on this development strategy. The aim of these incentives implemented are to; increase the export, gain the competition power to Turk exported goods in the international markets and diversity the exported goods.

ÖZET

Az gelişmiş ve gelişmekte olan ülkelerde ekonomik gelişmenin gerçekleştirilebilmesi ihracatın arttırılmasına ve dolayısıyla ihracatın teşvik edilmesine bağlıdır. Gelişmiş ülkelerde ise ihracatın arttırılması ve teşviki dış pazarlardaki mevcut payı korumak; arttırmak ve yeni pazarlardan pay alabilmek açısından önem taşır. 1980 yılından itibaren “İhracata Dönük Büyüme Modeli” izleyen Türkiye’de de ihracatın arttırılmasına büyük önem verilmiş ve bu kalkınma stratejisine bağlı olarak çeşitli ihracat teşvik önlemleri uygulanmıştır. Uygulanan bu teşviklerin amacı ihracatı arttırmak, Türk ihraç ürünlerine uluslararası pazarlarda rekabet gücü kazandırmak ve de ihraç ürünlerini çeşitlendirmektir.

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LIST OF ABBREVIATIONS

EU	: European Union
CU	: Customs Union
EC	: European Community
WTO	: World Trade Organization
GATT	: General Agreement on Tariffs and Trade
FCI	: Foreign Capital Investment
TL	: Turkish Liras
FTA	: Free Trade Agreements
EEC	: European Economic Community
CUA	: Customs Union Agreements
GDP	: Gross Domestic Product
ECSC	: European Coal and Steel Community
WWT	: World War Two
EFTA	: European Free Trade Association
R&D	: Research and Development
FDI	: Foreign Direct Investments
VAR	: Vector Autoregressive Model
EIP	: Export Incentive Programmes
OECD	: Organisation for Economic Cooperation and Development
CCT	: Common Customs Tariff
ACD	: Association Council Decision
*BFCE /FTBF	: Foreign Trade Bank of France
*COFACE /FTIC	: Foreign Trade Insurance Company
*CESCE / ECSCS	: Exportation Credit and Security Company of Spain / Compañía Española de Seguros de Crédito a la Exportación
FAD	: Assistance Funds to Development / Fondo de Ayuda al Desarrollo,
ECIF	: Export Credit Insurance Financing
*TCBM/ CBTR	: Central Bank of the Turkish Republic / Türkiye Cumhuriyeti
Merkez Bankası	
TDFT	: Technology development foundation of Turkey
SPSF	: Support and Price Stabilization Fund
TEPC	: Turkish Export Promotion Center
*KOSGEB / SMIDO	: Small and Medium Industry Development and Organization /
Küçük ve Orta Ölçekli İşletmeleri Geliştirme ve Destekleme İdaresi	
CPI	: Consumer Price Index
D-PPI	: Domestic- Producer Price Index
CAD	: Computer-aided design
ERP	: Enterprise resource planning
SPM	: Supply chain management
CRM	: Customer relationship management
CPM	: Corporate performance management
RM	: Retail management
TCC	: Technical Consultancy Companies
ITCC	: Independent Technical Consultancy Companies
SCC	: Sectoral Consultancy
TEA	: Turkish Exporters Assembly
TCEC	: Turkish Union of Chambers and Exchange Commodities

FERB	: Foreign Economic Relations Board
RUFS	: Resource Utilization Support Fund
SCT	: Special consumption
APO	: Agricultural Products Office
RC	: Rediscount Credit
PSEC	: Pre-shipment Export Credit
PCE	: Preparation Credit to Export
PSRC	: Post-shipment Rediscount Credit
EFIL-IV	: Export Finance Intermediation Credit
ITMC	: International Transportation Marketing Credit
LIBOR	: London Interbank Offered Rate
TTAA	: Turkey Travel Agencies Association
BITT	: Banking and insurance transactions tax
ITFC	: International Islamic Trade Finance Corporation-ITFC
MC	: Mediocredito Centrale
FIPS	: Financial and Insurance Products and Service
SACE	: Servizi Assicurativi del Commercio Estero
INA	: Insurance of National Association
SIAC	: Singapore International Arbitration Centre
ECGD	: Export credit Guarantee Department
CIRR	: The commercial interest reference rate
ATP	: The Aid and Trade Provision
OND	: Belgian Export Credit Agency (Office National du Ducroire
IRG et de Garantie	: Institute for Rediscounting and Guarantees, Institut de Reescomte
SII	: Social Insurance Institution
ISIC	: The International Standard Industrial Classification
TSI	: Turkish Statistical Institute

•Original Abbreviation

INTRODUCTION

In the changing world order, it is seen that the economic development of a country depends on majorly the performance which it shows in the exports. For this reason, at the present days when an intensive competition is lived in the international markets, countries have been attaching particular importance to foreign trade, determining strategies to be contributed to development of export, and taking various measures. Within this frame, the importance of measures taken with relation to export transactions and export incentives are big. Turkey, as a developing country, has been trying to implement the outward oriented growth model for a long time. As requiring of outward oriented growth model and liberalization, the importance of export has been increasing gradually. For Turkey, the exportation is an essential unforgiven fact order to overcome the matters in the economy, increase the welfare level of public, come to the important place in the world trade. As a part of export oriented development strategy, the export incentive and technical aid programs have been designed both as a tool to be supported to economic growth and so as to address to the internal and external barriers met in the exportation.

Incentives, provide with taking place effectively in the market and reducing the cost of goods and services. Specially, supporting of developing countries in the subject of incentive applications from their economic structure to their strengthening is important. When considered to situation in question, the elasticity which are provided in the subsidies and tariffs with regards to be able to compete with the developed countries gains importance. Besides, the government has to use effectively its resources and transfer them to sectors which it sees beneficial in the direction to develop the country.

The incentive system implemented in a country, is closely associated with development level, social structure and development strategy of this country. If a country adopts a competition and export oriented industrialization strategy, or is there is important differences between regions in terms of development level, or if environmental factors is at the forefront, countries have to constitute their incentive system by considering these factors.

The incentive which is one of interference tools to economy by government, with the reason of negative effects that it creates on the international trade, is tried to be disciplined both by WTO which brings the regulatory orders for the world trade and by the integrations like EU. The developed and developing countries implement the incentive

programs, even if the implementation oriented aims are different. Even if custom walls and traditional protectionism concept are tried to be abolished with the regulations made gradually, countries which want to take the share from world economy still go on using the incentive programs intensively in order that either their economy can gain the global competition power or they can protect their available power, and also it is seen that they will continue.

The export incentive has been the special importance in realizing the development in the countries inside of development effort. The basic goods of export in these countries are the traditional agricultural products. Due to several reasons, the exports of them are not got increased, which could damage the balance of payment. Therefore, increasing the export as variety and quantity maintains its importance.

Alongside the desire to increase, it is needed to gain competition power to the goods to be exported in the international markets. For example, the exports of merchandise with higher prices than world prices cannot be thought. For this reason, the countries want to sell their goods at lower prices than domestic prices on the condition to gain the competition in the foreign market, for this it needs to annihilate the reasons causing the domestic prices to be higher than foreign market prices.

In Turkey; the direct monetary incentives had been abolished in conjunction with being member of WTO in 1994 and constituting CU between Turkey and EU in 1996, and the export oriented government aids which would not conflict to international commitments had been put into effect. Except government aids, export incentives which are gone on implementing are; the credit, insurance and guarantee programs provided by Exim bank, the outward and inward processing regime, the taxes, duties and charges exemption in the export, the sales and deliveries assumed as export and the foreign exchange earning services, and the VAT exemption in export.

In the first chapter of this study, the foreign trade legislation in force, the description, regime, legislation and general principle of export and import, the types of export have been discussed. Additionally the customs regime and the companies related to foreign trade have been mentioned. In the second chapter, the effects of transformation in 1980 to export and import, the description, purposes, tools, effects on the export and import legislation of Turkey's foreign trade policy have been handled. The foreign trade between EU and Turkey has been examined in the third chapter. In the fourth chapter, the concept,

policy, classification of incentive, and the incentive oriented to export and the export regulations, and also the export incentives implemented in Turkey and EU countries have been examined. In the final chapter, the study which is done on the condition of evaluating that whether there is the effect of export incentive implemented in Turkey on the foreign trade or not has been taking in place. While done this, the export figures of companies making export which benefit from or do not benefit from the export oriented incentives have been examined. By using the SPSS programme, whether incentives are efficiency on foreign trade or not has been gauged and evaluated.



CHAPTER 1

1 FOREIGN TRADE LEGISLATIONS & OPERATIONS

1.1 Foreign Trade Legislation in Force

Foreign trade is related to the flow of goods and capital to out of nation boundaries. It consists of the transactions of export and import in terms of the delivery of foreign trade transactions. In other words, import and export transactions and the monetary provision of these import or export transactions are expressed. In respect to this, the concepts related to foreign trade are possible to examine in two groups as the concepts related to import, export and customs transactions and the concepts related to foreign currency transactions. Foreign trade transactions meant, are transactions in association with the motions of goods and services.

But, foreign trade legislation expresses statutory decrees, bylaws, regulations, the laws enacting the relationships and activities in the field of foreign trade and all of other rules. Turkey's foreign trade legislation is shaped by the rules of international trade union and also the frame of customs union needs in force.

Foreign trade is the goods exchange that the countries have carried out with the other countries under the specific rules frame. In this respect, foreign trade legislation is generally the whole of rules, which include the regulation of input or output transaction of goods bought (export) from one country to other country or of the goods sent (import) to this country from another country.

1.1.1 Export and Import Operations

1.1.1.1 Export and Import Legislation

A great number of legislative regulations related to export and import exist in Turkey's legislation in force. The judgments in relation to export essentially take place in both Customs Law No. 4458 and Customs Regulations and the legislative regulations prepared by the different institutions. Based on this decree, the export regulations and communiques published with export regime decree, which are carried out by the ministry to which undersecretariat of foreign trade is registered, compose export legislation in the narrow sense. Export regime decree, quota and tariff determination in export and the regulations related to its refund, export regulations and several communiques are the main legislative regulations related to export.

Import legislation, customs law, customs regulations, the law about the prevention of unfair competition in import, import decree regime, import regulations, the decree and

communiques in relation to the importer unions, the decree in relation to the protection of Turkey's commercial rights and the regulations, the regulations and communiques in relation to the supervision, protection and preventions in import, the decree and regulations in relation to tariff quota in agricultural and industrial products and quota refund, is composed.

Also, the decree 1/95 No. in relation to the creation of customs union between Turkey and the European Union, not only GATT and WTO agreements but also free trade agreements and the legislation related to free zone are a part of import and export regulations.

1.1.1.2 Export and Import Regime

The Export Regime: It is the regime that implements the provisions in relation to taking the goods in free circulation to outside of the customs territory of Turkey, on the purpose of export. The whole of implementations and legislations which affect the improvement of export of a country compose the export regime. In this sense, all procedures and principles related to export are the part of export regime.

The Export Regime Decree: It was published in the official journal 22.12.1995 dated and 95/7623 no. 6.1.1996 dated and 22515 no. All kinds of operations concerning export are carried out within the framework of export regime decree, the regulations, communiques and instructions enacted based on this decree, with the bilateral and multilateral agreements; the purpose of the decree is that the exports are regulated , supported and developed to the benefit of country economy. This decree determines the principles to be implemented and the competent authority at export. The component authority in export is the ministry of which undersecretariat of foreign trade is registered. The laws that the export regime decree bases on are as follows.

- The law 261 No. in relation to Measures to be taken by the Government about Taxes in order to Develop Export
- The law 933 No. in relation to the Principles of Implementing Development Plan.

The Import Regime: The Import Regime reflects Turkey's international rights and obligations and the country's economic needs. Besides, it is the base legislation that determines both the item policies that the commodities to be imported will be subjected and the implementation principles of these. The regime composes of the decree, the regulations and the communiques at this subject.

The Import Regime Decree: The import regime in force has been put in force by publishing in the official journal 31.12.1995 dated/ 22510 No. and also in the annex of council of ministers decree. The Import Regime Decree is prepared every year by the undersecretariat of foreign trade, published in the official journal on 31st December and put into force on 1st January. The purpose of this decree is to ensure the regulation of import in compliance with the requirements of the international trade and the benefit of the country economy. The import is performed within the framework of, both this decree and the regulations to be issued based on this decree, the communiques, and the instructions to be given to the relevant institutes, the provisions of bilateral and multilateral agreements. The undersecretariat of foreign trade is authorised to prepare the legislation related to import, to make necessary changes and to take measures at all stages of importation, to check the prices of country goods when needed or to have them checked, to finalize by examining special and compulsory situations. The laws that the import regime decree bases on are as follows.

- The Law 1597 No. on The Protection of Turkish Liras (TL) Value
- 19.7.1972 dated / 1615 No. The Customs Law (defunct) and 27.10.1999 dated and 4458 No. The Customs Law (new)
- The Law 25.5.1964 dated / 474 No. 5383 No. on Changing Customs Entry Schedule subject to the Customs Law.
- The Law 13.5.1986 dated / 3283 No. on Vacating Customs Exemptions Known with Some Laws
- The Law 15.2.1984 dated / 2976 No on The Regulation of Foreign Trade

1.1.1.3 Export and Exporter Concepts

The definition of export and exporter has been made in the Export Regulations. According to the article 4 (e) of export regulations, in accordance with the customs regulations and the export regulations in force, the export expresses removal of a good to outside of Turkey's customs territory or to free zone, or means the other exits and operations to be accepted by undersecretariat of foreign trade as export. In the other words, it means selling / sending, to the other countries a good and service (grown in this country, produced, or imported from another country) which are in free circulation in the border of a country.

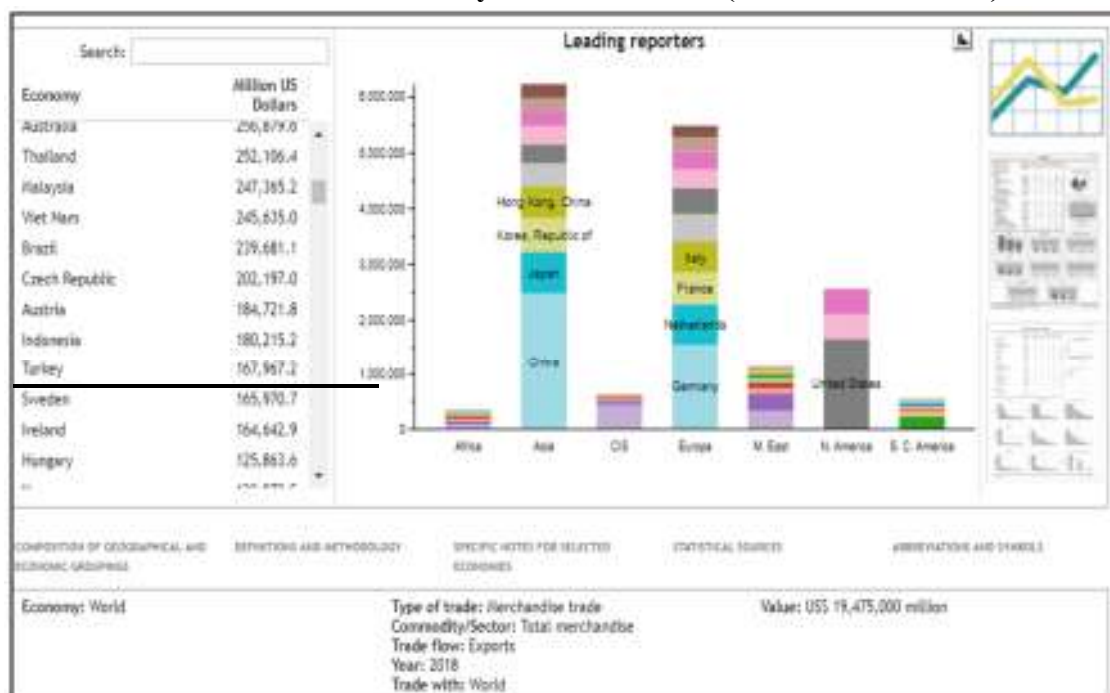
In accordance with the article 4 (e) of Export Regulations, the exporter who is a member of the relevant secretariat general of exporter associations according to the goods to be exported expresses the natural or legal persons who own tax number and the partnerships who are given power to make savings as legal based on the provisions of legislation in force along with not owning legal personality status.

The export activities have been being carried out within the framework of "customs declaration" and "the only tax number" since 15.1.1996.

Export is the one of essential factors of development phenomenon, because of that it plays a critical role in carrying out a sustainable economic growth. As the export increase affects the development positively by increasing national income, at the same time it supports economic development in order to overcome foreign currency bottleneck. Therefore, efforts and policies related to the increase of export are the main factors at the international commercial competitive.

Export carries out by going through various phases such as, producing the export oriented quality product correctly with market conditions and international standards, marketing the product in the foreign countries, making export, choosing the most optimal packing and transport form, completing timely necessary operations by knowing foreign trade legislation in the country of exporter, delivering the product to the place desired.

Table 1.1 Share of Turkey in World Trade (Million US Dollars)



Source: WTO

There are a lot benefits of export in terms of the country economy and business. These are as follows.

Export;

- Provides employment opportunity.
- Protects against devaluation.
- The product reaches to a great number of customers.
- Provides adequate operating capital and regular cash flow to company.
- Makes business processes easy.
- The best way of growing business.
- Profitability increases.
- Stand up to macroeconomic risks
- The brand is introduced.
- Fluctuations at seasonal sales are balanced.
- The risk is distributed through market diversification.
- Not being dependent to the domestic market which is shrunk by competitors. The competitiveness increases in all markets.
- Sales increases.
- Enables to continuously increasing the capacity of technology and innovation (inventiveness).
- Provides to be a part of international business world.
- Decreases unit costs by using production capacity full.
- Extends the life time of products.

1.1.1.4 Import and Importer Concepts

Import can be defined as entering the good or value into country in accordance with customs legislation and import legislation and sending its price to foreign country in according to exchange legislation. In other saying, it is called the purchase of the goods produced in countries else by buyers in the country.

According to the article 8 of import regime decree and the article 3 of import regulations, every natural and legal person who own tax number and the partnerships who are given power to make savings as legal based on the provisions of legislation in force along with not owning legal personality status can make import operations. But, Owing to tax number is not obligatory for exports based special agreement, exports of books and other

papers, exports of goods permitted for retail at the international exhibitions and trade shows opened in Turkey. However, according to customs legislations, importers must submit an information file that includes, registration certificate for council, commerce or industry, copy of trade registry gazette, list of authorized signatures and power of attorney to the related customs administration.

According to whether foreign currency is made transfer or not,, import has got two types as import with waiver and paid import. Import with waiver (is in scope of import regime) expresses the import which is carried out by transferring as foreign currency the price of imported goods, to foreign country with the one of payment terms in import. Paid import (is in scope of customs legislation) expresses the import which is carried out by paying the prices of imported goods with foreign currency earned in foreign country without transferring of foreign currency to foreign country.

1.1.1.5 General Principles related to Export

In accordance with the article 5 of export regulations, exporters apply for customs administration where the export will be made, with customs declaration approved by the exporters unions. In order to make export, if it is not needed to make an operation else or to get permission previously, this export is called as non- featured export. After exporter fills the customs declaration, exporter has it approved to the relevant exporters unions. Then, it goes to the customs where the export will be made, customs administration controls the approval of the exporters unions. Customs administration informs the circumstance to the general secretariat of relevant exporters unions following export.

1.1.2 The Types of Export

1.1.2.1 Export on Registration

The export subjected to registration is determined with the communiqué to be published by ministry. Before the goods in the scope of communiqué related to export subjected to registration are made exports, the customs declarations must be registered by general secretariat of exporters unions, because it expresses the export type which is registered by general secretariat of exporters unions. The period when the customs declaration registered by general secretariat of exporters unions is presented to customs administration is 30 days as from the date when the general secretariat of exporters unions approves. But, in Turkey, this presentation period can be determined as, longer or shorter than 30 days, by ministry, through adding the registration explanations which belongs to

the exportation of goods that is in the restriction scope made to countries which implement quantity restriction to exported goods. In this kind of export, exporters apply for relevant exporters unions along with customs declaration for registration. The position they apply for registration is the relevant exporters unions. The unions add the registration explanation on customs declaration they approve and give it to exporters in order to submit to customs administration. So, exporters apply for customs administration where the export will be made, along with customs declaration that added the registration on and approved by unions. In brief, it is called the exportation of the customs declaration, which is registered by general secretariat of exporters unions before export.

1.1.2.2 Exportation to Free Zones

Free zone both is inside of Turkey's border in terms of geographic and is assumed as foreign country in terms of foreign trade. According to the articles 8 and 30 of free zone laws, the articles 152-162 of customs laws, the articles 419-432 of Customs Regulations and the article 12 of export regulations, the the export to free zone is subjected to provisions of export legislations. In other words, the trade to be made between free zones and other places of Turkey is subjected to foreign trade regime. Foreign trade regime cannot be implemented in the trade among free zones and other countries and free zones.

1.1.2.3 Transit Trade

In accordance with the article 4 (n) of export regulations, transit trade is, the sale of goods purchased from a firm located in foreign country or in free zone or from a warehouse, over country border as transit or directly to a firm located in foreign country or in free zone or to a warehouse. Transit trade demands are made to banks by arranging "transit trade form". About the goods subjected to transit trade, taxes, duties, charges and funds related to import and export cannot be collected. Based on the permit to be given by customs administration, by passing from Turk customs line, taking the goods to fictive bonded warehouse or warehouse in order to manufacture, is not at the actual import provision. The goods which have been prohibited by international conventions and the goods which are not approved by the article policy of ministry in order to make transit trade, cannot be subjected to transit trade. Transit trade cannot be made with countries that have been prohibited to exporting and importing. According to the article 7 of 2008-32/34 No. communiqué related to 32 No. decree, using of transit trade sale prices is free.

In other saying, the income earned from transit trade does not have to be brought to country.

1.1.2.4 Exporting through Attendance to Overseas Trade Shows and Exhibitions

The free of charge or charged goods to be sent to overseas by firms and organizations which will participate to international trade shows or exhibitions as both national level and individual, and, the free of charge or charged goods to be sent by persons and organizations to the activities organized in overseas such as science, art, culture or promotional trade show / exhibition, conference, seminar, the exit operations of those goods are evaluated in this scope.

The applications related to these kinds of exits are made directly to customs administration. Customs administration finalizes by examining the demands made in order to export the goods in question to foreign country within the framework of relevant regulations.

1.1.2.5 Exports on Credit

Exports on credit, without prejudice to the bilateral and multilateral agreements, enables an opportunity that export price is brought to country in the manner of exceeding the time envisaged in the foreign exchange legislations. Credit demands for exports are made to relevant secretariat general of union of exporters along with either Turkish translation of and original of sales agreement which includes the type of goods to be export, its value, terms of payment and is signed between buyer and salesman, or along with Turkish translation of and original of letter of credit approved by bank. After the opinion of ministry is taken, the demands related to goods in the scope of arrangements to be brought ministry in terms of country policy for exports on consignment are finalized by general secretariat of exporters unions. Besides, the demands related to goods left out of the scope are finalized directly by general secretariat of exporters unions, according to the principles determined on the sales contract. The leave for export on credit is at the most two years in the consumption goods, at the most five years in the investment goods. Demands exceeding these periods are submitted to ministry by relevant general secretariat of exporters unions with its opinion in order to be finalized by examining. Submission to customs administration of the customs declaration related to export operations which are approved by adding exports on credit annotation by general

secretariat of exports unions is needed within 30 days as from the day when general secretariat of exports unions approves.

1.1.2.6 Exports by mean of Consignment

According to the article 4/h of export regulations issued on 06.06.2006 dated and 26190 No. official journal, this export has been defined as export which bases on consigning of goods to buyers in foreign country, to agents, to branches and representations in foreign countries of exporter, on the condition that the firm sale is made later. Within this framework, on export on consignment, while the goods are being sent at first, the ownership belongs to export, but after firm makes sales, the ownership passes to buyer.

According to the article 9 of the mentioned regulations;

- 1) The applications related to export on consignment are made to relevant general secretariat of customs unions.
- 2) After the opinion of ministry is taken, the demands related to goods in the scope of arrangements to be brought by ministry in terms of country policy for exports on consignment are finalized by general secretariat of exporters unions. Besides, the demands related to goods left out of the scope are finalized directly according to the principles determined on the sales contract by general secretariat of exporters unions.
- 3) Submission customs administration of the customs declaration which has been approved as exports on consignment by general secretariat of exporters unions, is needed within 30 days.
- 4) Exporters inform of the circumstance to the general secretariat of exporters union which gives permission , along with necessary other documents and the firm sale invoice arranged by exporters within 30 days after after the firm sale of goods sent as consignment is made,
- 5) Firm sale must be made within one years as of the issue date of goods sent as consignment. This period can be extended to plus 2 years by the general secretariat of exporters union which gives permission, in case of applications based on right and obligatory reasons.
- 6) If the goods sent as consignment within export leave are not sold, they have to be brought to country within framework of customs legislation.

Bringing the price of export made as consignment to country is subjected to protection of the value of Turkish currency law. But, bringing the export price to country is not obligatory according to 2010 year legislation.

1.1.2.7 Exports without Returns

According to the article 3 (e) of 22.12.1995 dated and 95.7623 No. export regime decree, the definition of this type of export is to send goods to foreign country, in return without getting a payment from foreign country.

Goods to be exported as free of charge are as follow;

- a) The gifts sent or taken away by natural or legal persons natural, the samples , the advertisement and promotional goods whose quantity are suited to business practices, the goods and packing materials exported about reuse and recycling,
- b) Sending free of charge of prior duly exported goods, suited for trade customs its spare part and its defective goods, and also renewal necessary part of goods exported as guaranteed within guarantee period.
- c) The goods and vehicles, which belong to foreign mission members, foreign employees in Turkey, Turkish citizens who will go to foreign country based on transferring house, welfare worker who will go to foreign country with temporary or permanent duty, will be sent on behalf them or will be sent by them or they will take along, on the condition to document their circumstances to relevant authority.
- d) The goods and vehicles which belong to the settled natural personnel in foreign country, foreign tourist and Turkish citizen residing in foreign country, will be sent on behalf them or will be sent by them or they will take along,
- e) The goods and vehicles which will be sent by state institutions and organizations, municipality and universities, by force of their duty or agreements,
- f) In the war, earthquake, flood, epidemic, scarcity and like this disaster, humanitarian aid materials which will be sent by state institutions and organizations, municipality, universities, and also by voluntary organizations and foundations working with the red crescent for public welfare,

The subjects left out of mentioned above are finalised by general secretariat of exporters unions or the relevant customs administration by taking the opinion of ministry. General secretariat of exporters unions submit instances of permissions given for exports without

returns, one of which to claimant, another of which to the relevant customs administration. Validity period of permission for exports without returns is 1 year.

1.1.2.8 Exports through Leasing

Exports through leasing expresses the goods are removed to free zone or to outside of turkey's customs region as temporary in order to use in a particular period provision of leasing.

According to the article 3 (e) of 22.12.1995 dated and 95.7623 No. Export Regime Decree;

- 1) Demands of export to be made through leasing are made to exporters union which is in the current region or exporters are membered of, with the agreement made with lessee or institutions (with Turkish translation) and application form related to export to be made through leasing at the attachment.
- 2) Commercial leasing is needed to include information about the type of good, the unit price, the quantity, the total value, the period of leasing and the cash rent as foreign exchange or TL.
- 3) Exporters unions allows to exportation of applications deemed appropriate for leasing by evaluating them according to the provision of 2006/3 No. communiqué.
- 4) Period to exports to be made through leasing, is period given by exporter union properly to leasing agreement. This period cannot exceed total 3 years as from the date of actual export. But, this period can be extended by ministry by considering right and obligatory circumstances.
- 5) In case the good which is subjected to leasing is bought in the foreign country, bringing its sales price to country is subject to provisions of foreign exchange legislation.

1.1.2.9 Exports in the scope of Offset Trade

Exporter in offset operation uses both parts and goods produced in the country of importer for goods to be exported, or enters into obligations in the country of importer in order to carry out some services. Offset agreements are made in purchases based on high technology in defence and aerospace industry.

The exports to be made in the scope of offset have been regulated with a communiqué. The communiqué related to offset implementation comprises, offset commitments of foreign companies or institutes participating in the tender for Turkish public institutes which initiate the tender, at the international competitive tenders which are not for

defence industry, whose prices are at least 5.000.000 USD and which will be initiated by public institutions and public partnership.

According to 2007 /6 No. communiqué, offset concept contains; by companies or institutes who win tender, the exports of the goods produced in Turkey, the exports to new buyers both of overseas contracting services whose incomes and expenses are registered in Turkey, and of other services, or, the export increase oriented to available buyers, and in compliance with commitment, other operations approved by ministry oriented to development of available export potential of Turkey.

Offset trade is split in half as direct offset and indirect offset. It is needed to sign an offset agreement that offset commitments are determined by basing on main purchase agreement made in the scope of tender which is initiated. Conditions which are needed to take part in offset agreement have been determined with the article 4. Of 2007/6 No. communiqué.

1.1.2.10 Exports through Countertrade

According to the article 4 of export regulations, the counter purchase expresses exchange transaction made among the countries. In compliance with the article 13(4) of export regulations, operations in the scope of this export carry out within the framework of export and import regime in force.

It is needed to submit the permission slip related to export operations which have been allowed to make the export through countertrade to customs administration within 30 days. The price of goods and service imported or exported is possible to pay with goods, service or foreign exchange completely or partly. The offset and transfer operations of prices of import and export which is subjected to countertrade are finalised by banks which mediate to the firm within the framework of foreign exchange legislations. But, obligations of mutual payment which is subject to countertrade are essential to be equal. The leave related to this export is period taken part on the agreement on the condition to not exceed 6 months. General secretariat of exporters unions can grant an extension time up to 3 years, on the condition to apply before the period finishes. In case that shortages are found at the import commitment, the demands of extension time which exceeds 3 years are finalized by ministry by taking opinion of customs. At the export commitment, they are finalised by general secretariat of exporters unions by taking opinion of ministry. The demands for change in the conditions taken part on agreement are finalised by general

secretariat of exporters unions, on the condition to be the written settlements of contracting parties.

The issues left out of mentioned above are finalised by general secretariat of exporters unions by taking by taking opinion of ministry.

1.1.2.11 Exports to in the scope of Services of Overseas Contracting and Engineering Consultancy

The communique which belongs to this export has been prepared based on, both Export Regime Decree which was put into force with 22.12.1995 dated and 95.7623 no. Cabinet Decree, and Import Regime Decree which was put into force with 20.12.1995 dated and 95.7606 no. Cabinet Decree. The purpose of 2013.1 No. communique is to regulate methods and principles related to operations of temporary export with actual import to be made in the scope of services of overseas contracting and engineering consultancy. This communique contains companies which engage in activities such as construction, assembly, engineering, project, consultancy, installation, management, repairs and maintenance in foreign country.

A dual distinction has been made on 2013.1 No. communique. These are;

- 1) The applications to be made from countries where either ministry carries authority or its overseas organization is.
- 2) The applications to be made from countries where either ministry does not carry authority or its overseas organizations is.

Operations of the leave and the reference made in the scope of the communique are carried out electronically. Because, there is web based application called as electronic application system on official website of ministry for this export type. Companies which are subjected to this export are commercial and private companies established by Turkish citizens as contracting and engineering consultancy in Turkey or overseas. General managements are free zones, directorate general of overseas investment and services. There are two very important documents. These are work receipt certificate and work extension certificate.

1.1.3 Principles related to Import

According to Import Regime Decree, public decency, public policy or public safety: importation of the goods which are out of the scope of measures taken within the framework of relevant legislation provisions for protection of health of human, animal

and plant or protection of industrial and commercial property, is free. Paying import prices is subject to provisions of foreign exchange legislation (According to the article 6 of Import Regime Decree). The permission must be got for importation of the old, used, renovated, spoiled and fatigued in time goods (According to the article 7 of Import Regime Decree). On the Import Regulations, it has been foreseen that ones who want to import make an application directly to customs administration, with the documents that they have to take within the framework of legislation provisions. (According to the article 4 of Import Regulations). At the import enforcement in the out of FOB (free on boat), the prices of goods, freight, insurance are indicated separately on pro-forma invoices (According to the article 5 of Import Regulations). Imports of the goods which are laid down to institutions and organizations by the laws, can be made by only this institutions and organizations. (According to the article 6 of Import Regulations). Applications related to import certificate wanted by importer country in importing critical materials are made to ministry. Import certificates approved by ministry can be submitted to the relevant positions. It is impossible to enlarge the period of import certificate which is valid for 3 months as from the date on the certificate (According to the article 13 of Import Regulations).

Apart from Import Regime Decree and Import Regulations, importation to be made in scope of international exhibition organized in domestic; importation of the guns and their spare parts; importation of radioactive substance and equipment that these use; importation of some telecommunication equipment; importation of the documents like maps; to be wanted certificate of warranty in import of which goods; importation of road vehicles; importation of the substances to be used in civil aircrafts; goods which are able to be imported as old, renovated and used; importation aimed at valuable paper like banknote; importation of the tools such some explosive substances, firearms, knives; importation of some petrol products and solvent; importation of the substances affecting to occupational health and safety; importation of the substances thinning the ozone layer; importation of some colourant; importation of manure; importation of the chemical substances taken part at the attachment of chemical weapons agreements; importation of the goods to be suspended customs duty; import to be made according to generalised system of preferences; monitoring importation of some goods; attaching importance to

textile and apparel import; importation in endangered species of wild fauna and flora; in such subjects have been brought an arrangement with communiques.

1.1.4 Company Models related to Foreign Trade

1.1.4.1 International Surveillance Companies

According to the article 4 (e) of 2015.24 No. communique about international surveillance companies, Surveillance companies engage in all of activities related to controlling the quality and quantity of goods subjected to foreign trade, determination of their circumstances during storing, loading, landing and transferring,, and also determination truth of price and customs classification of goods including foreign exchange rate and financial conditions. They certify these their activities with a document called as surveillance certificate or surveillance report. Definition of surveillance report has been made in the article 4 of 2015.24 No. communique. Type, quantity, delivery place of goods, when and how the examination is made, which standards are used etc. the registrations are taken part on the surveillance report. These reports are arranged by considering applications settled in international trade life according to specifications of goods subjected to surveillance. Surveillance activities to be carried out for only goods subjected to import and export are taken part in the scope of 2015.24 No. communique. Only, companies and institutes specified in the communique can take statute of international surveillance company. According to the article 5(1) of 2015.24 No.communique, commercial enterprises which have minimum 100.000 TL guaranteed liability insurance, or public institutes, companies, can apply in order to take statute of international surveillance company.

On the 2015.24 No. communique, international surveillance companies have been split to two groups as A type international surveillance companies and B type international surveillance companies according to whether be accredited.

According to the article 4 (1a) of 2015.24 communique, A type international surveillance companies express international surveillance companies which have accreditation certificate within the framework of the article 4 (7) of the conformity assessment bodies and the notified bodies regulations put into force with 16.12.2011 dated and 2011.2621 No. Cabinet Decree. According to the article 3 (1.1) of mentioned regulations, conformity assessment body is a settled foundation carrying out conformity assessment activity including calibration, test, certification and inspection in Turkey.

According to the article 4 (1a) of 2015.24 communiqué, B type international surveillance companies express international surveillance companies which do not have accreditation certificate within the framework of the article 4 (7) of the conformity assessment bodies and the notified bodies regulations.

According to the article 5 (6) of 2015.24 communiqué, those which will engage in surveillance activity for control and measurement of radiation, have to apply as A type. Then, B type international surveillance companies cannot engage in control and measurement of radiation activity.

After the result of examination to be made by district office, the applications approved according to the article 5 are submitted to general management with general opinions. If the application belongs to a company or a foundation which is previously revoked the statute of international surveillance company, international surveillance company certificate is given to those which are deemed appropriate in result of ultimate evaluation made by general management, by considering the reason why revoked, and the general evaluations of district office about the application. The applicant gets the statute of international surveillance company, after the international surveillance company certificate is notified to self.

The activity field of “A” type international surveillance companies are restricted with the scope of accreditation. These companies can make a request again in order to carry out surveillance activities taken part in out of the scope of accreditation. In case the demand is deemed appropriate, in terms of surveillance activities which are not taken part in the scope of accreditation, they are subjected to conditions that B type international surveillance companies are subjected to.

International surveillance companies, can not engage in surveillance activities in out of field given authority by customs tariff schedule parts and are responsible for all reports and documents they have arranged.

It is essential that surveillance activities taken place by B type International surveillance companies are carried out by a qualified employee who the one of specialties has stated on authorization list.

International surveillance companies are responsible for possessing of experience, education, information that surveillance activities necessitate, and of their personnel.

In compliance with procedures and principles taken part in 3/1/2011 dated and 6102 No. Turkish Trade Act, regulations for conformity assessment bodies and notified bodies, agreement on pre-shipment inspection of World Trade Organization and adjustments related to technique, it is needed that international surveillance companies and their personnel engage in activities in a way to not put their customers in undue hardship, and to provide conditions of justice, independence, transparency, non-discrimination, and protection of trade secrets,

International surveillance companies, for importation and exportation taken place by themselves, cannot engage in activity.

A type international surveillance companies have to submit changes occurred on their accreditation certificate to the district office that the province where head office of company or foundation is settled is registered, within 1 month at the latest.

B type international surveillance companies have to submit changes to be occurred on matters stated at the article 5 to the district office that the province where head office of company or foundation is settled is registered, within 1 month at the latest.

A and B type international surveillance companies have to submit the notification concerning new branches to be engaged in surveillance activity to the district office that the province where head office of company or foundation is settled is registered, within 1 month at the latest.

When international surveillance companies renew professional liability insurance in the scope of the article 5. , they have to notify the district office within 1 month as from the renewal date.

According to the article 15(3) of 2015.24 No. communique, in case that conditions envisaged in the communique are lost, the statute of international surveillance company which is determined that it continues engaging in surveillance activity, is taken back.

Advantages that Surveillance Companies provide to Exporters:

1) In case that goods are not in the qualification demanded, sending back these goods later, making great expense by parties and loss of time shall be prevented by preventing the exportation of goods which are not suitable to agreement.

2) It is possible to encash all of sales price or as most possible part of it.

- 3) The possibility which is able to take quality conformity certificate from an impartial company for sold product shall be provided, and thus the marketing chance of product increases. (Some countries do not accept the goods which do not have surveillance report)
- 4) The possibility which is able to find new market to product is provided by taking advantage of activities in the domestic and foreign market of surveillance companies.

Advantages that Surveillance Companies provide to Importers;

- 1) The conformity of quality of goods is ensured to the determined specification, standard and legislations.
- 2) After sending the quantity predicted on the agreement is documented, the conformity of labelling, packaging and of loading to specification are determined.
- 3) In case that specification conditions are gone off, salesman finds an opportunity for discounting the price.
- 4) Delay in delivery shall be determined on time.

1.1.4.2 Foreign Trade Capital Companies

Granting, revocation of the statute of foreign trade capital company and responsibilities of foreign trade capital companies have been arranged with the communiqué (export: 2004.12 to (Eşki, 2015)) concerning to statute of foreign trade capital company prepared by ministry of economy.

According to the article 3 (k) of 22.12.1995 dated and 95.7623 No. Export Regime Decree; granting and revocation of the statute of foreign trade Capital Company and responsibilities of foreign trade capital companies have been determined as follows.

- 1) (Different:RG-18/9/2009-2735 to (Eşki, 2015)). The statute of foreign trade capital company shall be granted to stock companies which carry out at least (FOB) 100 million USD or equivalent actual export and whose paid capitals are at least 2 million TL and on the basis of customs declaration in a previous calendar year; on the condition to apply until the last day of January of every year or the mentioned statute is able to be renewed for companies which have the statute of foreign trade capital company.

After companies which are suitable for conditions at first article fill the application form in order to be able to take the statute of foreign trade Capital Company, they need to apply for ministry with documents specified on the form. The submitted information and documents shall be accepted as right unless otherwise specified.

2) Companies which take part in the decree concerning to foreign trade capital companies in force year which belongs to; in case of their demands, in the result of examination to be made on the condition to go back in 12 months as from the date of application, in case of determination of be suitable for above conditions, the statute of foreign trade capital company shall be granted, on the condition to append to the decree concerning to concerning to foreign trade capital companies in force. The article 2 (Different: RG-18/9/2009-27353 to (Ekşi, 2015)). In the result of examination made by ministry (Export General Management), the statute of foreign trade Capital Company shall be granted to companies which are determined to be suitable for necessary conditions.

The statute of foreign trade Capital Company is valid till publication of decree related to foreign trade capital companies, which belongs to the following year, as of the date when it is published.

3) On the condition to use of the misleading and false document, this statute of companies which have had the statute of foreign trade Capital Company shall be taken back as of the date when it was granted, in case that the determination that conditions have not realized is.

4) Beneficiation of foreign trade capital companies from government grants is primarily provided, on purpose to enter to new market and introduction of our export products, diversification of exports, increase of market shares.

5) Foreign trade capital companies are responsible for, when the goods that they supply and purchase personally from domestic on their own behalf exports, all documents arranged related to exportation of, procurement of, production of these goods in terms of administrative and penal obligations.

Based on mediated export agreement, in the exportation which the manufacturing and supplier companies make through foreign trade capital companies, unless otherwise provided in mediated agreement, the manufacturing and supplier companies are responsible for only and directly administrative and penal obligations, in terms of all documents related to production or procurement of the goods, and also exports, foreign exchange, customs and other legislations, related to exportation of goods.

6) Ministry is authorized to finalise disputes to be appeared at the application and to make all kinds of arrangement related to application of this communique.

Specific conditions are needed to have the statute of foreign trade Capital Company. These conditions are, to own a certain sized capital, to establish as limited or limited partnership divided into shares, to make export at a certain level in the past and to provide export increase at a certain rate in every year, after they have the statute. Applications concerning this statute is made to ministry of the state planning organization. Besides, every year, quantity of export made is notified to the mentioned institution.

Essential subjects of foreign trade capital companies are that foreign trade and particularly exports are developed. In terms of that, these companies are not allowed to engage in production and investment activities. In addition to this, after exportation of the goods subjected to exports is realized in some instances, it is possibility that they make investment at certain fields such as handling, packaging, loading, classification and storing. Foreign trade capital companies are large institutions. The government provides some special incentives to exports made through foreign trade capital companies. There are special reasons to want that foreign trade is taken place by large companies instead of small companies. To prevent competition among infant trader at exports, so to protect limitation of foreign trade, to provide sustainability in exports and after sales service, to make foreign market research possibility etc. reasons are able to be counted.

1.1.4.3 Sectoral Foreign Trade Companies

Sectoral foreign trade companies, which are new and a modern organization model that has been directed to foreign trade, are established in order to provide with expanding overseas and to world market by bringing together small-and-medium scaled enterprises (SME) at similar field of production under an organization on the purpose of exports. So, companies both are able to become professional at foreign trade, and increase chance of competition with SME in the other countries by making export activities easy, as a result they are able to provide competitive power and a more effective marketing.

In accordance with the article 3(k) of 22/12/1995 dated and 95/7623 No. Export Regime Decree; granting the statute of sectoral foreign trade companies, its revocation and its responsibilities have been arranged with 2004/4 No. the communique. In according to this communique, by bringing together SME's under an organization within export sector on the purpose that they are directed to world market; by providing service at exports and relevant subjects (financial, supply, transportation, insurance, customs clearance etc.), the statute of sectoral foreign trade companies is granted by ministry to companies which

was established in order for operating more effective activity and becoming professional at foreign trade.

The necessary conditions about granting the statute of sectoral foreign trade companies are stated between the articles 3. and 5. of communiqué. These conditions are as follows;

1) In ordinary region, it is needed to establish the sectoral foreign trade companies as at least 500 billion TL capital corporation by bringing together at least 10 pieces of SME which engage in activity at similar branch of production.

2) In regions with development priority, it is needed to establish the sectoral foreign trade companies as at least 250 billion TL capital corporation by bringing together at least 5 pieces of SME which engage in activity at similar or dissimilar branch of production and are settled in these regions.

3) The statute of sectoral capital company can be granted to companies which are established with at least 500 billion TL capital and engage in activity at similar branch of production in the shape of corporation by producer associations and unions.

4) Capital share of each partner that has the characteristics of SME of sectoral capital companies cannot be exceed %10 of total company capital in ordinary regions and %20 of total company capital in regions with development priority.

5) In case stock certificates of sectoral capital companies are traded at the exchange within the framework of capital market law and relevant legislations, on the condition of taking the opinion and permission of undersecretariat previously, restrictions related to partnership share stated on the previous article cannot implemented.

6) It is need that the whole stock certificates are registered of.

7) When the misleading document as of content that takes part in the article 359 of tax procedure law related to company and its partners which apply for ministry for the statute of sectoral foreign company is not arranged or used, it is needed that this circumstance is documented with a writing to be taken from tax office where applicant company and its partners are registered.

At sectoral foreign trade company, on the purpose of helping company with its establishment and development, on the condition that the share of partnership does not exceed %10 as individual, the below elements can be partner;

- a) Companies , which engage in activity at similar branch of production in ordinary regions, at similar or dissimilar branch of production in regions with development priority and employ over 250 employees,
- b) Natural persons on the condition to work as professional manager,
- c) Companies which provide goods, equipment and service to sectoral foreign companies and their partners,
- d) Producer associations and producer union, foundation, professional federation etc. institutions.

Companies have to apply for the undersecretariat (General Management of Export) with documents demanded by filling the application form in order to be sectoral foreign company.

In the result of examination made, the statute of sectoral foreign trade can be granted to companies which have conditions specified on the communiqué, and the decree concerning the subject is issued.

At sectoral foreign trade companies, shares of partners who want to withdraw from partnership can be transferred to new or available partners with permission of company board of management and on the condition to implement conditions specified on this communiqué. In this subject is informed to ministry.

It is essential that sectoral foreign trade companies fulfil at least two of the below activities within every calendar year, by starting from the following calendar year, excluded year when they was established.

- a) Fulfilling to attendance of exhibitions
- b) Carrying out the foreign market survey project related to sector that it engages in activity,
- c) Attending to trade delegation programmes that organized at the coordination of undersecretariat with individual or its partners
- d) To provide the attendance to the seminar and training programmes organized, or, to organize the seminar and training programmes, on the condition that Sectoral foreign company and whose partner informs the managers and personnel of SEM in the subjects such as foreign trade, foreign exchange, customs, incentive legislations,

e) Sectoral foreign trade companies are obliged to give annual reports concerning prior year to the under secretariat (General Management of Export) till the end of January of every year.

Sectoral foreign trade companies and SMEs compose target group of export directed government grants and they are availed of these grants primarily.

Sectoral foreign trade companies are responsible directly or exclusively for administrative and penal obligations predicted on exports, customs, smuggling, foreign exchange and relevant other legislations in the exportation of goods that they purchase on their behalf from domestic.

Based on a mediation agreement between sectoral foreign trade company and manufacturer, in the export taken place through sectoral foreign trade company by producing and supplying in person by manufacturer, unless otherwise provided on mediation agreement, manufacturing companies are responsible directly or exclusively for administrative and penal obligations predicted on exports, customs, smuggling, foreign exchange and relevant other legislations.

This model appeared in Japan at first. SEMs of Japan created this kind of organization model in order to open up to world market and increase their opportunities for export. When the success of and the effective of this export consortium created are appeared, at first in the close countries, later it started to be implemented successfully at all world.

Market conditions and the development in the particularly information and communication technologies have provided SMEs just like any other big business to be availed of export opportunities. Besides, advantages such as manoeuvrability, elasticity, innovativeness within the scope of SMEs have opened the door of benefiting from this opportunity as more effective. This elasticity has provided for comprising sectoral foreign trade company at the export organization and at the same time, it has brought synergy of creating market and more export than any SME is able to make singly.

Primary Advantages (to its Member) of Sectoral Foreign Trade Companies Model:

- 1) Any SME has to assume the mixed cost for export activities. Thereby sectoral foreign trade companies assume these obligations at the same time they decrease the export cost of many SMEs.
- 2) “ In the scope of inward processing regime customs exemption import, Exim bank credit, government grants, facilities provided in VAT refund “ etc. the incentives and

supports that customs and export legislations presents for sectoral foreign trade companies, are in existence.

3) Thanks to sectoral foreign trade companies, in case SMEs make exports in alone, they are able to get rid of some technical and bureaucratic intricacy to be met. Thus, it is possible that SEMs transfer their energy directly to marketing and competition without spending for these subjects.

4) When SMEs engage in export activities at the structure of sectoral foreign trade companies, thanks to expert staff who becomes professional at export legislation, they carry out more effectively the activities such as customs clearance, transportation, and insurance. Besides, because of that it is impossible that every SME employ an expert personnel at foreign trade, employing staffs carrying out these activities under a single roof, provides a big advantage in terms of productivity.

5) Sectoral foreign trade companies take on only export operations of membered companies and save them from obligation that these operations bring. They help member companies with finding new competition and marketing area at overseas. They engage in promotional activities on behalf of them at international exhibitions and activities, they take on control of this business.

6) Sectoral foreign trade companies can both mediate the exportation of other group companies which are member, with the different partnership that these companies have established (on the condition to engage in activity at the similar sector), and mediate the exportation of SMEs which are not member of sectoral foreign companies but engage in activity at the similar sector.

1.1.5 Turkey's Export Performance

Turkey's export has experienced high growth rates since 2001, which is well above its historical average. The average yearly growth rate of exports reached to 22.9 percent in the 2001-2009 period whereas it was 11.2 percent between 1948 and 2000 (Aydın et al; 2007 to Karagöz,2016). Historically, the evolution of Turkey's exports can be decomposed into five consecutive periods; 1) first period in which the protective policy was adopted in foreign trade (early 1930s till 1960s), 2) the period of import substitution policy (1960s and 1970s), 3) the period of financial liberalization and export subsidy policy in order to promote export (1980s), 4) capital account liberalization episode (1990fifth), finally 5)the period in which floating exchange regime has been adopted

(2001 onwards) (Aydın et al., 2007: 3 to Karagöz,2016). It is discriminated five sub-periods with somewhat different time intervals (Şahinbeyoğlu & Ulaşan, 1999). When looked closer to these periods, it is possible to arrange as follows.

First period: Pre-1980

Despite the adoption of relatively liberal economic policy in the early years of the Republic, because the new liberal economic policy could not meet the expectations, search for suitable policies took place. Due to the reasons such as lack of significant entrepreneurial class, adequate infrastructure and fluctuations in the international markets, a state-dominated economic development policy had been implemented since 1930. Therefore, Turkey followed an inward oriented development strategy called import substitutional industrialization policy until 1980. This development strategy was applied more intensively during the planned economy throughout 1960s and 1970s. Actually, this strategy was successful in its first phase and substitution of consumer goods was achieved. But in the second phase (i.e. 1970s), substitution of intermediate and capital goods was aimed while the economy lived several external and internal shocks (Şahinbeyoğlu & Ulaşan, 1999). But in contrast to expectations, the import substitution policy resulted in gradually increasing trade deficits. Political instability and ideological collisions worsened the economic environment. Eventually, trade and current account deficits reached a record level towards the end of 1970s. Economic indicators deteriorated rapidly and the economy faced a heavy economic crisis.

Second period: 1980 – 1988

Following the severe crisis in the late 1970s, Turkey's foreign trade was liberalized with the acceptance of the structural reforms program in 1980 which is known as "January 24 decisions". The program was supported by primary international institutions, and aimed at providing free market mechanism conditions in Turkey. In this direction, the incentive for exports and the liberalization of imports were adopted as primary objectives (Şahinbeyoğlu & Ulaşan, 1999). In the early years of the program, the export was encouraged through various direct and indirect tools such as export tax rebates, preferential export credits and foreign exchange allocations (İzmen & Yılmaz, 2009). In the initial steps of this policy, the misalignment in prices and disequilibria in certain markets were eliminated. Following these steps an export-development policy through export incentives, especially devaluations, was pursued. In this respect, multiple

exchange rates were eliminated and a uniform rate was established with a heavy devaluation (Şahinbeyoğlu & Ulaşan, 1999). The new government that inaugurated in November 1983 took some complementary measures immediately. Thanks to reduced domestic demand by controlling real wages, exports incentives and expanded foreign demand, especially by Arab countries due to rising oil prices, exports volume increased considerably in a few years. Furthermore, the fall in real wages and large scale devaluations resulted in fall in the purchasing power, but helped to improve competitiveness of country in international trade.

Third period: 1989 – 1993

Turkish economy had some important policy changes in 1989. Controls on foreign capital movements were tightened and substantial financial markets regulations were introduced. Partially due to political concerns, economic policies became expansionary at the end of the 1980s. Increased real wages and accelerated agricultural subsidies were expanded the domestic demand volume considerably. Throughout the 1989-1993 period, export performance slowed down significantly because of the expansion in domestic demand and real appreciation of TL, and the share of the exports in GNP regressed to the levels of the early 1980s. At the same time, export incentives, which were strongly induced the export performance, were removed to a large extent by the end of 1988 because of budget limitations. The decrease in exports caused an increase in the current account deficit and these set off one of the most severe financial crises Turkey's history. Negative impacts of the I. Gulf War aggravated this crisis which affected the real sector to a large extent leading to negative growth rates in the GNP and the GDP in 1994. These events caused sharp rises in inflation and interest rates, whereas real wages decreased significantly (Şahinbeyoğlu & Ulaşan, 1999).

Fourth period: 1994 – 2001

Following the economic crisis in 1994, a stabilization program was announced by the government on April 5, 1994. As so the January 24 Decisions, this stabilization program was also targeted to suppress the domestic demand and encourage exports by devaluating the TL. As a result, the exports expanded substantially in 1994 and 1995 (Şahinbeyoğlu & Ulaşan, 1999). That expansion partially supported increased in world trade. But the growth in exports figures had not been continuous. Because of WTO requirements, the scheduled customs union with EU and restrictions imposed by large budget deficits export

subsidies tool, which had had a strong stimulating effect on export performance during the second half of 1980s, could not be used intensively (Uygur, 1997 to (Karagöz, 2016). The most remarkable development for Turkey's foreign trade regime in that period was to sign Customs Union (CU) between the EU and Turkey which came into force on January, 1996. The EU countries eliminated all duties and other restrictive regulations of commerce with respect to all the trade in industrial products and processed agricultural products. The CU agreement did not lead to considerable impact on the exportation of Turkey immediately. However, its impact was seen afterwards in 2001 crisis. The depreciation of the TL and the contraction in domestic demand that followed by a severe economic crisis of February 2001 forced domestic producers to search for new export markets (İzmen & Yılmaz, 2009). Accession to WTO and CU agreement has made it necessary structural changes to be made in accordance with international obligations which resulted in important implications for the international trade of Turkey.

Fifth period: 2001-onwards:

After the financial crisis of 2001, uncertainty and unconfident internal atmosphere surrounded the country and it caused domestic demand to reduce and this made the producers to lean on export. In the early 2000s, in consequence of increased productivity, rising world export costs, reduced labour force costs, by keeping the rate of interest low and experiencing financial facilities, Turkey took place at 24th in the world's export volume ranking. With the Export Strategic Plan covering the years of 2004-2006, Turkey was integrated with the world and caught a sustainable growth in export. In those years, by changing the target countries, the number of countries that made export was raised, and which provided benefits to exports (Genç, 2009: 25,26 to Karagöz,2016).

Thus, the expansion in exports achieved in 1980-1989 can be attributed to the policies summarized as devaluations of TL, the export incentive policy and reduction in domestic demand. That period ended by reverse trends in the mentioned policies and a sharp reduction in exports was realized between 1989 and 1993. After the financial crisis occurred in early 1994, the share of exports in the GNP expanded notably relative to the previous periods in spite of the persistence of the real foreign exchange rate policy and the considerable increase in domestic demand. This contradictory development in exports after 1993 may imply a structural change concerning alterations in the sensitivity of exports to the foreign exchange rate and domestic demand policies (Şahinbeyoğlu &

Ulaşan, 1999). However, main stimulus behind these two successful periods (1980-1990 and post-2001) are quite different. The success in 1980s was mainly depends on macroeconomic policies that intended to encourage the exports by depreciating the TL and allocating certain privileges in the manner of subsidies to exporting firms. Therefore, it can be said that the success in export performance throughout 1980s was policy-driven in essence. In other words, the export-oriented firms had gained artificial price competitiveness with the help of these policies. On the other hand, the success in export performance during the post-2001 period was not policy-driven. Policymakers had no intention to increase the exports by depreciating the TL. In that period, the export-oriented firms suffered from loss of price competitiveness. However, firm-driven factors (technological progress, integration to the world export market, attaching importance to quality etc.) compensated the detrimental effect of real currency appreciation. Therefore, the export performance gained in latter period is more powerful and sound. When the structure of the Turkish exports is analysed, it is obvious that the main stimulus behind the Turkish export boom was the rapid increase in the share of industrial goods exports, whose share in total exports increased from 36.6% in 1980 to approximate 95% by 2008 (Table. 1.2). Across the increasing industrial goods exports, during the last three decades, the share of mining, agriculture and textile within total exports stagnated, which implies that Turkey moved from being mainly an agricultural goods exporter to an industrial goods exporter.

As emphasized in a recent World Bank (2018) report, Turkey's strong export growth came hand in hand with increased diversification. Among a conducive global environment, with the help of advancing structural reforms domestically, and with significant productivity gains, merchandise exports increased from USD 27,7 billion in 2000 to over USD 167.97 billion in 2018. In this period Turkish companies diversified both their export markets and export product mix. Export competitiveness, sophistication and quality also improved in this period. The report provides three key findings: First, Turkey outperformed global export growth, but during and after the crisis (2010) growth fell below the average. Second, till the crisis, competitiveness played the biggest role in driving export growth before giving way to pull factors during and after the crisis. Third, Turkey needed to move into products for which global demand is growing fast.

Table 1.2 Merchandise Exports by Product Group of Turkey (Million US Dollar)

Product/Sector	2018	2017	2014	2010	2008	2000	1990	1980
Total merchandise	167,97	156,99	157,610	113,883	132,027	27,775	12,959	2,910
Agricultural products		17,291	18,418	12,370	11,204	3,828	3,300	1,881
Food		16,672	17,747	11,878	10,704	3,521	2,906	1,486
Fuels and mining products		10,581	12,223	9,331	11,900	1,005	876	246
Fuels		4,056	5,885	4,405	7,531	294	296	
Manufactures		120,34	120,910	88,481	103,773	22,311	8,778	782
Iron and steel		9,548	10,769	10,225	16,842	1,842	1,490	28
Chemicals		8,618	9,156	6,101	5,664	1,063	747	
Pharmaceuticals		910	849	611	469	148	74	
Machinery and transport equipment		48,221	42,699	31,824	39,122	5,667	855	
Office and telecom equipment		2,006	2,438	2,076	2,400	1,008	259	4
Electronic data processing and office equipment		246	193	139	151	63	20	
Telecommunications equipment		1,710	2,194	1,895	2,202	934	238	
Integrated circuits and electronic components		50	51	42	46	11	1	
Transport equipment		28,957	21,681	16,534	22,547	2,606	254	
Automotive products		23,856	17,495	13,755	17,873	1,517	153	55
Textiles		11,449	12,516	8,964	9,399	3,672	1,440	343
Clothing		15,101	16,668	12,760	13,591	6,533	3,331	131

Sorce:WTO

1.2 Customs Regime

The aim of 4458 No. Customs Law issued on 04.11.1999 dated 23866 No. official journal is to determine customs rules to be implemented to goods and means of transportation which enter into and exit from the customs territory of Turkey Republic. The customs territory of Turkey Republic involves the land of Turkey Republic. The territorial waters, the inland maritime waters and the airspaces of Turkey are included in the customs territory of Turkey Republic.

To comply with this law and provisions of regulation, decree and the communiqué enacted based on this law; to be subjected to supervisions to be made by customs administration according to written provisions on both this law and the other law, communiqué and decrees; to pay all kinds of taxes, duties, charges to on own behalf of these administrations or on behalf of other administrations, or to binding them; to carry out all kinds of operations that the law, the communiqué, decrees and provisions of regulation oblige to implement; are responsibilities of persons who are the object of customs administration.

All persons can appoint a representative for operations in the customs administration in order to carry out the acts and formalities proposed by customs legislation. The representative is the person who is located in the customs territory of Turkey Republic, excluding persons who do through transport or are declarant as accidental. The representative can be direct or indirect. The representative acts on behalf of someone else,

in case of direct representation. In case of indirect representation, the representative acts in the name of self, but on behalf of someone else. Person who does not declare to act on behalf of another person, or, in case of not having power of representation person who declare to act on behalf of another person, it is considered to act in the name of self and on behalf of self.

The commodity brought to the customs territory of Turkey Republic is subjected to customs surveillance as from its entry and is controlled by customs administration according to the provisions in force. The commodity brought to the customs territory of Turkey Republic is brought without delaying by the person bringing, according to procedures and principles determined by ministry, either, to anywhere be deemed appropriate by customs or a customs administration determined, or, directly to a free zone by sea or airway or by road without passing from the customs territory of Turkey Republic. The commodity brought to the customs territory of Turkey Republic is submitted to customs by the person bringing, or the person undertaken its transportation after it arrives. The commodity is temporarily at the statute of stored commodity, after it is submitted to customs, till an operation is approved by customs, or it is subjected to use. A summary declaration is given to the relevant customs administration until the first business day following the submission to customs finishes. The summary declaration is made with a form that is suitable to example determined by undersecretariat. An operation and utilization approved by customs is assigned to the commodity submitted to customs. Unless otherwise provided, without controlling to its quality, its quantity, its origin, loading or its country, under determined conditions it is always subjected to the one of operations and utilizations approved by customs.

The commodity which is wanted to be subjected to customs regime is declared to the authorized customs administration on suitable to this regime. The customs declaration can be made as written, as verbal, through computer data processing technical or through any utilization that the owner states want the commodity to be subjected to customs regime. It is obligatory that the written declarations are made with declaration whose form and substance are determined by regulations, and so other documents. This declaration has to be signed and include all necessary information in order to implement the provisions arranging customs regime which the commodity is declared. In case that the commodity which belongs to declarations prepared in conformity with conditions is

submitted to customs, they are registered by customs administration. After the declaration, customs administrations can control documents related to the declaration and documents attached at declaration, in order to search truth of declaration, and can want the declarant to give other documents, on the purpose to search truth of information that the declaration includes. Besides, they can examine the commodity and take sample in order to analyse or examine in details. The examination of commodity is made at places where it is allowed to put by customs administration, or at warehouse. The commodity submitted to customs is subjected to an operation and utilization approved by customs. The circumstance states to be subjected to a customs regime of the commodity submitted to customs, to enter to free zone, to export once again to outside of the customs territory of Turkey Republic, to destroy, and to leave to customs.

Other laws to be able to be added to customs legislations are as follows:

- 5607 No. Anti-smuggling Law issued on 31.3.2007 dated and 26479 No official journal
- Circulation Capital Law about The Commodity to be classified according to 3007 no. Customs Legislation issued on 24.5.1984 dated and 18410 No. official journal
- The 5622 No. law concerning changes both in the statutory decrees and in the some laws, with the purpose that the general directorate of revolving funds links to undersecretariat issued on 17.04.2007 dated and 26496 No. official journal
- 5015 No. Petroleum market law issued on 20.12.2003 dated and 25322 No. official journal
- 3944 No. law concerning customs enforcement and treatment class officer organization issued on 24.12.1940 dated and 4694 No. official journal
- 5108 No. law concerning that the approval of temporary import agreement is found appropriate issued on 07.04.2004 dated and 25426 No. official journal
- 5426 No. law concerning that our attendance of change protocol about international convention on the simplification and harmonization of customs procedures is found appropriate issued on 06.11.2005 dated and 25985 No. official journal
- 485 No. statutory decrees about the organization and duties of customs undersecretariat issued on 13.7.1993 dated and 21636 No. official journal

Regimes envisaged on the customs legislation are as follows:

- 1) Release for free circulation (import regime)
- 2) Transit Regime

- 3) Customs warehousing
- 4) Inward processing
- 5) Processing under customs control
- 6) Temporary admission
- 7) Outward processing
- 8) Exportation

Customs regime is regulations related to customs. The commodity which is intended to be subjected to a customs regime is declared to authorize customs administration in conformity with this regime. In case the declaration is made for exportation, outward processing or customs warehousing, the commodity which is in free circulation is under of control as from the date of declaration given to customs, untill it removes outside of the territory of Turkey Republic or untill it is destroyed, or untill the customs declaration is cancelled.

1. Release for free circulation regime (import regime) :

According to the article 74 of customs law, this regime is implementation of commercial measures to the commodity which comes to the customs territory of Turkey Republic, completing other operations predicted for importation of the commodity, collecting taxes legally due and also carrying out other financial obligations. In case the commodity which is not free circulation is implemented obligations of release for free circulation regime, the commodity gains statute of the goods released for free circulation.

Release for free circulation regime is customs regime that provides for the goods produced in the foreign country not only import to Turkey but these goods imported also are subject to engage in commercial activity both within the customs borders of Turkey Republic and under the same conditions with the goods produced in Turkey.

When a good is subject to trade activities within Turkey by being subjected to release for free circulation;

- It is need that all taxes related to the commodity have been paid. (Customs duty, VAT, stamp duty, excise duty (in case of some special circumstances) etc.)
- The commodities must carried out all commercial and technical legal legislations.

The commodity released for free circulation losses this statute at the below mentioned circumstances.

- a) Cancelling the declaration of release for free circulation,

- b) Giving back and cancelling the customs duties concerning the commodity exported, after it is processed under the framework of outward processing regime that drawback system is performed.
- c) In accordance with provision of the article 213, giving back and cancelling the customs duties, because of that the commodity either is defective or is not suitable to provisions of sales agreement.
- d) In accordance with provision of the article 214, giving back and cancelling the customs duties, because of that the commodity exports, sends back, or is subjected to another operation or utilization approved by customs.

2. Transit Regime :

The subject of transit regime from customs regimes is that the commodity subjected to foreign trade move from a customs to another customs between countries or within the border of country.

Transit regime can generally be defined as moving the commodity from a point to another point, under the control of customs, by guaranteeing customs duties to be arisen from the commodity, and other equivalent effect taxes.

According to the article 84-92 of customs law, transit regime contains provisions with regards to move the commodity which is not subjected to measures of commercial policy and import duties and not entered to free circulation, and the commodity whose customs operations related to exportations have been completed, under the control of customs, from a point to another point within the customs territory of Turkey Republic.

The commodity which is subjected to transit regime, within the customs territory of Turkey Republic;

- From a foreign country to another foreign country,
- From a foreign country to Turkey
- From Turkey to a foreign country
- From an inland customs to another inland customs, can be moved.

Movement of the commodity which is subjected to transit regime in the customs territory of Turkey Republic is made under the scopes specified at the following.

1. In the scope of transit regime declaration,
2. In the scope of TIR carnet,
3. In the scope of ATA carnet used as transit document ,

4. In the scope of 302 form predicted with the agreement between countries who are parties of north Atlantic treaty for status of force,
5. Via mail on the condition that post boxes are included,
6. In the circumstance to be determined by regulations, in the scope of both the commodity manifesto at the transport by sea , airway and CIM way bill at the transport by railway, and also TR transfer note at the transport by big containers,

When the commodity which is subjected to transit regime and necessary documents are submitted to the destination customs office in conformity with provisions arranging regime, transit regime ends.

In the result of comparison of information and documents at the departure customs office with information and documents at the destination customs office, in case of determining that transit regime duly ends, the regime is released.

Transit regime declaration is made with customs declaration. The commodity which does not enter to free circulation and the vehicle which passes as transit are not subjected customs duties because of transit passes. But, it is made payment for some services such as loading, landing, sealing, warehousing or protection in the storage, and expenses that services and supervisions made for transit commodity require.

For information concerning transit trade regime, is benefited from Customs law. Transit regime is that goods are sold from a country to another country directly or in transit based on favourable mark-up. For goods which are subjected to transit regime, taxes, duties and charges concerning to exports and imports cannot be encashed.

3. Customs warehousing:

Customs warehousing has been appeared from as a compulsion arisen out of needs and from the applications related to the commodity subjected to international trade specially. Using of the commodity as long as it is needed , or , being subjected to some operations called as handling of the commodity before it does not enter to free circulation etc. like reasons have caused customs warehousing to arise.

According to the 93/3 article of Customs Law, customs warehouses are places which have been constructed with the aim of putting the commodity which is under the control of customs. The commodity to be subjected to customs warehousing is identified as “ the commodity which does not enter to free circulation and is not subjected to commercial policy measures, and, in case of coming into warehouse the commodity in free circulation

which will be able to benefit from measures concerning export,.” According to this, there are two mentioned circumstances related to the commodity to be subjected to customs warehousing.

1. Being subjected to customs warehousing the commodity is subject of export which both is not paid its import duties and is not applied commercial policy measures, and also which is not in free circulation,

2. In case the commodity in free circulation is put into customs warehouse, provisions related to exportation of the commodity will be able to be benefited from.

Therefore, the reasons which oblige existence of customs warehousing as an economical effective customs regime are as follows.

- To not pay customs duties of the imported commodity until it comes into free circulation, and , to stay outside of commercial policy measures,
- To store the commodity which both is not in free circulation and will be transited to another country, without paying its customs duties and being subject to commercial policy measures until it is transited.
- To be subjected to handling operations or to store the imported commodity which is not in free circulation, till fabrication or marketing phase.
- To accept as if the exported commodity has been exported along with coming into warehouse with the aim of leaving the customs territory of Turkey Republic later.

Because of the fact that the customs warehouse is an open/ close place both which has certain conditions and where the commodity under the control of customs is put, there are specific rules related to taking the commodity to customs warehouse, protecting, removing from customs warehouse. Entry and exit of the commodity are able to be made under the control of authorized customs consultant and commissioned customs officer in there due to the commodity under the control of customs which is in the warehouse.

There are two parties at the customs warehouse. These are called as keepers and users. The keepers are persons who are allowed to operate customs warehouse, the users are persons who benefit from customs warehousing. Customs warehousing is split in half in terms of keepers and users.

1. Public Customs Warehouses: They are warehouses that keepers and users are different. That is to say, they are warehouses where a warehouse keepers let on lease their

warehouse to one or more persons. In other words, these warehouses are places where everyone uses so that the commodity is put.

The public customs warehouses are separated to three types inside of their self.

A type Warehouses: They are bigger and more comprehensive warehouses. The stock records are kept by the keepers at these warehouses. Therefore, the responsibilities concerning the commodity belong to the keepers. That is to say, In the event the commodity which put to the warehouse becomes any deficiency, the keepers are responsible for paying customs duties.

B type Warehouses: The user is responsible for the commodity which is put to these warehouses, and also gives declaration of warehouse. Warehouse keeper, who let on lease that warehouse, is at the position. Therefore, responsibility of the keeper is limited. Because of that stock records are not kept, the declarations and documents constitute the basis of the customs control.

F Type Warehouses: The keeper of these warehouses are customs administration.

2. Private Customs Warehouses: They are warehouses that keepers and users are the same. In other words, they are places where the commodities which belong to warehouse keeper are put.

The private customs warehouses are separated to three types inside of their self.

C type Warehouses: Warehouses whose keepers and users are the same. That is to say, they are places where warehouse owner puts his own commodity. Therefore, the responsibility also belongs to the same person.

D Type Warehouses: Warehouses whose keepers and users are the same. According to the article 401 /3 of Customs law, without submitting the commodity to customs and before its declaration is given, in case it is delivered in order to enter to free circulation, the value on the date when the commodity is taken to warehouse so that the customs duties are computed by considering its quantity, the commodity put to here can be put into free circulation with simplified procedure.

E type Warehouses: Warehouses whose keepers and users are the same. This kind of warehouse is accepted as the place where the goods owner stores. It is private warehouse type that the warehouse is counted as storage place of holder of the authorization, or, that the commodity is implemented the provision of customs warehousing even if the place is not storage place.

At the application, warehouses which are directly operated by customs administration are called as the actual warehouses, warehouses which are operated by customs private persons are called as the fictive warehouses. The person who wants to operate customs warehouse has to make a written request which both includes in necessary information in order to be allowed and specifies that in particular the warehousing business is needed in terms of economical. The conditions related to operating customs warehouse are shown on the given permission. The permission is just given to persons settled in Turkey. The stay time of commodity under customs warehousing is unlimited. Customs duty cannot be collected from goods which entered to Turkey in order to reservoir. According to the article 93 of customs law, the commodity which both is not subjected to import duties and commercial policy measures and does not enter to free circulation, can be taken to warehouse. But, if these goods move from warehouse to Turkey, necessary customs regime is implemented. That is to say, import duties etc. are collected. The warehouse is important especially in terms of trade by road. Thanks to customs warehousing, it is possible that the importer looks at the goods.

4. Inward processing:

According to the article 108 of Customs Law and the article 349 of Customs Regulations, inward processing is a regime that the compensating products are obtained by processing one or more times the goods whose taxes are guaranteed and which are not in free circulation ,or the goods which enter to free circulation with this aim or the equivalent goods, in the customs territory of Turkey Republic, and , without prejudice to the private provisions, that the exportation of obtained products is bases and, that the collected guarantees or taxes are given back in case that the export is made.

In other words , this regime is a customs regime with economic impact that, on the purpose of re-exporting , enables to be subjected to all kinds of processing activities the goods which are in free circulation or not. Besides, without being subjected to commercial policy measures, it provides an opportunity to import raw materials, auxiliary products and packing materials which both are not supplied from domestic in terms of price and quality and are needed to produce the exported goods.

The aims of this regime are as follows. By supplying raw material at prices in the world markets.

- To Increase Exports

- To Gain Competitive Power To The Exported Goods In International Markets
- To Develop The Export Markets
- To Diversify The Exported Products

The legal basis of the regime;

- ✓ 4458 No. Customs Law : between the article 108 - 122
- ✓ Customs Regulations : between the article 349 - 375
- ✓ 2005/8391 No. Inwarding Processing Decree
- ✓ 2006/12 No. Inwarding Processing Regime Communiqué
- ✓ 2005/2 No. The Communiqué about the Sales and Deliveries accepted as Exports
- ✓ 2007/2 No. The Communiqué about making operations concerning Inwarding Processing Regime via computer data processing technique
- ✓ Other Secondary Regulations

There are three type of inwarding processing regime. 1) Suspension System 2) Drawback System 3) Equivalent Goods Usage

Suspension System:

According to the article 108 of Customs Law (general provisions), the commodity which is not in free circulation is imported temporary to the customs territory of Turkey Republic in order to be processed one or more times, without being subjected to commercial policy measures and customs duties, and also on the condition that its duties are covered under a guarantee. In case the commodity is exported as compensating products, the guarantee is released. In this manner, benefiting the commodity from inward processing regime is called suspension system.

In other words, while raw materials, auxiliary products, packing materials and consumables which are used in the production of the commodity to be exported are importing, it is covered under a security of the duties arisen from during the importation, and also it is exported without being subjected to commercial policy measures and customs duties, and so the guarantee taken following exporting the commodity which is come into existence in consequence of production is returned. D1 Exemption code is used at the operations made in the scope of suspension system. D1A code used on the customs declaration means that both the export / import is made in the scope of inward processing regime and the export duties are covered under a security.

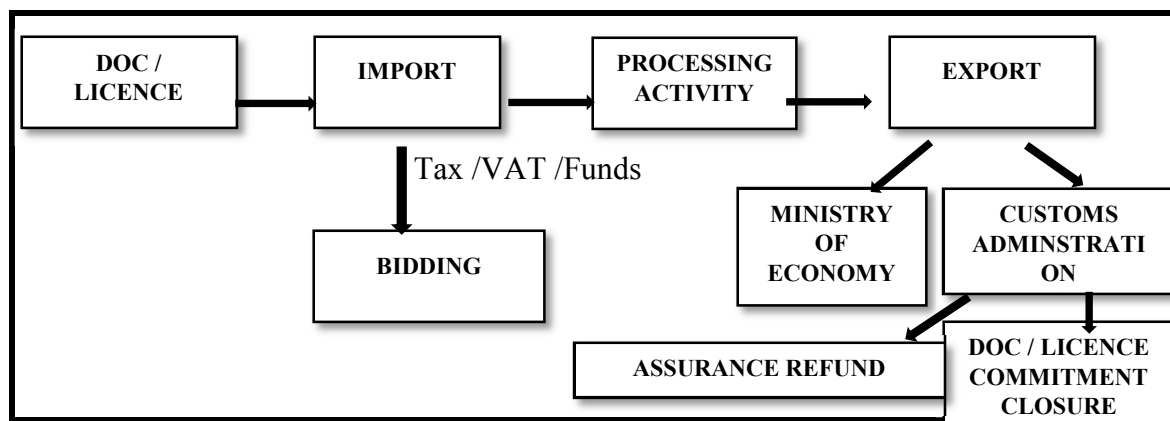


Figure 1.1 Suspension System Application

According to the article 5 of inward processing regime decree and communiqué, raw materials, auxiliary products, packing materials and consumables which both are not free circulation and are used for production of the compensating product committed the exportation in the scope of inward processing authorization certificate are exported as paid / unpaid by companies settled in the customs territory of Turkey Republic, without being subjected to commercial policy measures and customs duties, by covering under a security of its duty, and so, the guarantee taken following exports of the commodity is returned. But Vat and excise duty are cashed in the exportation of consumable materials to be made in the scope of inward processing authorization certificate and the commercial policy measures are implemented. The duties fallen to the commodity to be exported in the suspension system are covered under a security within the framework of customs law provisions. Amount of the bid security can be doubled of amount of duties arisen from exportation. The money, letter of credit by banks, treasury bonds and bills can be shown as the security.

Within the framework of suspension system, a part of the compensating product in the scope of inward processing authorization certificate or all / a part of the unchanged commodity can be exported to outside of the customs territory of Turkey Republic or to free zones in order to be processed at more advanced level within the framework of outward processing system. In this manner, the goods exported in order to be processed can be imported later.

Equivalent Goods Usage:

According to the article 3/1-j of 2006.12 No. inward processing regime communiqué, the equivalent goods are called as the commodity in free circulation in Turkey, which both is used instead of the imported commodity in the production of compensating product and

also has octal basis customs tariff statistics position with the imported commodity, and also has the same quality and features in terms of commercial quality and technical specification.

According to the article 108/7 of 4458 No. Customs Law, the equivalent goods means to the commodity in free circulation which is used instead of the imported commodity in the production of the compensating product.

Detailed regulations related to equivalent goods usage take place in the article 6 of 2006/12No inward processing regime communiqué.

According to the mentioned above article of this communiqué;

The commodity in free circulation, which has both octal basis customs tariff statistics position and has the same quality and features in terms of commercial quality and technical specification, is used as the equivalent goods instead of the imported commodity so that the compensating product can be obtained in the scope of inward processing authorization certificate within the framework of suspension system.

But, the imported goods of agricultural products used as equivalent goods and the oriented determination that it has the same in terms of commercial quality, technical specification and features are made according to only duodecimal basis customs tariff statistics position.

In case that the compensating products obtain from the equivalent goods, at the customs operations the imported commodity is evaluated as the equivalent goods and the equivalent goods are also evaluated as the imported commodity.

After the exportation to third countries of final product to be produced by using the raw material which is in free circulation, by being exempt from all kind of duties and without getting guarantee, it enables to goods exportation which will be made after this. The exporting companies, which are producers exporting products they produce to third countries and also which make production by using goods in free circulation in Turkey, have rights to import the goods originated by third country which are equivalent of the commodity used at the production of exported goods as the exemption from customs duties, on the condition of this kind of their exportation document. Using of the goods which enter to free circulation by paying all kinds of duties within the framework of import regime and in case the goods produced export in the scope of inward processing authorization certificate, all duties which are collected during exports are paid back.

Drawback System:

On the purpose of being subjected to processing activities, in case that the commodity entering to free circulation is exported as the compensating product, it is a regime that customs duties implemented to itself are returned. That is to say, drawback system; in case that the compensating product obtained from raw materials, auxiliary products, semi-product, product with unchanged commodity, packing materials and consumables which are in free circulation in the scope of inward processing authorization certificate is exported, it is that the duty taken during importation is paid back. For the commodity imported under the scope is implemented commercial policy measures by customs administration, and the condition to finish other operations including technical regulations and standardization legislation in the foreign trade predicted for importation of the commodity (excluding VAT private consumption tax related to consumables) is searched.

In order to benefit from drawback system, it should be taken inward processing authorization certificate, and, the commodity is in the scope of drawback system has to be registered on customs declarations concerning the certificate by customs administration during importation. Besides, the line code related to inward processing authorization certificate has to be registered on customs declarations.

The companies which import input from non-member state must add annotation as “that the goods is imported within the framework of drawback system” to customs entry declaration based on the possibility that the goods they produce with these inputs are exported to non-member state. In case they export goods that they produce with the mentioned inputs to non-member state, they can take back duties that they pay during importation (excluding VAT private consumption tax related to consumables). But, for inputs to be used in obtaining the compensating product to be exported to European Union member countries, the customs duty and if available housing development fund are collected, thus the import is able to be made with guaranteeing all duties excluding these. It is needed to apply for the relevant customs administration for return of the duties paid during importation within 3 months following to closing down inward processing authorization certificate arranged within the framework of drawback system.

In conclusion, the advantages provided with inward processing authorization certificate have summarized at the below.

- The exemption from quota and surveillance measures on the condition to take place export contract with exportation made to third countries.
- The exemption from customs duties, VAT and other taxes, duties and charges at the importation made from third countries
- Exempted importation from customs duty related to sales and deliveries assumed as export
- The exemption from VAT and other taxes, duties and charges at the importation made from European union member countries
- Not to be subjected to technical regulations and standardization legislation in the foreign trade
- The possibility to return duties which have been paid
- Enabling equivalent product usage

There are two types of permission in the inwarding processing regime. These are inward processing permission, inward processing authorization certificate. The inward processing authorization certificate can be granted for every three system. It is granted by ministry through the relevant exporter unions. The inward processing permission is only valid for suspension system and drawback system. It cannot be implemented in terms of equivalent product and is granted by customs administration. In order to have inward processing authorization certificate, it is needed to apply for general directorate of export for ministry of economy through general secretariat of exporter unions. In order to have inward processing permission, it is needed to apply for customs administration. The period of both permissions can be determined up to 12 months according to sector. It is possible to apply for the additional time.

5. Processing under Customs Control

In the scope of processing under customs control regime, the commodity which does enter to free circulation undergoes processes changing its quality and situation in the customs territory of Turkey Republic without being subjected to import duties and commercial policy measures, and, provisions related to entering to free circulation are implemented according to customs duties that products produced from these processes are subjected to. These kinds of products are called as the compensating products. This regime is implemented in the scope of general communique of customs according to the articles

123-127 of 4458 no. Customs Law and the articles 308-327 and 370-375 of Customs Regulations issued on 7.10.2009 dated and 27369 No. official journal.

Processing under customs control permission is given by customs administration after person, who either makes the processing work or has someone do it, demands.

The permission, only to persons who are settled in the customs territory of Turkey Republic, are granted at the below cases that;

It is possible to determine the imported commodity within the compensating products,

- a) After the commodity is processed, it is not possible to convert into its quality or situation at the moment when it is subjected to regime,
- b) The implementation of regime will not deflect both the effectives of quantity restrictions rules and the origin that the commodity is subjected to.
- c) Economical goals, in terms of going on or creating a processing activity which does not affect negatively primary economic interests of producer in Turkey of the similar commodity, are complied.

When a customs provision related to unchanged commodities or products which are in the one of intermediary phases of the processing predicted on the permission is occurred, amount of customs duties is determined based on both the tax rate which is in force during registration of the declaration concerning this regime of imported commodity and other taxing factors.

In the circumstances that the imported commodity subjected to processing under customs control regime benefits from a preferential tariff application, and the compensating products in the same quality which enter to free circulation are also implemented the same preferential tariff application, import duties that compensating products are subjected to are computed according to duty determined within the framework of the mentioned preferential tariff.

In case the preferential tariff application is subjected to tariff quotas, implementation of the tax rate specified at the above paragraph for the compensating products depend on the condition of applicability to imported commodity during registration of declaration of release for free circulation of the mentioned preferential tariff. Quantity of the imported commodity used actual in the production of compensating products which enter to free circulation, is added to account of tariff quotas in force during registration of declaration of release for free circulation. In this circumstance, account of opened tariff

quotas for products which are similar to compensating products cannot be made any addition.

By considering economic conditions, private conditions of the applicant and the specification of processing activity, the validity period of permission related to processing under customs control are determined by customs administration for every application and as at least 2 years. The start of period is the date of receipt of permission. The finish of period is also the final date of the month when the receipt of permission finishes. These periods can be extended to 3 months depending upon the reasonable grounds which are alleged by permit holder, or at the force majeure and unexpected situation.

6. Temporary admission

Temporary admission, while the commodity which does not enter to free circulation is exempt from import duties totally or partially, using of it in the customs territory of Turkey Republic, without being subjected to commercial policy measures, and the except of normal depreciation during this usage, is a regime that the provisions which enable to re-export of the commodity without undergoing any change implement.

The provisions concerning temporary admission take part of between articles 128-134 of customs law and between articles 376-394 of customs regulations.

The principal factors of temporary admission are as follows:

- The permission must be given by customs administrations in order to benefit from this regime for the commodity.
- The commercial policy measures (such as anti-dumping tax, surveillance applications) cannot be implemented for the commodity.
- The commodity must be implemented the total or partial exemption provisions.
- The commodity must be used within the customs territory of Turkey Republic but during this usage it must not be undergone any change except of normal depreciation.
- The commodity must be removed from the customs territory of Turkey Republic at the end of period determined.
- The commodities entered to domestic with temporary admission must be foreign originated products which are not free circulation or not be imported to Turkey.

The necessary periods for re-exporting the imported commodity, or being subjected to both use and a new process approved by customs, are determined by undersecretariat suitably to aim of the usage allowed. The period when the commodity stays under

temporary admission is determined as at least 24 months. In addition to this, the customs administration can determine shorter periods in the sense that the relevant person also accepts.

At the temporary admission, the import duties exemption are implemented as total or partial. According to the article 131 of customs law, on the condition of total exemption from import duties, the circumstances that temporary admission regime to be able to be implemented and special conditions, are determined by ministry cabinet. On the other hand, according to the article 132 of customs law too, on the condition of partial exemption, the commodity which will not benefit from temporary admission regime is determined with decree of ministry cabinet. As is understood also from these regulations, Ministry cabinet also has authorisation at both exemption states. Therefore, the implementation formats of this regime are determined according to exemption state.

At the total exemption application:

By means of total exemption from import duties, the circumstances that temporary admission regime can be implemented and special conditions, have been arranged with 2009.15481 No decree of ministry cabinet.

Vehicles, pallets, containers, the sportive aimed and private commodity imported by passengers, necessity materials of ship's crews, aid materials sent for critical condition, medical and surgical materials with laboratory materials, the commodity which have voice, display or data, touristic advertisement material, professional supplies, pedagogical material and academic material, packages, private qualified commodity, samples and etc. commodities are made imported as temporary and total exemption within the conditions determined with decree of ministry cabinet.

The commodity which is prohibited importation to Turkey, the consumable qualified commodity, the commodity which is not possible to determine property, the commodity which is determined that it will be able to damage to economy of country by ministry, cannot benefited from both partial and total exemption.

Temporary admission regime in the scope of 2009/15481 No decree of ministry cabinet has been prepared in keeping with "temporary import agreement" named as Istanbul agreement. This regime is implemented as uniform between agreement covenant parties except reservation of country. ATA carnet is a document which birth is used in the scope of this regime and is arisen from named agreement. ATA carnet, both has the force of

security for the commodity entered to scope of the carnet, and is a document which substitutes declaration. Besides, this carnet also substitutes permission and permission application for EU countries and our country.

At the partial exemption application:

In order that temporary admission commodity may be subject to partial exemption;

- Not benefiting from total exemption determined with the decree of ministry cabinet,
- Not taking part in the list of commodity which does not benefit from partial exemption determined by the decree of ministry cabinet, are needed.

On the condition of partial exemption application, for every month, the import duties that will be collected from the commodities which are subjected to temporary admission regime are determined as % 3 of the amount of the import duties which is need to be paid in case that mentioned commodity has entered to free circulation. The periods shorter than one month are determined full month. But, the amount of customs duties cannot exceed the amount of duty to be collected at all in case that the commodity enters to free circulation. For the balance of this amount the security is given, and taken back after the regime is finalized.

The permission in the total and partial temporary admission regime are granted by the relevant customs administration upon the permission application that the one who both uses the commodity and has it used makes. The condition of being settled in the customs territory of Turkey Republic cannot be searched.

In processing of regime, according to circumstance, customs declaration, ATA carnet or verbal declaration form are used for the customs entry. Vehicles are imported to Turkey as temporary with condition of making registration to computer programme.

Pre-condition of giving permission by customs administration is that the property concerning the imported commodity can be made. But, in terms of the commodity or quality of work to be done, in circumstances that will not cause the regime to abuse due to not taken measures related to the property determination, the customs administration can allow to use temporary admission regime on the condition that all duties are covered under a security.

7. Outward Processing:

Outward processing regime has been arranged with between the articles 135 – 149 of Customs Law and between the article 395-414 of Customs Regulations and 2007/11864 No Outward processing regime decree and Outward processing regime communiqué.

According to the article 135 of Customs Law and the article 395 of custom regulations, it is a regime that implements the provisions in relation to that, both the commodity in free circulation is exported from the customs territory of Turkey Republic as temporary in order to be subjected to outward processing activities, and the products obtained in consequence of those activities enter to free circulation again on the condition to be exempt from import duties as total and partial.

Accordingly, exporting the commodity in free circulation to free zones or the outside of customs territory of Turkey in order to be processed in advanced stage, repaired or renewed, besides, by implementing total or partial exemption from import duties, and, within the framework of the bilateral or multilateral trade agreements, without prejudice to provisions which include customs duty exemption that some of the compensating products have been applied for or will being applied for, re-entering the products obtained in consequence of those activities to free circulation, and also the importation in the scope of standard exchange system, it contains all of these activities.

This regime, exportation of the goods in free circulation to free zones or outside of the customs territory of Turkey, on the purpose of 1) being processed 2) being repaired 3) being renewed; provides to be imported to Turkey after it is processed , repaired and is renewed. In other saying, the production in outward processing regime is made in foreign country. Necessary materials, in order to make production, are sent from Turkey in the scope of outward processing. The goods are brought to Turkey after the production is made. While the goods are imported to Turkey, the customs duties are not paid. Just, the VAT is paid over the contract manufacturing invoice. For example, sending the fabric, the pushbutton, the zipper from Turkey to foreign country, manufacturing a pair of trousers from those in foreign country, importing the trousers produced to Turkey, is a very nice example on behalf of outward processing.

Between the outward processing licence and the outward processing permit have been made distinction. Circumstances which require to be taken the outward processing licence and the outward processing permit, and, in the matter to be applied to which position, have been made a triple distinction.

1) In case that the raw materials, auxiliary products, semi-product , product, packing materials to be sent to free zones or outside of the customs territory of Turkey in order to be processed in advanced level are wanted, the outward processing licence must be granted by relevant companies. In order to take the outward processing license, it is needed to apply for undersecretariat.

2) Processing and smelting mineral ore and its concentrates; smelting the goods manufactured from mineral and metals, and being subjected to decomposing, and / or to be renewed after this process; in case that precious metals and stones to be sent to free zones or outside of the customs territory of Turkey in order to be processed are wanted, the outward processing licence must be granted by relevant companies. In order to take the outward processing license, it is needed to apply for the general secretariat of exporters unions that the mineral exporters unions depends on.

3) In order to import the goods which are sent to free zones or outside of the customs territory of Turkey due to repair aimed or a manufacturing defect, according to guarantee provisions, just about using as packaging material at the commodity to be imported, and / or, to import the substitution product before these goods import, it is made application to customs undersecretariat and ministry of trade in order to take the outward processing license.

It is needed to bring the goods, which are sent to foreign country in the scope of outward processing, again to Turkey. In the scope of outward processing, in case that products which are assumed to be imported by processing in the free zones or the outside of customs territory of Turkey do not bring to country, it is needed to return literal the commodity sent to production of these goods. Otherwise, the foreign exchange and customs legislations are implemented.

In order to benefit from the outward processing regime; the applications to be made by persons settled in the customs territory of Turkey (except free zones) are evaluated within the framework of the below criterions.

- ✓ Being possible to determine that the temporary export goods are used in the production of compensating products,
- ✓ Not to affect adversely the interests of producers in the customs territory of Turkey (except free zones)

According to the above criteria, by determining the octal & duodecimal (8-12) the basis customs tariff statistics position, the name, the quantity determined according to the productivity rate, the value, the period of the temporary export goods with the imported goods (inclusive of secondary compensating products), the outward processing license / the outward processing permit is granted or the demand is rejected, in the result of evaluation made by the ministry or the general secretariat of exporters unions on which the mineral exporter unions depend,

The circumstances that the outward processing regime is not implemented are as follows. These are;

- ✓ Its exportation which causes the unpaid import duties to be given back or, the secured import duties to be abolished,
- ✓ Before its exportation, the goods which enter into free circulation on the condition of total exemption due to the final usages, and which continue having necessary conditions in order to recognize this exemption,
- ✓ either its exportation which requires to return of export duty or is provided a financial advantage except tax refund within the framework of agricultural policy due to its exportation

The outward processing regime cannot be implemented to the goods in free circulation.

The period of outward processing license / of outward processing permit is max 12 months. Besides, the additional time can be given as much as time that is determined on the communique to be issued based on this decree upon the reasoned demand of the applicant. In case force majeure and emergency which are determined with the communique to be issued based on this decree occur within the period of license / permit, the additional time can be given to the outward processing license / of outward processing permit. The additional time to be given to license / permit based on force majeure and state of emergency, is determined by considering the period of force majeure and state of emergency.

The outward processing license / the outward processing permit are cancelled in two circumstances. 1) In case the relevant company demands or 2) in case the relevant company does not apply for close the commitment at the end of period. In case of the cancellation, if the importation is not made, the taken custom duties are collected. Besides, the goods which are sent to foreign country in the scope of outward processing

regime are needed to bring to Turkey. Otherwise, the exchange foreign legislations and customs legislations are implemented. In case of cancellation of the outward processing license / of the outward processing permit, if the importation is made, the customs duty is collected.

8. Exportation:

This regime was explained as detailed at the previous section. This regime is that the provisions are implemented related to move of the goods in free circulation to outside of the customs territory of Turkey, on the purpose of exportation.

International or bilateral agreements, the law, the communiqué, without prejudice to prohibition and restriction provisions imposed with the decree, the exportation from Turkey of all kinds of goods is free. It is obligation to declare the goods to the relevant customs administration with customs declarations. Customs operations of the goods allowed to export are carried out with the documents such as verbal customs declaration form, commercial invoice and the store list. The export is made with implementation of the provisions concerning exit operations including commercial policy measures and export duties in case of required.

The goods are subjected to commercial policy measures in force on the date when those which are exported to countries which do not have commercial and payment agreement with Turkey, remove from the customs territory of Turkey. In the exportation to be made to countries which have the bilateral trade and payment agreement with Turkey, commercial policy measures and relevant provision of the trade agreement too are implemented. Besides, in the exportation to be made to countries that Turkey has an agreement or not, complies also to the conditions which have been imposed with the protection of the value of TL decrees in force on that date.

Customs Valuation:

The customs clearance; at the foreign trade activities which are made with a foreign country, during the passage of the goods or services from customs bonded areas, is services that the operations and relationships which are together with government, are carried out. And, determining the value of customs goods is the most important of the phase of customs clearance. Due to the fact that the customs duty to be practiced is computed over the value of that goods, the determination of the actual value of goods is extremely important. Because, determination of the actual value of customs duty has great

importance, not only in terms of increasing public revenue, but also in terms of showing applications such as the protection and incentive, determining truly other duties taken in the importation and the security of statistical data.

“The customs valuation of goods”, on the purpose to implement non-tariff regulations arranged at the specific subjects related to merchandise trade and customs tariff, is the value determined within the framework of the article 23-31 of 4458 no. Customs Law.

“The customs valuation of imported goods” states the value of goods which will be constituted the basis of computing the customs duty according to ad valorem system over the imported goods. (It is duty which is computed over its value and according to a specific percent, not to physical dimensions of the goods). At the application of customs duty, it is computed usually according to ad valorem, along with the specific tax basis is given place in the some situations.

“The customs valuation” is determined in the result of applying the methods which are the below in turn.

- 1) Transaction Value Method
- 2) Transaction Value of Identical Goods Method
- 3) Transaction Value of Similar Goods Method
- 4) Deductive Method
- 5) Computed Value Method
- 6) Fallback Method

The basis in the using of these methods is that; firstly using of the transaction value method, if there is an existence of a situation which prevents this method from using, other methods are used in turn.

As long as the customs valuation of goods “is determined according to the previous method, the followed method cannot be passed. But, on the condition that the written demand of the declarant is compiled by customs administration, the application turn of the deductive method from mentioned methods can be changed places with the application turn of the computed value method.

CHAPTER 2

2 FOREIGN TRADE POLICIES

2.1 Introduction of Foreign Trade Policy

International economy relationships base on so many reasons. Countries enter to trade relations with one another by the reason why both some goods are produced in some countries and their productions do not to be enough to themselves. According to the theory, job sharing and providing with making the trade under free circumstances in the international trade relationships, will give the result of most effectively utilization of world resources. But, at the application, international trade cannot be implemented under free circumstances. Because, the governments struggle with purposes of economic, social and political in the international trade. The trade policy composes of regulations that the government makes in order to encourage or limit country trade. In other saying, the foreign trade policy, which is an important tool of economy policy, is a policy arranging relationships which only arise from trading that the country makes with outside world.

In terms of the country economies the aims of making the foreign trade are that; the goods and services, which either are not in the domestic market or are over costing if they are in domestic market, are provided from foreign market, and also the goods and services which are surplus in the domestic market are transferred to foreign market by rising to welfare level. Because, income generation by transferring to foreign market, and in all in, it is possible to address the needs which both are not in the domestic market and are transferred from foreign market in more favourable terms by rising the standard of living. In other words, the foreign trade operations compose of activities carried out based on completely benefit.

While the countries are carrying out their foreign trade activities due to the mentioned benefit fact, they make an effort in order to provide the most suitable component in terms of their economies. Within this framework, they work to make concessions when needed and obtain a number of concessions when appropriate. The goal in the scope of these concessions is to obtain always the favourable benefits. This activity is likened to a game and it can be specified that its goal is brought about upon winning often. Thus, at the application of this activity, when appropriate, the countries can move as negatively to world trade.

The foreign trade policy is all of measures taken on the purpose to arrange foreign trade of the country in accordance with the goals determined. The foreign trade policy is

bifurcated as free foreign trade policy and guardian foreign trade. Nowadays, the guardian foreign trade policy is considered important so much.

While the foreign trade restrictive government policies cause the consumers to pay at the higher price to their imported goods, it is possible to benefit from so many advantages that international specialisation of a liberal foreign trade policy has provided. The traditional tools used to struggle in foreign trade are customs tariffs. But, in time the effect of customs tariffs has diminished, instead of this, great numbers of new tools and regulations have been appeared.

In shortly, increasing exports in the countries, decreasing imports in the countries are among important aims. The foreign trade constitutes decrees and measures that the countries take in order to reach to these aims. In terms of foreign trade policy, the mains of factors which are able to affect to foreign trade of a state are prohibitions, customs duty, commercial agreements, prims, subsidies and administrative protectionism.

Previously while the affecting tools of foreign trade were being limited with prohibitions of transit trade, import and export, present developments show that customs plays a role which affects directly the result.

Table 2.1 Turkey's International Trade Volume (Million USD)

VALUE OF FOREIGN TRADE	2002	2006	2010	2014	2017	2018	Chan. %
Export (FOB)	36,059	85,535	113,883	157,610	156,993	168,023	7
Import (CIF)	51,554	139,576	185,544	242,177	233,800	223,039	-4.6
Volume of Foreign Trade	87,613	225,111	299,428	399,787	390,793	391,062	0.1
Balance of Foreign Trade	-15,495	-54,041	-71,661	-84,567	-76,807	-55,016	-28.4
Export/Import (%)	69.9	61.3	61.4	65.1	67.1	75.3	12.2
Export / GDP (%)	15.6	16.2	15.6	19.7	18.4	21.4	16.2
Import / GDP (%)	22.4	26.5	25.4	30.3	27.5	28.4	3.5

Source: TUIK

2.2 The Goals of Foreign Trade Policy

For that reason that foreign trade policy is one-down policy, it also tries to reach to aims of economic policy generally besides a number of special aims. It is possible to collocate as follows these aims which are wanted to be reached.

- Eliminating Balance of Payments Disequilibrium: In the debtor nation, importation restraining policy can be applied because of that foreign exchange reserve runs out rapidly. Another method is also to increase foreign exchange earnings in order to eliminate balance of payments disequilibrium. For this, directories governing country can

adopt increasing policy of exportation. They can sometimes implement together with these two methods, restricting importation policy and increasing exportation policy. That is to say, the debtor nation has the purpose to encourage foreign exchange acquisitive operations, and restrict operations causing foreign exchange expense.

- To protect from Foreign Competition : State administrations are able to implement to policies such as quota , duty tariffs, import prohibitions in order to protect from the destructive effects of international competition at the industry sectors which are new developing, make production at high cost and will able to be find exportation chance in long period. Besides,by increasing the importation price of the goods that domestic industry sector which can find export chance produces, the domestic demand is held as oriented to domestic goods. In other saying protection of domestic industries which do not endure to competition of foreign market is the main aim. Until new established industries grow mature in the developing countries, the protector policies are followed. These policies are valid until sensitive industry branches develop in the developed countries.

- Economic Development: Two different policies can be implemented. The first is import substitution

Industrialization model. In this model, the government administration takes protective actions for industrialist. The second is the outward oriented growth model. In this model too, while policies which are incentive are being followed, it is aimed at, both increasing foreign exchange earnings of country in short period, and increasing foreign exchange reserve which is needed in order to import investment goods, developing the country along with these foreign exchange earnings. It is tried to decrease the foreign-source dependence by producing these investment goods and the goods which are not in the country. Shortly, foreign trade policy is one tool of industrialization strategy. Outward oriented growth, import substitution industrialization.

- Economy Liberalism: It is aimed that nation economy commune with world economy. It bases on the economic benefit and protection of safety of country. For this reason, being on amicable terms has a great importance in obtaining mutual interests. But, because of that mutual confidence is not constructed among non-peaceful relations countries, they do not want to benefit from commercial benefits. Finally, at the arrangement of foreign trade policy implemented, peaceful political relations established with other countries

have a great importance role. While customs duties are being decreased for nice relations established countries, for the bad relations established countries, the contrary operations are made.

- Eliminating Market Failure: On the purpose that the monopolies which become widespread in the domestic market are broken, it can be gone to the way of competition development by decreasing customs tariffs and other restrictions. If a good has monopolistic specification in the domestic market, the consumers are obliged to have the good which is lower quality by paying at high price. Because, the production quantity in the monopoly market is lower than other markets and its costs are higher. In order to be able to increase production quantity prices also have to be increased. So, public administration reduces customs duties. Thus, it aims to break monopolistic or oligopolistic structure in the country by selling to country of the imported goods cheaper than the goods produced in the monopoly market. With this aim, thereby public administration applies on lower rated tax table for the goods which shows this kind of structure, it enables to be submitted to domestic market cheaper by domestic industry. The result of this, by developing the competition in domestic market, it provides to use production resources more effectively.
- Providing Domestic Economy Stability: It is the goal oriented foreign trade policy, based on resolving inflation issues and the unemployment ruining domestic economy stability. The public administration is able to direct the domestic demand through customs tariffs, quotas from imported goods to domestic goods in order to increase employment. Thus, the production in domestic market increases, for this reason, the employment also increases. Furthermore, the state administration can eliminate the supply deficit by decreasing customs duties toward to the goods whose supply decreases and price rises in domestic market. Thanks to eliminating the supply deficit, prevents price increase, and provides price stability.
- Bring-in Public Treasury: Import and export duties constitutes an important revenue source of national treasury.
- Benefiting from Power of Monopoly in Foreign Market: In the trade, if a good is monopoly position at the production, and it is wanted to increase price of the good, the exportation of this goods is practiced quota. The following period, foreign trade rates go in country's favour. In brief, the international collusions and the strategies to be followed

in order to be seized power of monopoly in the international markets in order to benefit from power of monopoly in foreign market.

- Self Sufficiency (Autarky): They are policies which aim at self-sufficiency in terms of economy. The directories governing country are able to decrease foreign trade operations to min level with the tools (money policy, financial policy, duties, quotas and subsidies etc.) that they have adopted. In consequence, by using country sources, it can adopt the development in the sectors which have been determined previously such as industry, agricultural, service and technology production. With this purpose, the policy which is a prohibiter and restrictive at the export operations can be implemented.
- Social and Political Causes: State administration is tend to restrict the exportation of goods affecting to negatively the health of creatures, the public safety, and the public decency. With counted causes, the policy tools prohibiting the exportation of goods which has this kind of quality are used. The similar causes and with policies, this kind of goods can be taken to the scope of prohibition during exportation to other countries in conformity with international agreements. That is to say, a group of producer is sponsored in terms of the social and political causes. The policies such as restriction or prohibition of importation or exportation of the specific goods can be followed with reasons such as country safety, public health, precaution of environment pollution, protection of natural source reserves.

In the underdevelopment countries and the developing countries like Turkey, development is the main goal of economy policy. So, these kinds of countries appear foreign trade policy as a tool of the development.

2.3 The Tools of Foreign Trade Policy

Today, in terms of countries, the international trade not only is a tool of foreign trade and economic growth but also is a reason why the countries exist. In other saying, nowadays, international expansion of countries is not a preference, is an obligation. Such that, when looked at the present perfect, the self-enclosed countries were gone into liquidation in time, or they have revised their policies. On the other side, it is possible to tell that the share, that the developed countries such as Western Europe, Nationals of North America, Japan, Australia and New Zealand that both we characterise as leading actor of international trade and the remainder of world envy their wealth get of the cake with the effect of globalization, reaches to greatness which will not be compared to other countries.

The importance of policies that these countries have implemented in foreign trade on coming those points are the gospel truth. For this reason, the foreign trade policy tools have an important role in terms of protection of profits of their countries.

The customs tariff is the most common and the most known of foreign trade policy tools that the countries use. But, when needed, alternative tools also have appeared. Such that, in time the effect of customs tariff has been diminished, instead of this, new tools and regulations have been appeared.

We can collocate the trade policy tools used today as the below.

A. Tariffs :

Tariff is duties taken while the goods are being transferred from the border of country. It bases on the function of price mechanism. In broad terms, the tariff is one of the oldest and commonly used tools of both foreign economy policy and foreign trade policy. There are two main concepts at the statement of tariff. Those are customs and tariff. The customs, is taxes and fees paid when a definite good passes customs border. Tariff, is a comprehensive definition covered also schedules determining duties which are implemented to the goods subjected to international trade. Customs duties are computed according to tariffs in force on the date when customs obligation takes place. Customs duties are specially one of the main duties in terms of financial of development in the underdevelopment countries (Hicks, 1965. 70-73 to (Halıcıoğlu, 2009)). Therefore, they have an important share within total public earnings of those countries. It is appeared that this share diminishes so long as the country develops (Akkaya, 1994, s. 276) . The reason is that, customs duties which are ease of implementation are applied to according to the other mediate or immediate duties in the countries which have not entered into industrialization period, since a duty system and administration which processes effectively has not been set up in order to provide public financial. Because, collection of these duties does not need high cost due to the fact that the imported goods have to pass from a couple of customs doors. Besides, it is a kind of tax which serves better to the above stated aims. Summarily, the main aims of customs duties are to bring-in the state treasury and to protect domestic industry from the international competition. Bring-in oriented tariff is generally levied on goods that the public consumes commonly. But, nowadays, tariffs are used as protection aimed. The sales price of imported goods in the

domestic rises in the ratio of tariff levied on. So, high cost production made in domestic is given competition chance.

There are two varieties of tariffs in terms of levying on. 1) Autonomous tariffs: are determined with the decree that the country takes as unilaterally. 2) Conventional tariffs: are determined in the result of international conventional and meetings.

There are three varieties of tariffs in terms of implementation and computation. 1) Specific tariff: it is to collect a specific value duty (a fixed charge) on physical dimensions of goods such as unit, weight. Its advantages are that it is ease of implementation and it does not cause misunderstandings. Its disadvantages is that it needs to be updated, because the value of tax often is diminished in the inflationist countries. 2) Ad-Valorem tariff: it is duty taken as a specific percentage (fraction) of the value of goods. 3) Compound tariff: it is to use both customs duties varieties all together. Specific tariff is levied on raw material of goods, ad valorem is levied on product. Ad valorem tariff is being used in Turkey.

There are a lot of economic effects of tariffs.

1) The loss of production (production effect): Production of the goods whose domestic price rises due to customs duty increases in domestic. That is to say, it is that domestic production of imported goods whose sales price rises in domestic due to tariff, increases. If how high the elasticity of supply in domestic is, the production will also increase so that. While this circumstance affects to producers as positively, at the same time it causes to the waste of resource.

2) The loss of consumption (consumption effect): According to the law of demand, if the price of goods increases, the quantity to be demanded from those goods decreases. The demand of the goods whose price rises in the ratio of tariff will decrease depending on the elasticity of domestic demand of those goods. The diminishment to be occurred at the consumption depends on the elasticity of demand of those imported goods in domestic. If the elasticity is greater than 1, the prices which are risen due to tariff reduce consumption more. It causes consumer to lose welfare, and those are a real loss in terms of economy. Shortly, it is to diminish consumption in domestic of the imported goods which become more expensive with customs duties at different rate depending on the elasticity. This circumstance affects to consumers as negatively.

3) Revenue effect (to treasury): Customs duties are an important revenue resource for many countries. Customs duties collected, go to the state treasury as revenue like other duties. So, revenue effect shows the revenue that the state treasury earns due to customs duties.

4) Distribution revenue effect (distribution effect): The domestic production of goods whose price rises due to customs duties expands. Those affects to producers positively. Due to the increasing price, the consumers pay at higher price. Those also affects to the consumers negatively. The revenue is transferred from consumers to producers. That is to say, the revenue is distributed again. In brief, it shows the revenue which is distributed from consumers to producers after tariff.

5) Effects to Balance of international payments: It shows the effect of tariffs on balance of international payment in the dimension that the importation is limited.

6) Effects to National revenue: It shows the effect of tariffs on national revenue in the dimension that the domestic production is risen.

7) Effects to the employment: 8) Trade rates change to country favour: The own prices of country are lower than foreign countries prices. So, the foreign trade prices turn to the favour of country levying on tariff.

B. Non-Tariff Tools:

Non-tariff tools are called as all of tools used on the purpose to interfere in free trade flows. In other saying, they are interference methods composed with the unilateral decision of government in order to limit operations causing the exit of foreign exchange. That is to say, non-tariff barriers express all kinds of rules and implementations preventing goods from circulating among countries. Quantity restrictions (quotas), tariff like factors, invisible barriers, voluntary export restrictions, in the form of can be collocated. As much the import control oriented foreign trade legislations, legislations, and implementations which not only are not directly related to trade such as concerning environment, intellectual and industrial property rights- standards but also affect trade adversely are also evaluated under this scope (Öktem, 1998, s. 58). Non-tariff barriers not only require to permits or conformity of bodies determined by relevant authority but also show the specifications arising financial results. The most common usage of non-tariff barriers which arise financial results are exemplified as follows.

➤ 20 coded Anti Damping Tax

- 21 coded Tax against to Subsidies
- 61 coded Compensatory Customs Duty
- 34 and 39 Coded Additional Financial Obligation
- 59 coded Additional Customs Duty

Ad valorem duty is applied in the mentioned non-tariff barriers. At the same time, in some products groups, specific duties, which are levied on the physical specifications of goods such as kilo, quantity. Non-tariff barriers are;

Quantity restrictions (quotas): They are oriented to applications to limit directly the import volume. Tariffs have restrictive effect for import through price mechanism. But, determining directly with quantity restrictions of the goods volume which will enter to country or remove from country is mentioned. Quantity restrictions compose of quotas, import prohibitions, soft currency, and multiple exchange rate system (Carbaugh, 2008).

a. Imports Quotas: are limitations levied on volume of the goods to be imported. **b. Import Prohibitions:** It is to prohibit completely the entry into country of the goods to be imported. **c. Soft Currency:** comprises of interferences of government made to foreign exchange market. **d. Multiple Exchange Rate System:** There are official rate applications more than one. If it is a good whose importation is not wanted, the high rate is implemented. If it is a good whose importation is wanted, then the low rate is implemented.

The initial effect of quota is to increase the price of imported goods in domestic by diminishing its supply. On the other hand, the price-rise causes effects like tariffs. In this respect, there is a rate of tariff alike to every quota, and quotas are examined as equivalent of tariff rate.

Neo-protectionism: Tariffs, imports quotas and soft currency are pretty old tools in interfering to trade. But, in time a great numbers of new interference tools have appeared by providing a diminishment on those interferences. After specially 1973 World Energy Crisis, along with soaring inflation protectionism trends have been gained wide currency again in industrialized countries against unemployment applications. The neo protectionism has appeared on labour intensive industrial goods which the underdeveloped countries have just started to export upon textile, footwear, clothing, steel etc. Tools implemented under the scope of neo-protectionism are; **a. Voluntary Export Restrictions:** is the quota that two countries impose on the exported goods in consequence

of executive trade agreements. b. Health, Safety and Environment Standards, Administration Regulations, Public Tenders: are standards and administrations regulations determined for the protection of public health, natural environment and maintaining public order.

Subsidies: Subsidies are usually practiced as oriented to domestic industries and export. The state can interfere with the aim of not only import restriction but also export incentives. For this reason, tax refund, the direct premium payment, the low interest rate loan to the section of export, providing the low interest rate loan to the companies which will make import of goods, providing cheap input to the section of export, like methods are practiced by the state. a. Export Subsidy: is given to sides of exportation in order to encourage exports. b. Domestic Market oriented Industrial Subsidy: is support which is made in order to protect competition power of domestic market oriented industry which is rival to import against importation.

Import Export Duties: a. Countervailing Duties in Imports: The high domestic price is determined in order to protect domestic industrial goods, and, they are countervailing duties which are collected from imported goods in order to reach to those prices. Actually, it is one of ways practiced in order to protect domestic industries which compete with importation. They are similar to the import quotas in terms of results that they cause. They are used more for agricultural sectors. At the same time, the governments determine high domestic price in order to protect producers in sectors that they want to protect. Those compose of min imported price. The countervailing duties are implemented to validate these high prices in domestic market. b. Export Duties: are duties collected from the exportation of the goods. They are aimed at the limitation of exports as different as the other tools, and, are more common in the developing countries but are not used extra in the industrialized countries. The reasons why the export duties are collected are; to provide revenue to the state treasury, to encourage processing raw material in domestic, to protect the supply of natural resources, to turn trade rates to the favour of country. But in less developed countries, using commonly of export duties is related to be an important revenue source for the state treasury. In additional to, collecting export duties cause the supply to diminish.

Monopolies & Cartels: The exportation is often made by big companies which have monopoly power on different dimensions. The main specification of monopolistic

applications is to gain excessive profit by high pricing. Monopolistic company makes price discrimination alternatively in order to be able to increase its profit. Within this framework, companies go to the way on reducing their foreign market price for a short time with the thought of promotion of prices later. a. Export monopolies and dumping: Dumping is called that a big export company sells its own goods to foreign country with a lower price than domestic market. There are three kinds of dumping. (sporadic dumping, predatory dumping, persistent dumping) b. Cartels: mean the agreement that companies which produce similar goods and services make on the purpose to determine prices, to diminish production, to share markets, or to limit usage of new technologies. The company which accepts to enter to cartel must determine the common price and production policy.

At the application, the encountered important non-tariff barriers can be classified as barriers caused financial results and barriers based on relevant body permit or licence. The other non-tariff barriers if can be classified as standardization and conformity controlling, specialized customs application and licence applications.

C. Export Promotion:

Tools of foreign trade policy do not always aimed at the limitation of importation. Those tools aim to encourage either always processes earning foreign exchange or sometimes export. Mostly, increasing the processes earning foreign exchange is aimed. Tools of foreign trade policy are used for export incentives in both the developed countries and underdeveloped countries. Application which aims at diminishment of costs in the production of exported goods is a nice example on that.

D. Counter Trade:

Counter trade expresses, with international agreements, the exportation which will be made from Turkey according to the agreement on the purpose to compensate foreign exchange payment to be brought about in consequence of importation to be made within the framework of international tender which will be announced by particular the state institutions and organizations with the public participations. That is to say, it is a kind of trade both is based on international agreements and that one of the parties is the state. The reasons why these tools are used are; to provide foreign exchange savings, to be able to carry out the export of lower qualified domestic production, to construct large industrial facilities.

2.4 Implementations of Foreign Trade Policy and its Effects on Foreign Trade Legislation

In the public, the economic programme known as 24 January decisions put into effect in 1980. Therewithal, at that period when the liberalization was started in every part of economy, the exportation was accepted locomotive of economy, and also the importation of all goods has incrementally been liberalized. The importation of goods except narcotics and guns assumed as criminal provisions was incrementally released.

The 1980 year is an important milestone both in terms of political regime applications and the economy policies applied. While a turning point was being entered with 12 October 1980 military coup in terms of regime, with 24 January 1980 decisions, from the imported substitution industrialization strategy to export oriented industrialization strategy was passed. Export oriented foreign trade policy is an economic policy which contains incentive measures in order to make the exportation of goods produced oriented to exports easy. At the export incentive policy is an important subject in the incentive and supports which are necessary in order to reach sale power of those goods in foreign markets as much the production increase is provided for export. Besides, transportation, communication and other infrastructure investment which are important in export have picked up speed, and, a general export mobilization has been begun.

Undersecretariat of treasury and foreign trade depended on prime ministry was established with 13.12.1983 dated and 188 No. statutory decree in parallel with passing to a new administrative structuring in the field of foreign economy relationship. This organization, which was composed by associating together general directorate of treasury within the body of ministry of economy and general secretariat of organisation for international economic co-operation, had reconstituted with 16.4.1986 dated and 3274 No. law, and had gone on in this manner in 11 years. (www.ticaret.gov.tr, 12/11/2008).

Within the framework of legislative regulations that free zones were subjected to with 3218 No. free zones law put in force on 15.06.1985 was drawn, and also free zones application became one of foreign trade policy tools. Turkey applied to European Community (AC) for full membership in 1987, and also, the preparation within the framework of needs of this application, and AC harmonization studies began (Taşkın, 2003, s. 10).

Undersecretariat of treasury and foreign trade had been converted as two different undersecretariat being about on one undersecretariat for treasury, another undersecretariat of foreign trade with 9.12.1994 dated and 4059 No. law. Undersecretariat of foreign trade, which was established to depend on prime ministry with the mentioned law, had assumed tasks to help with determining foreign trade policy, to arrange exportation, export promotion, importation, overseas contracting services and bilateral or multilateral commercial and economic relations within the framework of those policies, to implement, and to provide improvement and watch the implementation. (www.ticaret.gov.tr)

Along with the economy policies which have been implemented since 1980, the important increment was lived in the exportation of Turkey. But the increment in import also accompanied to the increment in export, thus, the balance of foreign trade was not made to narrow down. At the period after 1980, the liberality trends increased gradually in import. Alongside the foreign currency policy, the tax refunds and low costed credits were encouraged in export.

1990's were a period that Turkey lived crucial developments in terms of foreign trade. General agreement on tariffs and trade (GATT), which was an agreement aiming regular function and liberalization of international trade, has been converted to World Trade Organization (WTO) since 01.01.1995 by gaining a corporate identity. At that period, Turkey was a side of Uruguay round final act which brought new norm to international trade and provided the mentioned change, and Turkey brought about CU with EU in 1996. On the GATT agreement, CU was defined as to abandon to single customs territory instead of two or much more customs territories. Within this framework, customs duties and other restrictive commercial regulations were annihilated on these territory welded goods in a way to contain almost all commercial, and, at when the unity member of all countries trade with third countries, the implementation of both the same customs duties and the other commercial regulations are subjected (Hakman,1996:79 to (Tokatlioğlu, 2005).

This circumstance caused to increase of international obligations of Turkey, to make foreign trade oriented necessary harmonization studies within the framework of determined norms, and to enter the exportation to a new structural transformation period. Specially , after 1980's, by to be changed export incentive legislations that cash incentives which had the most important role in the export increase were in the weight,

the new government supports in suitable to international norm started to implement with inward and outward processing regime since 1.6.1995.

Table 2.2 Foreign Trade of Turkey between 1980 and 2018 Period

Years	Value : Million US\$						
	Exports		Imports		Balance of	Volume of	Proportion of
	Value	Chan. (%)	Value	Chan. (%)	foreign trade	foreign trade	imports covered
					Value	Value	By exports (%)
1980	2,910	28.7	7,909	56	-4 999 242	10 819	36.8
1981	4,703	61.6	8,933	12.9	-4 230 439	13 636	52.6
1982	5,746	22.2	8,843	-1	-3 096 692	14 589	65
1983	5,728	-0.3	9,235	4.4	-3 507 168	14 963	62
1984	7,134	24.5	10,757	16.5	-3 623 429	17 891	66.3
1985	7,958	11.6	11,343	5.5	-3 385 367	19 301	70.2
1986	7,457	-6.3	11,105	-2.1	-3 648 046	18 561	67.1
1987	10,190	36.7	14,158	27.5	-3 967 757	24 348	72
1988	11,662	14.4	14,335	1.3	-2 673 374	25 997	81.4
1989	11,625	-0.3	15,792	10.2	-4 167 451	27 417	73.6
1990	12,959	11.5	22,302	41.2	-9 342 838	35 261	58.1
1991	13,593	4.9	21,047	-5.6	-7 453 552	34 640	64.6
1992	14,715	8.2	22,871	8.7	-8 156 426	37 586	64.3
1993	15,345	4.3	29,428	28.7	-14 083 303	44 773	52.1
1994	18,106	18	23,270	-20.9	-5 164 147	41 376	77.8
1995	21,637	19.5	35,709	53.5	-14 071 970	57 346	60.6
1996	23,224	7.3	43,627	22.2	-20 402 178	66 851	53.2
1997	26,261	13.1	48,559	11.3	-22 297 649	74 820	54.1
1998	26,974	2.7	45,921	-5.4	-18 947 440	72 895	58.7
1999	26,587	-1.4	40,671	-11.4	-14 084 047	67 258	65.4
2000	27,775	4.5	54,503	34	-26 727 914	82 278	51
2001	31,334	12.8	41,399	-24	-10 064 867	72 733	75.7
2002	36,059	15.1	51,554	24.5	-15 494 708	87 613	69.9
2003	47,253	31	69,340	34.5	-22 086 856	116 593	68.1
2004	63,167	33.7	97,540	40.7	-34 372 613	160 707	64.8
2005	73,476	16.3	116,774	19.7	-43 297 743	190 251	62.9
2006	85,535	16.4	139,576	19.5	-54 041 499	225 111	61.3
2007	107,272	25.4	170,063	21.8	-62 790 965	277 334	63.1
2008	132,027	23.1	201,964	18.8	-69 936 378	333 991	65.4
2009	102,143	-22.6	140,928	-30.2	-38 785 809	243 071	72.5
2010	113,883	11.5	185,544	31.7	- 71 661 113	299 428	61.4
2011	134,907	18.5	240,842	29.8	- 105 934 807	375 749	56
2012	152,462	13	236,545	-1.8	- 84 083 404	389 007	64.5
2013	151,803	-0.4	251,661	6.4	- 99 858 613	403 464	60.3
2014	157,610	3.8	242,177	-3.8	- 84 566 959	399 787	65.1
2015	143,839	-8.7	207,234	-14.4	- 63 395 487	351 073	69.4
2016	142,530	-0.9	198,618	-4.2	- 56 088 651	341 148	71.8
2017	156,993	10.1	233,800	17.7	- 76 806 711	390 793	67.1
2018*	168,023	7	223,039	-4.6	- 55 015 647	391 062	75.3

*Data for 2018 are provisional.

Source: TÜİK

This structural alteration that lived in the field of foreign trade in Turkey reflected to numbers; with beginning to implement new strategy, an import increase in serious rate alongside the important increase in export revenue were lived. As is seen on the above

table too, the exportation, which was 2, 9 billion USD in 1980, showed also an increase next years, and correspondingly a development period was lived in the economy of Turkey. That period, while the recovery which appeared in the economy of western tallied also with the export oriented growth strategy that Turkey watched, it caused the export to increase, and the economy of Turkey entered into a development period.

With beginning to watch export oriented industrialization strategy instead of import-substitution industrialization strategy, the exportation was attributed the greatest importance. Therefore, especially between 1980 and 1985 years, an increase in the export by 185 percentage and an increase in the import by 43 percentage were showed. The volume of foreign trade increased also by 80 percent. The causes of this heavy increase in export were to use inactive capacities in consequence of policies implemented until 1980, to direct inventory goods to export, to promote exportation as a new understanding, and to encourage exportation with different policies. But, after the first half of 1980's, a non-transitory increase trendy on exports was able to be caught by increasing export oriented investments, and by promoting also foreign capital investment (FCI). Between 1980 and 1985 years, the export increased by 58 percent, the import increased by 97 percent. The volume of foreign trade increased also by 80 percent. (www.ticaret.gov.tr, 2011/2008).

In 1990, the export reached to 12.9 billion USD level by increasing approximate 4.5 times by comparison to 1980 with the effect of structural regulations. But, at the beginning of 1990's, both, the lived recession in world economy and extrinsic factors like Gulf War, and, hyperinflation, public deficits, the increased outstanding external and internal debt which were lived in Turkey, like chronicled issues caused the export performance of Turkey between 1990-1993 period to be lived a slowdown. Depending on the dire, an economic crisis appeared in 1994, then, package of economic measures, which aimed to provide economic stabilization, known as 5 April decisions put into effect. But, after economic crisis lived in 1994 appeared high rated devaluation and economy policies implemented helped with increasing export by affecting positively to our competition power in international markets (Kayalar,2003:2 to (Halicioğlu, 2009)).

In consequence of leaping the crisis which started in Asian countries in 1997 up Russia, the export of Turkey showed a lower performance the 1998 -1999 period in comparison to other years. The reason is that the shrinkage was lived on foreign demand and in

prominent export markets of Turkey, and also the earthquake occurred in 1999 influenced to industrial central of Turkey. Although very favourable developments lived in world economy and output in 2000, both the development which was lived against to euro in euro dollar parity in international market and the developments which arisen from extrinsic factors such as booster effect of high rise observed on crude oil prices, prevented increases expected in export from carrying out. Besides, another development affecting economy of Turkey negatively was that exchange rate policy implemented in the scope of the above summarized economic recovery program made TL valuable in reals terms. Although those negativeness arisen from external and internal factors, the exports had reached to 27.8 billion USA by 4.4 percentage increase in 2000 by reversing the diminishment in 1999. The import had reached to 54.5 billion by 34 percent according to previous year due to the effect of TL valued as real and increased domestic demand. World economy along with the whole economy regions entered into certain slowdown tendency both in production and in trade. In Turkey, the recovery programme applied was interrupted by crisis appeared in February in 2001, structural issues lived in banking sector were not found a kind of solution, and the interests jumped again with the cause of other factors, 5 million USD capital outflow was lived one day, stock market fell rapidly, rates were released with the purpose of prevention of crisis, by passing floating rate application TL began to lose valuable rapidly against to foreign currency. For this reason, the 2001 year import regressed to 41.4 million USD level by diminishing by 24 percent on the contrary previous year.

2002 was a year that not only the exportation of Turkey reached to 35.7 million USD by increasing by 12 percent according to previous year with successful performance but also serious regulations and increases were provided at the economy and exportation of both world and turkey. It was seen that he export increase in 2001 and 2002 continued accelerando in 2003. So and so, the export of Turkey showed the 31 percentage of increase according to previous year and rose to 47.3 million USD level in 2003. The export was 63.1 million USD by 33.6 percent and the import was 97.5 million USD by 40.7 percent in 2004. Thus, the rate of exports meeting imports which was 69.8 percent in 2003 regressed by 64.6 percent in 2004, and the volume of foreign trade of Turkey exceeded 160 million USD. The export strategic plan, which was prepared with the purpose to consist export structure to be provided sustainable export increases, was put

into effect in January of 2004. In the application period, the efficiency of plan increased by composing an umbrella that export oriented activities were gathered under a single roof by determining by mutual agreement. (www.ticaret.gov.tr, 20/11/2008).

When it comes to 2005, the export was 73.5 million USD by 16.3 percent and the import was 116.3 million USD by 19.7 percent. The export was 85.5 million USD by 16.3 percent and the import was 138.3 million USD by 18.4 percent in 2006. Export strategy plan 2004-2006 study, which was improved in line with “to consist export structure to be provided sustainable export increases” purpose by considering unstable increase seen in exportation in 2006, finalized a successful application period. And so, export strategy plan 2004-2006 study, which was comprised with the purpose of “to develop competitive structure to be provide sustainable export increase”, was begun. Averting local dependence in export, and on the purpose of comprising sustainable export infrastructure, diversification of export markets oriented the attained success went on.

The export was 107.2 million USD by 25.3 percent and the import was 170 million USD by 21.8 percent in 2007. Foreign trade deficit, which was 54 million USD, rose to 62.8 million by increasing by 16.3 percent in the same period of 2006.

Specially, the important development appearing after 1990's in Turkey was also to increase the distribution of production of exported goods to both imported intermediate input and imported energy raw materials (petroleum and natural gas etc.) in export of Turkey. When the Turkish statistical institute (TSI) foreign trade component data is examined, it is able to be seen easily that the important part of exportation made during that period consists of the intermediate goods and energy raw materials such as petroleum and natural gas. Turkey could not export the technological and higher added value goods, and the deficit of foreign trade which emerged depending on the consumption of energy fed the current deficit. Even if the current deficit was able to be closed with especially hot money flows and service revenues in some years during that period, this deficit in last years, both has reached to 50 billion USD level and started constituting the important risk for economy of Turkey. According to data of CBTR, the currency deficit has risen to 75 billion USD by breaking the republic historical record. When looked at from this perspective, it has been being seen as the sustainability and decrement of foreign trade deficit which is the important reason of current deficit turn into an urgent structural matter which needs to be solved for the economy of Turkey.

Between 1980-2018 years, Turkey lived 1994 and 2001 financial crises alongside 2009 global crisis. The effect of the crises which were lived in those two years on export of Turkey was milder than 2009, is seen on the Table 2.2

The export, between 2003-2012 years, exhibited double-digit annual growth rates except 2009 global financial crisis. The sufficiency of global environment and application of the comprehensive structural reform package were effective to this achieve. The export of Turkey in 2002 made on 36 billion USD level. This level was risen to 132 billion USD level in 2008. But, due to the recessions in countries which both was affected by global crisis and exported with Turkey, the falls in export unit value and the not-increment of technology level in production structure of Turkey, the export of Turkey entered to the period of recession between 2011-2016 years. The exportation stayed at below the 2008 level in real dollar currency by realizing on 142.6 billion USD level in 2016.

2010 and aftermath of 2010, along with the recuperation of economical and the recovery relatively in world markets, the resurrection period started in foreign markets. In this direction, the exportation, in 2010 and 2011 years, in turn, was 114 billion USD and 135 billion USD. As well as it was 152 billion USD in 2012, it is needed to emphasize that extra-ordinary increase in gold demand had played an important role in this realizing. The basis effect of the gold demand lived in 2012 was seriously effective as the exportation fell by %0, 4 in 2013, was effective.

When examined the last periods, the automotive sector which has significance share in items of Turkey's export is a capital-intensive sector. In this sense, the automotive industry is mostly capital-intensive production, which made importation of intermediate goods and capital goods used in the sector unavoidable. Thus, the export performance of Turkey's economy had based on the import in some way (Gerni, Emsen ve Değer, 2008:17). When evaluated from this perspective, the automotive sector which is both energy expenses and technology intensive sector, and has the important share in export of Turkey rose its share in GNP by increasing the import due to goods that it needs.

In 2013, 151.8 billion USD of the Turk foreign trade volume which was 403, 4 billion USD was exports, the rest was imports, the other saying 251, 6 billion USD. When looked at as sectoral in export, the agricultural sector regressed to % 3.9 according to previously period by decreasing. The industrial production maintained weighty in export, and rose to % 93.1. The mining was by %2.6, the share of other sectors was by %0.4. The reasons

to rise the share of industrial sector in export are to, the decrement of agricultural production depending on reducing of rural population which is one of indicators of urbanization, prioritizing of industrial investments, increasing the market share of foreign capital automobile sector, being Turkey one of producers who are leading of world in iron-steel exports.

After that period, the foreign trade volume which started to increase again reached to 399.8 billion USD level in 2014. On the other side, while the consistent rising realized in foreign trade volume except global crisis period, the foreign trade deficits were not concluded on the desired levels. The important reason of this circumstance was that the share of import was high in foreign trade of Turkey.

In 2015, the exportation was 143.9 billion USD by reducing by %8.7, and its share inside of national income had risen to %20. The decrement in national income which was computed in dollar currency had influence to the increase in share inside of national income. The importation had regressed to 207.2 billion USD by reducing by % 14.4. The share of import inside of national income had also regressed, and fell to %28.8. While the foreign trade deficit was reducing to 63.3 billion USD, its proportion to national income had decreased to %8.8. The foreign trade volume had regressed and reduced to 351.1 billion USD. Proportion of imports covered by exports reached to the last four years highest level by %69.4.

In 2016, Turkey had total 341.1 billion USD foreign trade volume, 142.5 billion USD part of this was exports, 198.6 billion USD part was imports. The exportation of Turkey was in turn 156.9 billion USD in 2017, 168.0 billion USD in 2018. It has been foreseeing that the exports will realize on 193.1 billion USD level in 2019.

The economy of Turkey lived under two effects in 2018. In the first half of 2018, the growth was provided over % 6 with the manageable risks in economy. The second half of that year, the deterioration was lived along with the exchange rate overshooting. The economic growth speeded up in 2017 went on also first two quarters of 2018 with the effect of supports provided to economy in pursuit of events lived in 2016. The economy of Turkey grew by %6.3 in first half of 2018. Although, it was expected that the growth would realize by %3.8 in general of that year.

The export, import and foreign trade deficit showed two different trends in 2018. In the first half of 2018, every three with together showed heavy increase. In the second half of

2018, while the increase of export was going on by speeding, the increases in foreign exchange rates, and the hard shrinkage with economic recession were started to live in the import and foreign trade deficit. The currency deficit realized below previous year. TL, beyond pricing of available risks and economic policies applied, lost in value due to foreign caused developments in August, but the important part of value losses were taken back with the measures taken.

2.4.1 Implementations of Foreign Trade Policy and its Effects to Export Legislation

The main aims of developing countries are to expedite the development and provide industrialization. For this, after the developments are provided by protecting young industries established with tariff and quantity restrictions from foreign competition, the outward oriented policies are watched and the export is concentrated on.

Table 2.3 Foreign Trade Policy and Changes on Export Legislations

Changes on Foreign Trade Policy	Changes on Export Legislations
• Import substitution oriented industrialization strategy was given up and export oriented industrialization was adopted. • It was moved in the direction of export promotion and liberalization of import. • In parallel with passing to a new administration structuring in the fields of foreign economic relationship, undersecretariat for treasury and foreign trade depended on prime ministry was established with 13.12.1983 dated and 188 No. statutory decree. This organization was reconstituted with 16.4.1986 dated and 3274 No. law. • Turkey applied to EU in 1987 for full membership and, the preparation and EU harmonization studies were begun within the framework of that application needs. • In 1989, with the decree about Protection of the Value of Turkish Currency, foreign capital was provided new incentives, the foreign trade was liberalized (Özcan, 1998:45).	• Various measures, such as the diminishment of stamp duty, reduction of import guarantee deposits, were taken for liberalization of import with 24 January decrees. • Quotas were diminished with Import regime decree which put into effect in 1981, and many goods which took part in the II No. liberation list consisting of restricted import were transferred to the I No. list consisting of free import. • Import regime which put into effect in 1984 when the essential liberalization was made, and quota list were abolished completely, import restrictions were diminished. Besides, pre-condition needed for import, and pre-security deposits endured were reduced. Moreover, at this term imported goods has been started to be received fund from. • Unfair competition prevention act consisting of law and decree was put into effect in 1989. • In direction of policies in supporting with indirect and corporate tools instead of directly financial

• Undersecretariat for treasury and foreign trade was became two different undersecretariat as undersecretariat for treasury and undersecretariat of foreign trade. Thus, decrees related to foreign trade policies was gathered under the body of undersecretariat of foreign trade. • The membership of Turkey in WTO was put into effect in 1995. Thus, obligations of Turkey risen in the fields of international. Foreign trade policies of Turkey were also shaped in the direction of decrees taken in the mentioned platforms. • CU was comprised on 1st January 1996 between Turkey and EU. That development caused foreign trade policies and regime of Turkey to limit. Therefore, more intense competition and more restriction were appeared along with new term for Turkey. • After 2000, the trade was increased more with contiguous countries, and new market finding efforts was gained importance.	incentives of export, the corporation tax exemption was abolished completely in order to valid for between 1993 and 1995. • By changing export incentive legislations, the outward and inward processing regime and new subsidies suitable to international norms have begun to be implemented since 1.6.1995. • CU was comprised on 1st January 1996 between Turkey and EU. • An introduction and marketing advertisement were started in export, and new strategy was begun in order to develop the trade of Turkey with countries in the region. Activities such as trade delegation programmes, procurement committee organizations alongside participation to overseas exhibition on national level were gained importance in order to increase export to countries which were aimed at in overseas, to draw foreign capital to Turkey, and also to place a world-renowned image as “made in Turkey”.
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Source: Hacıoğlu, A. (2009).

Turkey adopted the export oriented industrialization strategy by changing foreign trade strategy with 24 January decrees. Accordingly, the target was economic growth based on export. In the export oriented growth policy, the industrialization was shaped according to preferences of foreign demand rather than investments and production. The limitations and restrictions of domestic market diminished and abolished with application depended on those preferences, the facilities benefiting from the scale economy increased by raising capacity utilization rates. At the preferences of foreign demand oriented policies, because of that manufacturers of goods and services found the working opportunity at the optimum capacity, the costs decreased, the productivity increased, as a result competition power in domestic market increased for goods and services.

After 1983, the liberalization of foreign trade regime increasingly was carried on. In export regime, by abolishing changes and regulations made within time, the registration, licence and permit applications, and principle of export liberty was brought. This

circumstance affected positively export performance of Turkey, and export figures got carried on increasingly until the end of 1980's. But, the conditions got changed in consequence of policies which have been implemented since 1988, and the balance of foreign trade turned toward export. Financial discipline and price stability had not been provided till the end of this term yet. In Turkey, after foreign trade was majorly liberalized, capital calculations were liberalized in 1989 too. McKinnon has emphasized that liberalization of financial sector is needed before liberalization of capital movements. In this context, it can be said that Turkey did not fulfil necessary main pre- conditions in order to be successful, in spite of watching right sequence in this activity plan. In 1989, with the decree about Protection of the Value of Turkish Currency, foreign capital was provided new incentives, the foreign trade was liberalized.

At the beginning of 1990's, Turkey, which completed financial liberalization, lived the 1994 crisis due to interests and increased public debt. After crisis, the devaluation reflected to export figure, and, increase in export slow down in this term. Turkey had conducted a series of regulations since 1995 due to be member of international bodies. In the meantime, most notably among export oriented regulations was abolishment of cash incentives. When it came to 2000's, Turkey, which struggled with crises, caught political stability after crises and gained a momentum on foreign trade. Export structure got changed since this term, and, the share of industrial goods within total exportation started rising rapidly.

The developments realizing in the export structure in the selected some sectors are demonstrated in the manner of main titles on the Table 2.4. As is seen from the table, the alterations have been lived in the structure of export at the last 18 years. For example; while the share of agricultural goods in export was on % 6 level in 2000, it has regressed to % 3.3 level in 2018. Similar, a serious fall has been seeing in the share of textile and wearing. While the share of textile goods taken part in the under manufacturing title in total export has regressed from %16,6 level in 2000 to % 8,8 level in 2018, the share in export of wearing goods has reduced from % 19,5 in 2000 to % 7,5 in 2018. Additionally, it is seen to increase the share of export of petroleum materials and nuclear fuels sector, fishing sector, manufacturing sector, such as metal industry, motor land vehicles, machinery and equipment.

Table 2.4 Export according to Activities of Economy

EXPORT	Value: Millions \$					
	2018	2014	2010	2006	2002	2000
A Agriculture and forestry	5,557	6,030	4,935	3,481	1,754	1,659
B Fishing	486	347	156	131	51	25
C Mining and quarrying	3,400	3,406	2,687	1,146	387	400
D Manufacturing	157,729	147,059	105,467	80,246	33,702	25,518
E Electricity, gas and water supply	100	89	181	124	16	20
G Wholesale and retail trade	648	673	452	405	147	136
K Real estate, renting and business activities	1	3	2 -	-	-	-
O Other community, social and personal service activities	26	4	4	1	1	16
TOTAL	167,945	157,610	113,883	85,535	36,059	27,775

Source: TÜİK

According to The International Standard Industrial Classification (ISIC), when evaluated the export of Turkey; the export has been predominately consisting of manufacturing industry sector. Inside of total export, in the scope of sub-sectors constituting of basic weight; the weight share has been consisting foodstuff in agricultural goods. Alongside the foodstuff, herbal products taken part in agricultural goods are; cotton, tobacco, nut and dried grape. Inside of industrial sector, the sector consisting basic weight are; ready wear, textile, motor land vehicles and iron-steel. In 2018, the first five sectors made most export are; automotive industry, ready wear and textile, chemicals and chemical products, steel, electrical and electronical sectors. Turk automotive industry broke republic record in self-sector by signing to 31, 6 billion USD export with % 11 increase according to previous year. In short, if we evaluate the export of Turkey from the point of sectoral; the main sector which comes into prominence is industrial sector. The sub-sectors which have the important share inside of industrial sector are; textile, motor land vehicles and iron-steel sectors. When Turkey is compared with middle income countries, although Turkey has most product range which are exported, its exported goods are goods which have average growth mostly in global markets (The World Bank, 2014).

Turkey has significantly increased the export of mid-tech products in the recent period, but has made no headway about the export of high-tech products. While the proportion of high-tech products in total merchandise exports was average % 17. 1 in world, but it was on % 1.7 level in Turkey in 2017. The proportion is rather low level. Turkey was 102nd rank in the world about the export of high-tech products.

The large part of imported intermediate goods are used as the raw materials of goods to be exported. Importing the raw materials of exported goods causes economic risks to

create. This circumstance both increases the external dependence, and causes the proportion of imports covered by exports to realize on low level. The uncertainties lived in input costs are one of important barriers in front of export of Turkey. On the condition that those uncertainties are eliminated and the active and low cost input supply is provided export oriented production, input acquisition strategy action plan has been worked up. It is needed to increase its efficiency, and provide the contestability of local substitutions of imported intermediate goods in domestic and steer those goods to export later.

Undersecretariat of foreign trade started up studies in order for consisting a symbol anticipated giving to made in Turkey only which were suitable to specific criterions in order to be able to enhance image that Turk goods have had in the international markets and to popularize in these markets. In the consequence of those studies, “Turquality” concept appeared. The firms, which both did not compromise on quality and gained a place in foreign markets, made the mentioned inscription use with turquality communique which was put into effect by issuing on 25.03.2000 dated and 24000 No. official journal . And so, it has been aimed to feature not only product image but also country image. Those studies were perceived by country groups, and, it has showed as the effect of the studies on export made to those countries on Table 2.5.

Table 2.5 Export according to Country Groups

Value: Million US \$										
Country Groups	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
European Union (EU 28)	83,971	73,906	68,343	63,998	68,514	63,038	59,394	62,588	52,934	47,227
Free Zones in Turkey	2,186	1,995	1,822	1,907	2,270	2,413	2,295	2,545	2,084	1,957
Other countries	81,788	81,092	72,365	77,934	86,826	86,352	90,772	69,774	58,866	52,959
TOTAL	167,945	156,993	142,530	143,839	157,610	151,803	152,462	134,907	113,883	102,143
Selected										
OECD Countries	93,777	82,726	77,420	75,368	76,675	68,684	66,290	67,114	57,394	52,244
EFTA Countries	2,276	1,638	3,267	6,202	3,795	1,662	2,601	1,887	2,416	4,336
Commonwealth of Independent States	9,715	9,102	7,750	10,569	15,616	16,924	15,075	13,377	10,288	7,957
Turkish Republics	3,966	4,165	3,992	5,290	7,108	6,908	5,841	5,040	3,921	3,399

Source TÜİK

OECD countries has been constituting the weighted share in export of Turkey. The share of mentioned countries groups in total export has been showing up and down performance since 2009. The share of OECD countries in the export of Turkey realized as %51.1 in 2009. When it comes to 2018, this share has been %55.8 EU countries have been important place in the export of Turkey. In 1980 while the export to EU countries in total export had the %57 share, the share was %58 in 1990, %56 in 2000. In 2009 if, the share

regressed to %46. After 2012 it has started growing again. Generally, when examined the distribution of exportation as of country groups, it is able to be said that EU countries and OECD countries have the high share by % 50 -55. It is seen that EU countries to which Turkey made the 83,9 billion USD export in 2018 had %56 share inside of total exportation. In the 2018 exportation; EFTA Countries had %1,4 share, Commonwealth of Independent States had %5,8 share, Turkish Republic had % 2,4 share. In the export of Turkey to EU countries, the country which has the important share is Germany. USA taking part inside of OECD countries has started to have important place in the export of Turkey since 1945. The countries which come to the forefront in export of Turkey, and the shares of those in total export are in turn; Germany % 9.6, United Kingdom % 6.6, Italy %5.7, Spain % 4.6, France % 4.3, Netherland % 2.8, Belgium %2.4 as of 2018. USA was on % 5 level in 2018.

As of today, studies has been doing about developing the relationship with neighbouring countries and far countries, and, new markets have been searched with that idea.

2.4.2 Implementations of Foreign Trade Policy and its Effects to Import Legislation

Turkey adopted outward oriented an economy model as other less developing countries also preferred. Turkey gave up import substitution oriented economy model and understanding of previous term along with 24 January decrees, and, began implementing liberal economic policies on the purpose of integration to world economy. In this connection, liberalization period also began in the foreign trade policies. Alongside the export incentive oriented regulations, import liberalizer regulations were made. It has demonstrated in chronological order on the table.

Table 2.6 Foreign Trade Policy and Changes Lived in Import Legislations

Changes on Foreign Trade Policy	Changes on Import Legislations
• Import substitution oriented industrialization strategy was given up and export oriented industrialization was adopted. • It was moved in the direction of export promotion and liberalization of import. • In parallel with passing to a new administration structuring in the fields of foreign economic	• Various measures, such as the diminishment of stamp duty, reduction of import guarantee deposits, were taken for liberalization of import with 24 January decrees. • Quotas were diminished with Import regime decree which put into effect in 1981, and many goods which took part in the II No.

relationship, undersecretariat for treasury and foreign trade depended on prime ministry was established with 13.12.1983 dated and 188 No. statutory decree. This organization was reconstituted with 16.4.1986 dated and 3274 No. law. • Turkey applied to EU in 1987 for full membership and, the preparation and EU harmonization studies were begun within the framework of that application needs. • Undersecretariat for treasury and foreign trade was became two different undersecretariat as undersecretariat for treasury and undersecretariat of foreign trade. Thus, decrees related to foreign trade policies was gathered under the body of undersecretariat of foreign trade. • The membership of Turkey in WTO was put into effect in 1995. Thus, obligations of Turkey risen in the fields of international. Foreign trade policies of Turkey were also shaped in the direction of decrees taken in the mentioned platforms. • CU was comprised on 1st January 1996 between Turkey and EU. This development caused foreign trade policies and regime of Turkey to limit. Therefore, more intense competition and more restriction were appeared along with new term for Turkey. • After 2000, trade was increased more with contiguous countries, and new market finding efforts was gained importance.	liberation list consisting of restricted import were transferred to the I No. list consisting of free import. • Import regime which put into effect in 1984 when the essential liberalization was made, and quota list were abolished completely, import restrictions were diminished. Besides, pre-condition needed for import, and pre-security deposits endured were reduced. Moreover, at this term imported goods has been started to be received fund from. • Unfair competition prevention act consisting of law and decree was put into effect in 1989. • By abolishing both import guarantee deposits and permit-required import goods list with import regime decree, goods to be imported were gathered under a single list in 1990. Then, the import of both import-prohibited goods and remainder goods were released with special legislation. Customs duties and funds were reduced widely. • CU was comprised on 1st January 1996 between Turkey and EU. Accordingly, matters such as removal of all kinds of measures in front of bilateral trade, and collection of a common customs duty on goods from third countries, were made decision. • As a result of CU, free trade agreements (FTA) which were signed with many countries, necessary tariff regulations were made for goods in the scope of those agreements, and tariff quotas got opened.
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Source: Hacıoğlu, A. (2009).

As well as 24 January decrees were perceived like stabilization measures, they had the stable factors by putting keystones of a new transformation. From the import substitution

development policy to export oriented development policy was passed with the mentioned measures, those decrees were updated over 1980's, all kinds of changes were made, but the main theme was not changed.

Turkey in 1984 watched a foreign trade policy which, both based on the import substitution and allowed to export in circumstance that Turkey remained incapable or only the domestic production was not. As the natural result of this, the traditional import of Turkey drew mainly the composition of a good which consisted of energy raw material, engine and transportation vehicles and chemical goods. In other fields, according to principal, Turkey tried protecting domestic industry by keeping market shut to foreign competition. But, as one of the most important component of outward oriented economy policies carried into effect since 1984, the competition and export oriented industrialization strategy instead of the import substitution policies was passed in foreign trade. At the second half of 80's and at the beginning of 90's, the exportation was getting bigger and bigger as both the value and volume and merchandise composition and origin variations with a series of structural and corporate novelties such as tariff reductions which accelerated and are still going on, the diminishment of bureaucratic procedures, transparency, simplicity.

As from the second half of 1990's, the membership left its mark on international bodies and regulations in the fields of exportation. Changes, which were made in this direction, specially focused on duties related to export, and the mentioned regulations and important restrictions oriented those duties were brought. Meanwhile, another prominent factor, Turkey lost significantly its decisiveness about foreign trade policy due to membership. At the point arrived at relationship to EU, the regulations in the fields foreign trade gone on; today, in the scope of import regime ,there is no import prohibited goods except "import-prohibited goods including in related legislation provisions with the purpose of protection of commercial and industrial property, protection of health of human, animal and plant, besides protection of public decency, public order or public safety “, and in excluding applied duties on agricultural and some iron-steel goods, the customs duties lost its specification being a protection tool. But, for the purpose of protecting branches of domestic production against to import, legislation regulations related to tools of commercial policy implemented within the framework of international rules were also

fulfilled in Turkey. Unfair competition in import and the branches of domestic production against to increased import are able to be protected through those tools.

When examined the effect on import structure of regulations that Turkey brought about, after 2000, the industrial goods in both export and import became prominent (Table 2.7). It is possible to say that the export oriented industrialization strategy is an indication of this circumstance. For this reason, there is a close relationship between import with industrial production, capacity utilization rate of manufacturing industry and export. The increase or decrease of production affects to import. In a similar manner, the increment or decrement in import reflects production and change in export. In this respect, in the stage of preparation of import regime, the needs in domestic sectors must be considered in order that production and export may be supported.

Table 2.7 Import according to Activities of Economy

						Value : Million US \$
IMPORT	2018	2016	2014	2010	2006	2000
A Agriculture and forestry	9,284	7,041	8,589	6,457	2,902	2,123
B Fishing	51	56	69	33	33	2
C Mining and quarrying	28,968	19,009	37,126	25,933	22,034	7,097
D Manufacturing	175,978	167,243	187,742	145,367	110,379	44,200
E Electricity, gas and water supply	57	214	439	20	18	132
G Wholesale and retail trade	8,601	5,011	8,154	7,704	4,195	830
K Real estate, renting and business activities	2	2	3	2	1	5
O Other community, social and personal service activities	105	42	55	28	15	114
TOTAL	223 046	198 618	242 177	185 544	139 576	54 503

Source: TUIK

When looked at the last years in import, Turkey has followed a fluctuating course. The import was in the amount of 236,5 billion USD in 2012. While this amount regressed to 207,3 billion USD in 2015, it rose to 233,8 billion USD again in 2017. If when came to 2018 year, it showed in a decrease again and has been 223 billion USD.

At the classification made according to economic activities, goods of manufacturing industry have been having the lion's share in import of Turkey. In 2016 the share of goods of manufacturing industry in import showed in an increase according to previous years, and it reached to % 84,2 level. Despite this, in 2018 the share of goods of manufacturing industry has reduced and regressed to % 79 level. But, both share and amount of mining and quarrying, agriculture and forestry, wholesale and retail trade sectors have increased. The share of those sectors according to previous year (2017) in turn; rose from %11 to % 13, from %3.8 to %4.1, from %3.1 to %3.8.

According to classification of broad economic categories, the intermediate goods import has been comprising %76,7 of Turkey's import in the distribution of import. The petroleum and natural gas with their derivatives take part in between intermediate goods. The intermediate goods import has regressed by of %0,8 according to 2017. In 2018, the intermediate goods import was in the amount of 170 billion USD, the investments goods import was in the amount of 29,3 billion USD, the consumption goods import was on 22.8 billion USD level. The decrement of import of every three groups according to 2017 is in question. This reason was that the price of petroleum and raw materials had reduced. Machinery and vehicles have kept on being the most important imported goods according to goods group of standard international trade classification. The second big imported goods group has been mineral fuel and oil. The processed goods which are split to main classes has involved consumer durables goods, and has been having third big import title. After 2000, in examining the distribution of import according to country groups, the trade which made with EU countries became prominent again as so in export. Therefore, that Table 2.8 displays the importance of relationship with EU in terms of foreign trade of Turkey in a sense.

Table 2.8 Import according to Country Groups

Value: Million US \$										
Country Groups	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
European Union (EU 28)	80,813	85,205	77,501	78,681	88,784	92,457	87,657	91,439	72,391	56,616
Free Zones in Turkey	1,327	1,564	1,435	1,227	1,261	1,268	1,046	1,038	878	965
Other countries	140,907	147,030	119,682	127,326	152,133	157,936	147,842	148,365	112,275	83,347
TOTAL	223,046	233,800	198,618	207,234	242,177	251,661	236,545	240,842	185,544	140,928
Selected										
OECD Countries	107,173	116,368	100,923	101,502	116,518	124,207	113,724	121,328	94,163	72,965
EFTA Countries	3,611	7,776	3,162	3,138	5,717	10,652	5,238	5,846	4,002	2,781
Commonwealth of Independent State	28,145	26,079	20,729	27,152	33,085	34,000	35,248	33,159	28,909	24,757
Turkish Republics	2,953	3,185	2,605	2,688	2,997	3,600	3,558	3,642	2,924	1,872

Source TUIK

When examined the distribution of Turkey's import according to country and country groups, it is able to be said that OECD Countries and EU countries inside of OECD countries have the important share in the import of Turkey. The share of OECD countries in total import was realized as % 52 in 2009, % 48 in 2014, %51 in 2016 and % 48 in 2018. The share of EU countries in total import was % 30 level in the first half of 1980's, %40 level in the second half of 1980's. This share was realized as % 40 in 2009, % 37

in 2014, %39 in 2016 and % 36 in 2018. According to country groups in 2018, inside of Turkey's import, the share of EFTA countries was %1.63, the share of Commonwealth of Independent States was %12.62, the share of Turkish Republics was %1.32.

After 1990, along with the republics which gained their independence, Russia came to the position of country which has important place in the foreign trade of Turkey. Within the framework of bilateral agreements made, the foreign trade between two sides increased rapidly. But, between 2009 -2017 years the share of Russia reduced every passing year. Despite this, in 2018, Russia took place on the top with the amount of 22 billion USD in the import. China with 20.7 billion USD, Germany with 20.4 billion USD followed Russia. Finally, when evaluated the import of Turkey, as is the export, countries which came to prominent were EU countries. The country which had the weighted share inside of EU countries was Germany too. Turkey has been importing, the petroleum and natural gas from Russia and Iran, the automotive and spare parts from Germany, France and Italy, and electronic equipment, communication tools and medical devices from China, Germany, USD, France and Italy.

Eventually, the liberalization studies which were started in 1980 reached to their goal, and Turkey has taken its share from global crisis that the world lived as of today because of that it has the outward oriented economy. But, as different from crises lived in the past, Turkey took a firm stand on that crisis. That circumstance showed that how much important political stability which is not caught in previously is in terms of national economy.

2.5 The Effects of Transformation in 1980 on Export And Import

It can be said that foreign trade is an indication of development and structural alteration in the real sector of an economy. In the outward or partly outward oriented an economy, this indication informs about dimensions of developments and economy alteration, even it is alone. On the other side, foreign trade has also importance in terms of effective distribution of available resources and growth rate of countries. That is to say, there are two important roles of foreign trade in the growth and development period. One of them is, both especially short term and to meet the importation that efforts of economic development are needed without cause to delay, namely, it is to provide foreign solvency. Another of them is, both more long term a matter and to reshape in compliance with fundamental change in the economic structure of foreign trade, or in other saying, it is to

affect resource distribution in economy by warning international division of labour of foreign trade. (Serin, 1998, s.321 to (Demirbaş, 2003, s. 234)).

24 January 1980 Decrees, which were accepted as milestone of alteration in the economy of Turkey, influenced significantly on foreign trade of Turkey, and caused to alterations. Because, after 1980, some developments which both took part in the main factors of economy policy and were effective on foreign trade; “realist” flexible exchange rate application, foreign exchange which was raised degree of freedom in time, an import which was liberalized in the course of time, are able to be expressed in this manner. It is wanted foreign trade to reach to specific levels. Undoubtedly that, this request is related to bring about the aim of reaching to specific economic goals. After 1980 along with 24 January decrees, by adopting the outward and export oriented liberalization model in the economy, it was obviously emphasized obligation of turning industry and agriculture toward export to live. In this circumstance the important developments were brought about. (Serin1998, s324 to (Demirbaş, 2003, s. 234)).

In period after 1980, the internal and external factors which are effective on recovery of export of Turkey can be expressed in brief by this manner; the need which becomes to the recovery of economy and to the foreign exchange for obligation of the intermediate and investment goods import, and, the economic potentials, besides, the capacity clearance which both appeared at the beginning of 1980’s and gained further importance due to restriction domestic demand, are assumed as internal factors. At the beginning of 1980’s, along with external conjuncture was generally negative, some positive factors were occurred for Turkey. The demand, which steered from neighbouring countries exporting petroleum of Turkey due to maintaining the vitality of foreign demand of petroleum origin in Turkish region, brought about positively effect on export of Turkey. Besides, although the war between Iran- Iraq was pretty a special circumstance, it constituted another one of factors which were long-drawn-out and were positive effect on export of Turkey.

In the result of economy policy which was implemented in post -1980 period, the important alterations / developments in exportation and importation of Turkey were lived. Although the exportation of Turkey was 2.900 million USD in 1980, it raised to 31.400 million USD in 2001. While the agricultural products consisted approximate 60 percent of exportation of Turkey in 1980, 90 percent of exportation of Turkey has been consisted

of industrial products in today. But, the exportation has not reached to desired level yet. For this too, it is needed to produce goods in the quality of necessary at the relevant cost and price, in other saying in exportable quantities at world price and class. Therefore, it is needed to catch a certain standard primarily at the stage of production in order to reach to a certain level in export and protect this level. Otherwise, to perceive as an absolute trade will constitute handicap in front of a steady development in export. Besides, the variety on export goods must be increased.

After the liberalization of import regime, important developments was lived in the importation of Turkey. Although the importation of Turkey was 7.900 million USD in 1980, it was raised to 54.500 million USD in 2000. The importation regressed to 41.399 million USD level due to the effect of crisis lived in 2001. Increase of import is natural in periods when the economy growth is provided, and it is the expected circumstance. Because, while the output growth increases investment goods and raw material import, the importation of consumption goods will also increase due to buoyancy. In period after 1980, when analysed the distribution of import according to goods groups, it has been seen that the regression in raw material import and the increment in investment goods and consumption goods import. On other hands, CU, which was established with EU in 1996, caused importation of Turkey to increase to important level, and because of that exportation of Turkey did not make progress to desired level, the rate of exports meeting imports has been affected negatively from this circumstance in recent years.

CHAPTER 3

3 FOREIGN TRADE RELATIONSHIP BETWEEN EU and TURKEY, & EFFECTS

3.1 Relationships Turkey and The European Union in terms of Foreign Trade

The EU adventure of Turkey is multidimensional, complicated and more interesting due to economic structure, cultural difference and geographical location of Turkey. Therefore, the relationship between Turkey and EU is needed to approach with political and economic dimensions from a historical viewpoint.

Being in cooperation closely with EC has maintained its importance since 1950's for Turkey. That cooperative relationship is rather important to speed up also economic development as much as political. After the European Economic Community (EEC) was established in 1957, a short time later, Turkey made a partnership application to community on 31st June 1959. The EEC council of ministry proposed to sign a partnership agreement to be valid, until the membership conditions were recognised by accepting the application of Turkey. The mentioned agreement was signed on 12nd October 1963, and was put into effect in 1st December 1964. Ankara agreement has constituted legal basis of the relationship between Turkey and EU.

Ankara agreement predicted three periods about to being the preparation period, the transition period and the final period for integration to ECC of Turkey. First period began since the date when the agreement was put into effect on 1st December 1964. In this period determined as "the preparation period" oriented to diminishment economic differences between the parties, Turkey did not assume any obligations. For the processing of partner relationship constituted, some bodies were constituted between two parties. The top level decision-making body amongst them was association council. Together with additional protocol which was signed on 13th November 1970 and was put into effect in 1973, the preparation period envisaged on Ankara agreement ended, and the conditions concerning "the transition period" were determined. In this period, in between the parties, the completion of CU was predicted because of that industrial goods, agricultural goods and free circulation of persons were provided.

As of 1971, within the framework of additional protocol, the community zeroed unilaterally the quantity restrictions and the customs duties which were implemented to all industrial goods imported from Turkey except some petrol and textile goods. In return, the nullification progressively of tariffs on EU originated industrial goods of Turkey was

predicted, and so a span of twenty two years was recognized in order that CU could be actually put into effect.

Relationships between Turkey and EU, from the beginning of 1970's to the second half of 1980's, followed a fluctuating course due to political and economic reasons. The relationships fell into abeyance officially after 12nd September 1980 military coup. Civil authority re-established in Turkey in 1983, and Turkey gave up rapidly import substitution policies, so the international expansion process of Turkey began. As a result, the recovery of relationships between Turkey and ECC which were frozen started. Turkey made the membership application on 14th April 1987 without waiting the completion of periods envisaged on Ankara agreement. The committee explained its remark related to this application on 18th December 1989, and specified that the community would not accept a new member without completing combination of its own inner. Besides, it expressed that Turkey had to develop in the fields of economic, social and political as well as specializing to participate to community. For this reason, not determination of a date in order to open membership negotiation, and development of the relationships within the framework of partnership agreement were proposed. This propose was also evaluated positively by Turkey, and necessary preparations were begun in order to complete in 1995 so as that it was envisaged on the additional protocol of CU. In consequence of negotiation lasting two years, according to the decision taken in the meeting of association council made on 5th March 1995, CU between Turkey and EU was put into effect 1st January 1996. Thus, the final period of between Turkey and EU partnership relations was passed. CU was one of the most important stage of partnership relation of Turkey oriented to consolidation objective with EU, and made a particular dimension to relationship between Turkey and EU gained.

The turning point of Turkey was European council made in Helsinki on the date of 10-11st December 1999. The candidateship of Turkey was approved officially on Helsinki Summit, and was formulated to be in equal position with the other candidate countries. It was decided to prepare accession partnership document for Turkey as so for the other candidate countries. First accession partnership document, which was prepared for Turkey, was approved by the European council on 8th March 2001. The national programme, which both was a programme related to carrying into effect priorities taken part on the accession partnership document, and included calendar of Turkey, was

approved by Turkish government on 19th March 2001, and was commended to the European council on 26th March 2001. The accession partnership document was reconsidered by the European council in 2003, 2005, 2006, 2008. The national programme was updated in 2003, 2005 and 2008. The political will, which showed its stabilization at every opportunity on the way of membership, accelerated also to reformation efforts. Thus, the adjustment law packages concerning meeting the political criterions which became pre-conditions to open negotiations was intentionally passed from council. The reformations which both, expanded the scope of fundamental rights and freedoms, and strengthened and secured regulations existing in the fields such as democracy, supremacy of law, freedom of thought, expression and human rights, were carried on. Within this framework, both the 8 of adjustment packages in between 2002-2004 and the 2 of constitution packages in between 2001-2004 were passed from council. On Brussels Summit on 17th December 2004, a turning point lived more in the relationship between Turkey and EU, and by specifying that Turkey has met enough the political criterions, the decision of starting to negotiations was taken on the submit on 3rd October 2005.

Turkey began officially accession negotiations to the EU with intergovernmental conference made in Luxemburg on 3rd October 2005. The negotiation frame document was issued on by organizing a press meeting again on the same day. Thus, the up-and-down relationship between Turkey and EU entered into a quite new period by passing over a very important turning point.

In the direction of those stages, it is needed to both sustain and contribute to universal cultural, as well as benefit from democracy, technology and welfare, qualited standard of life. Besides, it is necessary to sustain government policy concerning EU, which brings to full membership and that Turkish national constituted, with stabilization.

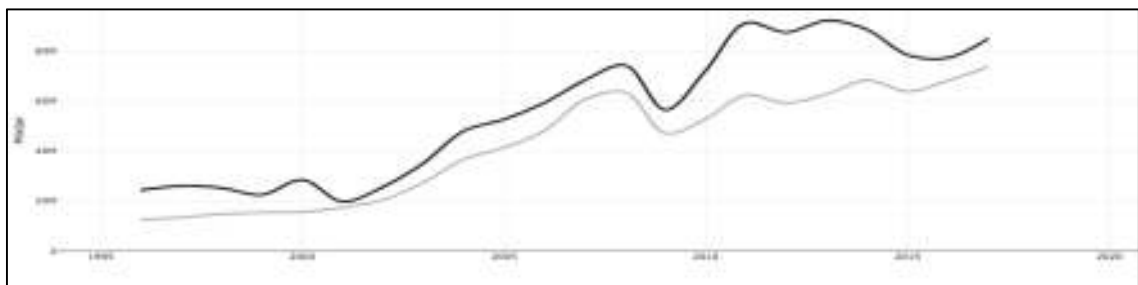
Constituting links which are also the legal results with the EU countries, as the commercial partnerships of Turkey, causes Turkey to gain a more different position than other countries in the region. Moreover, Turkey, as a country which actualised CU, has been found with EU member countries under the same roof, when considered from commercial point of view according to the principal of free movement of goods. On other saying, Turkey is one of countries which EU makes freely foreign trade with its member. The association period with EU of Turkey; can be categorized by different fields in terms of social, political, cultural and economic. Each category composes a very important field

within its own, and has the importance for the development of Turkey. Today, at the point arrived, the relationships with EU have contributed crucially to the development of Turkey in terms of both its social and political cooperation structure and, its economic. Turkey and EU countries compose from countries which both, are primarily geographic proximity and produce alike goods and service, and that whose consumer preferences are close. Hence, at the existing of those circumstances of both geographic proximity and consumer preferences proximity, it is obvious to be an intense trade between countries. According to this circumstance called as the natural trading partner specifies that an economic integration, which countries on the natural commercial region will constitute, will be finalized potentially with higher welfare growth (Karakaya & Ozgen, 2002). Therefore, the geographic proximity and low transport cost will make increase in trade real, and it will be able to be mentioned from appearing welfare growth and consisting the trade creation effect rather than the trade diversion effect (Ağır & Metin, 2016). Secondly, the relationships with EU is in well-established and oldest position within the available economic integration of Turkey. Moreover, such as constituting CU in 1996, starting negotiation on full membership as from 2005 and making headway seriously, the stages passed to be EU full membership, make economic relationships of Turkey special. The period of customs union agreement has actually an important place in the history of Turkey. If it is necessary to explain the period in brief; EU, while was EEC, signed Ankara agreement with Turkey in 1963. Turkey, which applied for membership in 1959 to EEC established in 1958, was member by Ankara agreement signed in 1963. With this agreement, the period to be provide integration in terms of economic and commercial with EEC also started. In 1973, the additional protocol was signed in order to abolish customs duties between the parties, and so an important turning was exceeded in the period. In this period, EU abolished customs duties on industrial goods originated Turk at the first stage; in return, it was question of that Turkey abolished gradually customs duties on industrial goods originated EU. After 22 years, the customs unions decree was accepted in 1995, thus, Turkey abolished customs duties on industrial goods originated EU as from 1st January 1996. The final period was also completed with this decree, and the economic and commercial integration between EU membered countries and Turkey gone to live. That integration was also a remarkable development in terms of being the first country which establish such a relationship with EU without being member of EU.

Being included in CU of Turkey caused a series of reaction both negatively and positively, and also continues on causing. For example, ministry of EU specifies that CU is beneficial in terms of direction of foreign investor to Turkey, contribution to competitiveness, and providing integration of Turkey with world economy. But, in the same time, Turkey is not being included in all decision making procedure about subjects interesting CU, other countries that EU made free trade agreement become involuntary in making similar agreement with Turkey, and it is going on requiring the visa for the commercial circulation , so is made criticism by Turkey. In this framework, Turkey puts often into words its demands about updating of CU.

According to academic studies, if the customs union agreement (CUA) was not, the exportation to EU of Turkey would be by %38 least, quota per capita gross domestic product (GDP) would be least % 13. According to the articles issued, the export that Turkey has made fruit and vegetable products has widely increased due to expansion of CU to these kinds of fields. After CU, it is observed that the trade between Turkey and EU changes in favor of import.

On TUIK, in compiling data of import and export between Turkey and EU as from 1996, it is demonstrated that the volume of trade rose until 2008 crisis period, and after 2008 crisis it was recovered seriously. In case of the retrogression of relationships, it is remarkable that the volume of trade falls.



Source: TUIK

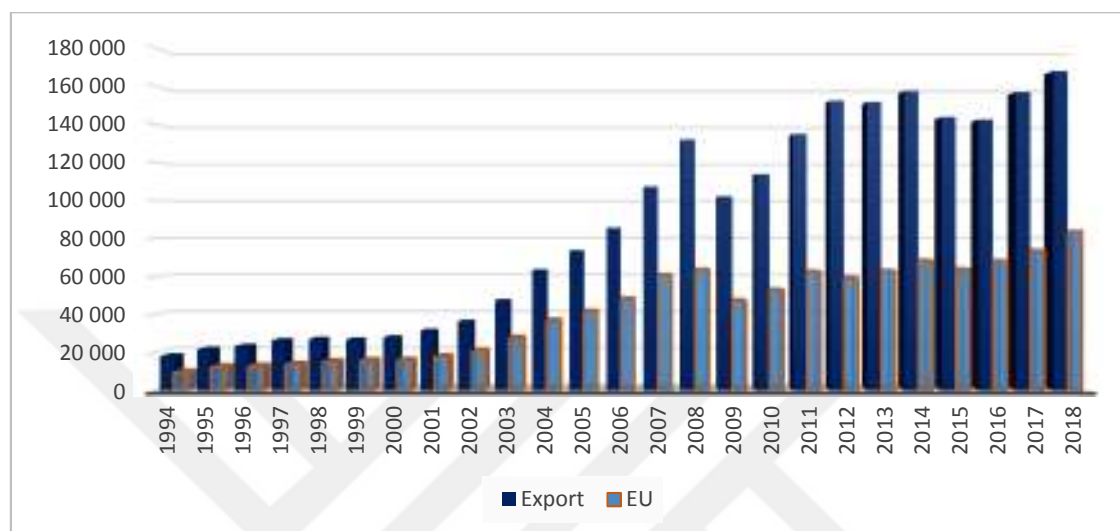
Figure 3.1 Import and Export between Turkey and EU as from 1996

Turkey has had the 165 billion USD trade volume with EU as of 2018. CU, which has continued between EU and Turkey, has been taking industrial goods and processed agricultural goods to its scope. The first trade partner Of Turkey is EU, the fourth trade partner of EU is Turkey. If CU is updated in the manner of containing other sectors too, the trade with EU will carry advance step further. An analysis was made by EU about the effect that the updating will create. A similar study was made by Turkey in 2016 too.

According to results appearing from study in question, it was expressed that updating of CU would contribute to grow the economy of EU.

3.2 The Effect of European Union on Export of Turkey

The export of Turkey has also increased significantly as its import since 1996 when Turkey was member with CU.



Source: TUIK

Figure 3.2. Export of Turkey and the Share of EU (Million USD)

When examined the export of Turkey between 1993 and 2018 years, at the graphic, both the export of Turkey made in between 1993 and 2018 and the shares of EU in this export are demonstrated. The increase in export of Turkey is observed when looked at from 1993 to 2018. Turkey, which started to recovery after 2001 crisis, showed the growth until 2008. But, a decrease in export of Turkey is seen due to economic crisis lived in 2008, so that also caused the foreign trade deficits to rise. The observable diminishment in export and import of Turkey arisen from the crisis which was lived in 2008. When looked at the graphic, if there also was an obvious diminishment in 2008-2009, the export proceeded by showing an increase in the later years.

Table 3.1 Export figures of Turkey (Million \$)

Years	1951	1957	1973	1981	1986	1995	2005	2010	2015	2018
Export	314	345	1,317	4,703	7,457	21,637	73,476	113,883	143,839	168,023

Source: TUIK

The export of Turkey was 314 million USD in 1951 when the European coal and steel community (ECSC) was established. The export of Turkey rose to 345 million USD in 1957 when EEC and the European atomic energy community (EAE) were established.

The export of Turkey became 1.317 million USD in 1973. The share of European countries was 116 million USD in that year in trade of Turkey. The export of Turkey became 4.703 million USD in 1981. The export of Turkey became 7.457 million USD by rising in 1986. Turkey exported by 299 million USD to EU countries in 1986. The export of Turkey reached to 21.637 million USD by rising in 1995. The export, which was made with EU countries, became 3.151 million USD in 1995. When arrived at the 1996 year, although Turkey was single country which has joined to CU but was not member of EU, its export became 23.224 million USD in 1996. The export of Turkey became 63.167 million USD in 2004. The share of European countries in export became 8.434 million USD as of 2004. Turkey made, the 21.080 million dollar of the 107.271 million dollar exportation, with European countries. The reductions in both the total export and the export made to EU was observed in 2008 due to crisis lived. The fall in export rates also was lived once again due to 2008 crisis in 2009. Turkey, whose export with EU varied as of years, has made the largest part of its trade with community member countries. The export of Turkey became 143.840 million USD as of 2015. The share of European countries in export in that year was 28.489 million USD. The export of Turkey became 168.023 million USD in 2018. The share of EU in total export was by % 44.5 as of that year. That rate shows that how much important the trade, which is made with EU member countries, is.

When considered the bilateral economic and commercial relationships with EU countries of Turkey, it is seen that the peak relationship of Turkey is credit facilities. In terms of EU total exportation, EU countries that Turkey has often exported following Germany are, in turn; England, Italy, France, Spain, Romania, Netherlands. The bilateral trade with Germany which is the biggest commercial partner of Turkey has always deficit in except exceptional years.

The exportation of Turkey to Germany generally are: the motor land vehicles, tractors, bicycle, motorbikes and other land vehicles and their the components, parts and accessories, the boilers, machineries, equipment and tools and their components, parts and accessories, textile products, monitors, projectors, televisions, the steel or iron commodity, , for road vehicles, cars and other engine vehicles which are manufactured to carry persons, the fruits and vegetables, the nuts, the ready wear, the important material groups. The export to Germany has risen to 16 billion USD by increasing by %6 in 2018.

The share of Germany in total export of Turkey has decreased from % 9,63 to %9,61. In the spite of this drop Germany took the first place of Turkey's export list in 2018. Germany has continued being the biggest export market of Turkey.

The exportation of Turkey to England generally are; the motor land vehicles, tractors , bicycle, motorbikes and other land vehicles and their the components, parts and accessories, the precious stone and semi- precious stone, the textile products, the electrically engine and equipment, monitors, projectors, televisions, the boilers, machineries, equipment and tools and their the components, parts and accessories, the steel or iron commodity, the fruits and vegetables, the nuts, the mineral fuel and oil and plastic products. In 2018, England took the second place in the export between EU and Turkey following Germany. The export to England has risen to 11 billion USD by increasing by %13,5. The share of England in total export of Turkey has increased from % 6.1 to %6.6.

The most important products group in the exportation of Turkey to Italy are ; the motor land vehicles, tractors , bicycle, motorbikes and other land vehicles and their the components, parts and accessories, the textile products, the electrically engine and equipment, monitors, projectors, televisions, the boilers, machineries, equipment and tools and their the components, parts and accessories, the steel or iron commodity, the fruits and vegetables, the nuts, the cotton, nonwoven fabric and plastic products. In 2018, Italy took the third place in the export between EU and Turkey. The export to Italy has risen to 9,6 billion USD by increasing by %11,3. The share of Italy in total export of Turkey has increased from % 5,4 to %5,7.

The bilateral relationship between Spain and Turkey bases on till 1960's. In parallel with foreign trade which has generally developed in the economic liberalization period that Turkey entered into in 1980's, the bilateral trade between Turkey and Spain showed also an increase. The bilateral relationship speeded up more due to the agreement between EU and CU put into in 1996. The approval of candidateship to EU of Turkey in 1999 helps those two countries, which are settled in the counter edge of the Mediterranean, with getting closer. CU caused the continued and regulated increments in the export made to Spain to be seen. The main products in the export between Turkey and Spain are; the motor land vehicles, tractors, bicycle, motorbikes and other land vehicles and their components, parts and accessories, the textile products , the electrically engine and

equipment, monitors, projectors, televisions, the boilers, machineries, equipment and tools and their components, parts and accessories, the steel or iron commodity, the boilers, machineries, equipment and tools and their components, parts and accessories, plastic products, the cotton, the rubber and commodity made from rubber, the synthetic and fibers. In 2018, Spain took the fourth place in the export between EU and Turkey. The export to Spain has risen to 7.7 billion USD by increasing by %18. The share of Spain in total export of Turkey has increased from % 4.01 to %4.6.

The exportation of Turkey to France generally are; the motor land vehicles, tractors, bicycle, motorbikes and other land vehicles and their the components, parts and accessories, the textile products, the electrically engine and equipment, monitors, projectors, televisions, the boilers, machineries, equipment and tools and their components, parts and accessories, the fruits and vegetables, the nuts, the cotton, nonwoven fabric, the steel or iron commodity, plastic products, and furnishing, prefabricate structures. In 2018, France took the fifth place in the export between EU and Turkey. The export to France has risen to 7.3 billion USD by increasing by %9.6. The share of Italy in total export of Turkey has increased from % 4.2 to %4.3.

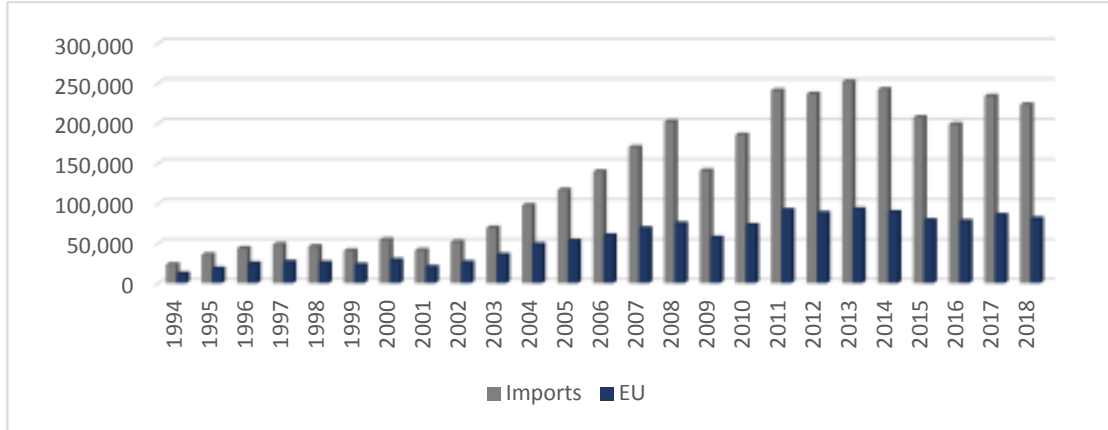
Table 3.2The share of EU Countries in Export of Turkey (%)

Country	2018	2014	2010	2006	2002	2000
Austria	0.7	1	1	1	1	1
Belgium	2.4	2	2	2	2	2
Bulgaria	1.6	1	1	2	1	1
Turkish Rep. of Nor.Cyprus	0.7	1	1	1	1	1
Czech Republic	0.6	1	1	0.44	0.36	0.37
Denmark	0.6	1	1	1	1	1
Estonia	0.1	0.11	0.08	0.09	0.05	0.03
Finland	0.2	0.21	0.26	0.42	0.38	0.27
France	4.3	4	5	5	6	6
Germany	9.6	10	10	11	16	19
Greece	1.2	1	1	2	2	2
Hungary	0.7	0.44	0.39	1	1	0.4
Croatia	0.2	0.18	0.22	0.25	0.12	0.08
Ireland	0.4	0.3	0.3	1	1	1
Italy	5.7	5	6	8	7	6
Latvia	0.1	0.12	0.06	0.09	0.06	0.06
Lithuania	0.2	0.22	0.18	0.2	0.15	0.09
Luxembourg	0	0.04	0.02	0.03	0.05	0
Malta	0.3	1	0.36	0.27	0.39	0.26
Netherlands	2.8	2	2	3	3	3
Poland	2	2	1	1	1	1
Portugal	0.7	0.35	0.41	1	1	1
Romania	2.3	2	2	3	2	1
Slovakia	0.3	0.3	0.4	0.2	0.09	0.07
Slovenia	0.9	0.47	0.31	0.49	0.19	0.17
Spain	4.6	3	3	4	3	3
Sweden	0.9	1	1	1	1	1
United Kingdom	6.6	6	6	8	8	7

Source: TUIK

3.3 The Effect of European Union on Import of Turkey

When looked at the import of Turkey from EU, just as is in export, the increments and decrements in its import are seen as of years. A few from effects of this are in turn; the liberalized trade after 1980, the lived crises, and the duties abolished in after and before CU.



Source: TUIK

Figure 3.3. Import of Turkey and the Share of EU (Million USD)

According to 2018 data of TUIK, both the import of Turkey and the share of EU in between 1993 and 2018 years, are showed at the graphic.

An explicit increase in the import of Turkey is seen in between 1993 and 2018. After particularly 2000's, both an increment tendency in the import of Turkey and the share of EU in the economy of Turkey as distinct are observed. When looked at 2018, if the import of Turkey showed a fall than previous year, it was seen that the share of EU in import was pretty high in that same year.

Table 3.3 The Import Figures of Turkey (Million \$)

Years	1951	1957	1973	1981	1986	1995	2005	2010	2015	2018
Import	402	397	2,086	8,933	11,105	35,709	116,774	185,544	207,234	223,039

Source TUIK

The import of Turkey was 402 million USD in 1951. That year, the import between Turkey and EU countries was 21 million USD. As the total import of Turkey in 1957 was 397 million USD, the import made from EU countries was 56 million USD. The share of EU in import of Turkey in 1973, when the total import of Turkey was 2089 million USD, was 181 million USD. The import of Turkey reached from 11.105 million USD in 1986 to 35.709 billion USD in 1995. In between that same years, the import made from EU

countries rose from 850 million USD to 4.298 million USD. It is possible to observe an increment in importation in 2005 once again (Seymen,2009:199-220). The share of EU countries in total import of Turkey was 116.774 million USD in 2005. Turkey made from EU countries on the 72.391 million USD of 185.544 million USD importation in 2010. The share of EU countries in total import of Turkey was 78.681 million USD in 2015. The 80.813 million USD of the 223.039 billion USD importation belonged to EU countries as of 2018. The share of EU member countries in trade made between Turkey and EU was by %36 in 2018. Turkey has made import from Germany from EU member countries at most. EU countries that Turkey has imported from, following Germany are, in turn; England, Italy, France, Spain.

The importation of Turkey from Germany generally are; motor land vehicles, tractors , bicycles, motorbikes, other road vehicles and their components and spare parts, pharma prepared to be used in treatment and protection, the boilers, machineries, mechanical equipment and tools, nuclear reactor, and their components and spare parts, the electrically engine and equipment, monitors, projectors, televisions, the plastic products, the optic, photograph, cinema, dimension and control instruments and their accessorizes, the aircrafts, space vehicles and their components and spare parts, the steel and iron, the steel or iron commodity, the various chemical products. In 2018, because of that the import of Turkey has regressed, the import from Germany has been 20,4 billion USD by reducing by % 0,4. In return, the share of Germany in total import has risen from %9,11 to %9,14. Germany took the second place in the import of Turkey in 2018.

After Germany from EU member countries, the country that Turkey has often made import is Italy. Relationship between Turkey and Italy has been seen closely in last years. The main reason of this increment is that Turkey is close to Italy geographically, and is an important central point to transport to markets that Turkey becomes neighbor. The most important products in import between Turkey and Italy are; the motor land vehicles, tractors , bicycles, motorbikes, other road vehicles and their components and spare parts, pharma prepared to be used in treatment and protection, the boilers, machineries, mechanical equipment and tools, nuclear reactor, and their components and spare parts, the electrically engine and equipment, monitors, projectors, televisions, the plastic products, the optic , photograph, cinema, dimension and control instruments and their accessorizes, the steel and iron, the steel or iron commodity, the mineral fuels and oils,

the precious stones and semi- precious stones. In 2018, the import from Italy has fallen from 11,3 billion USD to 10,1 billion USD, which corresponded to the % 11 decrement. The share of Italy in the import has regressed by % 0,3. Italy took the second place in the import made with EU countries.

United Kingdom took the third place in import of Turkey in 2018. The primary products in trading between Turkey and United Kingdom are ; the motor land vehicles, tractors , bicycles, motorbikes, other road vehicles and their components and spare parts, pharma prepared to be used in treatment and protection, the boilers, machineries, mechanical equipment and tools, nuclear reactor, and their components and spare parts, the electrically engine and equipment, monitors, projectors, televisions, the plastic products, the steel and iron, the plastic products, the organic chemical products, the mineral fuels and oils, the painting and pigments. In 2018, the import from UK has risen to 7,4 billion USD by increasing by % 12. Thus, the share of UK in import which was % 2,8 level in 2017 has been %3,33 in 2018.

France amongst EU countries is fourth country that Turkey imports often from, following UK. The importation of Turkey from France generally are; the motor land vehicles, tractors , bicycles, motorbikes, other road vehicles and their components and spare parts, pharma prepared to be used in treatment and protection, the boilers, machineries, mechanical equipment and tools, nuclear reactor, and their components and spare parts, the electrically engine and equipment, monitors, projectors, televisions, the plastic products, the optic , photograph, cinema, dimension and control instruments and their accessorizes, the aircrafts, space vehicles and their components and spare parts, the steel and iron, the mineral fuels and oils, the various chemical products, the perfume and cosmetic. In 2018, the import from France has regressed to 7,4 billion USD by reducing by % 8. Thus, the share of France in import has been %3,32 in 2018.

There has been Spain at the fifth row. An interesting circumstance between Turkey and Spain was lived in 2014. Although the importation between Turkey and Spain reduced in 2014, the exportation rose in that same period. As result of this, the deficit in trade with Spain diminished by % 33 percent. The primary products in import of Turkey from Spain are; the motor land vehicles, tractors , bicycles, motorbikes, other road vehicles and their components and spare parts, pharma prepared to be used in treatment and protection, the boilers, machineries, mechanical equipment and tools, nuclear reactor, and their

components and spare parts, the electrically engine and equipment, monitors, projectors, televisions, the plastic products, the steel and iron, the copper and commodity made from copper, the organic chemical products, the mineral fuels and oils, the painting and pigments. In 2018, the import from Spain has regressed to 5,5 billion USD by reducing by % 16. Thus, the share of Spain in import which was % 2,72 level in 2017 has been %2,46 in 2018.

Table 3.4 The share of EU Countries in Import of Turkey (%)

Country	2018	2014	2010	2006	2002	2000
Austria	0.7	0.7	0.8	0.8	1.1	0.9
Belgium	1.6	1.6	1.7	1.8	2.2	3
Bulgaria	1.1	1.2	0.9	1.2	1	0.9
Turkish Rep. of Nor.Cyprus	0	0	0	0	0	0
Czech Republic	1.2	1	0.7	0.5	0.6	0.3
Denmark	0.4	0.4	0.4	0.3	0.6	0.4
Estonia	0.1	0.1	0.1	0.1	0	0
Finland	0.4	0.5	0.6	0.5	2.2	0.7
France	3.3	3.4	4.4	5.2	5.9	6.5
Germany	9.1	9.2	9.5	5.2	28.6	12.9
Greece	0.9	1.7	0.8	0.7	0.6	0.8
Hungary	0.6	0.5	0.7	0.9	0.6	0.4
Croatia	0.1	0.1	0.1	0	0	0
Ireland	0.4	0.4	0.5	0.6	0.9	0.9
Italy	4.6	5	5.5	6.2	7.9	7.9
Latvia	0.2	0.1	0.1	0.1	0.2	0.1
Lithuania	0.1	0.1	0	0	0	0
Luxembourg	0.1	0.1	0.1	0.1	0.3	0
Malta	0	0	0.1	0	0.1	0.1
Netherlands	1.5	1.5	1.7	1.5	2.5	2.9
Poland	1.4	1.3	1.4	1	0.5	0.3
Portugal	0.3	0.3	0.3	0.3	0.2	0.2
Romania	1.1	1.4	1.9	1.9	1.3	1.2
Slovakia	0.3	0.4	0.5	0.3	0.2	0.1
Slovenia	0.1	0.1	0.2	0.1	0.1	0.1
Spain	2.5	2.5	2.6	2.7	2.8	3.1
Sweden	0.8	0.8	1	1.1	1	2.6
United Kingdom	3.3	2.4	2.5	3.7	4.7	5

Source: TUIK

3.4 Conclusion

Turkey wants to find new foreign partner to its own in order to develop its foreign trade, constitute new markets to its own, increase welfare level, provide the balance of payments after growth, make positive changes to be provided to its own like the diminishment of unemployment. EU, which was established on the purpose of both providing to reconstruct Europe and removing negatives after WWT (World War Two) ,is an

economic integration that the common commercial policy which goods, capital, service, person circuit freely is implemented against to third countries.

The legal basis of relationship between Turkey and EU based on 12nd September 1963 dated Ankara agreement. Turkey, which entered into CU in 1996, is single country which makes the CU agreement without being member of EU. CU between Turkey and EU includes in only industrial and processed agricultural products. Turkey started to implement common commercial policy of EU due to CU. Turkey made reciprocal favor based agreement with countries that EU made free trade agreement with.

Turkey signed free trade agreement with 18 piece of countries in the scope of the common commercial policy. They are, European free trade association (EFTA), Israel, Macedonia, Bosnia & Herzegovina, Palestinian, Tunisia, Moroccan, Syria, Egypt, Albania, Georgia, Montenegro, Serbia, Chile, Jordan, Mauritius, South Korea, Malaysia. Although the 17 of them have been in effect, the free trade agreement signed with Syria was suspended in 2011.

Turkey has lived both positively and negatively effects due to CU. According to 2015 data of World Bank, Turkey has taken 18th place in the economy of world, and the share of EU is pretty high in that. The relationship between Turkey and neighboring countries, economic bodies that Turkey is member of, and the safety and defense potential to be provided to EU that Turkey has, cause Turkey to become remarkable country in terms of EU. The EU membership of Turkey will be developed in terms of economic, and will also affect positively EU countries due to variety factors.

EU has large share in the foreign trade of Turkey. Specially, the trade creation effect, which is one of the static effects of CU due to entry to CU of Turkey, attracted the attention. The trade diversion effect, which is the other of static effects, was not effective due to diminishment of trade with third countries. The trade creation effect of CU affected positively EU countries. Therefore, Turkey made often trade with EU countries too before Turkey did not enter into CU. The dynamic effects of CU will appear on Turkey in the long period, and it is thought that the result will militate in favor of Turkey. Because, Turkey is in a strong country position in terms of geopolitics location, having youthful population and natural wealth.

Since 1996, it has been seen that the foreign trade deficit of Turkey with EU has increased. The foreign trade deficits of Turkey increased after Turkey entered into CU. So, that is a

result oriented to the disadvantage of Turkey. The foreign trade deficit, which was 20.403 billion USD in 1996, was 63.357 billion USD as of 2015. The main reason of this deficit is that textile sector moved to the other countries. After CU, the expected financial aids and capital did not come to Turkey, and this circumstance affected Turkey negatively. After Turkey entered into CU, Turkey was under the influence of many economic crisis. Those crises are 1998-1999 economic crisis, 2001 crisis, 2008 USA Mortgage Crisis and 2011 Euro debt crisis. It is hard to tell that how much share of CU is on the increasing further of foreign trade deficit every passing year. As is seen, EU has an importance place in means of economic for Turkey. Even though a sustain increment is in export of Turkey to EU, it is observed that further increment is in its import. The primary reasons of this situation are that Turkey has been the right of entrance without customs to EU market on the industrial products except some exception, unilaterally since 1971, and EU obtained this right in 1996.

The one of most important reason, why the foreign trade deficit of Turkey has increased further than previous year every passing year, is also non-development of technology. Turkey could not find an alternative to goods that it has imported, but it is obligation to increase the support and the importance for technology and the research and development (R&D) in order to reduce the foreign trade deficit. Alongside the technology has been non-development, the others reason of foreign trade deficit can be assumed that the transfer of financial funds from EU is not enough, that the foreign investor does not make an investment in Turkey, that Turkey provides import without practicing on EU originated industrial products and implements customs procedures that EU implements on its own for EU non countries. In order that the trade between Turkey and EU can reach to the further high level, the developments that Turkey will provide are the most important. The industrial policies on having the further technology and increasing the export of products with high added value must be supported.

The EU period must be speeded up further with the structural reforms. Besides, the imported products must be provided for their substitution in domestic. The domestic production must be encouraged. Though Turkey made necessary investments to EU countries, adequate flow of funds from EU countries and the foreign investors has not been coming to Turkey. In this connection, investing the foreign investor to Turkey must be provided.

Moreover, foreign dependency of Turkey must be reduced in terms of energy. For this, Turkey has to convert from available source such as sun and wind to energy. If Turkey brings about those structural reforms, the export will increase, foreign dependency in import will decrease, and the foreign trade deficit will also reduce. It is needed to speed up EU period in order to benefit from CU at the enough level.



CHAPTER 4

4 EXPORT INCENTIVES

4.1 Description and Importance of Export Incentive Concept

“The incentive system is not bad, but is dangerous. The government, which begins interferences due to incentives, can want to spread those interferences to the other fields. This idea cannot be prevented easily. On the one hand, excessive incentive measures can deflect the economy from natural procedure. The entrepreneur turns towards lucrative sectors naturally. The enterprises which cannot live without being supportive from government, are the loss enterprises. The government which meets this loss, will provide also the money of this loss from duties. That is to say, the community will be obligated to carry the burden of loser enterprises. Like this the government incentives will be obligated to carry the burden of entrepreneurs. Thus, the government incentives will prevent the entrepreneurs from moving according to free market order.”

Benjamin Constant

“Nothing is easier than spending the money of the state. Because, the money of state does not belong to anybody.

Calvin Coolidge

Nowadays, the common goal of economy policies implemented in all countries is to enhance welfare level of public. In order to reach to this goal, countries must solve issues related to augmenting the investments, increasing the produced goods as quantity and quality, and providing the consumption of those.

Especially in the developing countries there are needed to the raw material, the auxiliary product and the investment goods in order to realize investment and maintain the production period. Whereas, the raw material, the auxiliary product and the investment goods are generally obligated to be imported in those countries due to deficiency of technology and capital. Which, increases the requirement of foreign exchange needed in order to meet importation in the developing countries.

The healthiest method in meeting the requirement of foreign exchange is exportation. All countries apply for export incentives in order to increase their export revenues as a result of playing a vital role the exportation on the finance of importation. Specially, because of the fact that the export oriented industrial incentive which provides import substitution will affect positively the balance of payment next periods, along with the incentive of

exportation, both the importation of countries will decrease and the exportation of countries will increase.

The incentive concept generally is defined as encouragements, aids and monetary / non-monetary supports which are given by the state with variety methods on the purpose to provide the development of economic activities more quantity and faster than the others. For this reason, the export incentive can be defined as incentive measures which have the feature increasing export. We can summarize as follows with the main lines of an incentive policy.

1- A healthy export incentive policy must aim at the export increase, the effective distribution of funds and the profitability principle. The export oriented industry and import substitution oriented industry must be benefited from equal incentive measures, by determining tariffs and export subsidies equally, equal protection rations must be implemented at sales of domestic and foreign market.

2- Sub-industrial branches, which produce the raw material and semi-finished products used on the goods of export oriented industry, must be encouraged at the stage of production. Besides, qualified labor must be trained, and it must make the technological development contribution oriented manufacturing industrial sector benefited from incentive measures in maximum.

3- In order for financial burden that the export incentive measures will bring to national economy can be met, indirect duties must be used, lux consumption must be taxed. On the one hand, the incentives must be consistent, the confidence must be given to exporter, but the expectation which incentives will be always implemented must be affected. Because, encouraging the export continually in long term generates symmetric negative effect as is in import substations. When the developing countries direct to labor-intensive export it helps also the level of employment with increasing.

Except the mentioned at above, incentive policies specially national economy must keep pace with developments of changes of international, and must keep pace with immediately the changing conditions in order to be able to provide suitable development according to the development strategy.

4.2 Incentive Concept & Policy

There are different definitions of incentive concept. The incentive concept, in the general sense, can be defined as monetary / non-monetary supports which are provided by public

on the purpose to encourage to do or not to do certain activities depending on the development strategy, available socio-economic and social structure of countries.

The incentive concept, in economy, expresses the encouragement, aid and moral and material support so that the public develops rapidly in variety manner of some sectors. In other saying, it is defined as encouragements and monetary / non-monetary support which are given by public with variety methods on the purpose to provide the development of certain activities more quantity and faster than the others (Çiloğlu, 1997: 1 to (Horoz, 2006)).

When looked at in terms of contents, incentives can be practiced in some braches such as the private depreciation, the investment allowances, the income tax and corporation taxes exemption, the export credit insurance, the export tax rebate, the discount carrier, the new markets, the building and equipment subsidy, the low interest rate loan, the private rediscounted interest expense, the interest and tax returns, the customs installments, the customs and fund exemptions, the building tax exemption, the R&D subsidy, the license and know-how facilities, the foreign personnel employment, the efficiency and workforce ability (İncekara, 1995).

In literature instead of incentive concept , “subsidy”, “economical aimed financial aid”, “transfer expenses made to producer”, government supports”, “primer”, “cheap credit”,” such as concepts also are used. Subsidies have been defined as supports which can be stated as cash and monetary that both government and public authority which depends on government has made through either themselves or the other authorities assigned by government, without expecting a response equal to private enterprises on the purpose to affect production in variety manner and to encourage and protect producers (Aykın, 2006)

The incentive concept can be defined in different ways according to intended use. The definition of incentive, which both is adopted by undersecretariat for treasury and directorate general of incentive implementation and is used often, is description which is made in the manner of “encouragements, aids and monetary / non-monetary supports which are given by the public with variety methods on the purpose to provide the development of certain economic activities more quantity and faster than the others” (Aktan , 2001).

It is needed to mention the basis features of incentive concept in order to be able to understand better. The basis features of incentive concept are as follows (Duran,2003:6-7 to (Tatar & Yurdadoğ, 2017).

- Incentives, are given by the government.
- Generally, it is made transfer to public enterprises along with private sector is given.
- There is cost of the incentives in government. In the wage incentives, this cost can be arisen from the decrement of public funds due to transfer made through cheap loan and grants, at the same time , in the tax incentives, it can be the decrement of revenue arisen from forgiven of the government 's revenue either accruing or to be accrue in the future.
- In terms of government, it causes the revenue and funds to lose, but in terms of companies, it states “the benefit”.
- It is used on the purpose to affect nature, region, sector, capacity and timing of the investment.
- It is given as direct and indirect.
- It can be obvious or hidden.
- The incentive policies can be implemented in regional sense in the direction of removal of differences at interregional level of development.

In Turkey, essentially the government aids term is used. Instead of this concept, incentive and support terms are used, it is seen that the subsidy term is used at the foreign trade. But, during EU full membership, in Turkey, the government aids term was started to be used so as that embrace all of those concepts. The incentive, which is widespread usage of government aid on diary, is a definition which includes the concept of subsidy and support measure. Due to usage of resources which belong to public, it specifies the aid which is given to the certain region, sector, firm or firm group on the purpose of production of certain goods and services (Kutlu & Hacıköylü, 2007)

The government aids, both are trade controls that governments will not give u-p and provide important contributions when they are used in correct, but, in long term, their contributions to economic welfare stays at the low level. When the government aid policy is used at alone, it is not possible to produce a continent effect in national economy in long period. Watching a harmonious and stable policy without ignoring also tools of financial policy, is important with regards to increase effective of policy.

The successful of incentives, is needed that the benefit that it provides is more than the accounts that it cooks. Because, the resources, which are collected by using public power, create a deviation at the market mechanism due to their transfer to fields considered primary within the framework of some goals. In return, external benefits that market mechanism does not predict consist positive side of incentives.

In the theoretical sense, the successful of incentives can be explained as comparing with public cost and its benefits. But, in practice, because of that there is not the opportunity which provides data and information to be able to be compared with together, the criticism related to incentive application is made according to economic and social developments. Due to eases of application and rapid interference opportunities, incentives which both are often used and are a wide application area are public policies which are come in for criticism, at the same time.

The most advantage of incentives and government aids according to the other economy policies, have a great variety of instruments to be used such as the tax exemption, the low interest loan or grant aids, the energy allowances, the territory allocation, contributions to the capital of government, and the finance facilities, and also can be injected to directly economy. Thus, the effect of applications appears in short time, and it provides both the opportunity got reaction rapid and with using the application in a very wide field.

At the first article which defines the object of decree on the government aids implemented in the investments by ministry and directorate general of incentive implementation, the aims of incentives policies are stated a comprehensive description together with this statement “ to direct the objects envisaged at the development plans and annual programs and the savings in suitable to international agreements towards investments with high added value, to increase production and employment, to provide continuity of tendency of investment and sustainable development, to encourage high large-scale investments contented of technology and research-development to be increased competition power in the international markets, to increase foreign direct investment, to remove differences of regional development, to support environment protection oriented investment and R&D activities”.

While governments arrange economic living, the incentive is an important financial policy and is in expense item position. There are the special aims of government aids, in

addition to result, increasing the welfare level of country is aimed (Yavuz, 2010, s. 86). The incentive policy can be explained as follows.

Providing Industrialization and Economic Development: The incentive policy is a main tool in order that the economy can reach to an economic structure desired. For this reason, it is in an instrument position for optimal economic structure that industrialization and sectoral structure policy desire (Erkan ve Tatlıdil, 1990 to (Yavan, 2011)). The development is possible with investment, the investment is possible with savings. By reason of that fact, encouraging the savings and investments with all kinds of instruments and in all kinds of ways emerges as a necessity. On the basis of economic incentive, the conception which is to direct fields accepted being more beneficial in terms of national economy is found. In this connection, in the parallel of developments of country in time, the incentive policy is able to be got changed on the condition to be given priority to fields such as export, investment, and democratic structure.(Ankara Ticaret Odası,2007:7)

Providing International Competition in Economy: As well as the globalization gains intensity, in the economic sense, incentive policy is often and commonly practiced provided that countries try to harmonize with international competition. Especially, over the last two decades, countries attach gradually more importance to incentive policies on the condition to take more share from foreign direct investments (FDI) which move in the international arena. Sectors which lose international competition power or are stuck in a difficult situation in the result of intensive competition arisen from foreign countries or are in new installation stage, are able to be supported by government. Thus, harmonizing sectors with the changed conditions, providing employment by making productions continue, or contributing positively to the balance of payment by increasing competition in the domestic and foreign markets, are aimed at.

Providing Regional Development: Throughout history, there have been differences in the development dynamics of regions due to variety reasons. The best knowns of those reasons are differences in the topographic concentrations of the underground and aboveground sources, of the population and human capital, and also of the historical and cultural savings. As well as developing and encouraging a sector in any region are macro size such as inflation and external balance, the removal of the protective policy in foreign trade has regional effects (Elmas, 2001: 2'to (Tatar & Yurdadoğ, 2017)). Every country, which is developed or developing or undeveloped, implements "regional incentive"

system on the condition to balance the development level of interregional. For example; In Portugal, industrial location, organized industrial zones, industry territory are supplied by the government with the aim of reconstructing locations which are in developing, and monetary incentive is given to the entrepreneur in the ratio of 15 percent of investment (Mazlum and others, 1990: 13-14 to (Tatar & Yurdadoğ, 2017)).

Creating Employment: Along with the rapid population growth, at the today's economy, the problem of employment is the leading of activities which are needed to be supported by government. In struggling with unemployment, countries apply for incentive policies in order to create employment on the condition to encourage opening of new work branches. For this aim, lower interest loan opportunities are submitted to companies which have just commenced operations, differently from markets.

Factors which must be considered and arrangements which must be made can be summarized as follows in order to consist a nice incentive policy.

- Incentives must be practiced in the direction of aims to develop and strengthen market economy, to gain functionality to them.
- The types of incentive must be determined so as to provide the development of market economy. The types of incentive must be as few as possible, but their effect must be higher. Instead of the kind / in unilateral cash incentives, the types of incentive such as tax warranty, warranty incentive must be attached the importance.
- An independent body related to practicing, controlling and inspecting incentive policy must be constituted. The authorization and responsibilities related to incentives must be gathered under this independent body.
- Gathering incentives under single legislation has the importance. Principles concerning incentives to be provided to sectors must be gathered on this legislation. The application period of incentives must be determined obviously, and because of this investors and operators must be given security. In brief, incentive policy must not be often changed, and must be consistent. While saying "consistent", it is not mentioned that incentives are permanent in the manner to not be finalized at all. Contrariwise, incentives must be disappeared in conjunction with development of sectors.
- Incentives must be given to primary sectors in the economy development. For this, detecting the sector priorities is needed. Incentives must be competition developer and

supportive in the market economy. In that incentives given in the production stage show a cost decreasing effect, specially they rise foreign competition power.

- The incentive legislation must be clear and understandable. The body in charge with practicing incentives must be transparent. Application conditions and application adoption criterions must be previously determined and explained.
- Incentives must be primarily given at the production, investment and operating stage. If incentive given in these stages is controlled and inspected, it is beneficial at the economy development. Incentive given on export is a given incentive in the ultimate stage as different from investment and operating incentives. Export incentives, especially given as monetary, are not certain to turn towards to investments again in economy. In this respect, investment and operating incentives must be more weighted and comprehensive than export incentives in the incentive policy.
- Incentives must be given primarily sectors and regions where the resource is used more effective and productivity in economy.
- The sources of finance of incentives must be secure and adequate.
- Bureaucracy and red tape must be minimized in the giving of incentives.
- An incentive policy, which considers globalization phenomenon and follows closely developments in the world, must be consisted.
- Incentives are mainly a transfer expenditure. They are nothing but transfers of money paid as tax to certain sectors and regions. Not to be used on directed of aims of incentives can affect negatively on tax consciousness and tax ethics. For this reason, incentives must not convert to prodigality, wastage and theft at the end.
- Total cost of incentive must be reasonable and acceptable. Budget cost of incentives must be a specific and reasonable proportion of total public expenditures and GNP.
- Sectors must be protected against to international competition within the period determined with incentives. Further to that, it is not true to maintain protectionism.
- Incentives must also support renewal and enterprise investments in some industries.

4.2.1 The Justifications of Incentive and Its Efficient Function

The incentive practices, along with economic goals such as economic stabilization and growth, aim at the solution of some social problems such as eliminating regional disparities, unemployment, immigration, and environment. Essentially, the reasons, which make this public policy which both is in the qualification of interference to market

mechanism and causes unfair competition to be directed to certain part (certain sector, region and company group) justifiable, are external benefits provided. Besides, when the market mechanism is left alone, some problems such as the regional disparities, environment and unemployment and negative externalities appear. It is possible to use support factors on the purpose of solution of this problems.

In practicing of incentives, both the economy policies which countries adopt and the development level of countries are able to be effective. The reasons why the developing countries need are; the economic development, the development of backward regions, to gain the international competition power, the productivity growth, to extend the employment opportunity, technology transfer, to increase exportation, to attract foreign capital and industrialization. In the developed countries if, they adopt objectives which are to protect their competition power, to maintain technologic development, to prevent the capital flight, to eliminate regional disparities, to increase productivity, to support problem sectors, to decrease unemployment (Duran, 2003:8 to (Tatar & Yurdadoğ, 2017)). The situation of natural resources in countries, available capital structure and the development level of capital structure, the expanse of market, the quality of labor, and the structure of economy, political and social conditions play an important role in. The most important feature of incentives is that the funds to be passed to government are given to entrepreneurs by abandoning (Uluatam,1971:92 to (Tekin, 2006)).

Foreign investment has important effects for countries. While the foreign investors make investment decision in a country, they are attentive to conditions such as market dimension, the structure of labor market and laws, and the situation of industrial regions, energy cost and usable, transport cost and intensity, interest rate in country and loan opportunities, tax system, bank system and financial markets. Therefore, the structure of incentives to be practiced has the great importance with regards to bring foreign investments to country.

Detecting the effectiveness of incentives practiced is determinative in terms of making new arrangements related to this subject or making an adjustment in available policies (Gerçek, 2010:8'to (Tatar & Yurdadoğ, 2017)). In order to be effective of incentive system, strategies and development plans of countries is needed to be determined by following international improvements. In order to be able to provide the effective function of an incentive system, before the programme is applied, at the stage that programme is

applied and after the programme is applied, basis criterion must be determined, changes in economic and social structure of country must not be ignored. The processing of incentive system is demonstrated at the Figure 4.1.

Development Plans and Strategies		
Pre-application of the incentive programme	Durring application of the incentive programme	Post-the incentive programme
- Selection of Fields to be encouraged	- Following the effect of tools selected	- Evaluation of application results
- Detection of in which proportion the fields determined will be encouraged	- Liquidation of non-effective tools or replacing of new ones	- Making studies based on measurement related to effectivity –productivity concerning application
- Detection of period of incentive programme	- Supporting of available tools with new ones	- Determination of new strategy according to application results
- Detection of the tools to be used and activity-cost accounts concerning tools	- Supporting of incentives with other services and infrastructure	

Source: Tatar, G., & Yurdadoğ, V. (2017)

Figure 4.1 The Processing of Incentive System

Incentive system assumes protective and supportive functions at the stage of establishment, protection and becoming ready to competition of national industry. National economy is able to provide development on suitable to development strategy due to incentive system contributions, and incentives assume stabilizing task. Especially, the supports practiced as directed to production capacity and increasing of exports, are able to be used more active than other public expenditures, and when considered that they inject directly to economy, it is seen that is an important and effective interference and leading tool.

The other task of incentive system is to support domestic production in foreign market, along with applications oriented to providing structural adjustment against to foreign competition of national economy which become of first priority, after the foreign trade started to take an important place in national economy. These supports are in shape of providing active usage of resources through supporting the activities of necessary machine modernization and promotion of technological advancements.

It is though that active usage of resources could create recoveries at the price and the quality. Therefore, it provides an advantage to domestic production in the foreign markets. Additionally, incentive system prevents national economy from damaging

because of dumped and subsidized prices which are consisted in the international market (Specialization Commission, 26 August 2005).

4.2.2 Classification of Incentive System

Incentives can be subjected to classify according to their aims, concepts, tools and period of issue.

Table 4.1 Classification and Types of Incentive

Incentives according to Objectives	• R&D Activities oriented Incentives • SMEs oriented Incentives • Regional Development oriented Incentives
Incentives according to Concept	• Customs Exemption • VAT Postponing • Credit Guarantee Support • Investment Interest Support
Incentives according to Issued Stages	• Incentives before Investment (Investment incentive certificate - employer's national insurance support) • Investment Period (Operating Period) • Incentives after Investment
Incentives according to Tools Used	• In-Kind Incentives - Land incentivisation - Labor Training oriented Incentives • Cash Incentives - Grants - Resource Utilization Support Fund ❖ Tax Incentives <u>Direct Tax Incentives</u> ✓ Low-rate income Corporate Tax ✓ Tax Holiday ✓ Exemption from Building and Construction Taxes ✓ Investment Allowances ✓ Accelerated Depreciation ✓ Investment Finance Fund ✓ Income Tax Withholding <u>Indirect Tax Incentives</u> ✓ Export Incentives ✓ Incentives Given to Free zones (Export Processing Region) ❖ Other Incentives - Energy Support - Preparation of Infrastructure

Source: Pamukkale University Social Science Ins Journal, No 27, May 2017

Incentives according to Objectives : Incentives according to objectives can be classified in the shape to increase production and investment, to support the exportation, to gain the competition power, to draw foreign capital, to speed up the economy development, to eliminate regional disparities, to reduce entrepreneurial risk, to provide R&D and technologic development, to grow up the qualified labor, to provide quality and productivity increase, to support SEM, to provide completion of unfinished investments.

Incentives according to Concept: Incentives according to concept can be classified as general and special aimed incentives. General aimed incentives are incentives which are practiced in the same proportion for every sectors without discriminating and include general of economy. Such as customs exemption, VAT postponing etc. Incentives which bring advantage according to certain sectors, regions or companies can be thought as special aimed incentives. The suitable conditional loans providing to R&D investment, the interest support and credit guarantee support provided to investment that SEMs will make, etc.(Duran,2003:24 to (Tatar & Yurdadoğ, 2017)).

Incentives according to Issued Stages: At stage where the incentive is issued has also materiality in terms of their effects. In this respect, while a part of incentives is implemented at pre-investment stage, a part of incentives is also implemented at operating period stage. At the investment decision stage, in the investment period, or in first years when the operation is put into, all kinds of support factor, which either are rebates, exemptions, exceptions to be made in the obligations of companies or will augment the investment desire through encouraging investor by providing finance suitable conditional to investment, can be used as incentive tools. Pre-investment incentives are supports such as investment subject selection and evaluation, technical information supplying. Those incentives attract more attention of investors. Likewise, period when investors meet with the most difficulties is pre-investment and investment period (Bali, 1979: 11'to (Tatar & Yurdadoğ, 2017, s. 161)).

Pre-investment incentives are much more oriented to reduce investment cost, to ease financial need, and to provide for realizing investment easier and faster. In return, incentives at operating stage are oriented to increase productivity, to decrease cost, and rise profitability. The effects of incentive tools, which are practiced in the labor intensive or technology intensive firms, can be different. While the technology intensive firms prefer incentive tools oriented to machine equipment more, the labor intensive firms prefer incentive tools which affect labor cost more (Duran1998:18 to (Tatar & Yurdadoğ, 2017)).

Post- investment Incentives are mostly related to tax to be paid. Revenue tax, cooperation tax and various taxes, duties and charges can be assumed as incentives obtained after investment. Paying these taxes depends on moving into profit through the investment opens to business. (Bali, 1979: 11'to (Tatar & Yurdadoğ, 2017, s. 161)).

Incentives according to Tools Used: Incentives according to tools used are assumed as kind-in incentives, cash incentives, tax incentives, and other incentives.

4.2.3 Incentives within the framework of GATT & WTO

The states apply intensively to the aid implementations on the purpose to gain competition power in the international markets, or protect available competition power. But, the aid implementations are continuously opposed in the international platform on the grounds that they cause to unfair competition because of the fact that they make financial structures of firms worse to the detriment of market equilibrium. Despite all oppositions, it is seen to not make concessions enough from aids implementations of countries, along with the aids given at the investment, production, domestic and overseas marketing stages, and the non-tariff protection barriers implemented on the import.

The struggles entered continues intensively at the varied platforms on the purpose to provide for carrying out of the aid competition on the basis of universal principles. WTO is the one of multilateral institutes that are a side of agreement oriented to restriction of interferences which cause member states to deviate in the markets. The agreements which limit export subsidies are a part of agreements that member states contract an engagement about how to implement. Before those agreements, subsidy applications was directed by GATT agreements giving widely coverage to export subsidies. In 1980's, not making of effective agreements to be reduced export subsidies caused to subsidy wars called as "beggar-thy-neighbor policy" which caused to big financial burden in some countries and deviation in the international trade.

The negative effects of competition based on the aid implementations appear on the point of active usage of production factors, and in sharing of public resources. Especially, the aid implementations financed from public resource cause resource to waste, and also they weaken entrepreneurial character of investors in the sectors helped. Company receiving aid spreads on more effort to minimize its cost according to market conditions or to implement through finding new investment area and technology. At the platform of WTO, it is made a decision to be acted associate movements oriented to eliminate this kinds of negative effects of intensive aid implementations, and to be strengthened the conditions of free market economy around the world.

Under this scope, on the purpose to provide a definition and scope unity about incentives on the level of international, Uruguay final act was signed within the body of WTO in

1995. Subsidies were gathered by Uruguay Round Final Act at three groups as the prohibited subsidies, the subsidies which are able to be taken measures, and subsidies which do not require to be taken measures.

According to classifications;

The prohibited Subsidies:

- a) Subsidies given depending on export performance,
- b) Subsidies oriented to using domestic goods instead of import goods,

Subsidies which are able to taken counter measures:

- a) Damage to domestic industry of another country,
- b) Cause the benefits and available concession of other signatories to disappear and to reduce,
- c) Damage seriously to benefits of another signatory,

Subsidies which do not require to be taken counter measures:

- a) General qualified subsidies which are implemented within the border of a country and do not grant privileges to any sectors,
- b) Are to be qualified as specific, but subsidies implemented in the direction of mentioned factors below,
 - The aids which are done to research studies carried out by research agencies or higher education made an agreement by companies or with companies,
 - On the condition both to implement within the framework of general a regional development and to share without being specific in the selected region, subsidies given to backward regions.

4.3 Incentive Oriented to Export

4.3.1 Export Incentive Measures and its Importance in Development

Export incentive term is usually used in the manner of subsidies which are designed in order to make a profit and make sales to foreign country easier.

According to another definition, export incentives; are all of measures taken on the purpose to increase the exportation and thus foreign exchange earnings in short term, to provide for slipping from country resources to export industries in long term.

The main characteristic at the export incentives is that exportation is made attractive in terms of producers and marketing men (İşlekler, 2010). In general words, export incentives are that the exporter is encouraged with variety methods throughout pre-

production of goods to be export, production, marketing, and transportation to ultimate consumer. The basis objective of export oriented government aids, particularly companies in qualified of SEM, are to help with eliminating problems that exporter companies meet in the international markets by supporting their export oriented activities at the both production and marketing stage, and also to enable them to gain competition power (Ersüngür & Yalman, 2009).

Export incentives can be handled in two manner of the narrow and wide sense. In the narrow sense, export incentives include export subsidies in the wide sense, export incentives include the whole arrangements which both will be disappeared challenges that exporters meet on the export and will be helped with setting up a dynamic system in order to improve their sales. The most important objectives of export incentives are; to extent market share, to consist export information, to reduce or abolish the borders related to export, to determine variety aid types for actual and potential exporters (Uzay, 2001:55 to (Büyükkakın & Özyılmaz, 2016).

For the last decade, many countries have implemented variety export incentive policies as oriented to increase export performance

Reasons which constitute the basis of both export incentives policies and investment incentive policies can be sorted like these. (Welch & Others, 1998, s. 66)

- Providing welfare and economic development of a country,
- To prevent investment decision from dissuading due to challenges of investment by shortening the obtained periods of necessary inputs on the purpose to encourage investment and production in order to provide industrial development,
- Eliminating disparities among regions, and equilibrating as social economic
- To prevent unemployment, and encourage employment
- To correct the balance of payments in favor of country by increasing facilities at the foreign trade,
- To consist allover enough and necessary conditions of market economy.

In this connection, incentive of export is described as both supports and indirect or direct payments that the government pays to exporters in order that the goods which are produced in the domestic are able to be marketed to foreign country. The objectives of export incentives are both to increase a good and to contribute to country economy by enabling goods to be sold in the foreign markets. Instead of incentive, the statements such

as subsidy and government aid are able to be used on the international regulations. As a part of export based on development strategy, the export incentive and technical assistance programs are designed both as a tool to be supported the economy growth and so as to appeal to both internal and external barriers which are met on the export.

As of the second half of 1960's, there have been two basis categories for export based on development economy strategies gained intensity. First one, when a certain growth level is reached, if the increase on the export and the economic growth are in positive and linear relation with, the country will have been both reaching to its economic development objectives and gaining advantages by certain goods. In the second category, the restrictions of balance of payment arisen from demand will be able to relax with the increase on the export, and thus it is emphasized to be able to bring along with high growth of export performance.

Countries, such as Japan, S. Korea, Taiwan and Singapore called as Asian dragons, have been realized outward oriented growth in the short term, hence that has been seen as the evidence of accuracy of export incentive policies. When the development practices of those countries were examined, it was seen that their GNP grew average between percent 8-10 percent in between 1960-1965. Over the last half century, while the goods and service export of South Korea which developed the fastest after Japan and was at similar situation with Turkey at the beginning was by only %3 percent of GNP, this proportion has risen by %50 percent at when it came to 1995.

The achievement of countries which implement an outward oriented development strategy through export incentive caused other developing countries to tend from import substitution policy to the export oriented growth models. Actually too, in the situation that instability is intensive (low capacity rate and unemployment), it is appeared that the cost of exportation made by using unutilized capacity and labor is only business materials used, and that labor and depreciation are not a loss in the real sense without reflecting to price. Support and price reduction given up to certain quantity are not a real loss in terms of macro, and also it has been known that especially the developing countries focused their energy on implementations due to advantages that they provide in the international markets.

Export, usually, is encouraged on the purpose to provide competition chance in the international markets, to increase inflow of foreign currency, and to extend employment

facilities. Through those encouragements, on one hand the reduction of production cost of exporters, on the other hand the increase of production are able to be realized. Therefore, export encouragement measurements include the whole measures which make export profitable by increasing revenue or decreasing costs. These are; through show differences according to countries, can be collected under four titles being about premium system on export, tax rebates, reduction and exemption on exports, input incentives and government marketing supports. When functions of those measures are considered, it is possible that the whole are called export subsidies.

There are primary two effects of export incentive measures on national economy:

1. International terms of trade Effect
2. Foreign currency saving Effect

Export subsidies are a kind of negative export tax. Primary objective in there, is to increase export by directing foreign expenditures to domestic products. For this reason, it is needed to reduce widely the prices in proportion to national exporters. Hence, subsidies affect negatively international terms of trade. But, in case the foreign demand elasticity of exported goods is adequately high, in spite of the fall in the international terms of trade, total national foreign exchange earnings increases. Because, in the circumstances, the increase proportion of physical export volume is higher than the fall in the prices of exported goods. That is to say, the positive effect is more than negative effect. In case export incentives increase export volume, they increase necessary foreign exchange earnings for industrialization and help with closing the balance of payments deficit. As employment facilities that increase competition power are an advantage, inflationist pressure that they will create on budget also have to be considered. Thus, in the selection of sectors to be given subsidies, it is needed to be very careful.

There are effects of export incentives on income distribution. Incentives can break income distribution in favor of sectors making exportation but to the detriment of other sectors. Because, inflow subsidies given in favor of exporter are; direct monetary payment, tax incentives, cheaper loans, marketing aids which reduce costs widely, and applications which maximize profit.

Export subsidies cause to deviations at the some changes. The subsidized export, while it makes production increase, it makes the prices of world market decrease. This circumstance, some results occur in terms of countries implementing subsidies.

Generally, the developing countries do not have financial power to be met to export subsidies. Therefore, the budget facilities of developing countries make their competition power weaken against the developed countries. The consumers, get the best of export incentive policies as long as taxpayer is not in the countries implementing export aid.

Generally, in the developing countries which focus attention on agricultural sector, in conjunction with providing the development, the economy shows a development from agriculture toward industry and services sector. The development of industrialization is an important factor which increases the exportation. It is a generally accepted remark that there is a positive effect between export and production. Therefore, it can be also said that there is an effect of exportation directly on the development of economy.

There are different opinions and discusses about effects of export to the development. According the commonly opinion in 1970's and at the beginning of 1980's, the best meaning of growth for a state developed rapidly has been the encouragement of export and strong development. A rapid growing export market will support the growth of GDP by warning all other sectors in the economy (Niroomand, 1997). The increase in export and getting into foreign markets are key of economic growth due to providing positive externalities (Awokuse, 2006:299 to (Ersüngür & Yalman, 2009)). Being in the first place of the underdeveloped countries, not only specialization and expansion of labor globally, but also export oriented growth which is also a resource of increasing of economic productivity, have gained importance (Scott & Storper, 2003)

In 1997, in the study that Michealy did, he detected that the increase in export made the economic growth speed up. In the study which based on between 1950 and 1973 and was done over 41 countries, it detected a proportional relationship between export performance and economic growth. In 1978 Balassa evaluated comparatively both the effects of export incentives and the effects of export incentives on development, for 11 countries (Argentina, Chili, Brazil, Colombia, Mexica, Israel, Yugoslavia, India, Korea, Singapore, and Taiwan) which consisted the infrastructure of industry and became in development, and as a result he detected that there was a positive effect in between. In 1998, in the study that Edward did related to relationships in between total factor productivity in 93 countries and international expansion, the manifested that the growth realized more rapid in the outward oriented economies. In other words, if how much an economy is outward, that much a big expansion effect will appear and it will grow more

rapid than a less outward oriented economy (Wu, 2004:594 to (Ersüngür & Yalman, 2009)). In 1999, in the study which was did by Okkoe and Niroomand for 22 countries, a positive oriented relationship between export and growth was detected in the 19 of 22countries. In 2008, in the triple vector autoregressive model (VAR) analysis that Kurt and Beber made in order to examine the relationship among export, import and growth, they detected that being outward oriented of country affected the rate of growth. Increasing of outward oriented ratio affects positively the economic growth by increasing economic performance. Because of that firms which make exportation in the world markets are in competition with each together, they have to sell more quality goods at lower price. For this reason, export incentive policies are pretty important tools in order that firms are able to work more productively, bring into compliance more quickly to new technologies, and be more effective in the market.

In 1960 and 1970's, in the many of researches made, that there was a linear connection between increase in export and GDP, and the role of exportation during economic growth was appeared. This circumstance caused the developing countries to move to this way (Gübe, 1997,(6)). In the countries which watch outward oriented growth policies, integration with rapid international expansion and world economy, the positive contribution of government to economic development, the importance given to both education and technologic developments are conspicuous characteristics.

Export which is essential factor of economic development, is supported with variety policies in almost every country. In consequence of export incentive policies, increasing of exports contributes to economic growth from two directions. While the export increase is affecting directly positively the development by increasing revenue, it supports to economic growth by extending foreign exchange bottle-neck (Horoz, 2006) from Karluk,2005). Export incentives encourage directly production of goods and services. Therefore, it is needed to specialize much more in order that countries may have the upper hand on and work economies of scale. Furthermore, the export increase allows high quality goods and technology to import in terms of technologic modification to be provided positive effect to domestic production, the productivity of labor and the efficiency of capital. In one economy, the production factors in the country are able to join much more to production with export increase, and the utilization opportunity from economies of scale rises in the production.

4.3.2 Types of Export Incentives Measures

Countries implement export incentives in accordance with own economic conditions on the purpose of development of their exports structurally with the result that both their exports are increased in the short term, and their resources are transferred to the export oriented industrial branches. It is possible that those incentives classify under different titles according to their qualification. They are:

- I. Tariffs and Non-tariffs Barriers
- II. Premium System on Export
- III. Fiscal Incentives
- IV. Financial Facilities in Export
- V. Government Marketing Assistances

- I. **Tariff and Non-tariff Barriers:** This subject has been previously explained in detail on the subject of tools of trade policy. If needs to tell in brief, tariff is duties collected from over the imported goods. Tariffs and non-tariff barriers, are the most common tool of protectionism. Non-tariff barriers contain a wide scope expanding from export prohibition to import quota, and technical standards of imported goods. By using tariffs and non-tariff barriers, it is worked to make domestic market attractive. In long term, it is made beneficial from economic scale by protecting domestic industry. Thus, an export oriented infrastructure has been prepared. Therefore, in order to be successful in export, domestic industry is protected with tariffs and non-tariff barriers for a while.
- II. **Premium System on Export:** The essential of this system is assistance that exporters are done by government as monetary. Because of that system has a partial devaluation quality in this manner, it is implemented in the economies that import is limited with quantity restrictions and customs duties. Premium payment in export can be in various manner. There are; giving of authorization to hold foreign exchange to exporter, exchange allocation, multiple currency practice, export bonus and certificates.
- III. **Fiscal Incentives:** A. Warehouse and/or Free Zone Application: When free zones are evaluated within export incentives, what means that is not to encourage the export made to free zones. The free zone is an incentive factor in person. Free zones provide great advantages to both the economy of country where they are, and foreigners who trade in these zones. It is needed to be seen all together advantages that free zones provide in order to be able to be understood that they are incentive of export. Because, if imported inputs

are in question, meanwhile an exporter is importer. The importers can see easily the goods to be imported in short time in the warehouse on these zones and take as much they need. In this circumstance, they get rid of burden of paying at once customs duties in high quantity, and they stock up big. That is to provide an advantage to exporters in terms of financial. There are also many advantages of free zones for exporters. Settling into and setting up an office in the free zones provide huge flexibility and manoeuvrability for exporters. The exporters can export to a suitable country at the most suitable time by examining foreign markets. Thus, they do not lose time with red tape like firms within customs borders. Because free zones are places where industrial production can be made, the advantages that those zones provide to country where they are increases also more. Because of that customs duties will not be paid for raw materials and semi products used as input to manufacturing, production cost relatively will be low, and through the exportation will be made more by increasing competition power. Much more exportation will bring in together with much more production.

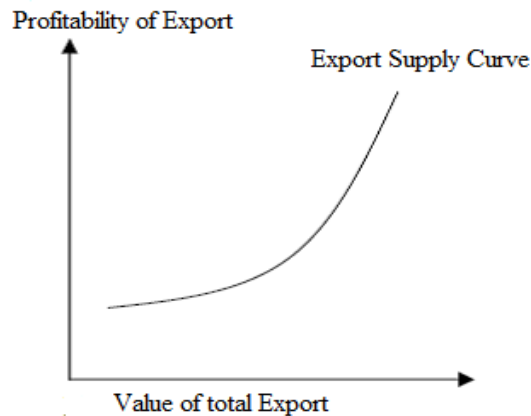
B. Tax Refunds, Tax Discounting and Exemption, in Export: Tax refund in export is to abolish factors such as taxes and funds which cause the goods being high of exportation potential to increase. That is in the manner to be paid back partly or totally customs duties entering into the scope of exported goods and other all duties to exporter. The first aim of this application provides with competing the goods produced in domestic with both in same quality and same kind goods in other countries, in the international markets. Because, taxes, which are inside of some imported inputs needed in order to product exported goods, can draw the price of product over average of world. That will have affected negatively competition power of exporters. In there, a conflict arose for the less develop countries. In order to increase the competition power, the imported inputs which both increase the cost of exported goods and cause the competition power to decrease, are implemented tax refunds. Other objective in the refund tax is to provide with diversifying the goods that a country exports by increasing the share within total export of domestic goods of that country. Another export oriented fiscal incentive is tax exemption and discounting. In many countries, as exporters are exempt from income and corporate tax, the facilities such as the investment discounting in the new investment, the accelerated depreciation are provided. Besides, in the production and sales stages, it is in question to collect at low rate or not at all collect the direct taxes such as production tax, sales tax, transaction tax, and VAT.

IV. Financial Facilities in Export: Incentives such as export credits, export credit insurance, cheap input supply enter to the scope of financial facilities. The aim is to provide with supplying in cheaper and easier manner of inputs needed in order to produce the exported goods. First of those incentives is export credits which constitute from long or short-term loans financing all foreign exchange saving services with low interest. These credits can be used at any of investment, production or exportation stages. In countries where the high interest rate is and tight money policy is implemented, export credits have great importance for exporters. Export credit insurance is an incentive which is often come across in particularly developed countries. It plays an importance role in increasing the support to export activities of commercial banks. This application, as much it provides a credit to exporters, supplies also warranty and insure of the credit. The cheap input supply, which is another of financial facilities, includes assistances such as supplying cheap raw material, reducing in transportation charges, training qualified personnel, and education.

V. Government Marketing Assistances: Especially in the developed countries, government marketing aid is an obligation in order to be able to solve problems that export institutes come across in marketing their products. Those assistances contain activities that services related to collecting information about foreign markets, exhibiting in foreign countries, training export personnel are carried out by public institutions as low charge or no charge. SEMs take an importance place in export in the developed countries. Being small-scale caused them to meet many marketing problems. Therefore, the government supports, alongside supporting of financial assistance to SEMs, activities such as market researches, introduction, exhibition participation, training, development of new product.

4.3.3 Effect of Export Incentives on Export

The effect of export incentives on export can be explained with the help of export supply curve. Figure 4.2.demonstrates export supply curve.



Source: İşlekler, A. (2010).

Figure 4.2.Effect of Export Incentives on Export

As is seen at the graphic, as long as the profitability of export increases, the value of total export that the country obtains also increases. Public export incentive programmes will create two effects to be able to be told with total export supply curve (Bilkey and Tesar, 1983:95 to (İşlekler, 2010)). First one, the exportation moves to up along export supply curve, by making it more profitable. The most important dimension of being advantaged for company is profitability. Increase in profitability also causes to the interest of manager of company about export to increase. Second one, the export supply curve slips to right by increasing the international attention of management (encouraging to learn language, providing international business education with visitation to foreign countries), and by removing the obstacles.

There is an effect directly on the economic growth, because the export increase causes the production to increase. If the production is made with the diminishing costs in export sector, the expansion of export causes production cost to decrease, and the real income rises in the economy. The expansion of export brings about appearing the cost reducing innovations in other production sectors in the domestic by affecting also those sectors. That is to say, the production, which increases together with export, causes both decreasing the costs and finding the new production methods, by leading to emerge external scale economy in economy. Besides, the export increase causes the factor revenues to rise by increasing the demand to factors used in the production of sector making export. Export Incentive Programmes (EIP) are public policy methods in order to increase export activities at the business, sector or national level. As well as their

structure and dimension change from country to country, EIP generally can be gathered under the titles about the financial and monetary incentives, regulations oriented to recovering the available circumstances of companies (credit licences and making licence procedures easier) and other incentives (the preferential credit utilization, business capital and providing of foreign exchange) (ITC,2002).The most commonly used incentives are financial and monetary incentives at the incentive system of all countries. Governments of many countries develop the comprehensive EIP in order to encourage companies to export. EIP generally contains factors which have been designed as oriented to firms thinking of export, such as seminars, foreign visits, participation to foreign exhibitions, brochures, export consultancy, export finance, preparation of reports about market analyses and market development. (Lesch and others, 1990 to (İşlekler, 2010)). But, these kinds of programs to be provided the benefit to exporter company change according to the shape of the support needed, the obstacle met and the export stage of company. As the needs of companies which have just started to export are oriented to visibility etude studies, the need of a company which carries on the activities in foreign markets, can be developed in direction to develop its available activities or to shape them again. The aid need of every firm is also different. Firms can be separated into four groups in terms of needs to export incentives. First one, according to the scale of firms, the needs of small scale firms are different than medium and large scale firms. Second one, firms can be grouped according to their experiences of exportation. The need of firm is different at every stages. Third one, the attitude of manager against needs felt to different export incentives is important determinant. Fourth one, firms can be grouped according to the quality of product they produce and their technology requirement.

EIP must affect companies at three stages. At the first stage, it must be provided companies with having information about both the export facilities and benefits that the export will provide to them, and they must be motivated in order to start to export. Knowing that the support programs are available is also among aims of this stage. At the second stage, the aid programs aim for understanding and meeting of needs, according to the contribution to export, which means that the exact information is provided at the right time to the right company. Beyond providing of information, the preparations required must be made for contribution to export, and the assistance must be provided in the planning. Such as market visits, the services, which supply information directly

experience and by learning, and aim for increasing the experiences of managers, are equally important too. At the third stage, it shows the entry period of goods of company to a foreign market. It includes export market research support services. Export aids must be worked to enhancing specific and personality of company, must interest in administrative characteristics, and must contribute to positive changes.

Three staged approach approves the observation about requirement which different export incentive programs or their services are aimed at according to different stages of participation period to export. Different export incentive activities affect differently exporters. As some incentives are suitable to exporters who do not make export or have enough experience to make export, some incentives also are suitable to experienced exporters.

According to the export stage where companies are, an information related to suitable EIP is demonstrated on Table 4.2. EIP is a suitable tool in order to give an information to companies which are at their first stage, submit the financial support, or guide on tax facilities.

Table 4.2 Requisites of Company and EIP

The Stage where Exporter are				
	In Circumstance that Export is not made	The entry to Export again	The Developing Export	The continued Export
The requisites of Company	To be notified from opportunities	To compute the feasibility of export	To determine the most suitable market and the entry method to market	To develop and to shape again the available activity
The Focal Point of EIP				
1.Concerning Export Motivation	Seminar in Domestic	Seminars and Export Bulletins	-	-
2.Oriented to Give Information	-	Market & Branch Analyses	Foreign Market Trips, Exhibitions, Export Bulletins	Export Seminar & Bulletins
3.Oriented to Operation	-	Foreign Trips, Finance & Insurance Services	Exhibitions, Finance & Insurance Services	Customer Visits, Exhibitions, Sales Offices, Finance & Insurance Services

Source: İşlekler, A. (2010).

But, because of the fact that the foreign trade has a dynamic structure, the incentive programmes of government must be reviewed periodically, arranged again according to needs changed. Export incentive need will have changed depending on the global trade increase of countries and the relative competition power of other trading countries. Every country has implemented predominately different kinds of export incentives on the purpose to be able to gain advantage of competition power in world markets against the

others. EIP implemented in the different countries can be widely classified at four categories. They are; information and recommendation of export, product support, market support, finance and guaranties. Table 4.3. reflects export incentives implemented in the different countries.

Table 4.3 The Weight of Export Incentives in Other Countries

	Italy	England	Japan	S. Korea	Singapore	Canada	France	Germany
Information & Recommendation of Export	Little	Little	Intensive	Moderate	Dominant	Dominant	Moderate	Little
Product Support	None	None	Moderate	None	None	None	Moderate	None
Market Support	Dominant	Dominant	Intensive	Dominant	Little	Moderate	Dominant	Dominant
Finance and Guaranties	Moderate	Little	Intensive	Little	Little	Little	Dominant	Little

Source: İşlekler, A. (2010).

Although implementations in every country are different, it is seen that the incentive which is used commonly is market support.

On the other hand, both in the seventh five-year development plan covering 1996-2000 and in the eighth five-year development plan covering 2001-2005, in order to be able to be gained sustainability to export increase, it can be expressed that R&D which is not contrary to international obligations, the environment protection, and the active usage of subsidies on the purpose of regional development will be provided, and also introduction oriented activities and the incentive of international usage of Turk marks will be attached importance. Accordingly, in the scope of international commitments, export incentives implemented in Turkey are; government aids, loan provided by Turk Exim bank, insurance and guarantee programmes, outward and inward processing regimes, exportation, the sales and deliveries assuming exportation, taxes, duties and charge exemption in the foreign currency earning services and activities, and VAT exemption in export.

4.4 Regulations with respect to Export Incentives at International Conventions and The European Union Countries

Which types of the incentives will be given in export, are determined with international conventions. There are not any international regulations about incentives, except “Incentives code” of GATT. But, it is possible to mention from some provisions taken part in Rome Agreement establishing EU (Soylu, 2008). Uruguay final act and establishing of WTO generated important changes in the international trade. Those are

the most important of public export intensives to be accepted by WTO: marketing survey, international trade rules, international trade exhibitions, and trade incentive offices, researches sponsored by government, commercial finance programmes, insurance programmes, and discounts in the indirect taxes.

Export incentives in EU, by considering obligations under GATT & organisation for economic cooperation and development (OECD) of the association, are provided as significantly credit and guarantee. The 122. article of Rome agreement has also predicted gradually the harmony of export incentive measures of member states oriented to third countries. Incentive tools implemented apart from these are; tax exceptions, marketing, foreign introduction supports. Incentives are given mostly to selected sectors and goods groups. Sectors given mostly Incentives, are sectors which have comparative advantages in especially international area. Incentives are changed from countries to countries, and resemble each other as qualification in conjunction with subjecting to different conditions. Export incentives implemented in EU member countries can be examined at four groups.

1. **Export Credit and Interest Subsidy**, consist of tools such as buyer's credits, seller's credits, country credits, pre-shipment credit, post-shipment credit, rediscount credit, SEM oriented export credit and assistances

2. **Tax Exception and Discounts provided in Export**, consist of exemption of customs duty, VAT exemption in import, VAT refunds in export, and tax reducing, corporation tax exception.

3. **Export Credit Insurance and Guarantees**, are incentives factors which take part in between export credit insurance, pre-exportation production credit letter of guaranty insurance, production input price insurance, bills and bonds insurance, tariff insurance, export promotion activities insurance (advertisement, marketing survey, introduction), insurance of participation to exhibition, guaranty in buyer's credit, guaranty in seller's credit, commercial risk guarantee, exchange rate guarantee in export, politic risk guarantee, and contract guarantee.

4. **Other Incentive Tools**, as other incentive tools provided in the committee, are; free ports, export oriented establishment and investment incentive, overseas office, marketing department, supporting of introduction and marketing survey activities, facilities of offer supporting, incentives which provide same conditions with rivals, project assistances

within the framework of economic cooperation, compensation of uncertified expenditures, supporting of environment costs, R&D assistances, technical and specialist helps, consultancy services and training supports, and factoring.

The article 2 of Rome Agreement, states the main objectives of EU. According to this article, the task of union; by establishing common market, harmonious and balanced development in economic activities under union, high employment and social security, growth without inflation, supply of high competition at the economic performance, provides to economic / social dependence and cohesiveness among member states.

The common market, which is the main objective of union, is defined as an economic integration stage that all kinds of obstacles on the counter trades of member states are abolished, a common tariff against third countries is implemented, and goods, services, capitals and labour are in free circulations. Reaching to target will be able to be possible at the when member states provide for operating straight of competition environment constituted at the common market. The distortion of competition depends on two factors. First one is business, second one is state interference. In case member states use incentive applications as competition factor, in conjunction with establishment of common market, incentives will substitute for demolished customs walls, as a result this evolution realized will become meaningless.

In consequence of slowdown of economic growth in EU after 1972, member states provided finance on the purpose to support industries which lost their competition power, started incentives applications in order to overcome problems such as unemployment emerged in the result of inadequate growth, and the incentives on serious ratio caused to an incentive war in the union(Hedef,1999:64).This circumstance, affected negatively development of free competition policy of union, and as from 1980's, incentive applications were tried to slip to more limited fields by diminishing. The basis legislation in EU is called as "Acquis Communautaire", and consisted of 32 sub-titles. Regulations related to incentives take part in the "Competition" title from those sub-titles with "government aids".

At the clause (g) of 3. Article of Rome Agreement regulating activities of the union, it is foreseen "establishing a system to be provide to not distortion of competition". It is observed that the competition policy of the union is in the same direction with principles of GATT. While the 81. and 82 articles of Rome Agreement examine the deviant cases

to competition on the firms level, the 87-89 articles of this agreement are related to government aids. (The articles of Amsterdam Agreement in force on 1st May 1999 with EU Agreement and agreements establishing European Committee have been regulated again). At the 87. article of the agreement, both the government aids including in contradiction to competition and government aids except the scope of this ban are brought an arrangement. According to the 81-89 article of founding agreement, on the one hand EU forbids the government aids on the grounds that they damage competition, on the other hand it allows to these kinds of applications (implicitly) in terms of developing and protecting its competition power in the international markets ((İşlekler, 2010) from (Selçuk, 2004: 1).

The basis characteristic of types of government aids accepted on EU regulations aims at economic and social consistent. Stabilization oriented applications gain a social favour, and as a result it creates a positive atmosphere toward government aids (European Union process and Incentive Policies).

Government aids taken part in Rome Agreement, at the 87/1, 87/2, 87/3 article of the agreement, are defined as follows;

- Incompatible Assistances with Common Market
- Compatible Assistances with Common Market
- /Compatibility Assistances with Common Market

Incompatible Assistances with Common Market: At the 87/1 article of Rome Agreement, government aids which are incompatible with common market are defined. This article brings the “unless otherwise implied in this agreement, all kinds of assistances, which both are done by a member state or through state resources in any manner, and threaten to damage or damage the competition by protecting certain enterprises or certain goods, are incompatible with common market to the degree that they affect trade among member states” provision. “Unless otherwise implied” statement taken part in the 87/1 article of the agreement reveals the result that government aids are not completely banned by EU. Additional to this article, except assistances directly by government, by the reason that assistances are provided indirectly through state recourses, assistances to be provided by local administration with state institutions and organizations are banned. “In any manner “statement taken part in this article attaches also the providing of assistance to the scope of ban by using different methods except making under name

of government aids. Besides, with this article, production of certain goods and protection of certain firms are banned too. But, the most important criteria is that 12 assistances in question affect to trade among member states and to threaten to damage or damage the competition in the union.

Compatible Assistances with Common Market: Government aids, which are clearly ensured in the manner “ compatible assistances with common market”, take part in the 87/2 article of Rome Agreement. Assistances, which are in the scope of this article, are as follows.

1. Social qualified assistances provided to individual consumers on the condition to be given without discriminating depending on origin of relevant goods,
2. Assistances providing with meeting the damage that natural disasters or exceptional circumstances cause,
3. Assistances providing to the economy of certain regions affected from division of federal republic of Germany to the degree that is needed, in order to eliminate the economic damage that the division created.

Compatibility Assistances with Common Market: Those assistances take part in the 87/3 article of the agreement. Distillation of those assistance is left to Commission and Committee. Assistances in the scope of this article are as follows (Söğüt, 2001);

1. Assistances oriented to supporting economic growth of regions where a serious unemployment reigns or the standard of life is lower than normal,
2. Assistances both providing with making certain economic regions and certain economic activities easier , and not affecting trade conditions negatively to the degree that can damage to common interests,
3. Assistances providing with encouraging to realize an important project to be common interests of Europa, or eliminating a serious deterioration emerging in the economy of a member state,
4. Assistances oriented to both encouraging the conservation of the culture and cultural heritage, and not affecting negatively trade conditions and competition in committee to the degree that can damage common interests
5. Types of other assistances are determined with decision that qualified majority of council take, on commission’s suggestion.

EU Law about government aids, except basis rules on the agreement, consists of a series of legislations, directives and decisions, case laws, and more comprehensive secondary legislations. Government aids can be separated three groups within the framework of those secondary legislations.

- Horizontal Assistances
- Sectoral Assistances
- Regional Assistance

A. Horizontal Assistances, are named as horizontal assistances which both are not aimed sectoral and regional, and are given without considering to sectoral characteristic or region of firms benefiting. Government aid is followed closely by EU due to incompatible with common market, but still it is used as an economic development tool by EU. Within this framework, horizontal assistance applications are also encouraged actually, and are implemented within precisely determined parameters. Rules concerning horizontal assistances of EU emerged in a long term, and were enacted at the public articles and commission decisions. In the scope of horizontal assistance, assistance implemented are; R&D aid, employment aid, SEM aid, saving and reorganization aid, environment aid and education aid.

B. Sectoral Assistances: Some sectoral selected from applications in EU government aids are subjected to special rules. Motor vehicles, ship building, textile, synthetic fiber and thread, energy, agriculture and fishing, transportation, coal and steel industries enter into this scope. Those sectors are branches of industry which needs to be supported or reorganized in consequence of crises and started losing its competition chance of EU against its biggest rivals as USA and Japan. EU, within the framework of determined criterions oriented to gaining global competition power of industries, supports those sectors on the condition to not ruin competition in the common market.

C. Regional Assistances: The articles 87/3(a&b) of the agreement, in order to contribute to the development of regions which are less developed and face with structural difficulties, enable to help from both member states and funds of EU. Within this framework, in conjunction with eliminating the development differences in between regions, in order to support underdeveloped countries including rural regions too , it is foreseen that EU policies to be constituted are supported with the structural funds, European investment bank and available other fiscal instruments. The countries signing

Rome Agreement, commit to develop harmoniously economy of various regions and differences existing in between them, in addition to this, the agreement do not foresee obviously a regional policy for EU. Within this framework, in using of structural funds, it is foreseen to support primarily activities which are to encourage employment, modernization of vocational training system, to support economic and social transformation of regions living structural problems, and to reconstruct the development level low regions.

“De Minimis “ Law

At the article 87/1 of Rome Agreement, all kinds of government aids which endamage or threaten to endamage the competition are prohibited to the extent to be affected the trade among member countries. But, it is impossible to affect negatively the competition and trade among all of member countries. Within this framework, the commission has revealed the law known as “de minimis” in 1992 in order to take the administrative burden off both their own and member countries, and issued a declaration. Aids which are thought that the trade will be influenced negatively among member countries have been determined, and they have excluded from the scope of the article 87/1. With De Minimis Law (Rumford, 1997: 10 to (İlhan, 2010)). Actually, this law determines the limit value which will be said that the article 87/1 is no valid for less. Accordingly, because of being accepted that aids, which are done upto this limit determined, do not have a considerable effect upon the competition and trade among member countries, it is not needed that aids done within this framework are notified to the commission. The “De Minimis” Law is not applied to the aids to oriented fisheries products, the coal and steel sectors, the transportation sector and marketing, processing, producing of agricultural products. This law is not made applied also to the aids which serve to prefer domestic goods to exported goods and the aids oriented to export within the framework of “ Subsidies and Compensatory Measures Agreement” of WTO. Moreover, the aids which are connected to quantity exported or are based on export performance are not be benefited from this law. But the aids which are done to participate to trade shows, the aids which are done with the aim of release the new goods to the market, and the aids which are done for consultancy services are not determined as export oriented government aids.

The main objective of EU is to provide with constituting a free market operating within fair competition environment. Therefore, especially, EU has banned all kinds of measure

oriented to export incentive as unfair competition factor. Turkey, who signed CUA with EU, had to harmonize its incentive system to principle and essentials of the union. Through CU was put into effect, customs duty practiced to industrial goods, equivalent effect taxes, quantity restrictions were abolished, and Turkey adopted common customs tariff (CCT) of EU. The decree, far beyond abolishing customs walls in between Turkey and EU in the basic meaning; includes a structural change which envisages that Turkey yields common trade and competition policy of the union with technical legislation, and a deep integration. On the purpose that Turkey reaches to economic integration aimed at with CU, it is foreseen that Turkey harmonizes its competition, intellectual and industrial property rights, government aids and legislations related to state monopolies with legislations of committee at the articles 31-43 of 1/95 No. association council decision (ACD) Provisions related to government aids take part in the 1/95 No.ACD. They are examined under three titles.

A. Incompatible Assistances with CU

The “compatibility with common market” concept with regards to Rome Agreement, converts to “compatibility with CU “concept in relationship between Turkey and EU. The concept of article 87/1 of EU agreement which included the provision that what does not comport with common market, transmitted to 34/1 article of ACD alike as provision that what does not comport with CU. The article 34/1 of 1/95 No. ACD, includes the provision “all kinds of aids, which are that the union member states or Turkey provide by using their state resources in some way or another, and hinder or are dangerous in hindering the competition on the condition of encouraging production of certain goods or protecting certain enterprises, cannot comply with the good working of CU to the degree that they affect trade between Turkey and CU.

B. Compatible Assistances with CU

Exceptions related to bans introduced to applications of the government aid take part in the 34/2 and 34/3 articles. Those articles matchup to the 87/2 and 87/3 articles of Rome Agreement. But, additional provisions which are private for Turkey take part in the articles in question. The assistances in the scope of those articles are as follows.

1. Social qualified assistances which are provided to individual consumers on the condition to not discriminate in terms of the origin of goods,

2. Assistances which pursue the elimination goal of damage that natural disasters or exceptional circumstances cause,
3. Assistances providing to the economy of certain regions affected from division of federal republic of Germany to the degree that is needed, in order to eliminate the economic damage that the division created,
4. On the condition to not affect negatively trade conditions between Turkey and committee to the degree to contrast with common interests, within one year as from when this decree put into effect, they are assistance which are given in order to support economic development of the relative underdeveloped regions of Turkey.

C. Compatibility Assistances with CU

The article 34/3 of 1/95 No. ACD arranges “exceptions within discretionary power”. Exceptions at the article 87/3 of Rome Agreement have not been specified obviously to be implemented within discretionary power of commission. It is understood from provisions of the article 34 and following articles that the association council has discretionary power. But, when looked at some provisions of the articles 35, 37 and 39, it is seen to be limited the discretionary power of association council. The assistances compatibility with CU in the scope of the article 34/3 are as follows.

1. Assistances which are given with the aim of supporting the economic development in the regions where the standard of life is low, or unemployment reaches to serious dimensions, in conformity with the article 43/2 of additional protocol,
2. Assistances oriented to eliminating serious problems appearing in the economy of either Turkey or one of EU member states and supporting to realize an important project serving common interests of Europe,
3. For 5 years as from when the decree put into effect, in conformity with the article 43/2 of additional protocol, assistances oriented to providing the structural adjustment which establishing of CU necessitates,
4. On the condition to not affect negatively trade conditions between Turkey and committee to the degree to contrast with common interests, assistances oriented to making the certain economic activities or economic development of certain regions easier,
5. On the condition to not affect negatively trade conditions between Turkey and committee to the degree to contrast with common interests, assistances oriented to protecting cultural heritage and values,

6. The other assistance categories that association council will detect. In case an incompatible assistance with CU is practiced, a solution will be looked for within the framework of rules determined by association council. In case a way is not found out within available rules, and a tangible damage oriented to domestic industry or finding of the damage threat, after sides hold a consultation in the Customs Union Association Committee, they will take the barrier which will damage least to CU.

4.5 Export Incentives Implemented in Countries Else

The article 112. Of Rome Agreement foresees gradually adjustment of export incentives measures of member states oriented to third countries. (DTM-ABGM, 2002: 100). The harmonization efforts are only on exchanging information with one another and consulting level. Export incentives in EU, are provided significantly in credit and guarantee manner considering of provisions of the union in care of OECD and WTO. Incentives tools practiced except those, are to be marketing and foreign introduction used commonly like tax exception. Export incentives, which are used in the EU member states, are different from countries to countries, and are given by being subjected to different conditions.

A. Export Incentives Implemented in France: Long-term cheap and fixed-rate finance is supplied to French exporters for goods made in France, besides, French sellers are supported with medium and long term credit. Export credits in France are regulated by commercial banks and close association between Foreign Trade Bank of France (FTBF) (BFCE) and Foreign Trade Insurance Company (FTIC) (COFACE). BFCE was authorized at the two-year exceeding term credits, and export credits given are also guaranteed by COFACE. The credit terms are usually the medium and short terms. The medium term credits are 2-7 years, long term credits are over 7 years. Interest rate are regulated in direction of OECD compromission. Besides there, there are buyer's credit oriented to countries developed by French Government. Besides, banks are able to give all kinds of export credits without using guarantee of COFACE on the condition that commercial risk belongs to their own. But, tax concession mechanism of interest rate cannot be used. At the medium term credits given as French Francs, currency fluctuations are guaranteed by BFCE on behalf of treasury, and BFCE counterposes the difference between interest rate within framework of arrangement of OECD, and "reference interest rates". "Reference interest rates" mentioned in here, also involves bank commission.

Finance cost in these kinds of incentive changes at the medium and long term credits according to the subsidized rate. At the certain credit programs, other commission practiced by banks and the operating expenditures are also met by BFCE. (ÍGEME, 1995: 67).

Encouraging export through insurance and guarantee is realized by COFACE which is an official institute affected with a public interest. The insurances and guarantees of COFACE;

- Short terms commercial risks are guaranteed for own account. Government transmits recourse to short term credit insurance of COFACE with the aim of support through treasury.

- Credits are insured for government's account, for generally medium term credits.

The functions of COFACE ;

- ✓ On the condition of being under %100, it enables insurance opportunities in order to guarantee risks both trade and political.

- ✓ Insurances of acceptance credits related to heavy investment goods are able to be on the proportion up to %85 of commercial risks, and to %90 of political risks.

- ✓ While the light investment goods are arranged as a global letter of exchange that risks of commercial and political are gathered, the rates remain unchanged.

- ✓ It has power to make for own account the guarantees that it gives on the consumption goods and raw material export.

- ✓ Besides, it is able to also give a guarantee to a private that a company obtains. This circumstance enables to get state guaranteed private credit for companies.

The other insurance and guarantee functions:

- ✓ Exchange rate guarantee

- ✓ Production input price insurance

- ✓ Letter of guarantee given by private banks is insured for foreign tenders.

In France, besides, VAT exception in export is implemented. Imported raw materials and intermediate goods used in the production of goods to be exported are exempt from customs, and also after those goods are imported, in the consequence of notification that they are used in the body of exported goods, tax refund is practiced.

B. Export Incentives Implemented in Germany: Export credit is provided by two bodies belonged to public and private sectors in Germany. AKA is the most important of

institutes which are established with participation over than 50 banks. There is no the participation of state. This institute gives mostly export credit support at the seller's credit. The credits in question that government does not interfere are given for a span of ten years. Besides, 1-4 year-term producer credit is generally opened by AKA to underdeveloped countries and eastern European countries. Those are able to contain only % 70 of export connection. Another characteristic of export credit of AKA is also to have to involve investment goods and services. KfW Bankengruppe, which is public institute providing financing of exports, generally finances buyer's credits. The term of credits given is not less than 7 years. But, the term reduces to 4 years for SEMs oriented to export. The loan rates that KfW gives are determined according to volume of business. While AKA has not power to open export credit, KfW is able to give Hermes rate guaranteed export credit over USD. The one of export incentives applications in Germany is also export credit and warrant. "Hermes", which is a private company, carries out operations on behalf of government. Hermes insures all exportation which are under 2 million DM. For the exportations over amount, the transaction is made with the permission given by federal ministry of finance. Private insurance companies except Hermes, have right to guarantee commercial risk for own account. The exportation entering to guarantee of Hermes has to be German originated by %100. There is insurance opportunity at the production stage before export. It is in question that exporter become partner to risk share in credit guarantees. (% 10 for political risk, % 15 for economic risk, % 25 for in case the importer company does not pay), Hermes gives the rate guarantee. Damages which are by % 3 belong to exporter, rates over %3 belong to Hermes. Differences on favour are taken by Hermes. Besides, VAT exception is practiced in Germany.

c. Export Incentives Implemented in Italy: Mediocredito Centrale (MC) encourages the export through lending by government in Italy. MC usually enables the subsidized export credit for medium term (terms over 18 months). Under 18 months credits are traded on the market conditions. MC organizes also serious incentives at the foreign exchange transactions. In the circumstance that credits are opened in foreign currency by private banks; MC takes the external national debt that the bank takes from international monetary markets, by way of borrowing from this bank with the interest depending on higher foreign exchange. Thus, all private banks have the opportunity of giving foreign exchange credit under market conditions. The short term export credit can be obtained

easily through commercial banks in Italy. In Italy, interest subsidy is able to be practiced just too foreign currency loan. The medium and long term credits supported officially are financed generally by foreign currency. MC gives interest subsidy in order to finance foreign currency transactions. In the circumstance that exporters complete the convention with buyer who takes its fund from third country, MC is able to provide directly interest subsidy to buyer or foreign finance body. MC subsidies difference between the minimum rate which is implemented on OECD Agreement with export credit and the reference rate which is implemented to medium and long term foreign currency credits. The privileged rate of credit supported officially does not fall under fixed rates in OECD Agreement. Incentives given with ensuring and guaranteeing mechanisms in Italy are carried out by Financial and Insurance Products and Service (FIPS) Servizi Assicurativi Del Commercio Estero (SACE) which is specialist branch of Insurance of National Association (INA). All financial needs of SACE are met by government. Except SACE, private insurance firms is able to also make the same kinds of operations. SACE guarantees commercial risk in proportion of % 45, political risk in proportion of % 95 within the framework of an agreement that SACE made with Singapore International Arbitration Centre (SIAC) which is capital of private sector. In state guaranteed lending, goods and services are allowed to foreign contribution in proportion of %30 for EU member countries, in proportion of % 15 for other countries. SACE guarantees to in proportion of 90 at the seller's credits, % 100 at the buyer's credits for political risks. Since 1979, interest guarantees have been also taken to the scope of SACE. Investments made in foreign countries are insured at the rate of %70 against risks such as nationalisation, socialisation, confiscation, natural disaster, and also profit transfers are insured at the rate of % 7 for every fiscal year. SACE insures activities of Italian exporters and producers, such as exhibition arranged in countries except EU, market survey, advertisement, public relations, commercial office, distribution networks and services.

D. Export Incentives Implemented in England: There is not an official institution which provides the export credit finance. Export credit Guarantee Department (ECGD) which is export credit insurance and guarantee body as an official institution does not directly give the credit. All banks in England is suitable to give the credit (İGEME, 1995: 70). Pre-shipment credit has been limited with buyer's credits oriented to finance the payments determined on the sales agreement. ECGD guaranteed credits are able to be

used at the fixed rate in order to finance those payments. Post-shipment finance is implemented a fixed interest rate determined by ECGD. (The interest rate in question is determined in conformity with either the minimum interest rate determined at the specialization of OECD or the commercial interest reference rate (CIRR).) Those credits benefiting from interest support are in the scope of insurance and guarantee of ECGD. Besides, banks take a certain commission over commitment fee and maximum value of credit for the idle part of credit. Those commissions are determined by banks depending on the value of credit. Meanwhile, ECGD supports fixed rate finance in foreign currency for both seller's credit and buyer's credits. Those credit in foreign currency contain pretty wide currency. The Aid and Trade Provision (ATP), which is established in 1971, is a space allocation within mutual assistance programme of England. Those funds are given traditionally with export credits as unrequited assistances. Assistances under ATP are normally oriented to support the projects of developing countries. ECGD insures the exportation from England against various political and commercial risks. Additionally, ECGD submits guarantee to banks which provide short and medium term finance to both British exporters and foreign buyers from British goods. These are insurance and guarantee programmes of ECGD;

✓ Short term comprehensive bill and all kinds of export transactions which are sold with 180 days terms are insured. Those bills involve normally %90 of commercial risks, % 95 of political risks under ECGD. The short term bills are not guaranteed separately political and commercial risks. Exporters are able to take in the scope of insurance both risks in pre-shipment or post-shipment too. Generally, all export transactions of exporter are guaranteed.

✓ Specific insurance is suitable for projects or capital goods based on single convention which does not have sustainability. It meets % 90 of all risk. ECGD is able to guarantee just political risks, seller's credit guarantee, and specific insurance.

✓ Other insurance programmes that ECGD submits; bond risk insurance, investment insurance, and the pre-shipment insurance programmes which contain the risk of exporter in the pre -shipment period which passes from date of agreement to date of shipment.

✓ Guarantee programmes that ECGD submits to banks; the seller's credits are able to be supplied easily by exporters banks with % 100 guarantee that ECGD provides. Those guarantees only is suitable for 2 year credit transactions.

✓ Buyer's credits; ECGD gives guarantee concerning repayment to banks lending to buyers in overseas in order to purchase British capital goods whose agreement value is over 1 million sterling.

E. Export Incentives Implemented practiced in Belgium: The financing of export is provided within banking system without being any official support in Belgium. Additional to insurance programmes, Belgian Export Credit Agency (Office National du Ducroire (OND)) has directly power to contribute financing of export credit. OND is able to accept mutually foreign commercial documents, or sell, or lend directly to foreign buyers. It underuses its authority to get finance the short and medium term at the operations of export. Two years exceeding terms export credits are refinanced by Credit export. Credit export examines the applications of credit, and is able to process on behalf of the public and private credit agencies. The short term export credits is able to be given with market interest rate by commercial banks. But, for these kinds of credits, the bank of exporter wants Belgium National Bank to approve them. If the term of bonds is not over 12 days, "Institute for Rediscounting and Guarantees, Institute de Reescomte ET de Garantie (IRG)" purchases the mentioned bonds on the certain proportion. Max discount rates of IRG are % 9, 15 on the export within EU, % 8,15 on the export quota EU. The medium and long term credits are given by Credit export. Those credits whose term is over two years, are suitable for capital goods and services, Credits are given mostly for three and five year's periods. But, the term of post shipment credits is able to be risen to 12 years for big projects. Financial need in manufacturing period is able to be met with the short term bank credits. Those credits can be refinanced by IRG. Credit export is able to get finance with the same conditions for deferred payments and production period. Besides, insurance and guarantees contain risks emerging normally after the delivery, and risks emerging during manufacturing. OND meets also certain political risks. Maximum rate guaranteed by OND are % 90 for commercial risk, %95 for political risks. Terms of credits guaranteed and insured are determined on maximum levels according to quality of goods such as consumption goods, heavy capital goods. Guarantees for banks; as pursuant to the agreement with OND, is able to be with institute

which finances operations of insurance policies processing. Such an agreement valid as from the date of delivery in the situation of buyer's credits, and OND is able to make the demands to be made against exporter easier. In case of an agreement called privately, OND is able to apply for exporter principally. In case of personality financial loans, the bank is guaranteed by OND for dead risks. Exporter is guaranteed at when the agreement is infringed. Other insurance programs;

- ✓ Exchange Risk Insurance

- ✓ Bond Insurance; OND submits an insurance in the circumstances such as offers, completion of work, repayment in the accounts, indemnification demanded as unfairly, an amount needed to pay due to political reasons.

- ✓ OND submits an insurance concerning participation to exhibition too.

VAT exception in export is implemented in Belgium.

F. Export Incentives Implemented in Spain: Spain Foreign Bank assumes foreign trade transactions in Spain. The bank finances credits, except its equity capital, with resources obtained from monetary markets and profits that it makes from current account. But, there is a very serious resource of the bank. That is "Official Credit Agency" being one body of Spain Central Bank. This agency transmits to Foreign Bank the credits that it obtains from international monetary markets through external borrowing. Therefore, it can be thought that there is a stronger government subsidy in the export credits. In case repayment is not made, the damages are paid by Exportation Credit and Security Company of Spain, Compañía Española de Seguros de Crédito a la Exportación (CESCE/ ECSCS) in foreign currency that the credit was opened. The government of Spain is able to provide public assistance funds to other governments. Those assistance credits, which are called as FAD Assistance Funds to Development Fondo de Ayuda al Desarrollo, have objectives to be created continually the opportunity of exportation, and to be got official support finance of projects used technology made in Spain. The interest subsidy in Spain; is in the manner of the subsidy of the difference between the medium /long term buyer's and seller' credits given by banks and the funds on markets and the profit margin added to this. That interest rate is a fixed proportion in conformity with rules of OECD. Guarantee and insurance operations are carried out by CESCE. While the political risks are met by government, CESCE guarantees the commercial risks for own's account. %90 of goods and services that CESCE guarantees have to be Spain origin. Commercial risks

are guaranteed by % 85. There is guaranteeing opportunity by %90 in political risks. Guarantee funds are also guaranteed. There are three various guarantee opportunities that CESCE gives to the export credit financings;

1. Pre-financing that banks provide, and guarantee against payment of the export credits
2. Guarantee in case a credit which is committed by bank is not paid to buyer in the buyer's credits,
3. Guarantee concerning the circumstances that when the irrevocable letter of credit is not opened, and foreign bank do not comply with payment order, but the letter of credit is confirmed by a Spanish Bank.

VAT exception in export is implemented in Spain.

G. Export Incentives Implemented in Greece: Private Banks assume the function to give export credit in Greece. A public institute called as monetary commission determines general lines of credits to be given by private banks in the subjects such as interest rate and terms. Exporters and banks have to be returned all of export proceeds to Greece within latest 6 months as from the date when the credit is opened, and close their commitments. Commercial banks cannot allocate buyer's credits in Greece. Export Credit Insurance Financing (ECIF) is a specialized agency which arranges the guarantees and insurances of export in Greece. ECIF does not have equity capital, and all of its obligations are guaranteed by government. It has the volume of reinsurance business and insurance which are 250 million dollar in year. ECIF imposes obligation to be Greece origin of the real value in least %25 of the export in the scope of insurance. ECIF does not pursue the profit goal. Guarantees that the agency gives contain also politic and natural disasters. But, this opportunity is recognized to private companies in some circumstances for commercial risks. ECIF can guarantee % 100 of export credits. Besides, the agency also gives the exchange rate guarantees. While meeting % 80 of damages emerging the result of political risks, it is seen to meet % 50 in the commercial risks if Greek exporter is wrong.

H. Export Incentives Implemented in Denmark: There are not applications such as tax refunds, export bounty, tax exception, for export incentives in Denmark. Instead of those, credits are benefited from for export incentives. Export incentives take usually important place in encouraging the exportation of industrial goods. But application of export credit insurance, the investments which are new employment creator in the regions

where the unemployment is intensive, and oriented to export, and the alternative energy facilities, and the wind, sun and geothermal energy investment and business are made attractive with export credits. Furthermore, about to being preferential of VAT, there are studies related to recognize Taxes, Duties and Charges Exemption to exporter companies, and to be accepted as expenditure in determining the tax assessment of corporate taxpayers and the revenue of research expenses. The promotion of export in Denmark, is in the manner of fiscal support directly given by Denmark Export Financing Agency, and export guarantees given by government through Denmark International Development Agency.

i. **Export Incentives Implemented in Some Developed Countries:** Export incentive programs in many countries contain; market information, state trade missions, export subsidies, tax incentives and financing of export. The financing of export is attached a different importance in USA. USA practices various export programs in order to encourage export, and sell goods to overseas. Those incentive programs are in the manner of foreign markets to exporter, information assistance about technical of marketing, the machine and equipment sales of exporters in the foreign exhibitions, and introduction assistances. Export oriented government aids in USA, are carried out on two levels as federal and local. Aids on federal level are provide by ministry of trade, Exim bank, small business administration, ministry of agricultural, overseas private investment company, trade and development agency and ministry of foreign affairs. The incentives provided as local are provided by bodies connected to states. Alongside federal bodies in question, export council and industry consulting program of president has an important place in the decisions to make related to export. The one of incentives practices oftenest for export transactions in USA is tax incentives. The firms select generally most advantage type of organization in order to benefit from those incentives (Shapiro, 1996:656) to (İşlekler, 2010). While examining export and incentive strategies in Japan, the functions of Sogo Shosha have an important place in coming of Japan to these days. Sogo Shosha (inclusionary merchant); is that SEMS, which are under the auspices or roof of big companies, are taken inside of national export system as total within the subcontractor network system (Dolu & Şen, 2004).Export incentive policy in Japan consists of preferential financing of export, private tax barriers, and incentive bodies. All of these transactions determining incentives practices as credit, guarantee and finance are carried

out by public institutes. Exim bank and Ministry of foreign trade and industry assume all transactions belonging to public. Freedom of movement of private trade banks are restricted. Almost all of credit transactions are under of government guarantee.

4.6 Export Incentives Policies Implemented in Turkey

4.6.1 Historical Development of Export Incentives Implemented In Turkey

After the republic was established, 1st İzmir Economic Congress was met by considering protection and encouragement of industry important primarily. Along with the industry that government established by itself, it was aimed to be directed industry that it encouraged. The 1927 dated and 1039 No. Transaction Tax Law were regulated at the different dates, but was became the 3843 No. law in 1940. Tax exception was enacted on delivery of the manufacture, the trade, or the export of goods which were under government monopoly. A tax exception related to export first time in Turkey, was practiced with the law in effect till 1956. It entered to "Planned Development Period" in 1963, and import-substitution policy implemented as trade strategy was used as the main tool in realizing of industrialization. In that period, export policy was determined in the manner of giving priority to investments oriented to product exportation and diversification of agricultural product oriented exported goods. The increasing of exports on all of 5 years development plans which begun in 1963 was emphasized, and for this purpose, the closest each barriers were taken part in the plans in question. The important factors oriented to the purpose to develop the export in these plans are as follows.

- The exported goods would be provided their conformity to international standards. Quality control would be developed.
- Marketing survey related to foreign markets and introduction activities would be supported.
- All of indirect taxes which were collected from exported goods would be refunded.
- Opening exporters or exporter union's representations in foreign countries, and participation to exhibitions would be encouraged. The active introduction of potential exported goods to foreign country would be provided. For this purpose, by encouraging the participation to trade shows and exhibitions, corporatizations oriented to marketing in overseas would be encouraged.
- The establishment of exporter unions would be encouraged.
- The exportation of processed agricultural products would be encouraged.

- Export credit system would become more active.
- Export insurance system would be developed.
- Development of Export Survey Central would be rearranged on the purpose to provide with reaching to information that exporter needs,
- All of public bodies would make arrangements in the conformity to export aims to be shown,
- Substitution policies and import regime, export oriented industry would be organized to develop,
- All goods except prohibited goods would be free,
- Supervision would not be made during export except quantity, price and quality supervision,
- Bureaucratic procedures related to export would be made easier, and centralized.
- Exchange allocations would be associated with export commitment values,
- Tax refunds system in export would be directed to especially industrial goods when competition conditions challenged in foreign markets,

At the 1st 5 years development plan (1963–1967), the most important incentive barrier implemented in export was tax refund. The main objective was to gain competition power, and to provide the structural alteration in export by increasing exportation of industrial goods. Tax refund regime, which was in the manner of repaying various taxes, duties and changes to exporter at that moment when the exportation realized, was put into effect with 1963 dated and 261No. Law, and was carried out by tax refund commission of ministry of trade.

At the 2nd 5 years development plan (1968–1972), the export credit, making of tax refund simpler in export, exchange allocation for raw and auxiliary materials exported, and low interest credit like barriers took part in. At that period, 933 No. law concerning principles of the development plans applications was enacted, and incentives were arranged based on this law. The opportunity to apply of exchange allocation to exporter on project basis was born first time in that period.

At the 3rd 5 years development period, it was seen to pursue a policy which would enable to be aided to foreign market development in the tax refund in export in order to develop in favor of industrial goods of the export structure and increase rapidly the export.

The important objectives of fourth plan were; to reduce through industrialization the foreign dependency of Turkey within the versatile international economic association, and to be directed through especially the exchange allocations as a compatible whole of foreign trade policies. The one of incentives implemented was, in case the basis raw materials and inputs used at the industry were not produced, that the importation was realized without restricting by providing customs convenience, with the aim of development of the export structure in favor of industry. Customs duties and the other taxes and charges collected in import were exempt, on the condition that necessary inputs for the exportation that exporters committed connecting to security within the framework of export incentive document. This incentive, nowadays, is implemented under the name of inward processing regime. Yet, in that period, in the accordance with the article of 1956 dated and 6002 No. law which envisaged the tax exemption related to the exportation of goods that companies produced, the prior production tax was excised. In conjunction that VAT put into effect on 1.1.1985, prior production tax exemption was abolished, but the practice of tax refund has continued. Tax refund in export within the framework of GATT, was practiced according to the principle of leaving indirect taxes which entered into the body of exported goods at the first and mediate stages of production, in the country where the production was made. When considered at the whole countries, the competition equality was provided in the international market.

At the 5th 5 years development plan (1978-1982), increasing power of international payment of Turkey and simplification of reaching to this power were among primary objectives.

In 1960's and 1970's, as so many developed countries in the world, the base economic development strategy of Turkey was based on import substitution policies. Big public investments, which aimed at increasing the volume of domestic production on heavy industrial and capital goods, made their mark in that period. Foreign trade was being protected rigidly with both quantity restrictions and a fixed exchange rate regime which caused it to be extremely valuable according to purchasing power parity of TL. After 1977, by reason of that the importation fell through at the needed time and proportion, the important problems emerged at the labor market and in the direction of supply. When considered from this point of supply, the expansionary financial policy was protected. Imbalances between total demand and supply affected negatively the inflation which had

already increased. Deficiency of measures which was taken in order to overcome the crisis, and second petroleum crisis in 1971 increased further the sizes of available crisis. The period of liberalization was begun on trade in Turkey with the aim of being remedy to the 1977-1979 balance of payment crisis which was not resolved in the environment of sluggish investment and low domestic savings.

24 January 1980 decisions had been announced on the purpose to keep inflation under control, close the deficit of foreign financial, reach to more outward oriented and market oriented an economic system. Import substitution oriented industrialization strategy was given up with 24 January decisions, instead of this, outward oriented industrialization strategy which attached priority to resources of domestic raw material was adopted, and so being the subject of export to incentive barriers came to the fore. Within the framework of those decisions, the export subsidies were provided with the aim to be able to increase competition power of Turkey in export in order to encourage export oriented growth, and it allowed real valuable of TL to lose. The underlying reasons to mutation of this strategy were, high customs walls that the import substitution industrialization policy created, that the rational distribution of resources was not realized as a result of protection, and also it was desired that an industry which both was oriented to domestic market and did not have competition chance in the world market had a production system oriented to competitive foreign market.

Export, which is an extremely important part of international expansion efforts of economy of Turkey; has been supported up till today with various incentives barriers considering circumstances such as to realize investment, benefit from installed capacity on the max level, increase the employment and resources of foreign exchange, increase the volume of export by abolishing the price imbalance between Turkey and other countries in the inputs of exported goods on the purpose to increase the competition chance of exported goods in the direction of price and quality in the foreign markets. After 1980, export incentive programs are able to be classified on the five groups as follows.

1. TL was allowed to lose in value against currency exchange rate. The government policy, which was developed with the aim of supporting exporter, caught a real fall trendy in the valuable of TL. That caused a currency exchange rate determined on purchasing

power parity till 1988. After 1988, Central Bank made the speed in losing value of TL to slowdown.

2. The payment was made directly to exporters. The original expenses of exporters were met from budget of government and non-budget funds. The other saying, the direct payments were made in the manner of cash payments from non-budget funds and tax refund. 1980-1984 years, a large part of direct payments constituted tax refund. It is assumed that the direct payments as subsidy constituted % 17 of total manufacturing industrial exportation made in 1984. However, the pressure on the government budget caused the priority given to turn to a more effective foreign exchange rate than export incentives. Additionally, GATT signed in 1985 caused tax refund to abolish gradually, so, after 1984, the payments made from non-budget gained importance too much. Moreover, speeding up of liberalization period in export also became another factor encouraged the export. Finally, export oriented direct subsidies were phased out, and reduced to the %4.4 level, and then completely abolished.

3. Preferential and subsidized export credits were given. Export Promotion Fund, Central Bank, Development Bank of Turkey and Turk Exim bank gave export credits. The rediscount rate implemented to exporters was held under the commercial interest rates. At the beginning of 1980's, while resource of Central Bank of the Turkish Republic (CBTR) was used actively in order to support the export, CBT credits regressed to more lower level after 1984. As parallel of this development, the share in export credits of commercial bank credits increased, and commercial banks became the most important creditors of export credit market.

4. Tax exemption was brought to the imported inputs. The goods, which was imported in order to be used in the production of exported goods, was exempt from import duties. Thus, while tax exemptions increased gradually, the export sector also continued growing up.

5. Corporate tax cut was brought. The ratio of total export subsidies to total manufacturing industry export showed an increase in 1980-1984, was diminished gradually in the conjunction that the export sector became self-sufficiency. Besides, subsidies showed differentials according to sector. While the highest tax refund rates were valid for especially investment goods required qualified labor, those rates cruised under average for labor and raw material intensive manufacturing industry consumption goods.

But, the consumption goods took the highest share at the direct payment, because, labor and raw material intensive goods, which involve the goods of textile and food sectors, constituted the largest part of total manufacturing industry export.

After 1980, by developing, the role of implementing by developing an incentive system based on tax refund, tax exemption, foreign exchange usage, export credit or other monetary and fiscal supports had been in the development provided in the field of export. After then, by updating this system continually, it was tried to subsidize increasingly to certain sub-sectors in the manufacturing industry, to use foreign trade companies as an active tool in the international expansion, and diversify export markets. At that same period, the most popular trade tool was “tax refund”. The initial abrogator as tool which was popular and exploited too much had been the incentive scheme. This measure based on to be refunded the indirect or direct taxes collected at the production stage of exported goods, had lapsed into a return understanding over rates needed to be paid for some goods in the post-1980 period.

It is crucial to state that, causing the incentive measures in export to increase on total export revenues, has been seen as a positive development in the post-1980 period. In addition to this, due to reasons such as being in a large number and kind of incentives, disarrangement of incentive legislations, and not being understanding and clear of legal norms, not processing supervision mechanism, the incentive applications had deviated their aims in time, were subjected to various abuses. The chain of scandals called fictitious export was an obvious indicator of what extent incentive measures in export deviated from their aims. According to a study that IMF had done, it computed that % 26 of exportation that Turkey had made to only OECD countries between 1984 and 1987 years was fictitious export.

After 1995, as required by membership of Turkey, the assistance applications, which were in implementing depending on domestic goods utilization and export performance, were abolished, a set of new arrangements in the government aids system was created in consequence of other alterations that Turkey made on its legislation due to CU, and application of some kinds of aids was ended. Besides, 94/6401 No. Council of ministers decision in relation to “Export Oriented Government Aids”, which was accepted in that period and granted authorization to undersecretariat of foreign trade with the aim of implementation of financial assistances, was put into effect, and Money Credit

Coordination Communiques based on this decree had consisted the basis of financial assistances. In that period, the foreign exchange rate determined by free market, incentives provided through the foreign exchange rate and currency system were abolished widely because of prohibition of foreign exchange rate discrimination with WTO agreement. Assistance applications, which both had the characteristics of grants under title of direct supports, and were to be evaluated under the title horizontal assistances in terms of EU government aids applications were concentrated on. Those aids programs were to consist of abolishing economic and social disadvantages arising from differences interregional, strengthening the employment by enabling the new education, implementing specially the studies of R&D at the sector using new product, the production system and technology, organizing SEMs operating in activities in the same production branch, re-constructing the industry in order to prevent the environment problems, supporting the agricultural products within the framework of GATT commitment of Turkey, introducing the products in the international markets and assistances relate to marketing them.

In other saying, at the 8th 5 years Development Plan covering 2001-2005 years and 7th 5 years Development Plan covering 1996-2000 years, it was expressed, that the utilization of the aids which were not contrary to international obligations, and were R&D, the environment protection and the aimed regional development would be provided actively in order to be able to achieve continuity to the export increase, besides that the activities oriented to introduction, and the incentive of utilization of Turkish brand in the international market would be attached the importance(2002-2023 Foreign Trade Strategy, 2002:1).

From 2005 to today, two pieces of development plan were prepared being about 9th and 10th Development Plan. The 9th Development Plan was prepared by targeting a country vision which would be able to continue growing stably, in order to able to compete in the global market, distribute its revenue fairly and provide the necessary condition for the harmonization with EU. As was specified on the official journal, alongside the industrial, the service export would be encouraged, and the agreements would be made in order to protect the investment to be made as two sides, the credit guarantee would be given. In the 9th Development Plan covering 2007-2013 years, it was aimed to be reached to the consistent export increase by passing to the production structural with high added value

on the condition to provide the competition advantage in economy. Besides, in between 2007-2009 years approximate 325 million USD export was targeted regardless of the sector difference in export. It was expressed that the demand would increase toward the export supports and branded products along with the competition advantage to be provided in export. In conjunction with the liberalization of global trade, it was aimed especially the massive changes which would increase production and export in the industrial sector. The responsibility of Turkey, which are member of WTO and EU, had been considered in having those changes structured, the undersecretariat of foreign trade and treasury had been assigned in order to make this study.

In the direction of 2023 targets, 10th Development Plan, which has covered 2014-2018 years, was prepared with a point of long term view. There has been four developments in the targets under the scope of this plan. 1) The qualified human, and a powerful society 2) Renewal oriented production, and sustainability growth 3) Environment to be lived suitable 4) The associateship on the global level on the development way.

As is understood from these four articles, it has been foreseeing that 10th Development Plan is the important turning point in the direction of Turkey's 2023 targets. At this scope, it has been aiming at both increasing the share of exportation and the requirement of change of production by focusing on high technology. The innovative sense, the active production, the interregional consolidation, the technological progress and foreign market orientation must be determined in order to realize this change.

In relation to that, the industrialization and efficiency in the production will increase, the export oriented an economic structure will be passed instead of the import oriented an economic structure, the available supports will be improved in order that the exporters may enter to new markets. It will be passed to the new incentive system application which involves the sectoral developments and the large amount of investments in order to fall the import dependency to minimum level. It is needed to revive the private sector oriented investments in order that the production capacity can reach to adequate level by increasing the economic growth. It has been being detected that the growth strategy focused on export must be followed in the direction of Turkey's 2023 targets.

14 new system, which are based on supporting of activities that companies perform at the production and marketing stage, and are connected to export performance, had been constituted by abolishing cash incentives within the framework of Export oriented

Government Aids Decree revised in conformity of WTO and EU norms. Besides, directing to export of SEM plays the important role in reaching to sustainable export increase. Within this framework, it has very important that SEMs and the similar other companies are organized as oriented to export by bringing together, and develop the conditions of utilization from export support mechanism (DTM, 2004:21, Strategy Plan to Export 2004-2006).

R&D assistance, supporting of international and domestic exhibitions, supporting of the participation to the trade shows and exhibition organized in the foreign countries on the national and individual level, supporting of environment costs, the support of marketing survey, educational assistance, employment assistance, supporting of activities oriented to opening office-store in the overseas, operating and mark introduction, the export restitution in the agricultural products, branding of goods made in Turkey in the overseas, supporting of activities oriented to introduction, publicity of Turk goods image, the patent, the utility model document and industrial design registration assistance, have been regulated with communiques.

As well as not altering essential in the scope of financing of export, export insurance and credits were adjusted to needs of today's. Generally, tax exemption was made changes. The export incentives implemented in Turkey; export oriented government aids, inwarding processing regime, credit and insurance programs implemented by Exim bank, and VAT exception are the primary ones.

4.6.2 Government Grants

The objectives of export oriented government aids are to encourage the exportation, develop the export markets, and rise the share in the world export. They have the importance in terms of increasing the competition power of companies getting into the international markets (Ersüngür & Yalman, 2009) from Terzi ve Erol: 2005). The government support programs in Turkey have been developed as principle in the scope of 27.12.1994 dated and 94/6401No. Export Oriented Government Aids, and have been realized with the conditions of "Do an activity", and in the parallel manner of applications of western countries. (<http://www.ticaret.gov.tr>).

Government aids have not only the characteristic of steering the economy but also the disruptive effect of world trade in the scope of competition power. When considered from this point of view, this disruptive effect was tried to bring under control by WTO, EU,

and other all organizations. In return, even if there are differences among countries in terms of application too, the government aids are practiced by all countries in general aim terms because of gaining of competition power and targeting of taking the share more from world markets.

Actually, the main objectives of export oriented government aids are, in particular to firms like SEM, to help the exporters with eliminating the problems met in the international markets by supporting export oriented their activities both at the production and at the marketing stage, and to provide them with opportunity to gain the competition power. 13 pieces of support programs in the scope of export oriented government aids have been being implemented in Turkey. Export oriented government aids are planned by ministry, and are realized legislative arrangements.

Export Oriented Government Aids in terms of Aims

1. Supports aimed at increasing the competition capacities in the international market on the condition of strengthening both production infrastructure and product qualification of companies.

- R&D Grants
- Supporting the Cost of Environment
- Traineeship
- Brand and Patent Assistance

2. Supports aimed at steering companies to export activity and providing for recognizing international markets,

- Trade Show
- Support to Marketing Survey

3. Supports aimed at supporting of direct marketing, deepening at the market and branding activities,

- Opening Office / Store in Overseas
- Brand

Export Oriented Government Aids in terms of Target Groups

1. SEMs oriented Supports

- R&D Grants
- Supporting the Cost of Environment
- Traineeship

- Trade Show
 - Brand and Patent Assistance
 - Opening Office / Store in Overseas
 - Marketing Survey
2. Sectoral Foreign Trade Companies Oriented Support
- Employment Aid
 - Traineeship
 - Opening Office / Store in Overseas
 - The Support to Marketing Survey
 - Brand
 - Trade Show
3. All of Companies Oriented Supports
- Trade Show
 - Brand
 - Opening Office / Store in Overseas

4.6.2.1 R & D Grants

Along with the globalization, the technological developments spread rapidly among countries, and only countries which realize the technological development are able to come to the fore in the world markets. When considered from this point of view, the importance of scientific and technological activities appears in order to be able to provide the economic growth and development, and it is seen that steering to those activities becomes obligatory. It is needed to provide the production based on information, processes of production, to manage with technological development, and to adopt the target of having a say in the world market thanks to the value added new products.

In the scope of this support, without considering to the sector and size of firms, a certain proportion of expenses, which are watched and determined, of both all firms creating added value and the firms oriented to software development is met in the scope of only R&D projects, or, the capital support is provided to those projects at the ratio of % 50. (R&D Grants concerning Communiqué No 98/10, the article 1.). In the direction of regulations in the scope of R&D grants, R&D projects are to express; producing a new product, raising the quality or standards of product, implementing new techniques which have a characteristic of cost-cutting and standard-rising, developing a new technology

related to production, or, the study and technology adaptation which will be prepared in ways to determine every stages of R&D activities and is suitable for scientific rules on the subject that is the harmony of new technology to country conditions. At this support; the public authority is ministry, the designated authority to apply is Technology development foundation of Turkey (TDFT), ones which benefit from the support are, the industrial firms, the firms oriented to software development, and all firms which create added value without considering their sector and size. The agreement is signed between TDFT and projecting institution for the capital support provided to R&D projects in the scope of this support. The capital support is provided in two manners.

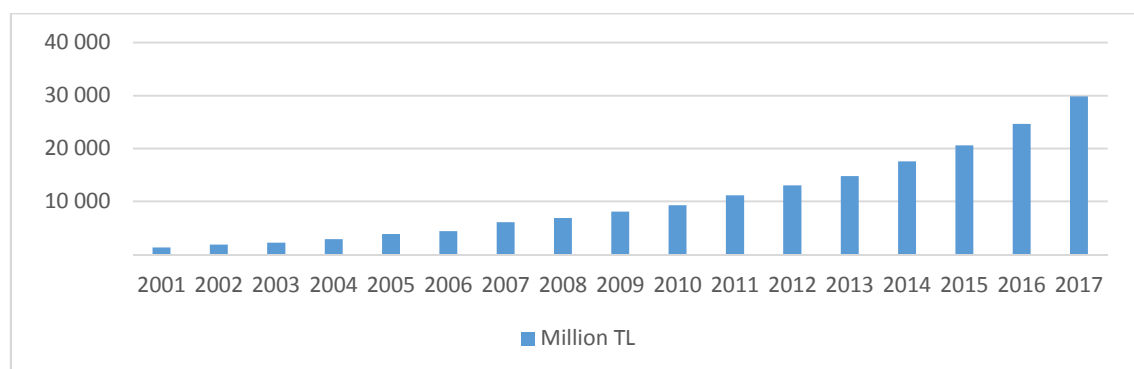
1. The Capital Support to the Product Development Projects: R&D projects oriented to constituting the new product which is commercial value, or, to raising the competition power of available products or to researching and developing the techniques, system and method of production with this aim, are provided the support which is the qualification of encouraging the industrial company carrying out the project by Support and Price Stabilization Fund (SPSF). Max support period is 2 years, max support amount is 1 million dollar.

2. The Capital Support to the Strategic Focal Subjects Projects: “Strategic Focal Subjects Projects”, by basing on available industrial structure, technologic and human accumulation, and the dynamic of international comparative advantage, are projects which detect that there is the benefit in carrying out technologic projects at which fields, or the measures needed to be taken in order that the R&D activities may become widespread in Turkey by developing. In case the commercial practice is carried out in the consequence of product development projects, the capital support amount which is provided to the project, is paid back to SPSF by third parties which begin the commercial practice or the agency which manages the project, over interest rates. In the capital support in this scope, all of project expenditures are to maximum 100.000 dollar, and met throughout 1 year. Alongside the above mentioned supports, other projects taken part in the scope; a. without time restriction of EUREKA projects, in the %50 proportion; up 100.000 dollar of expenditures which universities make in the this scope b. the R&D studies of companies that many industrial institutes establish with TDFT are supported in proportion of %60.

R&D activities stages to be benefited from this support are those;

- Concept Development
- Technological / Technique and Economic Feasibility Etude
- Studies such as laboratory works taken part in passing period from developing concept to design
- Design and Graph Works
- Prototype Production
- Establishing Pilot Plant
- Trial Production
- Patent and License Studies

Activities about the solution of problems arisen from product design at the post-sales Except the above mentioned, personnel expenditures on the condition of measurability; the equipment, tools or software used for research activities; if the consultancy service is taken, the expenditures related to this; payments made to institutions and organizations in domestic for R&D activities take part in the scope of R&D grants. Institutes, which operate in R&D activities within the body of them or out the body of them in Turkey, are supported up to in proportion of %50 as base rate of support and up to %60 together with additional support within the framework of principles specified in the scope of expenditures supporting commune related to the above mentioned activities. The support period is max 3 year on the basis of project. This period can be extended max 1 year. Supporting of R&D activities on the basis of project is in the responsibility of TUBITAK – Technology Monitoring and Evaluation Ministry.



Source: TUIK, 2017.

Figure 4.3. R&D Grants Quantities

As is seen Figure 4.3. , the alterations in quantities of R&D grants in Turkey, by showing the increase as of years, the expenditure of R&D which were 1,3 million TL in 2001, reached to approximately 30 million TL in 2017.

Thanks to 5749 No. Law about Supporting of Research and Development Activities put into effect on 1st April 2008, R&D discount that all institutes and all income taxpayers who earn commercial income benefit from has been risen from % 40 to % 100 without considering the field of activity, the size, and whether being full or limited tax payer. Besides, it is allowed to make discount subject of the half of increase than previous year of expenses of R&D and innovation which are made that year at R&D centers which employ 500 and over full-time equivalent R&D personnel's.

4.6.2.2 Support to the Development of International Competitiveness

The objective of this support is to meet from SPSF the expenditures on education and consultancy oriented to increasing the competition power in international market of companies which operate in industrial / commercial activities or software activities, and the project based expenses of the cooperation organizations which are deemed appropriate by ministry.(The Communique about Development Support of International Competitiveness, No:2010/5, Article: 2). At this support; the public authority is ministry of trade , the designated authority to apply is Turkish Export Promotion Center (TEPC), ones which benefit from the support are the industrial / commercial firms, software companies and the cooperation organizations. (Exporters' Associations, Chambers of Province Commerce and Industry, Organized Industrial Zones, Industrial Zones, Sectoral Producer Unions, Sectoral Foreign Trade Companies or Corporations / Union that the manufactures establish.)

Education Programs that Educators Organize: The aim is to support the educational costs oriented to increasing the competition power in the international markets of companies which operate in both industrial / commercial activities and software sector in Turkey. At this support; project based education, consultancy, foreign marketing, procurement committee and individual counselling programs and the employment costs are supported. The %70 of domestic education costs whose times does not exceed 60 hours on the basis of program is supported providing that the annual total education cost does not exceed 20.000 USD. Educations are provided by educator companies which

take the educator statute from TEPC. Those are education subjects in the scope of this support;

- ❖ EU and WTO Legislations,
- ❖ Dispute Resolution in Foreign Trade, and International Arbitration,
- ❖ Financing of Foreign Trade, and Foreign Trade Accounting,
- ❖ Pricing in Foreign Trade,
- ❖ Foreign Trade, Customs, and Foreign Exchange Legislations,
- ❖ Documents Used in Foreign Trade, and Payment Terms,
- ❖ Conventions in Foreign Trade, and Delivery Terms,
- ❖ Supply Chain Management, and Logistic,
- ❖ International Marketing and Electronic Trade,
- ❖ Innovation and Aggregation,
- ❖ Other subjects deemed appropriate by Undersecretariat of Foreign Trade / Economy Ministry.

Project Based Education / Counselling Programme: The aim is to support the project based expenses of cooperation organizations which are deemed appropriate by ministry. The subjects of project based education / counselling programs of the cooperation organizations are;

- ❖ The Analysis of Education / Counselling Need,
- ❖ Preparing and Watching Work Plan and Export Strategies,
- ❖ Determining Export Potential, and Ready to make an exportation,
- ❖ Process Improvement and Management,
- ❖ Consultancy of Information and Communication Technology,
- ❖ Drawing a Road Map in direction of international competitiveness of companies which take part in the same value chain, have relationship with each other, and are in geographic proximity.

% 75 of costs, of both the consultancy and education activities which are provided within the framework of education / counselling programmes organized on the mentioned subjects and of the activities oriented to programme organization are met to 400.000 USD on the basis of project. For each of specialist personnel who is employed at the projects is supported as much the gross wage amount that equal personnel of relevant cooperation organization takes during project process, and on the condition to not exceed 3 years at

the total. 3 years period starts as from the date when the specialist personnel starts to work.

Project Based Overseas marketing or Procurement Council Programme: Max %75 of the below mentioned expenditures, is met to 150.000 USD on the basis of each programme for 5 pieces of the overseas marketing programmes organized by cooperation organization (the common market surveys, market visits, agglomeration introduction activities, commercial councils, foreign exhibition visits, matching etc. activities) and also is met to 100.000 USD on the basis of each programme for 10 pieces of the procurement council programmes organized on the condition that buyer companies in foreign countries make a purchase from Turkey. a. Transportation: the costs of renting a car oriented to the mass transportation and the flight, train, ship, bus tickets used at the intercity /international transportation in the scope of overseas marketing or procurement council programmes b. Accommodation: The costs of accommodation in the scope of overseas marketing or procurement council programmes introduction and Organization Costs in the scope of Overseas Marketing or Procurement Council Programmes: Interpretership costs, the costs of renting the places where the seminar, conference, meeting are made, the costs of visual and printed introduction, and the cost of public relations service.

Project Based Individual Counselling Programme: Companies, which participate to the education / counselling programmes and overseas marketing or procurement council programmes, can get project based individual consultancy service at the subjects deemed appropriate by ministry, in the scope of this programme. The expenditures related to consultancy service on which companies will receive throughout 3 years and are met by %70 in the amount of 50.000 USD a year.

4.6.2.3 Employment Aid

It is aimed to provide the employment which has wise and highly educated manager and personnel in order to conduct the operations related to exclusively foreign trade of companies which have title of sectoral foreign trade company. (The communique about Employment Aid, No. 2000/1, Article: 1).

The designated authority to apply is general directorate of export for trade of ministry. The gross wages of maximum one manager and two personnel whom sectoral foreign companies employ are supported by % 75 and throughout 1 year, on the condition that

the amount of support a year cannot be exceeded the amount of TL against 18.000 USD for manager, and 9.000 USD for each personnel.

4.6.2.4 Marketing Survey and the Support to Market Access

The objective of this support is that the costs related to marketing survey and market access activities of the companies which operate in industrial / commercial activity, of the companies which engage in foreign exchange earning service or activities, and of the cooperation organizations, are met by SPSF. (The communique about Marketing Survey and The support to Market Access, No. 2011/1, Article 1). In the scope of this support; The Support to Foreign Market Survey: The costs related to foreign market survey visits which are realized by industrial / commercial and software companies, are supported by % 70 and in the amount of maximum 7.500 USD per foreign market survey visits. Its restrictions are;

- ❖ Maximum 10 foreign market survey visits per firm are supported within every calendar year.
- ❖ The below mentioned costs of max 2 personnel in the scope of an foreign market survey visit are supported;
 - Transportation: The fare of economy class flight, train, ship and bus, and the costs of rent a car on the condition to not exceed 500 USD per visit and 50 USD per day.
 - Accommodation: The costs of accommodation (bed and breakfast) on the condition to not exceed 300 USD day per firm.
- ❖ Min 2 years and max 10 days part of foreign market survey visits are supported except track.
- ❖ During foreign market survey visit, excluding the trip and the bank holiday of travelled country, it must be negotiated with at least one institute, organization or firm for every day. The costs of transportation and accommodation are not supported, for days when not negotiated.
- ❖ Max 2 of the foreign market survey visits oriented to the same country within one calendar year are supported.
- ❖ According as a foreign market survey visit will be made in a country, it can be also made in max 3 countries on the condition of being close geographical position.
- ❖ Overseas visits which are not aimed at market survey are not supported.

❖ The meeting, exhibition, conference realized by the group travel or official / private institutes / organizations oriented to foreign countries, are not supported.

The support to Market Access: In order to be able to consist the action plan, and the strategy to market access of firms and cooperation organizations oriented to overseas, the reports which are made in international agencies and purchased sector, country, foreign firm or brand-oriented (including fiscal and legal reports), and, the costs related to consultancy service oriented to foreign acquisitions (including fiscal and legal consultancy), are supported by % 60 for firms, by % 75 for cooperation organizations, and up to 200.000 USD per year. Special conditions are;

❖ The purchased reports are needed to be max 2 years as from acquisition date.

❖ It is needed to receive pre-approval from ministry of economy for both the report and the organization which prepares the report in order to be able to support the costs related to the purchased reports and consultancy services.

Within the framework of activities made in foreign countries with the aim of introduction of the higher education institutions and the firms which operate in treatment aimed activity in health sector in Turkey, along with the firms / institutions which operate in the software and movie sectors; costs of the transportation, accommodation and introduction are supported by % 50, and up to 300.000 USD. The below mentioned costs are supported within the framework of introduction activities realized in overseas in the scope of this article;

❖ Transportation: The fare of economy class flight, train, ship and bus used in the international and intercity transportation within the framework of introduction activities, and the costs of rent a car oriented to public transportation

❖ Accommodation: During the introduction activities, the costs of accommodation (bed and breakfast) on the condition to not exceed 300 USD a day in the travelled country.

❖ The costs of introduction and organization, such as the interpretership cost, the cost of renting the places where seminar, conference, meeting are made, the visual, printed introduction and advertisement costs, the costs of public relations service, the trade show, exhibition and participation costs, and also the costs of introduction materials, are supported.

The Support to the Procurement Committee: The aim is to encourage the procurement committee program through supporting to the companies which both regulate and join to

the program. The cost related to sectoral trade committee and procurement committee programs organized by organizers in the coordination of ministry, are supported by %50, and up to 150.000 USD per program. The below mentioned costs are supported in the scope of this article;

- ❖ Transportation: The fare of economy class flight, train, ship and bus used in the international and intercity transportation within the framework of introduction activities, and the costs of rent a car oriented to public transportation.

- ❖ Accommodation: The costs of accommodation (bed and breakfast) on the condition to not exceed 300 USD a day for per company in the sectoral trade committee, for per invited foreign company, institute or organization in the procurement committee.

- ❖ The interpretership costs, the cost of renting the places where seminar, conference, meeting are made, the visual, printed introduction and advertisement costs, the costs of public relations service, the trade show, exhibition and participation cost, and also the costs of introduction materials, in the scope of sectoral trade or procurement committee.

- ❖ The max 5 pieces of sectoral trade committee program and 10 pieces of procurement committee programs that one organization company makes in a calendar year, are supported.

The relevant organization company has to make an application to ministry with the draft of programme and forecasted budget before at least 3 months as of the programme start date, in order to be able to take part in the sectoral trade committee programme and the procurement committee programme. The programs deemed appropriate by ministry are taken to the scope of support.

The Membership Support to e-Trading Estates: It is to meet, with the aim of marketability of products in electronic environment for overseas, the membership costs to e- trading estates which are not oriented to ultimate consumer, and deemed appropriate by ministry.

- ❖ Those costs are supported by % 70, and up to 10.000 USD a year, for companies.

- ❖ Companies can benefit for max 5 of e-trading estates, and over max 3 years per e-trading estate.

- ❖ It is an obligation that companies which want to benefit have one website concerning commercial activity issued on at least one foreign language.

❖ E-trading estate which is requested to be a member has to receive pre-approval from ministry of trade.

❖ The costs of advertisement and banner taken part inside of website in the e-trading estate are out of scope.

The public authority for this support is ministry of trade, the designated authority to apply are ministry of trade and TEPC.

4.6.2.5 Supporting International Qualified Specialized Fair in Domestic

It is a support oriented to the aim to increase the participation at the international level and provide overseas promotion of international qualified domestic specialized fairs. A certain proportion of costs related to promotional and advertising activities that domestic organizers suited of criterions to be determined by ministry will carry out both before fair and during fair, is met by SPSF.

The organizers who organize the domestic fairs announced by determining by ministry, and, the companies being member of exporter union which are established within the framework of Turk Trade Law and ensure participation to these kinds of fairs are able to make an application.

The public authority for this support is Ministry of Economy, the designated authority to apply is general secretariat of exporter union.

Activities to be supported are those;

✓ Activities to be provided the Financial Support

➤ The overseas promotion that organizer firms will carry out before fair on the issue deemed appropriate by office of the commercial counsellor (media, radio, tv commercial, banner, booklet, press meeting)

➤ The travel expenses of some important foreign buyers who are invited to the fair which will be approved by office of the commercial counsellor, and is suggested by organizer firms (max 2 people per country)

➤ The costs related to the seminar, conference, panel and prize competition to be organized as about the subject of fair during fair

❖ Other Supports

➤ The introduction of fair by office of the commercial counsellor

➤ The incentive of that the fair and organizer firm are supported by ministry of trade

Subjects of the fair to be supported are those;

- ❖ Textile-outfit-carpet
- ❖ Leather
- ❖ Vehicles and sub-industry
- ❖ Food and food technology
- ❖ Electricity and electronic industry
- ❖ Metalware industry
- ❖ Furniture industry
- ❖ Construction products
- ❖ Soil industry

The quantity and proportion to be supported;

- ❖ The overseas promotion activities carried out before the fair (The support rate %50 , Maximum Support 250.000 USD)
- ❖ The travel expenses of the important invited foreign buyers (2 people / country) to the fair (The support rate %50, Maximum Support 15.000 USD)
- ❖ The costs related to the seminar, conference, panel and prize competition to be organized during fair (The support rate %50, Maximum Support 5.000 USD)

4.6.2.6 Supporting the Participation to Trade Shows Performed in Overseas

The aim of this support is that the expenses related to both the individual participation to the sectoral qualified international fair and the participation to overseas fair of the producer / manufacturer organization with the company, the institute and organization which are settled in Turkey within the framework certain quantities and proportions, are met by SPSF. (The communique about supporting the participation to trade shows performed in overseas, No. 2009/5, article: 1). Thus, if the participation is increased, the increase of production and exportation is also provided.

The incentives given by ministry to the fairs organized in overseas are regulated for organizer and participant. The organizers are; firms and organizations which organize the trade shows by permitting from undersecretariat of foreign trade. The participant are; companies, institutes and organizations settled in Turkey, which both participate to overseas trade shows and ensure individual participation to fairs in the Sectoral Qualified International Trade Shows List determined by undersecretariat. They can make an application. Small and Medium Industry Development and Organization (SMIDO) (KOSGEB) also provides support to the participants for international trade shows.

Within at least 3 months from the expiry date of fair, all of necessary information and documents; are submitted by the participant / organizer to the general secretariat of exporter unions to be determined by ministry in the international trade shows organizations, and by the participant to the general secretariat of exporter unions that the participant is member related to its production at the individual level participation of international trade shows. The participant submits the space assignment document or invoice which shows the square meter price of empty or standard equipped stand and is regulated by the authorized organizer of the trade show, to the general secretariat of exporter union, prior to at least 15 days from the start date of the sectoral qualified international trade fair that the participant attends as individual and is taken in the scope of support by ministry.

Supporting the Participants at the Overseas Trade Shows: The quantity and proportion to be supported;

- ❖ At the overseas trade show organizations, %50 of the participation value paid by the participant to the organizer, and %50 of economy class round trip transportation expenses belonging to max 2 personnel to whom the participant will assign are paid to the participant in the scope of support.
- ❖ The support amount to be paid to the participant on the basis of trade show, both cannot exceed 10.000 USD in case the overseas trade show is the national participation to general qualified international fair or Turk exported products fair, and 15.000 USD in case the overseas trade show is the national participation to sectoral qualified international fair, foreign company participatory sectoral fair or sectoral Turk exported products fair.
- ❖ %50 of the transportation expenses of trade show belonging to the participants attending to overseas fair which operate in complex facility manufacturing, machine, yacht building and automotive main industry sectors is supported in addition to the participation value on the condition to not exceed 10.000 USD of the part not in scope of support. Additionally, %50 of the transportation expenses of trade show belonging to the participants attending to overseas fair which operate in naturel stone, ceramic, furniture, automotive supply industry, electronic, white goods, industrial cooking utensils, jewellery and carpet sectors is supported in addition to the participation value on the condition to not exceed 6.000 USD of the part not in scope of support. Additional

transportation support in this article is implemented without subjecting to limitation determined at the previous article.

❖ In case that the participant is sectoral foreign trade company, %75 of the participation value to be paid to the organizer is paid to sectoral foreign trade company in the scope of support on the condition to be subjected to the limitation determined at the second clause of this article.

❖ In case the participant produces in the fields of genetic engineering / biotechnology, aeronautics and space technologies, advanced material technology, nano technology, technique textile, renewal energy, hardware, software, informatics and electronic or is movie maker, %75 of the participation value is paid to the participant in the scope of support on the condition to subjecting to the limitation determined at the second clause of this article.

❖ % 75 of the participation value at the overseas trade show that the producer / manufacturer organizations will attend, is paid on the condition to be subjected to the limitation determined at the second clause of this article. At the payments to be made to the producer / manufacturer organizations, max 36 m2 area per every fair is based in computing the participation value. The producer / manufacturer organizations advertise just sector / sectors they represent at the rented area. They cannot exhibit products belonging to individually companies at the area in question.

❖ The sum total of the participation value with the transportation expenses of the participant who operates in sectors to be determined by ministry of economy and does not get the transport service from organizer, can be supported on the condition to not exceed the participation value that other participants who get transport service from the organizer pays.

Supporting Organizer Introduction Activities concerning Overseas Trade Show:

The quantity and proportion to be supported;

❖ The organizer assigned by ministry of economy, the aim of introduction of the Turk exported products oriented to overseas trade show organization, and on about realizing in overseas,

- Fashion Show,
- Seminar, press meeting and announce, related to fair subject sector,
- Introduction activities such as bill broad, banner, catalogue,

- Introduction / video wall, multivision shows in the electronic environment,
- Advertisement to be broadcasting on the pulpit of printed and visual group,
- Info stand oriented to give communication information to the participatory companies and introduction of the fair subject sector, on the condition that total stand area is not over 25 m2,
- The expenses of show/ activities / trend area hired to the participants, on the condition that this area cannot exceed %15 of total of fair area, are in the scope of support.
- ❖ At the overseas trade show organizations, expenses oriented to introduction activities made by organizer assigned by ministry in the scope of this article, on the condition to exceed %25 of the participation value of all participants; are benefited from the support by %75;
- In case the overseas trade show is general, up to 80.000 USD
- In case the overseas trade is sectoral, up to 120.000 USD
- ❖ At the both sectoral Turk exported products fairs and national participation to sectoral qualified international fair, based upon pre-suitability to be approved to introduction project to be presented to ministry, and additional to the above mentioned support amount; it is paid up to 80.000 USD for the expenses of area of shows/ activities/trend to be realized oriented to introduction of fair subject sector on the condition to exceed % 75 of all expenses to be made in the scope of project.

Supporting Individual Participation to Sectoral International Trade Show: The quantity and proportion to be supported;

- ❖ In case individual participation to sectoral international trade show which is organized in the overseas and declared by ministry through determining is realized; the rent of empty or standard equipped stand that the participant pays to the authorized organizer of fair, and, the transportation expenses with %50 of economy class round trip transportation expenses belonging to max 2 personnel to whom the participant will assign at the stand are paid on about not exceeding 15.000 USD.
- ❖ % 50 of the transportation expenses of trade show belonging to the participants attending overseas fair which operate in complex facility manufacturing, machine, yacht building and automotive main industry sectors is supported additional to the participation value on about not exceeding 10.000 USD of the part not in the scope of support. Moreover, %50 of the transportation expenses of trade show belonging to the participants

attending to overseas fair which operate in naturel stone, ceramic, furniture, automotive supply industry, electronic, white goods, industrial cooking utensils, jewellery and carpet sectors is supported in addition to the participation value on about not exceeding 6.000 USD of the part not in scope of support. Additional transportation support is implemented without subjecting to limitation determined in first clause of this article.

❖ In case the participant is sectoral foreign trade company, the whole rent of empty / standard equipped stand and % 75 of the transportation expenses is paid to sectoral foreign company under the scope of support on about not exceeding up to 15.000 USD.

❖ In case the participant produces in the fields of genetic engineering / biotechnology, aeronautics and space technologies, advanced material technology, Nano technology, technique textile, renewal energy, hardware, software, informatics and electronic or is movie maker, the whole rent of empty / standard equipped stand and % 75 of the transportation expenses is paid to the participant under the scope of support on about not exceeding up to 15.000 USD.

❖ For sectoral qualified international trade show that the producer / manufacturer organizations will attend, % 75 of the rent of empty / standard equipped stand and of the transportation expenses is paid under the scope of support on about not exceeding up to 15.000 USD. At the payment to be made to the producer / manufacturer organizations, the participation value is computed over max 36 m2 area per every fair.

Supporting Individual Participation: The quantity and proportion to be supported;

❖ In case individual participation to sectoral international trade show which is organized in the overseas and declared by ministry through determining is realized; % 50 of the rent of empty or standard equipped stand that the participant pays to the authorized organizer of fair, and of the transportation expenses,

❖ In case the participant is sectoral foreign trade company , the whole rent of empty / standard equipped stand and % 75 of the transportation expenses,

❖ For sectoral qualified international trade show that the producer / manufacturer organizations will attend, % 75 of the rent of empty / standard equipped stand and of the transportation expenses, are supported.

Target Country and Additional Trade Show Support on the basis of Prestigious Trade Show: It is provided the 20 points additional support to %50 support proportion of the participants who attend the trade show to be organized in the 15 target countries

which are determined every year, providing that both the exportation is diversified in terms of the country and market within the framework of export strategy carried out by ministry and the companies are able to be steered to countries called as target market.

❖ Alongside the participants who attend fairs to be realised in target countries to be determined within the framework of 1st clause of this article, the participants who are subjected to % 75 support proportion do not benefit from 10 point additional support in the scope of 4th, 5th, 6th clause of 5th article, and 3rd, 4th, 5th clause of 7th article of this communique.

❖ For just one time in a year, in case the participant attends one of sectoral qualified international prestigious trade show, % 50 of the participation value which is paid by the participant to the organizer including special equipped stand, and, %50 of the transportation expenses and of the rent of empty or standard equipped stand that the participant will pay to the authorized organizer of fair at the individual participation are paid to the participant under the scope of support on the condition to not exceed 50.000 USD.

❖ Higher support proportions than % 50 specified on the other article of this communique are not implemented to the participant who is benefited from 3rd clause of this article. The participants in the scope of this support are exempt from limitation of 50 m2 specified on the 15th article of this communique at the fair in question.

4.6.2.7 Supporting of Environment Costs

The aim of support is; that the certain part of expenditures, related to both, the certification operations and laboratory analyses concerning agricultural products, the signals which show safety of life and property and the quality, environment certificate to be granted by the accredited institutes / organizations, is met by SPSF, in order that the companies which operate in commercial and industrial activities in Turkey or engage in agriculture or software sector harmonize to the technique legislation oriented to the environment, quality and human health. (The communique about supporting, No: 97/5, Article1).

The designated authority to apply is the exporter unions, the companies which operate in commercial and industrial activities in Turkey or engage in agriculture or software sector, the foreign trade companies, and sectoral foreign trade companies benefit.

The scope of support contains supporting of the certified expenditures, which is made oriented to receive both the laboratory analysis reports on the condition to come out well,

and the certification operations concerning agricultural products, ISO 22000 the food safety management system documents, international quality and environment documents, CE, ISO14000 and ISO 9000 series, in % 50 proportion per document / analysis and up to max 250.000 USD. It is needed to certify the expenditures, and to be taken by Turkish Standards Institute and the accredited institutes.

4.6.2.8 Supporting of Overseas Unit, Brand and Advertising Activities

In order to provide with advertising and marketing the products which belong to both the companies operating in industrial and commercial activities in Turkey and the members of cooperation organizations, within this framework, the certain part of expenditures of advertisement and brand registry realised in overseas, and the certain part of expenditures related to units opened with the aim of trading in overseas, are met by SPSF.

The designated authority to apply is the exporter unions, the public authority is ministry, the companies which operate in commercial and industrial activities in Turkey and the cooperation organizations have to apply for the relevant institute within 6 or 8 months according to activities. Over maximal 4 years and 15 of overseas unit are able to benefit. The approving authority in overseas is undersecretariat of foreign trade / attache's office or consular.

❖ The overseas payment documents and the other overseas documents specified in the implementation fundamentals circular related to the payment must be submitted by company to ministry of trade / attache's office within 6 months as of the payment date. (This period is 18 months for overseas brand registry activities specified at the 16th article of communiqué.)

❖ The domestic payment documents and the other domestic documents specified in the implementation fundamentals circular related to the payment must be submitted by company to the general secretariat of exporter unions of which it is member within 6 months as of the payment date. (This period is 18 months for overseas brand registry activities specified at the 16th article of communiqué.)

Supporting of Unit Rent Expenses:

❖ Just as the parent company in Turkey is able to open the unit directly, its company or branches operating in overseas also are able to open the unit. In this circumstance it is needed to be an organic link between the company in overseas and the parent company in Turkey.

- ❖ The support payment is computed according to percentage of overseas shares.
- ❖ The company in overseas has to be opened after the parent company in Turkey establishes.
- ❖ The rent expenses of overseas units that the cooperation organizations will hire are also supported.
- ❖ In the units which benefit from supports, the goods which are produced in Turkey are needed to market.

The rent expenses of the industrial and commercial companies, or, of the company or branches which operate in overseas and has an organic link with those companies, and of the units which are opened by the cooperation organization in overseas;

- ❖ In case the opened unit is a shop, in proportion of %60, and up to max 120.000 USD per year,
- ❖ In case the opened unit is an office, showroom, store, or rayon, in proportion of %60, and up to max 100.000 USD per year,

The rent expenses of the commercial companies, or, of the company or branches which operate in overseas and has an organic link with those companies, and of the units which are opened by the cooperation organization in overseas;

- ❖ In case the opened unit is a shop, in proportion of %50, and up to max 100.000 USD per year,
- ❖ In case the opened unit is an office, showroom, store, or rayon, in proportion of %50, and up to max 75.000 USD per year,

The conditions which show the organic link between the parent company in Turkey and the company in overseas;

- ❖ The company is partner with the company in overseas, as legal person,
- ❖ All partners of the company are partner with the company in overseas, the partner or partners who have at least %51 shares of the company are partner with the opened company in overseas on the condition to be authorized to open company on behalf of the company in overseas,
- ❖ In case the company is public access, the partner or partners who have at least %51 shares of company after the rate of public access is fell, is partner with the opened company in overseas on the condition to be authorized to open company or unit on behalf of the company in overseas,

Supporting of Advertising Activities:

- ❖ By the companies and cooperation organizations, overseas oriented performeding visual and written advertisement, sponsorship, design related to web side of foreign units, bill board, company catalogues prepared in foreign language, brochures, promotion and introduction materials, advertisement costs given to introductory web side in the electronic environment, are supported.
- ❖ The expenses of advertisement, introduction and marketing realised in overseas, are supported in proportion of %60, and up to 150.000 USD per every countries a year.
- ❖ The expenses of advertisement, introduction and marketing realised in overseas related to the products produced in Turkey are supported in proportion of %60, and up to 250.000 USD per year by the companies which do not have the supported foreign unit but have trademark registration certificate in domestic and country that it advertises.

Supporting of Overseas Brand Registry Activities:

- ❖ The expenses, concerning protection and registration in overseas of the brands of domestic trademark registration certificate that companies have, are supported in proportion of % 50, and up to 50.000 USD per year.
- ❖ In case of being oriented to the target and primary countries determined by ministry on the basis of sectoral, the support rate is increased 10 base points.
- ❖ Under the scope of regional competitiveness operational programme, in case of to be realized by companies and cooperation organizations whose per capita income is below of % 75 of Turkey average as geographical and which have their head office in the 12 level II region, the support rate can be increased to 20 base points.

4.6.2.9 Branding of Turk Products in Overseas, Placing of the Image of Turkish**Goods and Supporting of TURQUALITY**

By supporting the expenditures concerning organizations and activities which are carried out in foreign countries and domestic in order that Turk brands, which are potential on the international branding, may enter to markets and hold on in there, it is aimed that the companies are able to be a global player with their own brands in the international market, and, positive Turk goods image is constituted and placed in by mentioned brands. In this direction, the expenditures related to expenses to be realized with the aim of introduction in overseas of exporter unions, producer associations, producer unions and sector, the expenditures concerning activities to be realized on the condition of branding the products

of companies which operate in commercial / industrial activities in Turkey, and, the expenditures relate to supports that the exporter unions will provide to companies during branding in foreign and domestic under the scope of TURQUALITY® Programme, the expenditures concerning all kinds of activities and organizations to be realized in order that Turk goods may enter to markets and hold on, and, all kinds of expenses to be made in foreign and domestic in order to constitute and place in positive Turk goods image, all of which expenses are met by SPSF according to international rules. (The communique about Branding of Turk Products in Overseas, Placing of the Image of Turkish Goods and Supporting of TURQUALITY; No: 2006/4, Article 1) .It is needed that the companies apply directly to ministry of trade with the strategic work schedule involving branding activities. About using of “Turquality” inscription, the ministry can demand the reports of supervision / consultancy companies. In order to benefit from this support, after relevant activities of the exporter unions, the producer associations, the producer unions and the companies operating in commercial / industrial activities in Turkey, it is needed to make an application to ministry within 6 months. The producer associations and the producer unions are supported in proportion of % 50, and up to 100.000 USD a year. The exporter unions are supported in proportion of % 80, and up to 250.000 USD a year. The expenses that the companies carry out on different quantities for different items are supported in proportion of %50 under the scope of brand support and TURQUALITY. The support period is; 4 years for companies in the brand support programme, 5 years for companies in the TURQUALITY support programme.

Table 4.4 Companies Oriented Brand / Turquality Programme The Support Amounts, Proportions And Limits

Type of Support	Subject of Support	Rate of Support and Upper Limit
Advertising Support	The advertising activities that companies will carry out with their brands taken to the scope of support in overseas are supported.	%50 Turquality Programme
		- 5 years per target market
		- No Upper Limit for support
		Brand Programme
Principal Brand Registry Support	The expenditure concerning patent, utility mode and industrial design registration of companies, and, the expenditures related to protection and registration in overseas of brands taken to the scope of support, are supported.	- 1.600.000 TL* / year
		%50 Turquality Programme
		- 5 years per target market
		- No Upper Limit for support
Consultancy Support	The consultancy expenses oriented to development of corporate infrastructure claims in order to increase the competition advantage of companies in the international markets, and the expenditures concerning consultancy services got oriented to target markets, are supported.	Brand Programme
		- 200.000 TL* / year
		%50 Turquality Programme
		- 5 years per target market (only corporate infrastructure development oriented counsellors of the presidency)

		Brand Programme - 1.2.000.000 TL*/year.
Employment Support	The expenditures related to engineers assigned at R&D department, and the fashion / industrial product designer employed related to branded products taken to the scope of support of companies, are supported.	%50 Turquality Programme
		- Max 10 people at the moment
		- First 5 years
		- No Upper Limit of support
		Brand programme - No Person Limit - 800.000TL*/year
Certification Support	To be realized in order for harmonizing to the technique legislation oriented to environment, quality and human health needed to enter to target markets; all kinds of expenditures (including consultancy) related to signals which show safety of life and property, and the quality, hygiene, environment documents, and, the expenditures of regulatory test/ clinic, are supported.	%50 Turquality Programme
		- 5 years per target market
		- 2.000.000 TL*/year
Unit Rent / Decoration Support	The expenditures of rent, assembly / concept, architecture / decoration that companies will spend oriented to the branded products taken to the scope of support, and the expenditures related to storing services, are supported.	Brand programme - 1.000.000 TL*/year
		%50 Turquality Programme
		- 5 years per target market
		- The Rent; No Upper Limit of Support
		- Decoration; 800.000 TL*per unit (max 50 shops over programme)
Franchise Support	In case companies give the franchise related to brands taken to the scope of support, the expenditures of unit rent, decoration and concept, architecture, are supported over max 2 years.	Brand programme - 6.200.000 TL*/year
		%50 Turquality Programme
		- 5 years per target market
		- The Rent; 800.000 TL*/ year
		- Decoration: 400.000 TL* / year per unit
Marketing Survey Support	The expenditures related to the study of marketing survey and reports are in the scope of support.	- Max 100 units over programme
		Brand programme - 400.000 TL*per unit - max 10 units /year
		%50 Turquality Programme
		- 5 years per target market
		- No Upper Limit of support
Trade Show Support	The activities concerning participation and introduction of trade show where companies will carry out with their brands taken to the scope of support in the overseas, are supported.	Brand programme - 400.000 TL*/year
		%50 Turquality Programme
		- No Upper Limit of support
Growth Road Map Studies	The expenditure, related to the study involving the Strategic Work Plan in which the company, which is taken to the scope of support, will implement regarding to both its brand in scope of support and its support period, and, in which the improvement fields are detected by taking into consideration the best international implementation, and, in which the performance indicators and targets play part whether those fields are projected in the direction of strategic priorities of companies, and, in which the available location, vision and corporate strategies, and the operation and support processes, the organizations and technologic competences of company are examined in details, is in the scope of support	Brand programme - Introduction support is included in limits.
		%50 Turquality / Brand Programme
		- one time only
		- 800.000 TL per brand
		<i>* The upper limits of support were determined for 2017, the limits in question are updated at the</i>

Source: Doğaka (2013)

*Beginning of every calendar year in the (consumer price index (CPI) + domestic- producer price index (D-PPI)) /2 proportion.

Supporting of TURQUALITY® Support Programme: On the subject that TURQUALITY® Support Programme are carried out by the unions;

❖ Determining the business management quality, operational perfection level and branding potential of companies which will be taken or are taken to the scope of Brand / Turquality support programme, watching their performances, and, the factors such as the content, accuracy, compatibility to rate of expenditures documents, and the activities and operations in the scope of programme, and the activities to be made in the scope of Turquality programme, all kinds of supervision and consultancy expenditures to be realised related to those kinds of activities,

❖ The expenditures related to activities such as training, seminar, consultancy, guidance that the companies which are taken to the scope of Brand /TURQUALITY® support programme will carry out on subjects of improvement of product and production processes, the operational perfection, the strategic locating-planning, the market awareness, the marketing, the branding, the retail, the public relationship, communication, advertisement.

❖ All kinds of public relationship activities to be realized in domestic and foreign in order to constitute and place in the positive image of Turk goods under the scope of market access and communication strategy of TURQUALITY® programme, the expenditures regarding to all kinds of organization to be carried out oriented to market access of Turk goods and hold on, and, other expenditures such as market intelligence, market awareness, networking, sponsorship,

❖ Institutionalizing of TURQUALITY® Programme, and the expenditures oriented to the secretariat of TURQUALITY®, with, expenses related to training and employment of personnel

❖ Update, renewal, development and application of TURQUALITY® programme strategy, and the expenses regarding to strategical studies to be done under the scope of programme, with the expenditure to be purchased from natural or legal persons on this subjects, are supported in proportion of %100, and up to 35 million USD in a year.

4.6.2.10 Design Support

In order that the design which is an important factor in branding is able to be supported directly; the expenses related to introduction, advertisement, marketing, employment,

consultancy to be realised by designer companies, design offices, unions, design association unions, and, the expenditure related to units to be opened in overseas, are supported by SPSF. (The communique about design support, No. 2008/2, Article 1).

The designated authority to apply is the exporter unions, the public authority is ministry of economy, and, the designer companies, design offices, unions and design associations-unions benefit from this support in proportion of %50, throughout max 4 years on the basis of project.

Supporting of the Designer Companies:

❖ The expenditures, related to activities such as advertisement, introduction, marketing to be realized oriented to overseas, are supported in proportion of %50, and up to 300.000 USD per year.

❖ The units, which will be opened in overseas and are evaluated in the scope of support, such as firm, office, shop, store, branch, showroom, rayon; the expenditures of fixtures, decoration, are supported in proportion of %50, and up to 100.000 USD per year.

❖ The expenditures of gross rent and of consultancy related to renting of this units, and taxes / duties / charges expenses, are supported in proportion of %50, and up to 200.000 USD per year.

❖ The expenses concerning registration of patent, utility model and industrial design, and, the expenditures related to protection and registration in overseas of brands, are supported in proportion of %50, and up to 50.000 USD per year.

❖ The expenditures of gross salary of designer are supported in proportion of %50, and up to 150.000 USD per year.

❖ Constitution of corporate identity, configuration of strategical company, constitution of quality control system, configuration of sample facility, the fashion and trends, the products and package design, modalism, the procurement and supply, the strategical marketing, the retail operations, the establishment of corporation, opening and operating of shop, the international exportation and law, the cost accounting, the risk management, the consultancy expenses to be purchased under the scope of all kinds else of business management which increases the competition advantage in international market, and, the computer-aided design (CAD), enterprise resource planning (ERP), supply chain management (SPM), customer relationship management (CRM), corporate performance management (CPM), retail management (RM) etc., the licenses of software products to

be purchased or hired under the scope of information management and their annual maintenance fee, and commissioning of software, improvement, and the expenses related to consultancy, training and foreign resource usage to be made for sustainment, are supported in proportion of %50, and up to 200.000 USD per year.

Supporting of Design Offices:

❖ The expenditures, related to activities such as advertisement, introduction, marketing to be realized oriented to overseas, are supported in proportion of %50, and up to 150.000 USD per year.

❖ The units, which will be opened in overseas and are evaluated in the scope of support, such as firm, office, shop, store, branch, showroom, rayon; the expenditures of fixtures, decoration, are supported in proportion of %50, and up to 50.000 USD per year.

❖ The expenditures of gross rent and of consultancy related to renting of this units, and taxes / duties / charges expenses, are supported in proportion of %50, and up to 100.000 USD per year.

❖ The expenses concerning registration of patent, utility model and industrial design, and, the expenditures related to protection and registration in overseas of brands, are supported in proportion of %50, and up to 50.000 USD per year.

❖ The expenditures of gross salary of designer are supported in proportion of %50, and up to 200.000 USD per year.

❖ Constitution of corporate identity, configuration of strategical company, constitution of quality control system, configuration of sample facility, the fashion and trends, the products and package design, modalism, the procurement and supply, the strategical marketing, the retail operations, the establishment of corporation, opening and operating of shop, the international exportation and law, the cost accounting, the risk management, the consultancy expenses to be purchased under the scope of all kinds else of business management which increases the competition advantage in international market, and, CAD,ERP, SPM, CRM, CPM, RM etc., the licenses of software products to be purchased or hired under the scope of information management and their annual maintenance fee, and commissioning of software, improvement, and the expenses related to consultancy, training and foreign resource usage to be made for sustainment, are supported in proportion of %50, and up to 100.000 USD per year.

Supporting of Unions, Design Association-Unions: The visual and written advertising expenses to be realized for overseas, and, the expenditures related to introduction, advertisement and marketing activities such as the introduction of those activities, the brand-promotion agency, the strategical consultancy, are supported in proportion of %50, and up to 300.000 USD per year.

4.6.2.11 Government Grants to be provided to activities in the Overseas of Technical Consultancy Companies

The aim of this support is to meet the expenditures related to some activities which are realized in overseas and domestic by Technical Consultancy Companies (TCC), Independent Technical Consultancy Companies (ITCC), Contracting Companies, Joint Ventures, Sectoral Consultancy Companies (SCC), Cooperation Organizations and Sectoral Institutes, in the countries where ministry of economy determines as target market, in order to increase goods and services of Turk ,in the scope to be provided with increasing the technical consultancy, the introduction and marketing activities in overseas of contracting companies.(the communique, No:2011/4, Artcile1).

In the scope of this support, the agreement support, the office support, the advertisement, introduction and marketing support, the marketing survey support, the exhibition/conference/seminar support, the preparing support, of feasibility study and master plan are provided to the Turk technical consultancy companies, firm groups and sectoral private sector institutes.

Overseas Office Support:

❖ The gross rent expense belonging to the opened offices in overseas of TCC,ITCC,SCC, Joint Venture and Cooperation organizations, with respect to this the taxes/duties/charges expenses;

- In proportion of %50, and up to 30.000 USD in a year, for TCC
- In proportion of %70, and up to 40.000 USD in a year, for ITCC and Joint Venture
- In proportion of %100, and up to 80.000 USD in a year, for SCC and Cooperation Organizations, are supported.

❖ The gross salary of one T.C citizen manager whom TCC,ITCC,SCC, Joint Venture and Cooperation organizations will employ in their overseas office;

- In proportion of %50, and up to 40.000 USD in a year, for TCC
- In proportion of %70, and up to 40.000 USD in a year, for ITCC and Joint Venture

- In proportion of %100, and up to 80.000 USD in a year, for SCC and Cooperation Organizations,
- The gross salary of one T.C citizen office personnel, in proportion of %70, and 36.000 USD in a year, are supported.
- ❖ The consultancy expenses under the scope of incorporation, legal and fiscal consultancy to be purchased for overseas offices, and, the expenses related to the licenses of software product to be purchased in the scope of CAD;
- In proportion of %50, and up to 30.000 USD in a year, for TCC
- in proportion of %70, and up to 30.000 USD in a year, for ITCC and Joint Venture
- In proportion of %100, and up to 50.000 USD in a year, for SCC and Cooperation Organizations, are supported.

Advertisement, Introduction and Marketing Support:

- ❖ The expenditures related to advertisement, introduction and marketing activities;
- In proportion of %50, and up to 50.000 USD in a year, for TCC,
- in proportion of %70, and up to 100.000 USD in a year, for ITCC and Joint Venture,
- In proportion of %100, and up to 200.000 USD in a year, for SCC and Cooperation Organizations, are supported.

Marketing Survey Support: In the scope of marketing survey support of ITCC, SCC, Joint Venture and sectoral institutes; the consultancy and interpretership expenses, under the scope of transportation, accommodation, technical personnel employment, legal and fiscal consultancy, are supported in %100 proportion providing that the certain limits do not exceed. Per every marketing survey activity is supported up to 40.000 USD for ITCC, and up to 60.000 USD for SCC, Cooperation Organizations.

Trade Show Support: In case TCC, ITCC, SCC, Cooperation organization and sectoral institutes attend to sectoral international trade show organized in overseas, the participation value, and the travel, accommodation expenses that they will pay in terms of square meter to the organizer of trade show who realizes national participation, are supported in % 70 proportion, and up to 25.000 USD per trade show. The advertisement and introduction expenses to be realized by the organizer of trade show are also supported in the certain proportion in the scope of national participation organizations.

Seminar and Conference Support: In case TCC, ITCC, SCC, Cooperation organization and sectoral institutes attend to sectoral international trade show organized in overseas,

the participation value, and the travel, accommodation expenses of representative of companies / institute in question;

- In proportion of %50, and up to 5.000 USD in a year, for TCC
- In proportion of %70, and up to 5.000 USD in a year, for ITCC and Constructing Companies
- In proportion of %100, and up to 10.000 USD in a year, for SCC, Cooperation Organizations and sectoral institutes, are supported.

The advertisement and introduction expenses to be realized by the organizer of seminar/conference are met in the certain proportion.

Feasibility study and Master Plan Preparation Support: In the scope of preparing studies of the feasibility etude or master plan that ITCC and SCC will carry out in the fields of international, ITCC is supported up to 300.000 USD for, SCC is supported up to 500.000 USD for every project, in considering the progress payment regulated related to the service contract that they will sign with employer administration / private sector companies.

Agreement Support: For the agreements which are included in the scope of support by ministry based on the advisory opinion of overseas consultancy and constructing services committee; so as to not exceed the %20 of price specified on the agreement which is signed in return for the delivery of service, power or work, for every calendar year; ITCC and joint venture are supported up to 1.500.000 USD, SCC is supported up to 2.000.000 USD.

4.6.2.12 Export Restitution Aids at Agricultural Products

The aim of support is to increase both export potential and competition power of agricultural products in the international markets. (The communique about Export restitution aids at agricultural products. (No: 2010/10, Article2.) Agricultural products are supported by all of countries with reasons such as that their supply and demand elasticity are low, both the input purchased for the sold product and production, and the effect of producers are little in constituting their price, and, they have the powerful structure (Atayer & Erol, 2011). As countries assume the obligation to provide the compatible subsidy with agreement according to the 9. Article of WTO Agricultural Agreement, and also the expenses to be made for the products under the scope of commitment lists that they give to WTO, and the quantity of either an agricultural product

or product group to which the subsidies are able to be given are subjected to discount commitment. Supporting of products which are not on the commitment lists is not possible.. The discount commitment will be realized at the end of certain application period. This application period has been determined as 6 years for the developed countries, 10 years for the developing countries since 1995. At the part of export subsidies, according to the 9th article of WTO Agricultural Agreement; the subsidies which are directly provided by governments or institutes on including the same payments to the firms depending on the export performance, the industrial branches, the producers, the cooperatives, the exportation of stocks of non-agricultural products under the market price, the payments which are made for the exportation of agricultural product financed by the public power whether they place a burden to the public account or not, the trade, the improvement of quality, the subsidies which are implemented to decrease both other business expenses and international transportation expenses, the freight incentives, the reflecting share of subsidies in the agricultural products to exported goods in the agricultural products, have been determined under the scope of export subsidies. This support programme is used generally with the aim to support the exportation of processed agricultural products. The mentioned support will strengthen the financial structure of firms and provide the competition advantage. The agricultural products which are supported are as demonstrated to Table 4.5.

Table 4.5 Products List on the 2010 / 10 No Communiqué

Item	The Quantity of Refund	The Limit of Quantity	The Rate of Max Payment
Flowers and buds from kind which is efficiency to make a bouquet, or suitable for the purpose of ornament	205 USD/Ton	40%	10%
Vegetables	79 USD/ ton	45%	12%
Dried Vegetables	370 USD/Ton	40%	10%
Fruits and stone fruits	78 USD/ ton	45%	8%
Frozen fruits and vegetables, and, foodstuffs based on fruits and vegetables industry	75 USD/ ton	100%	8%
Jam, jole, marmalade, fruit or nuts puree or pasts	63 USD/ ton	35%	5%
Juices	150 USD/ ton	15%	12%
Olive Oil	40 USD/ ton	100%	2%
Prepared, canned fishes	250 USD/ ton	100%	5%
Honey	65 USD/ ton	32%	5%
Egg	15 USD/1000 piece	65%	105%
Poultry	186 USD/ ton	41%	15%
Prepared, canned poultries	250 USD/ ton	50%	10%
Drugs including chocolate and cacao	119 USD/ ton	48%	6%
Pastas	66 USD/ ton	32%	10%
Biscuits, waffles	119 USD/ ton	18%	8%

In the scope of this support; the amounts which are calculated considering the export quantities and values of exported good, and expenditures which the exporters have made for tax,(social insurance institution) SII prim, communication and energy are deducted from payments. The designated authority to apply is the exporter unions (Şahin, 2000). In the export of certain agricultural products, it is made a payment by SPSF. It is tried to determine the principles related to implementing cyclically the aids which are given in the exportation of agricultural products, and also the domestic price, the world price, the production-consumption balance and the protection rates implemented in the import of them, about to making the adaptation to EU to easy. At the export restitution aids to be given to processed agricultural products in the scope of food industry; the quantity of basic crops, the export support provided, and the import protection implemented are considered. In the exportation of agricultural products determined on the commune, the financial after the export, as TL for dollar determined according to the kinds of products, in the presence of CBTR, the expenditures determined on this commune are met from the account to be opened on behalf of manufactures/exporter or only exporter by deduction through CBRT within the framework of payment of SPSF.

4.6.2.13 Supporting of Foreign Exchange earning Service Trade

The aim of support is that the certain part of expenditures related to activities that the beneficiaries settling in Turkey realize is met by SPSF in order to both increase the foreign exchange earning service expenses of Turkey and develop the international competition power of service sector. (The commune about Supporting of Foreign Exchange earning Service Trade, No.2012/4). They, which settle in free zones / Turkey, and engage in activities in the foreign exchange earning service sectors; the health tourism companies, the health institutions and organizations, the information companies, the techno polis, the movie distributor / movie maker companies, the education institutions, are beneficiaries of this programme.

The cooperation organizations , which benefit from this support, are; Turkish Exporters Assembly (TEA); Turkish Union of Chambers and Exchange Commodities (TCEC); Foreign Economic Relations Board(FERB); The Exporters Unions; chamber of commerce and industry; sector association, unions, council or organization; businessman association, union or organization or techno polis , and the other service sectors determined by ministry of economy.

The institutes and organizations which operate in the foreign exchange earning service sector are able to benefit from the support according to maturity level at the 3 stages such as the preparation to export, the marketing and the branding. The stages in question are as follows;

1. The companies, which have not entered to the foreign markets yet or whose internationalization levels are at the beginner level, are benefited from supports such as the report and consultancy, the market-entry documents, the service/ brand registration, with “Increasing Competition Power of Service Sector Projects” support in order to gain the preparation to export and the corporate capacity.

2. At the marketing and market uptake stage, they are benefited from supports such as the advertisement and introduction, the foreign unit, the agency commission, the trade and the procurement committee. In addition to this, the support programme includes in also the support factors regulated in the direction of private needs of service sector. Within this framework;

- In the health tourism sector, the patient, road, interpretership and domestic introduction / education supports;
- In the Movie / Soap opera sector, the foreign marketing, movie plateau / studio usage, product/ brand/image settlement supports;
- In the information sector, the game/application development, commission and market-entry supports;
- In the education sector, , domestic introduction / education supports,
- It is provided to technical consultancy sector the supports such as the project, the consultancy and employment, the professional liability insurance, the software, the foreign education, the participation to international professional racing.

3. The institutes and organizations, which create high added value in the service exportation by realizing the branded exportation, are benefited from “Brand and TURQUALITY®” support.

The legislation related to support provided to the foreign exchange earning service trade;

- 2014/10 No. Decree about Government Aids to be provided to Technical Consultancy Services
- 2015/8 No. Decree about Supporting of Foreign Exchange earning Service Sector

- 2015/9 No. Decree about Branding Support of Foreign Exchange earning Service Sector

- The designated authority to apply is, the general secretariat of Istanbul mineral and metals exporters' association, and, Economy Ministry / free zones, the general directorate of foreign investments and services for cooperation organizations.

In the scope of support; the expenditures of key sectors which will leap forward in the service exportation oriented to enter to foreign markets, brand, develop the competition power and increase the service expenses, are supported.

Factors Of support:

❖ **Product/Service/Brand Registration-Protection Support**, involves expenditures such as the service expenses of the brand/patent office related to register the product /service in overseas, the consultancy expenses , and expenditures for the research and examination to be made in relation to that whether the product / service is registered on behalf of another companies in that country or not. The health tourism, education, information, cinema/soap opera-movies, management consultancy sectors benefit from this support.

❖ **Certification Support**, involves all kinds of certification expenses (including consultancy expenses.) which are needed to adjust to technical legislation about the environment, quality and human health, and realize to pre- diagnostics center, the office opening and operating, such as the quality, hygiene, environment documents, the relevant license and permits, and, the education related to the document/ certification which either provides the advantage for the market access or is the obligation in entering to a country market, The health tourism, education, information, cinema/soap opera-movies sectors benefit from this support.

❖ **Counselor Support**, contains the expenditures oriented to consultancy service to be got in the subjects of marketing strategy, foreign market structure and market access, in order to increase the advantage of competition in the international markets. The health tourism, education, information, cinema/soap opera-movies sectors benefit from this support.

❖ **Counselor Support oriented to Report and Foreign Company Acquisition**, contains the expenditures concerning consultancy services which are oriented foreign company or brand reports (including fiscal and legal reports) and foreign companies

acquisition (including fiscal and legal consultancy), in the subjects of the data mining / data trace / evaluation activities about marketing survey, sector, country, international legislation. The health tourism, education, information, cinema/soap opera-movies sectors benefit from this support.

❖ **Agency Commission Support**, contains the commission payments which are made to agencies on the condition that both, the foreign patient and student are brought to Turkey in the health tourism, and education sectors, and the productions / products are distributed and sold to overseas in the movies and information sectors. The health tourism, education, information, cinema/soap opera-movies sectors benefit from this support.

❖ **Foreign Unit Support**, involves the commission and rent expenses belonging to the office opened in overseas / contact office/ pre-diagnostics center. The health tourism, education, information, cinema/soap opera-movies, management consultancy sectors benefit from this support.

❖ **Individual and National Fair Participation Support**, involves in the costs which consist of the expenditures related to the paid place rent, stand, decoration, insurance, registration, transportation, internet, electrical, cleaning in participating directly to activities such as the movie markets, feast, seminar, conference, congress, trade show organized in the other subjects to be determined by the ministry of economy and the cooperation organizations and the education, health, information, movie and management consultancy in overseas of beneficiaries. The health tourism, education, information, cinema/soap opera-movies, management consultancy, logistical and publishing sectors benefit from this support.

❖ **National Trade Show Introduction Support**, contains, not only the costs of cooperation organizations and beneficiaries related to the activities, such as movies markets, feast, seminar, conference, congress, fair, which are organized both in other subjects to be determined by ministry of economy and in the education, health, information, movie, management consultancy, real estate sectors, but also the cost belonging to the introduction of total participation that the organizer or cooperation organizations ensure. The health tourism, education, information, cinema/soap opera-movies, management consultancy sectors benefit from this support.

❖ **Advertisement, Introduction and Marketing Support**, contains the expenditures related to activities such as TV and radio, internet, printed introduction, open-air, special

introduction. The health tourism, education, information, cinema/soap opera-movies, management consultancy sectors benefit from this support.

❖ **Trade and Procurement Committee Support**, contains the expenditures oriented to trade and procurement committee programs which both will be realized for max 10 days except travel and are organized by the cooperation organizations engaging in activities of health tourism, information, movie, education, management consultancy, publishing and logistical sectors.

❖ **The computer Game / Mobile Application Commission Support** contains, the commission prices which both are collected by application /game platforms and consist of sales of mobile applications or computer games by information companies to overseas. The information sector only benefits from this support.

❖ **Computer Games / Mobile Application to Market Access Support** contains, the expenditures of localization, DVD preparation, augmentation, hosting which are realized in order that the computer games or mobile application can be marketed by the information companies to overseas, and, the expenditures of market access related to preparation of visual, printed, auditory media, internet advertisement and website. The information sector only benefits from this support.

❖ **Movie Marketing to Overseas Support**, in order that a movie may be marketed in overseas, contains the expenditures which are made for the permit/ classification certification needed to movie screening, the dubbing and subtitles, the prepared banner and printed material for the country where the movie comes to big screen, the duping, and the visual, printed and auditory introduction. The cinema/soap opera-movie sector only benefits from this support.

❖ **Movies Plateau / Studio Rent Support** contains the rent expenses related to the movies plateau/studio rent of foreign movies which are made in Turkey. The cinema/soap opera-movie sector only benefits from this support.

❖ **Advertisement Support** contains the expenditures oriented to activities of commercial film and brand, logo, image positioning that the settled organizations in Turkey make to the movies which are made overseas screening for introduction. All sectors can benefit.

❖ **Interpretership Support** involves the expenditures related to either service procurement of interpretership or max 2 pieces of interpreters who are employed in domestic by health institutes. The health tourism sector only benefits from this support.

❖ **Patient Road Support** contains the transportation expenses which constitute in the circumstance that the patients are brought to Turkey via the airplane by either, the private healthcare organizations which make a protocol with ministry, or the airline companies, in order to be treated. The health tourism sector only benefits from this support.

❖ **Domestic Introduction Support** contains the expenditures related to introduction and marketing activities which are exclusively organized in domestic with the participation of representatives of relevant institutes and organizations which are invited from overseas. The health tourism sector only benefits from this support.

❖ **Domestic Education Support** contains the expenditures of education programs which are realized with the participation of either representatives of institutes / organizations, or the relevant person / specialist / academician who are invited from overseas. The health tourism sector only benefits from this support.

❖ **Racing and Activity Support** contains the expenditures concerning the racing and activities which are made by TEA and Exporters Unions.

Table 4.6 Support Summarized

Supports	Support Rate and Amount / Sectors (Beneficiaries)	Support Rate and Amount / Sectors (Cooperation Organizations)
Product/Service/Brand Registration-Protection	%50 – 50.000 USD / year	
	Health Tourism, Information, Movie, Education, Management Consultancy	
Certification	%50 – 50.000 USD / certificate	
	Health Tourism, Information, Movie, Education	
Consultancy	%50 – 200.000 USD / year	
	Health Tourism, Information, Movie, Education	
Agency Commission	%50 – 100.000 USD / year	
	Health Tourism, Information, Movie, Education	
Foreign Unit	%60 – 1.200.000 USD / unit /year	%70 – 300.000 USD / unit /year
	Health Tourism, Information, Movie, Education, Management Consultancy	Health Tourism, Information, Movie, Education, Management Consultancy, Logistical and Publishing
Indivual Fair Participation	%50 – 15.000 USD / fair	%50 – 15.000 USD / fair
	Health Tourism, Information, Movie, Education, Management Consultancy, Logistical and Publishing	Health Tourism, Information, Movie, Education, Management Consultancy, Logistical and Publishing
Report and Foreign Company	%60 – 200.000 USD / year	%70 – 300.000 USD / year
	Health Tourism, Information, Movie, Education	Health Tourism, Information, Movie, Education, Management Consultancy, Logistical and Publishing

Acquisition Consultancy		
National Fair Introduction		%70 – 120.000 USD / fair Health Tourism, Information, Movie, Education, Management Consultancy, Logistical and Publishing, Estate
National Fair Participation	%50 – 15.000 USD / fair Health Tourism, Information, Movie, Education, Management Consultancy, Logistical and Publishing	%50 – 15.000 USD / fair Health Tourism, Information, Movie, Education, Management Consultancy, Logistical and Publishing
Advertisement, Introduction, Marketing	%60 – 400.000 USD / year Health Tourism, Information, Movie, Education, Management Consultancy	%70 – 500.000 USD / year Health Tourism, Information, Movie, Education, Management Consultancy, Logistical and Publishing
Computer Games / Mobile Application Commission	%50 – 100.000 USD / game-application Information (Companies developing computer games / mobile applications)	
Computer Games / Mobile Application to Market Access	%50 – 200.000 USD / game-application Information (Companies developing computer games / mobile applications)	
Computer Games / Mobile Application Development	%50 – Licence: 50.000 USD / year personnel: 25.000 USD / year Information (Companies developing computer games / mobile applications)	
Movie Foreign Marketing	%50 (% 70 for documentary) –50.000 USD / documentary - movie Movie	
Film Plateau / Studio Usage	%20 – 200.000 USD / movie Movie	
Movie Advertisement	%50 – 100.000 USD / movie Organization giving an advertisement	%70 – 200.000 USD / movie Organization giving an advertisement
Interpretership Consultancy	%50 – 25.000 USD / year for employment %50 – 50.000 USD / year for service procurement Health Tourism	
Patient Road	%100 – 200 USD / patient for non-scheduled flight %50 – 1.000 USD / patient for scheduled flight Health Tourism (Healthcare institutes / Airline Companies)	
Domestic Introduction	%50 – 50.000 USD / programme Health Tourism, Education	%70 – 100.000 USD / programme Health Tourism, Information, Movie, Education, Management Consultancy, Logistical and Publishing
Domestic Education	%50 – 100.000 USD / programme Health Tourism, Education	%70 – 300.000 USD / programme Health Tourism, Information, Movie, Education, Management Consultancy, Logistical and Publishing
Racing Activity		%70 – 200.000 USD / activity TEA , Unions
Trade and Procurement Committee		%70 – 150.000 USD / committee Health Tourism, Information, Movie, Education, Management Consultancy, Logistical and Publishing

Source:Doğaka (2013)

4.6.3 Inward Processing Regime

The inward processing regime, which is used as the export incentive policy tool, provides with supplying the raw materials, auxiliary product, intermediate goods and package materials to be used in the production of goods to be exported in order to benefit from various facilities and incentives on the condition that they are exempt from various tax-burdens at the primary. The aims of the inward processing regime are, to increase the exportation in order to supply raw materials at the world market price, to gain the competition power to the exported goods in the international markets, to develop the exported goods, and diversify the exported goods.

The inward processing regime is the process that the goods which are used in the production of the exported goods and whose import is subjected to duty are cleaned from duties such as the customs duty, VAT, resource utilization support fund (RUFS), housing development fund. In other saying, it is the sort of export incentive which provides that the import duties of the inputs used in the production of exported goods are paid. In the scope of inward processing regime, the companies which think of importing the raw materials and other goods from foreign countries have to get the inward processing authorization certificate from the general directorate of export on the condition to make an export commitment against government. For this, it is needed that the companies make an application with necessary documents to the general secretariat of exporter unions where they are registered. Companies benefit from tax exemption and other advantages thanks to those documents.

The supports and advantages to be benefited in the scope of inward processing regime are those; the exemption from, the customs duty in the import made from third countries, VAT and other taxes; the exemption from, VAT in the import made from EU countries, and other taxes; the RUFS exemption in the import made according to the payment terms such as the acceptance credit, the cash against goods and deferred letter of credit ; the exemption from the quota and surveillance measures in import on the condition that the export commitment is fulfilled with the exports to third countries; not being subjected to standardization and technical regulations in the foreign trade; the exemption from import customs duty, tax, duty and charge exception related to the sales and deliveries assumed as export; enabling to usage of equivalent goods; withdrawing the paid taxes.

It is possible to benefit from mentioned advantages in the scope of inward processing regime, through there are different ways (Inward Processing Regime Communiqué, No: 2005/1, Article: 4); 1) Suspension System 2) Drawback System 3) Equivalent Goods Usage.

The Provided Support:

- Import Duty in Import, VAT, special consumption tax (SCT), and other taxes
- Exemption from Funds
- Taxes, Duties and Charges Exception, and RUFs Exception
- Not-Subjected to Commercial Policy Measures
- Procurement from Agricultural Products Office (APO)
- Procurement from Sugar Plant detected by Turkey Sugar Institute (until 21/12/2006)
- VAT Probation- Cancellation Application in the Domestic Procurement
- Allowing to Domestic Sales and Deliveries
- Security Reduction related to Taxes needed to collect in Import

The Necessary Documents for Reference: Within the framework of inward processing regime, concerning inward processing licences; in the period from, the reference of licence to closure of commitment account of licences, all kinds of procedures are realized in the electronic environment. The below information and documents are required in order to identify the company and authorise the user.

- The Petition
- The Capacity Report related to the Production of goods to be exported
- The Authorized Signatory List
- The Trade Registry Gazette (original , notarized , or certified copy by commercial / industrial chambers and trade registrar)
- Tax Registration Certificate belonging to company
- Company Notification Form
- The Notarised Written Engagement, which is given regarding to signatory as electronical and is signed by persons who are authorised, either all kinds of commit and represent in the authorized signatory list belonging to company or privately in terms of procedures in the communiqué,
- The Document which the Relevant Company is member of Exporter Unions,
- Certification of approved Entity's Statute (by customs)

- Electrical Bill belonging to last period
- Bordereau of SII belonging to relevant Company

This subject has been explained in details at the section of "Customs Regime".

4.6.4 Outward Processing Regime

This regime contains the activities with regard that the goods in free circulation either is exported temporary to free zone or is exported to outside of customs territory of Turkey in order to be processed and renewed, and, that the compensating product enters to free circulation by benefiting from total and partial exemption (Outward Processing Regime Communiqué, No: 2007/5, Article: 2).

In the scope of outward processing regime; the goods in free circulation are exported to free zones or the outside of customs territory of Turkey in order to be processed in the advanced stage, to be repaired or to be renewed, and, the products obtained in consequence of these activities; by collecting the import duty of the spread between the value of both compensating product and the goods sent to be processed in the third countries within the framework of customs legislation, by implementing total exemption to import of both the goods which fill the place of goods sent to overseas on the condition of reparation under the guarantee and the goods in free circulation following processing in the customs territory in Turkey, by collecting, in proportion of common customs tariff, the duty of inputs used in the products which are manufactured by using third country originated inputs in the free zones in Turkey, enter to free circulation again. But; if its exportation causes to pay back the paid import duties or abolish the bidding import duties, if they enter free circulation on the condition of total exemption due to their end-use, and carry on having necessary conditions in order to recognize this exemption, if its exportation is needed the tax refund or provides a fiscal advantage excluding the tax refund within the framework of agricultural policy, the goods in free circulation in those circumstances cannot be processed in the outwards.

This subject has been explained in details at the section of "Customs Regime".

4.6.5 Exim Bank Credits

The Turk-Exim bank is a bank which has been established, with re-regulation of "the State Investment Bank" in 1987. The main objectives of bank are; the development of exportation, the diversification of the exported goods and services, gaining new markets to the exported goods, the increment of shares of exporters in the international trade and

providing necessary support in their enterprises, gaining the competition power and guarantee in the international markets for the exporters, the contractors operating in overseas and investors, and, the encouragement of investments to be made in the overseas and the production and sales of investment goods for exportation by supporting (Exim bank, 2008, a). The Turk-Exim bank, for this aim, supports the exporters, the manufacturer who makes the production oriented to export, and the entrepreneurs and contractors operating in overseas with the short, medium, long term cash and non-cash credit, insurance and guarantee programmes. The Turk-Exim bank has gathered roof the transactions of credit, guarantee and insurance under the same, as difference than official supported export credit organizations of many developed countries, which is to enable to form completeness in the services that exporter companies are given.

22 billion dollars cash credit of and 11 billion dollars insurance / guarantee opportunity of total 33 billion dollars support have been provided by The Turk-Exim bank to export sector in 2016. This amount corresponds to approximate % 23 of export of Turkey. On other hand, it is aimed that this support is risen, with % 21 increment, to total 39, 8 billion dollars, on 25, 4 billion dollars cash credit and 14.4 billion dollars insurance/guarantee opportunity. Thus, Turkey would have provided with % 26 of its exportation. The capital of the bank has been raised from 3,7 billion TL to 4,8 million TL in order to be able to enable those supports in 2017.

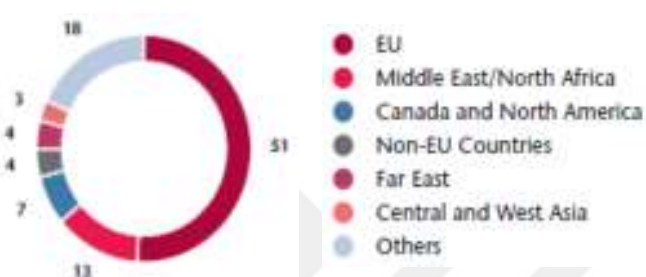
While The Turk-Exim bank transmits the resource with short term programmes to the banking system on the condition of supporting the exportation, on the other side it uses the funds that banking system has, in the direction of supporting of exportation. Because of assuming this task, it is significantly different as structure than specially commercial banks. Exim bank is a development bank. The Turk-Exim bank has concentrated on the short term credits by force of the business cycle inside which economy of county is, up to now.

The Turk-Exim bank, in the direction of developments in the economy of world and Turkey, meets the financial requirements of export sector. While realizing this, it performs wide range services from manufactures and contractors operating in overseas to tourism professional, and from international transporters to foreign exchange earning services such as the software, project, and consultancy.



Source: The Activity Report of Turk-Exim bank 2017

Figure 4.4 Sectoral Distribution of Short Term Credits (%)



Source: The Activity Report of Turk-Exim bank 2017

Figure 4.5. Regional Distribution of Short Term Credits (%)

The Turk-Exim bank makes credit facilities available to the exporters and companies which provide the foreign exchange earning service in the below mentioned subjects. In this direction, the credits provided by Exim bank are those;

A. The Short Term Export Credit

- ❖ Rediscount Credit (RC)
- ❖ Pre-shipment Export Credit (PSEC)
- ❖ Preparation Credit to Export (PCE)
- ❖ Export Credit for Foreign Trade Companies
- ❖ Preparation Credit to Export (PCE) for SEM
- ❖ Post-shipment Rediscount Credit (PSRC)
- ❖ Export Oriented Production Financial Credit

B. The Medium –Long Term Export Credit

- ❖ Export Oriented Capitalization Credit
- ❖ Export Oriented Investment Credit
- ❖ Brand Financial Credit

- ❖ Export Finance Intermediation Loan (EFIL-IV)
- ❖ European Investment Bank (EIB) Credit
- ❖ Qualifying Export Credit
- ❖ Ship-Building and Export Finance Programme
- ❖ Overseas Shops Investment Credit

C. Export Credit in the scope of Services Earning Foreign Exchange

- ❖ Tourism Credit
- ❖ International Transportation Marketing Credit (ITMC)
- ❖ Overseas Contracting Services Letter of Credit Programme
- ❖ Overseas Contracting Services Bridging Credit
- ❖ Credit of Services Earning Foreign Exchange
- ❖ Overseas Fair Participation Credit

A. The Short Term Export Credit

This credit has the aim, in order to meet their financial need of preparation period, to is allocated to exporters and manufacturers who produce the goods oriented to export, with proper term and cost. Thus, the increment of export performances are encouraged. Those credits are made available directly by Turk-Exim bank or through banks to firms in foreign currency and TL (EBSO, 2008).

❖ Rediscount Credit (RC): It is TL / foreign exchange credit programme which is made available to the companies which engage in the goods and foreign exchange earning services export within the framework of limit identified to Turk-Exim bank, with the collaboration of CBRT, on the purpose of providing proper cost financing. This programme contains the transactions related to making the rediscount credit facilities available, as pre-shipment and post-shipment, to exporter companies, manufacturing exporter companies, manufacturing companies which both produce the ultimate product oriented to export and operate in the foreign currency earning service, against the bill and bonds regulated in foreign currency. The manufacturing companies which produce the goods oriented to export, the companies which make the foreign exchange earning services exports, and all exporter companies are benefited. Turk Exim bank makes max 350 million USD credit facilities available as programme limit about to being the sum total of TL and exchange foreign credit. Max 400 million USD credit is made available in the programme limit oriented to foreign trade capital companies. The credit is able to

be made as EUR/USD/GBP/JPY. The transaction sub-limit is 50.000 USD for SEM, is 100.000 USD for other all companies. The fixed term is 360 days. The advantage of rediscount credit has been reinforced with 10 each basis point reduction which is made in proportion of up to % 20 in August 2017. Thus, the interest rates of rediscount credit have been determined as follows;

- The interest rate of 4 months term Rediscount Credit is LIBOR (London Interbank Offered Rate) +0,40
- The interest rate of 6 months term Rediscount Credit is LIBOR +0,50
- The interest rate of 8 months term Rediscount Credit is LIBOR +0, 65.

Besides, in the scope of rediscount credits, the export with high added value, and the advanced technology industrial products exports with the aim to encourage to the market diversification, the exportation made to new markets, and in services earning foreign currency the fixed term is 360; the interest rate is similar proportion to the interest rate of 240 days credit. Thus, on the side while the fixed term variety increases, the financial costs that the exporters endure have been pulled more down too. While the rediscount credit takes the highest share by % 78, 5 inside of short term export credits, the share of pre-shipment export credit made facilities available through commercial banks is %11, 8.

❖ **Pre-shipment Export Credit (PSEC):** In the scope of PSEC; except foreign trade capital companies and sectoral foreign trade companies, according to the legislation concerning the exporter companies and the manufacturing companies which produce the goods oriented to export (only ultimate producers), certainly, in return for the export commitment of Turk originated goods which are in out of the prohibited export goods; according to the legislation in effect in both (TRNC) Turkish Republic of Northern Cyprus and Turkey concerning the exporter companies and the manufacturing companies which produce the goods oriented to export in TRNC, certainly, in return for the export commitment of TRNC originated goods which are in out of the prohibited export goods; in the free zone established inside of political borders of Turkey, by natural and legal persons who are licensees for trade or production, according to relevant legislation, certainly, in return for sales commitment of Turk originated goods which are in out of the prohibited export goods providing from free zones to other countries except Turkey; within the framework of 2008/6 No. communiqué about Taxes, Duties and Charges Exemption in the activities of Export, Transit Trade, Sales and Deliveries assumed as

Export, and Foreign Exchange earning Service, in return for export commitment of companies settled in Turkey for the below mentioned foreign exchange earning services,

- 1) Sales services that Tourism institutions and travel agencies make during tourism activities, against foreign currency ,
- 2) Highway, sea or air transportation services and activities, provided that freight charges earned in foreign currency from international transportation are brought to country,
- 3) Healthcare services to be provided against foreign currency to foreign citizens, tourists, Turk citizen working in overseas as long as they are in Turkey, provided that their healthcare costs are collected from health and insurance agencies,
- 4) Foreign currency earning service projects, such as contractor ship, councillorship, software and engineering service to be realized oriented to overseas,
- 5) Provided that their costs are collected in foreign currency, the maintenance and repair services which were realized under the guarantee on behalf of companies settled in overseas, the maintenance and repair of foreign flagged ship, plane or articulated lorry and the goods and service sales which are made to them,
- 6) Visual and non-visual news sales to media organs in overseas by the news agencies settled in Turkey,

Provided that the export transaction in the scope are financed, the Turk-Exim bank allocates to the intermediary banks. The beneficiaries are;

- Except foreign trade capita companies, sectoral foreign trade companies, all exporters in both Turkey and TRNC, the manufacturing companies which produce the goods oriented to export in both Turkey and TRNC (only ultimate producers)
- Natural and legal persons who are licensees of production or trade in the free zones,
- Tourism institutions and travel agencies, and tour operators,
- International highway, sea or air transportation companies,
- Companies which provide healthcare service against foreign currency to foreign citizens, tourists, Turk citizen working in overseas as long as they are in Turkey, provided that their healthcare costs are collected from health and insurance agencies,
- Companies which provide the foreign exchange earning services, such as contractor ship, councillorship, software and engineering services to be realized oriented to overseas,
- Companies which provide the goods and services related to the maintenance and repair which are realized under the guarantee on behalf of companies settled in overseas,

the maintenance and repair of foreign flagged ship, plane or articulated lorry ,provided that their costs are collected in foreign currency,

- Companies which make the visual and non-visual news sales to media organs in overseas by the news agencies settled in Turkey.

In the scope of this programme , the objective of Turk-Exim bank is; to support to develop export of exporter companies and companies(ultimate producer) which produce the goods oriented to export, to contribute to diversification of the exported goods and services, to assist to be gained new markets to the exported goods, to encourage both, the sales and production of the investment goods aimed at export and the investment to be made in overseas, and to meet the short term financial needs of exporters through the intermediary bank before shipment. The capital balance total limit of TL/ foreign exchange credits which are able to be made available to a company, is in the amount of max 25 million USD. The company limit in question is in the amount of 15 million USD in the scope of PSEC Participation TL/SPEC Participation Foreign Exchange Credit. It is limited with 5 million TL in the scope of SPEC TRNC TL Credit. There is no any sub-limit on the basis of transaction in the scope of PSEC. The interest / profit share rates to be implemented to credit are determined according to the term of credit, the amount of credit and the currency. The intermediary bank can add, on the interest/profit share rate, max 1 point introduction fee / per year in the TL credit, max 0,5 point introduction fee / per year in the foreign exchange credit.

❖ **Preparation Credit to Export (PCE):** The-Turk Exim bank, except foreign trade capital companies and sectoral foreign trade companies, meets the financial needs at the preparation stage to export of exporter companies and companies (ultimate producer) which produce the goods oriented to export, and increase their competition power in the international markets. This credit is made available to exporter companies and companies (ultimate producer) which produce the goods oriented to export, except foreign trade capital companies and sectoral foreign trade companies. SEM has only been using credit facilities such as PSEC (on the basis of TL) and PCE since 10.08.2017. The aim of this program is to increase the competition power in the international markets of exporter companies, and meet their financial needs in the preparation to export stage. In the scope of this programme, Turk Exim bank makes max 25 million USD credit facilities available to exporter companies. There is no any sub-limit on the basis of transaction in the scope

of PCE. The interest / profit share rates to be implemented to credit are determined according to the term of credit, the amount of credit and the currency.

❖ **Export Credit for Foreign Trade Companies:** The credit is made available with the aim to meet the financial needs related to export activities of foreign trade capital companies and sectoral foreign trade companies. In the scope of the program, on the basis of company, the limit on the basis of USD is allocated by the relevant credit committee which is created within the framework of administrative body or the decree of administrative body. The limits determined by committees are able to be revised within year when needed. There is no transaction sub-limit.

❖ **Preparation Credit to Export (PCE) for SEM:** It is a programme which Turk-Exim bank makes credit facilities available for only exporter SEM and manufacturing SEM which produce the goods oriented to export. Only, exporter SEM and manufacturing SEM are benefited. In the scope of this programme, Turk-Exim bank makes max 5 million USD credit facilities available. There is no any sub-limit on the basis of transaction. The interest / profit share rates to be implemented to credit are determined according to the term of credit, the amount of credit and the currency.

❖ **Post-shipment Rediscount Credit (PSRC):** After the Turk originated goods are certainly exported with free currency against the bills and bonds which are regulated related to export receivables in foreign exchange and are arisen from forward sales on the condition of financing the post-shipment export of exporter, manufacturing exporter, manufacturers which produce the goods oriented to export, Turk-Eximbank makes reduction export receivables, and meets their financing needs in the post-shipment period. The objective of this programme is; to expand the competition advantages in the international markets of exporters on the purpose to increase the opportunity of their forward sales, to encourage to enter to target markets by cleaning their receivables from commercial and political risks, to provide exporters with reaching the financial opportunities after shipment. The company limit is max 350 million USD about to being the sum total of TL and exchange foreign credit (except foreign trade capital companies). The company limit of foreign trade capital companies is 400 million USD. The credit is able to be made as EUR/USD/GBP/JPY. The sub-limit is in the amount of 1.000 USD on the basis of transaction in the scope of PSRC. Turk-Exim bank makes reduction the export

receivables which are up to 360 days in the PSRC programme. SEMs, manufacturer which produce the goods oriented to export and all exporter are able to apply.

❖ **Export Oriented Production Financial Credit:** In the scope of export oriented production financial credit, within the framework of limit allocated by International Islamic Trade Finance Corporation-ITFC to Turk-Exim bank, the purchases of both the investment goods, and the raw materials and intermediate goods to be used at the production of mentioned exported goods are financed. It is essential that goods whose procurement is financed are used to export. Within this framework, in case the export is made in the scope of inward processing authorization certificate, the certificate commitment is asked for. If the export is made without the certificate, the export commitment is asked for. The extreme term of credit to be used under the scope of this programme is 12 months. The company limit is 10 million USD. The upper limit is 3 million USD on the basis of transaction, the sub-limit is 200.000 USD. Companies pay the credit capital debt at once at the end of 12 months term, and additional to LIBOR + %2,5 per year delay interest cost (mark –up). Turk-Exim bank collects the risk primer in proportion of % 0.50.

B. The Medium –Long Term Export Credit

❖ **Export Oriented Capitalization Credit:** In the scope of this programme, Turk-Exim bank finances the working capital needs such as 1 month electrical, water, natural gas, personnel expenses, and the raw materials, the intermediate product purchase, the ultimate goods, the ultimate products which are realized in the period through the credit application date until max 180 days ago. The manufacturers which produce the goods oriented to export, the manufacturing exporters and the exporters settled in Turkey, the companies which have the valid operating license oriented to production and trade and are established in the free zones of Turkey, and the companies which engage in the foreign exchange earning service and activity, benefit from this programme. The aim of this programme is to provide finance for capitalization needs of exporters. The programme limit is max 50 million USD, and the credit is able to be made as EUR or USD. There is no any sub-limit on the basis of transaction. The fixed term is 3 years. The interest rates are determined according to the period of credit and foreign currency used in the credit.

❖ **Export Oriented Investment Credit:** In the scope of export oriented investment credit, Turk-Exim bank finances over the amount (except VAT) of expenses of the

machine, equipment and component which are required the medium and long term finance due to the characteristic of persistency and long term usage. It is possible to finance the expenses which are made in the period which is up to max 180 days ago of the credit application date in the scope of the programme. The manufacturing exporter and manufacturer settled in Turkey which produce the goods oriented to export, the companies established in free zones of Turkey which have the valid operating license oriented to production / trade, and, the companies which engage in the foreign exchange earning services and activities, benefit from this programme. Turk-Exim bank makes max 50 million USD credit facilities available in the scope of the programme. The credit is able to be made as EUR or USD. There is no any sub-limit on the basis of transaction. The fixed term of credit is max 5 years. The interest rates are determined according to the period of credit and foreign currency used in the credit.

❖ **Brand Financial Credit:** Turk-Exim bank finances the procurement of brand settled in overseas of both all exporters and manufacturer settled in Turkey which produce the goods oriented to export. In the scope of brand credit programme, in order that the brand settled in overseas / the shop or plant related to the brand are purchased, or, the Turk goods/image is developed, and, the activities in relation of creating the trend, or of settling and expanding overseas to recognize the Turk goods are carried out, the finance is provided for the expenses made in the period up to max 1 year ago of the credit application date in return the expenditures documents, and the expenses to be made in return for the expenditures commitment. In order to finance branding activities, the brand in question;

- Has been registered in the country where the expenses have been realized and will have been realized,
- Whose protection period continues,
- Has to be unbounded with the reason such as sequestration, hypothec.

The manufacturers settled in Turkey who produce the goods oriented to export, the manufacturing exporter, and the companies which have the characteristic of exporter, are found adequate in terms of fiscal, commercial, morality in the consequence of intelligence and evaluation studies made by Turk-Exim bank, and operate in those sectors, are benefited from this programme. There is no upper limit identified. The credit amount to be made facilities available is determined by Turk-Exim bank considering the expenses

made oriented to branding and the contract sum oriented to purchases. There is no any sub-limit on the basis of transaction. The fixed term is 3 years. The interest rates to be implemented to the credit are determined by Turk Exim bank on the basis of credit.

❖ **Export Finance Intermediation Credit (EFIL-IV):** In the scope of EFIL-IV, the companies limit is 20 Million USD. There is no group limit. Turk-Exim bank makes credit facilities available on the purpose to finance both the fixed capital investments and working capital requirements that the companies settled in Turkey, which operate in the ship/ yacht constructing, machine manufacturing, electrical-electronical, automotive supply industry and non-iron metal sectors, will realize in domestic for export and foreign exchange earning service. In the scope of this programme, the expenses of raw materials, components/equipment, and constructing are financed with working capital and investment credit. The term of credit to be made available, in foreign currency with the LIBOR/EURIBOR+1.5 interest rate, to companies whose project are approved by Turk-Exim bank by evaluating, is 5 year including 1 year unpaid period for working capital credit.

❖ **European Investment Bank (EIB) Credit:** It is a credit programme which provides the financing support based the expenditure documents for working capital requirements and investment projects that SEM settled in Turkey will realize oriented to export and foreign exchange services in domestic. SEMs which engage in export aimed or foreign exchange earning activities are benefited from this programme. The aim of this programme, within the framework of credit agreement signed between Turk-Exim bank and EIB, is to finance both the working capital requirements and the investment projects that SEMs, which operate in the industry, tourism and service sectors, will realize oriented to export and foreign exchange services in domestic. It is expected that the purchases of goods and service to be financed under the scope of this programme are suitable to EIB Purchasing Handbook. The projects have to be suitable Turkey and EU Environment Legislations. The financial needs which are aimed at parcel, building, and vehicle procurements or the short term, and, transactions aimed at fiscal as share buying, are not financed in the scope of the programme. In the scope of EIB credit, the credit is able to be provided to projects which do not exceed 25 million USD. There is no any sub-limit on the basis of transaction. The term choices to be implemented to credit are determined by Turk-Exim bank on the basis of credit.

❖ **Qualifying Export Credit:** Turk-Exim bank provides the medium term finance to the goods and services projects which both belong to companies producing export oriented goods and are approved by Turk-Exim bank, but to which the credit cannot be provided within the framework of available credit programme of Turk-Exim bank. The beneficiaries from this programme are; exporters, manufacturing exporters, manufactures producing export oriented goods, settle in Turkey, and have the characteristic that the fund institutions provided from overseas oblige. The credit amount is determined by Turk-Exim bank on the basis of project. There is no any sub-limit on the basis of transaction. The term of credit is determined by Turk-Exim bank on the basis of project. The interest rates are determined by Turk Exim bank on the basis of project.

❖ **Ship-Building and Export Finance Programme :** Turk-Exim bank; meets the financial needs in the ship building stage of ship building exporters, supports their competition powers, and increases their creditworthiness in the presence of creditor institutions and their clients in the overseas.

Credit: with the credit which Turk-Exim bank provides under the scope of the programme;

- In the scope of contract signed with purchaser, Turk-Exim bank finances the expenses of ship building exporters in the ship building stage on the basis of project.

Letter of credit: with the letter of credit which Turk-Exim bank regulates under the scope of the programme;

- The payments in the qualification of advance to be made by both the buyer and the banks of buyer / finance subsidiary during building with the aim of finance of ship, and the interest rates to be arisen regarding to those,
- The engagements related to the term domestic procurement transactions and the term import of machine and equipment to be used in the project subject ship,

Are guaranteed by Turk-Exim bank in the framework of limit determined. The amount and term of credit to be provided / letter of credit to be regulated are determined by Turk-Exim bank on the basis of project considering the provisions of agreement signed between buyer and seller. It provides the credit up to % 85 of the price of ship agreement signed with buyer, or determines the letter of credit limit. Either max 25 million USD credit is made facilities available on the basis of project, or the letter of credit limit is determined by Turk-Exim bank. Besides, it is able to make both the credit and letter of credit facilities

available for the same project including those limits. There is no any sub-limit on the basis of transaction. The fixed term is 360 days. The ship building companies can apply. The interest rates to be implemented to credit are determined by Turk-Exim bank.

❖ **Overseas Shops Investment Credit:** Turk-Exim bank, in order that Turkish companies may market directly all kinds of Turk originated goods in the qualification of consumption goods in the varied markets, finances the investment expenditures oriented to being constituted the commercial outlets which involve various parts, where different products are exhibited in any country, and the shopping malls which one or more companies will establish by getting together. This credit is provided in return for expenditure documents related to investment period. It is expected that the documents which are regulated for these kinds of expenditures such as the bill, the progress payment, and the supporter documents showing that those are paid, are submitted to Turk-Exim bank. Overseas Shops Investment Credit is made available to the companies settled in Turkey, in return for the commitment of closing the taxes, duties, charges exemption certificate (TDCEC). The objectives of this programme are; to support the brand advertising activities of Turk companies in order for obtaining the permanent markets and increasing net exchange inflow, to support the investment expenses of shops to be opened with their own brand in the overseas, to support the investment oriented to being constituted both the commercial outlets which involve various parts, where different products are exhibited in the any country , and the shopping malls which one or more companies will establish by getting together, in order for marketing directly all kinds of Turk originated goods which are in the qualification of consumption goods. The suitability of investment project subjected to the credit is determined by Turk-Exim bank in the scope of overseas shops investment credit. The credit is provided up to 25 million USD. The credit can be EURO and USD. There is no nay sub-limit on the basis of transaction. The fixed term is max 5 years. The interest rates to be implemented to credit are determined by Turk-Exim bank on the basis of credit.

C. Export Credit in the scope of Services Earning Foreign Exchange

❖ Tourism Credit:

- The travel agencies being member of Turkey Travel Agencies Association (TTAA) which have the A group licensee,

- The A group licensed travel agencies which are detected by the ministry that they have the qualification of tour operator,
- The private airline companies settled in Turkey which transport passengers from overseas to Turkey, have the licensee of ministry of transport, maritime affairs and communication of Turkey regarding to make commercial air transportation industry,
- The tourism establishments which are assumed as exporter with cabinet decree and are certificated by ministry, whose principal intended action is to provide accommodation services,

Those organizations are suitable to benefit from this programme, and whose financial needs are met by Turk-Eximbank. The credit is made available for the finance of tourism services that they realize within the credit period, in return for inflow of receipts / the cost of tourism services that they commit to bring from overseas. The credit is provided up to 25 million USD. The credit can be EURO and USD. There is no nay sub-limit on the basis of transaction. The interest rates are determined according to the period and amount of credit, foreign currency.

❖ **International Transportation Marketing Credit (ITMC):** At the programme, the international transport companies settled in Turkey, the companies operating in international logistical industry, the companies operating in the transportation organizer, are able to benefit, in return for inflow of receipts / the cost of transportation services that they commit to actualize correspond to international road, sea, air transportation service that they realize within the credit period. Taking away the exported goods (burden) to overseas, bringing the imported goods (burden) from overseas to domestic, bringing about the transit goods (burden) transportation, are expressed as “Transportation Service”. The programme limit is in the amount of max 25 million USD, about to being the total sum of TL and foreign exchange credit. There is no nay sub-limit on the basis of transaction. The interest rates to be implemented to credit are determined according to the period and amount of credit, foreign currency.

❖ **Overseas Contracting Services Letter of Credit Programme:** It is aimed at that the projects assumed in overseas are supported with the guarantee letter in order that the companies operating in contracting sector may enter to new markets, alongside providing permanence in the available markets. With overseas contracting services oriented letter of credit programme, in return for the drawee counter guarantee to Turk-Exim bank of

Turk banks, about to oriented to the tenders the contracting companies whose projects and creditworthiness are approved by Turk banks will join, or their commitments; the drawee to the bank of employer, or the contracting authority of overseas employer, on the favor of Turk contracting companies;

- The tender guarantee,
- The performance guarantee, in case the tender is gained by contracting company,
- The advance payment guarantee, as repayment guarantee of payments that the employer will make to the contracting company in the manner of advance, the demands will be able to be met.

For the credit of letter which the drawee will regulate to employer contracting authority or the bank of contracting authority, the commission is collected by Turk-Eximbank in the proportion of %0.5 per year. The mentioned commission amount is collected by Turk banks as advance on behalf of contractor as of each 3 months periods. The companies which operate in the contacting sectors assuming project in overseas can benefit from this programme. In the scope of the programme, in return for the counter guarantee of Turk banks, the total guarantee amount to be regulated on the favor of company is 25 million USD. When the risk in the certain moment of any company is detected, the shares of contracting companies in the project that they assume are considered under the consortium that they constitute. The allocation of guarantee letter on the basis of country cannot exceed % 20 of total programme limit. The project limit is in the manner to not exceed the company limit, and the guarantee letter is given to max % 25 of either the tender price or the amount specified in the agreement made with the employer contracting authority. There is no any sub-limit on the basis of transaction. The term and amount of credit to be regulated, so as to be limited with the quantity specified in the limit of company, project and country, is determined by Turk Exim bank on the basis of transaction considering the text of contract, tender specifications or the type of letter demanded. So as to be stayed within the limitations determined at above for any project; the amount of guarantee letter to be regulated by Turk-Exim bank must not exceed the amount of counter guarantee which will be regulated by Turk banks the drawee to Turk-Exim bank.

❖ **Overseas Contracting Services Bridging Credit:** It is provided finance on the purpose to diminish the effects on the Turk contracting sectors of the financial crisis lived

in the international markets, and to protect the permanence of available competition power and investments in those markets in the long period by preserving in working circumstance of the mobilization -equipment pool and available work-site of companies operating in this sector. The contracting / consulting companies which encourage that the works related to projects subjecting to the credit continue, with documents to be regulated by the commercial counsellor / embassy of Turkey in the relevant countries, and whose projects information / receivables are determined in consequence of examination carried out by Turk-Exim bank, benefit from this programme. It makes the credit facilities available to the contracting / consulting companies which both have assumed projects from national / international employers in the countries which continue construction activities, and have committed in the scope of those projects in 2008 and following years, and also which have had receivables that could not encashed although approved. There is no any sub-limit on the basis of transaction. The interest rates are determined according to the period of credit, foreign currency used in the credit.

❖ **Credit of Services Earning Foreign Exchange:** It is a credit programme oriented to financing services that Turk companies realize for companies settled in overseas. The credit of services earning foreign exchange is financed under the scope of the taxes, duties, charges exception documents regulated by ministr, related to;

- Contracting, consulting, software and engineering services that the Turkish exporters realize for overseas,
- The maintenance and repair services of foreign flagged plane / ship / truck
- The healthcare to be provided in exchange of foreign exchange in domestic for those settled in overseas,
- Services in the qualification of sales of visual or non-visual news by news agencies settled in Turkey to media organ settled in overseas.

It makes max 25 million USD credit facilities available to Turk exporters. The project limit is determined by Turk-Exim bank on the basis of project, considering the provisions of contract signed between the companies providing the service and the companies getting the service, on the condition to not exceed the programme limit and the taxes, duties, charges exception documents. There is no any sub-limit on the basis of transaction. The interest rates to be implemented are determined by Turk-Exim bank.

❖ **Overseas Fair Participation Credit:** The institutions and organizations settled in Turkey, the natural person who keeps book on the basis of balance, or those which operate in the manner of trade firm or merchant;

- Organizer: the organizations which realize overseas fair activities
- National Participant : the companies which attend overseas fair organizations brought about by organizers
- Individual Participant: Companies which provide individual participants to sectoral international fairs which are organized in overseas and are announced by ministry, can benefit from the programme. Turk-Exim bank; encourages the companies to be engaged in advertising and marketing activities by providing participation to trade shows, and provides them with recognizing their rivals, obtaining information about new products and technology, contributing to develop the exports, and entering to new/target markets by increasing their overseas market shares. The company limit is the total of capital balance in any timezone of overseas fair participation credit that the companies use. The company limit in the scope of this credit programme is;
- 2.000.000 TL for the organizers which have the A class license
- 1.500.000 TL for the organizers which have the B class license
- 1.000.000 TL for the organizers which have the C class license
- 200.000 TL for the national and individual participants

❖ There is no any sub-limit on the basis of transaction. The fixed term is 360 days. The interest rates to be implemented to credit are determined according to the period and amount of credit, foreign currency.

4.6.6 Taxes, Duties and Charges Exemption

The objectives of the support; in conjunction that the export and transactions related to export, the export assumed sales and deliveries, and the foreign exchange earning services and activities providing the certain conditions, are exempt from the stamp duty, fees and banking and insurance transactions tax (BITT), are to increase the exportation, to gain the competition power to the exported goods in the international markets, and to expand the export market. The implementation is carried out in two manners, as transactions with documentary and transactions without documentary. In the scope of this support;

- On the condition to be used in financing of the exportation, the export assumed sales and deliveries, the foreign exchange earning services and activities and transit trade, all

kinds of both pre-shipment and post-shipment credits provided by banks, and the pre-financings that companies obtain, and, their repayments,

- The cash and foreign exchange transactions that they take from in favour of them and whatever on behalf of whom, due to all services and operations which the banks executing the transaction for export, the factoring firms, the insurance companies, the notaries and other organizations realize with regards to the exportation, the export assumed sales and deliveries and the foreign exchange earning services and activities,
- Transactions concerning both domestic procurements and the importation made under the scope of inward processing regime, and the credits which are used with the aim of their financing,
- All kinds of payments in return for export, transactions related to the exportation, the export assumed sales and deliveries and the foreign exchange earning services and activities, along with transactions of transit trade, and the papers regulated due to those transactions, are exceptional from BITT, and stamp duty, fees and town tax.

The full obligation companies, which engage in the activities such as the exportation, the export assumed sales and deliveries, and foreign exchange earning services in the scope of 2017/4 No. communiqué, 492 no. Act of fees and 488 no. Stamp tax law, can apply. In this connection, in the scope of taxes, duties and charges exception;

- Banking and insurance transactions tax (BITT)
- Stamp duty
- The fees collected as required 492 no. Act of Fees,
- Resource utilization support fund deduction
- Town Tax
- Taxes, duties and charges taken part in other laws, are able to be exempt.

While the Taxes, Duties and Charges Exemption is ex-officio implemented by the relevant institutions for both the export transaction and the credit used with the aim of financing of exports, the companies have to obtain certification by applying to relevant ministry, in order that the foreign exchange earning services and activities, with the credits used through their financings are able to be benefited from exceptions. The credits without document used with the aim of financing of export have max 18 months in order to benefit from the taxes, duties and charges exception. But, that period is 24 months for both the ship building and the credit to be used with the aim of financing of export.

Besides; on the condition of the incentive which % 50 of the exportation committed by relevant company is realized, the period concerning the credit is extended to 6 months by the organization making the credit facilities available.

The mentioned credits are closed with the foreign exchange provided from exports. The settling transactions of credit commitments are made by banks based on procedures and principles determined by central bank related to closure. The credit used under the scope of document with the aim of financing of foreign exchange earning service and activities have as much the period of the document in order to benefit from the exception. On the other hand, while the commitment accounting is closed both in the foreign-currency credits used in financing of import under the scope of inward processing authorization certificate regulated for the customs exempted merchandise imports oriented to merchandise exports and in the export credits without document, the presentation of customs declaration is enough, foreign exchange purchase certificate is not asked for.

In the scope of the taxes, duties and charges exemption; the credits used in financing of those such as the export, the sales and deliveries assumed export, the foreign exchange earning service and activities, and the taxes, duties and charges which arises from transactions related to those, are able to be exempt. In the export credit without document; the credit used in financing of export, and the transaction related to export are exempt from the taxes, duties and charges without asking for any document by relevant institution and organizations. In the export credit with document; the credits used in financing of the sales and deliveries assumed export, the foreign exchange earning service and activities, and transactions related to those are exempt from the taxes, duties and charges, based on the authorization certificate by relevant ministry. The foreign exchange earning service and activities; the freight revenues, tourism revenues, the sales made to tourists, the domestic and overseas contracting services, the operating and opening of shops in overseas, are exempt from the taxes, duties and charges. The sales and deliveries assumed export; sales of firms assuming defence industry projects, the sales firms winning international investment projects, the sales and delivery of package materials, the delivery of industrial and investment goods opening to international tender by institution and organizations, the production of goods in the scope of investment incentive certificate, are exempt from the taxes, duties and charges.

4.6.7 Vat Exemption

The provisions related to VAT exemption in export have been regulated with the 11st and 12nd articles of VAT law. The exports deliveries, and services concerning those deliveries have been connected the provision which the services done for the clients in overseas are exempt from VAT, with the sub-article 1/a of 11st article. With this provision, it has specified that VAT will not be implemented in the goods exports and the service exports. In the (b) clause of this sub-article, the provision that the paid VAT, belonging to the goods which the passengers who do not reside in Turkey buy in Turkey and send to overseas is refunded, and, the provision that the commodities which are taken along passengers to overseas are cleaned of tax as normal exportation, have been regulated. In the (c) clause of this sub-article, a kind of pre-export exemption application, which VAT is not paid by exporters in the sales made with the export registration, has been brought.

VAT Exemption in the Merchandise Exports: With the 1/a sub-article of 11st article of 3065 No.VAT law; the exports deliveries, and services concerning those deliveries, with services done for clients in overseas, have been exempt from VAT. In the 12nd article, the necessary conditions have been regulated in order that the delivery is deemed to the exports delivery. According to this regulation, it is needed that the delivery is made to a client in overseas, and the goods in subject of delivery are arrived in another country by passing customs line of Turkey. That is to say, in order that the delivery is deemed to the exports delivery; it is needed, that the delivery is made to the clients in overseas or the buyers in free zone or the operators in customs warehouse, or that the goods are commended to the operator in customs warehouse, or, that the invoice and similar documents belonging to the transaction are regulated on behalf of the clients in overseas or the buyers in free zone. Additionally, the goods in subject of delivery must be put in the authorized customs warehouse, or, arrived in free zone or another country by taking outside of customs territory of Turkey.

VAT Exemption in the Services Export: In accordance with 1st article of VAT law, services which are not done in Turkey are not in the scope of the tax. The services, which are done for clients in both Turkey and overseas, have been exempt from VAT by the 11/1-a article of the law. In the 11/2 article of the law, it has been explained to the buyers whose domicile, office and business centre are overseas, or that the services which both are benefited in overseas and are done in the branch of Turk companies operating

privately in overseas, enter to the scope of the exemption. The below conditions must be provided in order to be able to implement VAT exemption in services export.

- It must be benefited from the service in overseas.
- The price of service must be brought to Turkey as foreign exchange.
- The invoice and similar document must be regulated on behalf of client in overseas.
- The service must be done in Turkey for the client in overseas.

Except the above mentioned; making sub-labor in overseas, the services provided to the vehicles which are brought through temporary import regime to Turkey for repairing, maintenance, fixing, the intermediary services done to foreign insurance agencies, making samples and mould of goods to be manufactured in overseas, the financial rent transactions made in overseas, all of which enter to the scope of exemption.

VAT Exemption in the Deliveries made on the condition of Export (Deferred - Cancellation Application): When the manufacturers in domestic sell their goods to exporters on the condition to export them , while VAT is needed to be taken under normal conditions, this application is based on the principle that VAT in the sales price is postponed without collecting from the exporter. The deferred-cancellation system, which provides the advantage to not pay VAT for the goods which the manufacturer will sell to exporters on the condition to export, has been regulated at the 11/1-c article of VAT law. Accordingly,

- On the condition to export; the deliveries which the manufacturers identified on the 27 series number VAT general communique make contain only both the product which they only produce, and the goods which they manufacture as sub-contract at their own risk and organization.
- The goods deliveries of manufacturer or non-manufacturer taxpayer to foreign trade capital companies,
- The goods deliveries of manufacturer or non-manufacturer taxpayer to sectoral foreign trade companies,
- The goods deliveries to private financing institutions,
- The goods deliveries which are done to the exporters having VAT exemption certificate in export at the sales against foreign currency to those not residing in Turkey,

- The delivery to exporters of the goods produced by using the imported raw materials or auxiliary products under the scope of temporary accepting permit or inward processing regime,
- Exceptionally, the delivery of materials to be used in the production of goods to be exported to the manufacturing exporters which have the license of inward processing or temporary accepting permit and operate in textile, outfit, iron-steel, automotive and automotive supply industry sectors under the scope of those regimes,

In all of which, the deferred –cancellation application is able to be made. According to available application, as so to be exported by the above mentioned; VAT belonging to deliveries made to themselves is not paid by exporters; in return the manufacturers levies and effectuates the tax which they do not collect by declaring in the relevant declaration. But, the tax is cancelled after the payment is made; in case the goods are exported within 3 months as from the delivery to exporters, the cancelled tax is postponed on the condition to submit the necessary documents. The conditions to benefit from this application;

- According to criteria determined by relevant ministry, the deliveries which the those in qualification of manufacturer make to exporters
- Even if the salesman does not have the characteristic of this task, the deliveries made in order to be exported to foreign trade capital companies or sectoral foreign trade companies
- Even if private financing institutions do not have the characteristic of this task, the deliveries made by them to exporters,
- The goods produced by using the imported raw materials or auxiliary products under the temporary accepting and inward processing license, the delivery by manufacturer of which to exporters on the purpose of exports

The criteria determined by industrials ministry are those; to obtain industrial registry certificate by being in industrial registration, to be registration in the trade and industry chambers or the union of chamber of merchants and craftsmen, to employ 5 personnel inside of manufacturing.

In the deliveries made to exporters by those who have in the qualification of above mentioned; the normal invoice is regulated, but it is be added annotation on the invoice in the manner of “according to 3065 No. VAT law, the Vat has not been collected due to the fact that they are delivered on the condition to export”.

The deferred –cancellation application, is able to be implemented to only the ultimate goods in the subject of export. The intermediate goods which are processed by even if exporters, the goods which are used in the package of goods to be export, are not benefited from this application.

4.6.8 Free Zones Incentives

Free zones are amongst tools of both foreign trade policy and important development in not only Turkey but also world, in conjunction with the support services that they provide in free trade and their employment opportunities and their new technology application capacities. The provisions of free trade regime are implemented in trading between the free zones and other territories of Turkey. The other saying, the goods purchased from Turkey to free zone are subjected to export regime, the goods purchased from free zones to Turkey are subjected to import regime, and, it is possible that users of free zones purchase the goods and services from Turkey at the exports price (without VAT). On the other hand, the provisions of foreign trade regime cannot be implemented in between free zones with other countries and other free zones, which means the export opportunity without being subjected to customs procedures. Minimizing all kinds of procedures during application and activity period in free zones, and operating these zones by private sectors companies in the manner of dynamic, are others factors which provide the trade convenience. The establishment aims of free zones are; to encourage the production and investment oriented to export, to speed up the foreign directly investment and technology entry, to steer the firms to export, to develop the international trade. The functions of free zones; building proper foundation to provide the opportunity so that foreign capital and technology are brought to country, supplying some raw materials and intermediate goods easily in the demanded quantity and without loss of time, the low cost goods production and exports with the incentives and advantages provided, the sale of goods coming from outside of Turkey to other countries as transit, creating new employment opportunities, speeding up and making easily the export of Turk goods, are amongst. There are 19 pieces of free zone in Turkey.



Figure 4.6. 19 pieces of free zone with their establishment date.

The advantages that Free Zones provide:

1) The opportunity to benefit from tax advantages for producer users: The earnings which the free zone companies operating in the scope of operating licence in subject of production make from the sales that they produce, are exempt from the income or corporate tax till the end of taxation period of year when EU membership will realize. The wages that the companies which export the min %85 of FOB price of goods produced in free zones to overseas pay to personnel whom they employ are exceptional from income tax. This proportion can be reduced to % 50 by cabinet council. The free zone companies which engage in production activity, their operations which are made regarding to activities realized in free zone, and their documents which are regulated are exceptional from stamp duty and charges. In the subjects except production activities, the income or corporate tax exemption of the companies which got certificate before 06.02.2004 continues till the end of operating license period. There is no any tax exemption in the scope of operating licence regulated in the other subjects as of 06.02.2004.

2) The opportunity to be able to plan the future in medium and long terms: The operating licence are regulated as periodic ;15 years, for the hirer - user companies renting built-in office, 20 years, for the producer- hirer - user companies renting built-in office, 30 years, for the investor-user companies building own office, 45 years, for the producer-investor-user companies building own office. On the other hand, the terrain, land and buildings on the private property of treasury are able to be hired to investor-user companies, or the easement is able to be constituted up to 49 years.

- 3) Profit transportation opportunity: The earnings and incomes earned from activities of free zone, are able to be transferred freely to overseas or Turkey without being subjected to permit.
- 4) Trade facility opportunity: Foreign trade regime is implemented in trading with free zones. The free zone companies are able to buy the goods and service without VAT from Turkey. Besides, on the condition that the supply of consumables are able to be provided at the short time, the Turk origin goods whose price does not exceed 5.000 USD (or TL exchange for it) are not able to be subjected to export operation optionally.
- 5) Trade activity opportunity cleaned from Customs Duty Procedures: The Turkey and EU originated goods which are brought to free zone or , the goods in free circulation in there, due to the fact that the statute to be in free circulation does not change, the customs duty is not paid when they enter to Turkey and EU member countries. Besides, when the third countries origin goods enter to free zone, and in case those goods are sent to the third countries except Turkey and EU member countries, the customs duty is not paid. But, for the third country origin goods in not free circulation which are sent to Turkey and EU member countries, the customs duty is paid over the rate determined in common customs tariff.
- 6) The opportunity to supply the free circulation certificates that EU and CU criteria's require: By reason of the fact that free zones are accepted the part of "Turkey-EU CU", it is possible to send both Turkey or EU originated goods and goods in free circulation from free zones to EU, by regulating ATR document. After the third country origin goods enter to free circulation by paying the customs duty over the rate determined in common customs tariff to general directorate of free zones, they are able to be sent to EU by regulating ATR document.
- 7) The maxim of equity: The domestic and foreign companies benefit from equally the incentives and advantages provided in the free zones. The operators and users are able to benefit from non-tax incentives to be determined by ministry at the investment and production stages.
- 8) No time restrictions: The goods are able to stay in the free zone without time restrictions.
- 9) Commercial activity opportunity to be determined freely according to needs and conditions of market: Excluding the provisions of legislations in respect of customs and

foreign exchange taxpayer, and the demands of producer firms, the authorizations granted to public institutions and organizations related to the price, quality and standards are not implemented in free zones.

10) Temporary inflation accounting opportunity: All kinds of payments related to activities in free zones are made in foreign currency.

11) Access opportunity to domestic and foreign all markets: It is not imposed restrictions to the sale of goods for from free zones to Turkey, and trade made in between free zone and other countries. It is not imposed any restrictions to the sales of goods to domestic, except consumer goods and risk goods.

12) Decrement bureaucratic procedure and dynamic management: All kinds of bureaucracies have been diminished to the least during application and activity. Free zones are operated by private sector companies.

13) Strategical Advantage: Free zones of Turkey have been established near of EU and Middle East markets, in the places close to big ports in Mediterranean, Aegean and Black Sea, to international airports and to network of highway, to centers of culture, tourism, entertainment.

14) Infrastructure opportunity suitable to all kinds of commercial and industrial activity, and cheap: The infrastructure of free zones are similar standards with counterparts in the developed countries.

15) Facility to benefit from supply chain opportunities: Free zone enables uninterrupted procurement opportunity with the world price and conditions to especially companies producing oriented to export.

16) There is the estate tax exemption in free zones.

17) The freightage working aimed at the export made to free zones or from those zones are exempt from VAT.

18) Some logistical services to be provided on the condition that all of them are sent from free zones to overseas, are exempt from income and corporate tax.

19) It has provided the special account wages and the flexibility in proportion of stoppage exception to the strategic, priority or large sized investments, and the investments decided to support on the basis of project as of whose subject, sector and qualification.

20) The opportunity of % 75 discount implemented in the service price to be paid to building audit firms is benefited from.

Table 4.7 Tax Exemption Provided in Free Zones

TAX EXEMPTION	Manufacturer	Other Licenses	
		Logistical Services	Other Licenses
Income and Corporate Tax Exemption	Existence (till EU membership)	Exists (till EU membership)	Non-Existence
Income Tax Stoppage Exemption	Existence - %85 depended on export condition (it is able to be reduced by	Non-Existence	Non-Existence
Stamp Duty, Charge Exemption	Existence (till EU membership)	Existence (till EU membership)	Existence (till EU membership)
Customs Duty Exemption	Existence	Existence	Existence
Estate Tax Exemption (for investors)	Existence	Existence	Existence
VAT Exemption in the Transportation	Existence	Existence	Existence

Source: Source: Ministry of Economy, Government Aids Guide. (2018).

4.6.9 Investment Incentives

The investment incentive is another factor in supporting exports. This policy tool which needs to be carried out with export incentive is very important mechanism to be assisted, both in overcoming the sectoral dependency which is one of structural problems of Turkey's exportation, and in making sectoral structural of production and exportation suitable to the world trends. The investment incentive policies must be constituted oriented to information-intensive goods with high added value which speed up the share of world trade. Constituting the investment incentives in direction of this principle contributes to diversify and re-constitute the goods composition of export in short and long term, in suitable manner to world trend. Investment incentives acquire a different character from other financial incentives in that they particularly affect direct investment. In order to increase the volume of investment, the regions more priority to these issues, in varying proportions depending on the type of investment and investor in the investment incentives, all cash or non-cash support is offered by the government.

When looked at the types of investment incentives there are many tools such as tax exemptions, import duty exemptions, customs tax returns, value added tax exception, accelerated depreciation and investments tax credit.

These are main reasons of investment incentives;

- In order to reduce the current account deficit, ensuring production of the goods that are subjected to high rates imports in the country,
- Production of the products occupy an important place in the value chain, providing increase of added value and the competitiveness,
- Technology transfer,
- Lack of funding or skill of local capital in particular infrastructure investment,
- Provide employment for citizens living in the country,
- Elimination of inter-regional inequality,

The principle of universal service (When investing in under-developed regions is not profitable for the private sector, encouraging the private sector in return for offering this service).

Governments should also consider their efforts to modernize infrastructure, raise the level of education and labor skills, and improve the overall business climate as parts of their investment incentive policies. Government have increased using of incentives in competitive environment to attract investors (Erdoğan & Ataklı, 2012) from Brewer, Young 1997:175).

Investment incentives are seen as relatively minor determinants of FDI decision. Many countries have introduced FDI attraction incentives. The primary aims of these incentives are to create a friendly business environment where foreign investors feel comfortable with the legal and financial framework of the country and have the potential to reap profit from economically viable businesses. It is argued that the major incentive affecting FDI in flows involves more fiscal than financial incentives. Tax deduction is considered to be the most significant influencing factor on attracting FDI. Incentives increase the flow of incoming FDI and maximize their return on a host country and foreign investors.

In order to mitigate the effects of global crisis, government announced and put into effect a new incentive system on June 4, 2009 in Turkey. Supporting for large investments in 12 sectors and giving sectoral and regional incentives were envisaged in the new incentive system;

Aims of the new investment incentive system;

- Resolve regional disparities,
- Determining the supported sectors according to the conditions of the regions and the competitive advantages, contributing to the development of the clustering approach,

- Encouraging large-scale investments will increase the international competitiveness and have high content technology with research and development (T.R Ministry of Treasury: 2010/4)

The new incentive system consists of five main components. These are:

- Regional- Sectoral Incentives System,
- Large Scale Project Incentive System,
- General Incentives System.
- Priority Investment Incentive System
- Strategic Investment Incentive System

First, in the regional-sectoral incentive system, country is divided into four regions according to level of socio-economic development consisting of 26 provinces on the basis of Nomenclature of Territorial Units for Statistics (NUTS)-Level 2. The supported sectors have been identified by taking into consideration of potential sub-regions, economic scale criteria and relevant public institutions and organizations with the opinions of private sector institutions. The second, in the large project incentives system, government aims at providing support on more than a certain size investment which increases the competitiveness at the international level at R & D and high technology content sectors. The 12 investment subjects determined on the condition that min fixed amount is between 50 million TL and 1 billion TL, are supported within the framework of large scale investments incentive. In the scope of this investments, the content rate to investment having tax reduction support is implemented over the %10 of rate practiced for every regions under the scope of regional incentive system. Third, in the general incentive system, there are investments not included in the regional and the large project system and are outside of sectors to support unforeseen. That is to say, those not to be encouraged or those not proving the required qualifications excluding investment subjects, the min fixed amount and capacities on investment are support under the scope of general incentive system, without discriminating region. Fourth, in the priority investment incentive system, in the direction of country needs, the investments to be made in the area detected are determined as priority investments, and even if those investments are realized in the 1st, 2nd, 3rd and 4th regions, they are provided the supports implemented in 5th region. In case those investments are made in 5th and 6th regions, they are provided the supports implemented in their own region. Fifth, the investments which provide the criteria; that

the min fixed investment amount is 50 million TL, the domestic total production capacity related to the goods in investment subject is lower than exportation, the added value provided by investment is min %40, and, the investments oriented to production of goods or intermediate goods which are high import dependency, are supported under the scope of strategic investments incentive system. Besides, the priority investments whose min fixed amount is over 3 billion TL are accepted as strategic investment.

Large investments that will be supported across sectors are, manufacturing of chemicals, refined petroleum products, pipeline transit transport services, manufacturing of motor vehicles, manufacturing of railway and tramway locomotives and wagons, portend harbor services manufacturing, electronic manufacturing industry, medical instruments, precision and optimal equipment manufacturing, pharmaceutical manufacturing, air and space vehicles manufacturing investments and mining investments.

To benefit from the investment incentive system, min investment amount of the 1st and 2nd regions should be indicated 1 million TL, for investments of 3rd, 4th, 5th, 6th regions, it should be indicated 500.000 TL. Also, it is expressed that, investments which are over the specified minimum amount of fixed investment, can benefit with exemption from customs duty value added tax by not dividing into region (Official journal 16.07.2009).

Regional investments will benefit from the supports, in addition to exemption from customs duty and value added tax exception;

- a) Tax relief, the allocation of investment location, investment launch until the date 31/12/2010 will be given the support of employer share of premium on the 1st and 2nd regions
- b) Tax relief, the allocation of investment location, interest rate support incentives will be given on the 3rd and 4th regions;

In addition, for the large-scale investments;

- Customs duty exemption,
- VAT exception,
- Tax reduction,
- Insurance premiums shares of employer support,
- The allocation of investment location will be applied.

Also customs duty exemption, VAT exemption and interest rate support will be applied in the R & D and the environmental investments (Official Journal 28.07.2009).

Also according to new incentives system; investment through the financial leasing companies in machinery and equipment of subject to lease a total amount for each financial leasing company must have at least 200 thousands TL. In textiles, garments and apparel, leather and leather products sectors facilities which benefit from the moving support shall not be required to the minimum amount of fixed investment. But need to be minimum requirement of 50 persons employed in these facilities.

Table 4.8. Summary: The support factors implemented under the scope of investment incentive system

Support Factor	General Incentives Applications	Regional Incentive System	Priority Investment Incentive	Large-Scale Investment Incentive	Strategic Investment Incentive
VAT Exception	✓	✓	✓	✓	✓
Customs Duty Exemption	✓	✓	✓	✓	✓
Tax Reduction		✓	✓	✓	✓
Insurance Premium The employer share support		✓	✓	✓	✓
Investment Land Allocation		✓	✓	✓	✓
Interest Rate Support		✓		✓	✓
VAT Refunds					✓
Insurance Premium Support		✓	✓	✓	✓
Income Tax Stoppage Support	✓	✓	✓	✓	✓

Source: Ministry of Economy, Government Aids Guide. (2018).

4.7 Examining Comparative of Export Incentives Implementing in Turkey and the European Union

The developed countries have directly abolished the incentives, and have been supporting in very serious dimensions both industry sectors and foreign trade sectors by setting up indirect mechanisms For example; while the rate of foreign trade supports in export is %5 in Turkey, this rate is over % 10 in the developed countries. Another interesting example; while the %0, 8 of GDP is allocated to incentives in Turkey, this rate has not been being fell below the %2, 5 in the developed countries of EU ((İşlekler, 2010) from Esin, 1991:1). The export incentives practised in EU have been able to be evaluated within the framework of written resources to be found. Within this framework, it has been being observed that the incentive tools focus on much more the credit programmes and credit insurance of export, and guarantee programmes. When examining comparatively the export incentives practised in Turkey and EU; that the similar incentive tools are available in Turkey too, but it is seen that the credit, insurance and guarantee programmes

are implemented on wide variety of basis in EU. Meanwhile, the export structures of EU member countries focus on rather the investment and capital goods, which is one of main factors in constituting differences in implementation. In EU; the short, medium and long terms credits (pre/post shipment), the buyer's credits, the seller's credits, the exchange rate guarantee in foreign-currency credits, and the interest subsidy provided are practised. In Turkey; the pre/post-shipment export credits, the short term export credit for foreign trade capital companies, the preparation credit to export for SEM, the preparation credit to export, the qualifying export credits, the credits in the scope of foreign exchange earning services, the credits in ITFC, the intermediateray credit of export financing, and country credit / guarantee programmes are practiced.

As export credit insurance and guarantee programmes in EU; while the short term programmes, the long term programmes, the specific export credit against to political risk in the long terms foreign investments, the insurance and guarantee programmes varied according to goods are practised, the short, medium and long terms export credit insurance are practised in Turkey. Not only the institutions in EU presenting usually insurance and guarantee service obtain their own finance, but also all financing organizations engage in the same kinds of activities under the different roof. Due to those financing organizations showing difference in terms of specially activities, there is also difference in structuring the export oriented incentive system.

In EU, especially external credit usage under state guarantee is pretty common. Besides, it is seen that active operating of guarantee mechanism, and interest subsidy, with the resources of private bank and financing organizations are steered to export. In Turkey, the credit programmes based the low interest government resource are weight. In many of EU member countries, the credit programmes are able to be sustained comprehensively, actively and in the qualification of complementary, with the insurance and guarantee mechanisms, which is a result of that the economic environment in mentioned countries, price variances and the stability in credit costs are more positive relatively.

The support provided in the marketing and foreign advertisement subjects has the great importance in EU countries. With this aim, the export development organizations which are supported by government are available. Export oriented marketing strategies have been being supported through those organizations in almost all EU countries. The

information related to foreign markets is supplied, the rapid information flow is provided by constituting commercial information systems, the overseas advertisement activities are supported and the fiscal support is presented to those activities, the procurement communities are organized, and the consultancy services are provided. Those kinds of activities are provided by government support in foreign trade, and those organizations take part actively in fields of foreign trade. In Turkey if; the coordination deficiency in supporting of export and presenting of this support leap to eye.

In Turkey, new incentive tools put into force with “Export Oriented Government Aids” decree issued on January 1995. This decree has been forecasting that the activities of export business organizations such as R&D, advertisement, marketing surveys, overseas office store opening, and training are supported by government. The part of those aims has been taking part in “the Decree about Government Aids in Investment” issued on. Generally in systems of EU, the investments such as R&D, environment protection, training, new technology usage, employment generation are presented to the producer at the investment stage. At the exportation stage, the credit and insurance programs supporting marketing activities, the marketing and external advertisement support, and the activities which the development organizations of foreign trade present, are taken part in.

Despite the legal limitations in the subject of government aids in EU countries, the intensive incentive application is available. Those incentives are often conformity with common incentive policy of EU. The most preferred ones of those incentives in EU are R&D and overseas trade show and exhibition participation support. On the other side, it is seen to steer to the incentives of training, new technology production oriented R&D activities rather than cash assistance and promotions.

Another subject is Brussels resourced fiscal assistances of EU. EU obligates Turkey to adjustment of common incentive system, and providing the member countries great fiscal assistance from EU general budget and other fiscal tools makes difficult the circumstance. Benefiting of Turkey from those fiscal assistances is extreme limited in comparison to other countries, as a result of this, the competition power of Turkey weakens to opposite to EU countries, and causes to unfair competition.

In summary, considering various parameters, when made comparison of Turkey and EU (İşlekler, 2010);

- Turkey is in the position of country using at least incentives at all indications
- The countries which have the opportunity to comparison with Turk economy, and the countries which Turkey targets to reach their level in the short and long terms, give the incentive much more than Turkey
- The incentive rate of added value inside of industry in Turkey remains in behind too much than other countries, the incentive rate in export revenues is not tend to encourage the exporters
- It is seen that total incentive amounts given are not pretty enough, in proportion as all countries, considering the scale of Turkey.

When made the comparison between Turkey and EU in the application called as government aids, it is observed that the government aids in EU countries are steered much more to horizontal targets. Yet more, the priorities of EU, the target foreseen in the agenda of Lisbon (R&D expenses raised to %3 of GDP), and the environment and renewable energy, the SEM and regional development, and other EU agenda articles, have been effective.

The government aids were not given within the certain programs in Turkey. With the aim to be encouraged the exportation within the framework of export oriented growth policy in the period after 1980, the incentives instruments which are able to be evaluated as government aids by various institutions such as undersecretariat of foreign trade, ministry of economy, TRCB and Turk-Exim bank have been brought. The institutions act independent of each other, and it is obviously seen that this dispersed structure exists, when looked at from the legislations point of view.

Some of factors shown as reason to this circumstance are detected at below;

- Statistical data base deficiencies and inadequate coordination
- Differences of economic and social structure are not reflected entirely to legislations, and general qualified incentives do not response to needs,
- Resource deficiencies, in addition to this, the brought bureaucracy.

When made the comparison in terms of size of government aids; when considered the rate of the aid levels which 25 EU member countries have been giving in the fields of R&D, environment and renewable energy efficiency, SEM and regional development to GDP, it is seen that the government aids in Turkey are at very inadequate level as scale.

Table 4.9 The Comparison of Export Incentives implemented in Turkey and EU

Export Incentives Programmes	European Union	Turkey
Export Credits	Short, Medium and Long Terms Export Credits (pre-post shipment)	Short Terms Export Credits (pre-post shipment)
	Buyer's Credits	Qualifying Export Credits,
	Seller's Credits	Credits in the scope of Foreign Exchange earning Service
	Interest Subsidy provided with the rate guarantee to foreign exchange credits	Country Credit and Guarantee Programmes
	Interest Subsidy oriented to provide the same conditions with foreign rivals	Export Financing Intermediate Credits
	SEM oriented Special Condition Credit	ITFC resourced Credits
	Priority Region in Development Credits	
	Export and Performance Credits	
Export Credit Insurance Programmes	Specific Export Credit against political risks in the terms foreign investment for short term programmes	Short Terms Export Credit Insurance
	Varied Credit Programmes according to Goods	Medium and Long Terms Export Credit Insurance
	Rate Guarantee in Export	
	Input Price Insurance in Production	
	Ensuring of securities given to banks for foreign tenders	
	Guarantee in repayments of performance and export credits	
	Guarantee in Buyer's Credits	
	Insurance for such as overseas advertising, trade shows and marketing survey, introduction, office and network	
Tax Exception	VAT Exemption	VAT Exemption
	Tax Exemption or Refunds in Import Inputs	Taxes, Duties and Charges in Export
	Taxes, Duties and Charge Exception	Outward and Inward Processing Regime
		Free Zone Incentives
Other Incentives Tools		R&D Grants

		· Support to the Development of International Competitiveness
		· Employment Aid
		· Marketing Survey and The Support to Market Access
		· Supporting International Qualified Specialized Fair in Domestic
	Marketing and External Advertisement Support	
		· Supporting the Participation to Trade Shows Performed in Overseas
		· Supporting of Environment Costs
		· Supporting of Overseas Unit, Brand and Advertising activities
		· Branding of Turk Products in Overseas, Placing the Image of Turkish Goods and Supporting of TURQUALITY
		· Design Support
		· Government Grants to be provided to activities in the Overseas of Technical Consultancy Companies
		· Export Restitution Aids at Agricultural Products
		· Supporting of Foreign Exchange earning Trade Service

Source: İGEME

CHAPTER 5

5 DATA ANALYSIS

5.1 Description of the Study

In this part of study, it will be examined that the companies which make an export, and operate in various sectors throughout Turkey benefit from the export incentives in what way, and whether those incentives affect on the exportation or not. The data obtained from field study will be analysed in the light of foreign trade, export and incentives, and in this connection the evaluation of data obtained will be made. After those data accesses to data base which is constituted in SPSS analyses programme, the results will be demonstrated with formulas, tables.

Nowadays, it becomes almost impossible that the companies operate in domestic as the consequence of that both they affect negatively from the economic crisis of country after a length of time and the world is seen as a single market. As the result, they do not come to the stage they want at the production and work fields. For this reason, many companies has been in the effort to export the goods and services to foreign countries. Besides, taking part of international rivals in the domestic market detracts from qualifying the market as domestic market. The governments give the incentives oriented to export to companies in order both to encourage the companies which want to export with the aim of increasing the exportation and that they are able to compete with their rivals in the international market which operate in the same sector. The exportation plays the importance role in the development of country in term of economic. Therefore, the governments provide various supports because of feeling more need in the subject of development of their export day by day. Within this framework, it will be examined that how much the incentives which the companies making exports use are effective on the exportation.

5.2 Purpose of the Study

After 1980, in consequence of the international expansion that Turkey has followed, the importance of exportation increased day by day. For countries, the exportation means that the welfare of economic increases due to the inflow of foreign currency to country. Governments encourage to export in order to increase exports, and support to companies which want to open to overseas markets. The importance of export incentives is big in the many subject such as being more effective of companies in the international markets, obtaining the advantage of competition, introducing their goods and services easily to

consumers, and finding a solution of problems met in export. The export incentive provides with rising the companies turning towards export to the level of successful exporters by removing away the problems met in export, or preventing the problems to be met.

To export, for a firm, means to engage in foreign trade activities. Thus, taking part in the international markets brings with renewals such as the competition, new rivals, new customers, and new marketing methods. The export incentives have big effects to follow these renewals and harmonize to these renewals, or in the subject of overcoming them. The purpose of this study are to determine that how both the export incentives implemented in Turkey affect foreign trade or whether they affect foreign trade or not, and prove that the trade of companies using export incentives increase.

5.3 Methodology of the Study

5.3.1 Population

The population of study is the companies which both operate in Turkey and make exports. The types of companies making exports in Turkey are defined as foreign trade company, group foreign trade company, the manufacturer / exporters, and exporters. Their capital structures are split in half as exports and the number of exporter. The sectors in which they operate are primarily agriculture (herbal products, animal products, and wood and forestry products), industry (manufactured goods based on agricultural, chemical substances and products, industrial products) and mining (mining products). It cannot be said that those firms spread equally in the seven regions. The many of those firms are in Marmara Region and Aegean Region.

5.3.2 Sample

The sample of study has been picked out the companies which operate in Turkey and got inside of the first 2000 companies in Turkish Exporters Assembly Reports 2019 in terms of export turnover (in the basis of TL). The selected companies are the manufacturer / exporter, the exporter and sectoral / capital foreign trade companies. The sectors in which they operate are the automotive industry, the readymade garment and apparel, the steel, the chemical substances and products, the electrical /electronic and service, the textile and textile raw material, the ferrous and non-ferrous metals, the mining products, the machineries, the cement glass ceramics and soil products, the furnish, paper and forestry products, the defence industry aerospace, the cereal, pulse, oil seeds and products. The

distribution of companies according to province are those; the first place is İstanbul, in turn İzmir, Gaziantep, Kocaeli, Bursa, Ankara, Denizli, Adana, Manisa.

The companies, which make exports and operate in the various sectors in Turkey, have been chosen. The main reasons why the study is done throughout Turkey are as follows.

- The companies making exports reflects the general of Turkey in order to be able to conduct the study , and reach to the significant of result,
- The companies operate in all kinds of occupational group throughout Turkey,
- The companies making exports show differences according to whether using export incentives or not.

Due to the main criteria mentioned above, it is though that the companies making exports throughout Turkey chosen as the study field is a nice exemplification. 60 companies making exports in the various sectors throughout Turkey were worked at this study. The export amount of 60 companies analysed are approx. means 620.000 – 3.550.000 thousand TL. The 30 of those companies have been using incentives oriented to exports.

The incentives used are as follows;

- Customs Duty Exemption
- VAT Exemption
- R&D Grants
- Inward Processing Regime
- Investment Incentive Licence
- TurkQuality
- Trade Shows and Marketing Survey Supports
- Brand Incentive
- SSI Incentive
- Taxes, Duties and Charges Exemption

5.3.3 The Basic Subjects Gauged

In the scope of study, the main objective is to gauge the effect of incentives used in export on the increase of foreign trade.

Independent variables which are foreseen to be effective on the amount of exports are as follows;

- ✓ Export Oriented Government Grants
- ✓ Inward Processing Regime

- ✓ Outward Processing Regime
- ✓ Exim Bank Credits
- ✓ Vat Exemption
- ✓ Free Zones Incentives
- ✓ Investment Incentives
- ✓ Real Exchange Rates
- ✓ Export Price Index
- ✓ Consumption Goods Import Quantity
- ✓ National Income of Country which are exported to

5.3.4 Techniques Used on the Data Analysis

It has been benefited from SPSS programme in the analysis of data obtained in the study. T-test which is explained in details at the following has been used as statistical analysis technique.

T-test is a test which is used commonly as statistical amongst hypothesis tests. It is defined as an approach which tries to determine statistically whether there is an explicit difference in between means of two group data, or not. It is known as the test technique of small sample too. The reason why it is known in this manner is that it is a statistical technique which is applied either when it is $n < 30$, or when the mean of main population is normal. It can be said that whether there is a relation with this technique or not, but it cannot be mentioned the grade of relation.

Which type circumstance do we use t-test?

- ✓ While we are querying that the examined group does not belong to another group which was examined previously, or not
- ✓ While querying whether there is a difference between two groups, or not
- ✓ While querying whether the examined variable group gives different reactions under different conditions, or not

Independent Samples T-test: It is looked at whether the difference between the mean of two independent of each other groups is significant, or not. It is usually used in the social science, it is interested in whether the mean of effects of the social or physical test to groups constitute of differences in mean with regards to statistical. For example: Are there differences in mean the achievements of girls and boys in the student selection

examination? Is there difference between electricity consumption of married and single electricity users in mean?

Is there a significant difference in terms of mathematical points that girls and boys in a class took?

H0: There is no difference

H1: There is difference

It is being seen that the means are different, but is this difference random or significant?

If the significance coefficient on independent test table is smaller than 0.05, it can be said that the hypothesis in question states a significant difference statistically. And H0 is rejected.

Paired Sample T-test: It is used in the controlled and empirical studies. It could be mentioned a suitable usage to the following three circumstances in this subject.

1) Comparison of mean concerning two independent variables of one group

- In a study done related to the savings consciousness of costumers, is there a difference in the thought of costumer oriented to make saving between X method and Y method? A group which has the same consumption characteristic is implemented X savings method, another group is implemented Y savings method. And it is looked at whether there is difference between those two groups statistically.

2) Is there a significant difference concerning the mean of two measurements belonging to the same group but made in different times?

- How is the consumption characteristic of costumer changing after a bill to be able to be defined as heavy comes?

- How are the exam achievements of students changing before they take mathematic private lessons and after they take mathematic private lessons?

- Is the alteration in the vote surveys significant pre and post electioneering?

3) In the study which is hard to realize on the same sample group, it operates, as though the groups in the qualification of similar in terms of study are single group. The means concerning two measurements are compared.

5.4 The Findings of the Study and Evaluation

In this study; it analyses that whether the incentive utilization of companies exporting affects their foreign trade or export performances, or not. While the examination is made, the data which is considered is; the 2017-2018 year export amounts of companies, their

export changes, and the 2018 year their earnings, their shareholders equity, the number of their employees, and the specifications of companies. The hypothesis which are constituted in this direction are as follows.

The hypothesis are;

(H₁): Usage of incentives in export has the effect to export.

While the data was being constituted, The leading companies which take part in the first 2000 ranking of export in Turkey were examined, 60 pieces of which were selected. 30 pieces of them have been using the incentive oriented to export, 30 pieces of them have not been using any incentives.

By using the independent sample t-test, whether there is difference between export changes of two groups in usage of incentives or not were examined. Besides, for independent sample t-test, the 2017/2018 year export changes of companies were computed.

H₁: $\mu_1 - \mu_2 \neq 0$

Formula of Independent Sample t-test is;

$$t = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{\frac{SDX_1^2}{n_{x1}} + \frac{SDX_2^2}{n_{x2}}}}$$

According to the below data computed, according to whether they use export incentives, between their annual export changes, it is analysed whether there is difference or not.

Table 5.1 The Export Changes of Companies using Incentives and Companies not using Incentives according to 2017 and 2018 years

No	Incentive_companies using_export chages	Incentive_companies notusing_export chages
1	53.131	27.99
2	47.533	33.90
3	21.506	98.07
4	22.377	40.90
5	42.864	47.24
6	61.592	58.67
7	35.742	46.38
8	33.888	37.02
9	13.363	69.91
10	35.790	53.33
11	67.543	32.05
12	107.027	61.14
13	9.711	54.45
14	55.754	100.00
15	63.733	38.82
16	21.793	76.47
17	49.796	64.97
18	129.396	85.67
19	110.107	18.71
20	83.580	24.02
21	82.247	149.10
22	57.083	41.85
23	37.474	74.32
24	-48.162	66.54
25	32.333	9.83
26	60.314	40.10
27	157.793	117.17
28	27.075	78.87
29	25.314	-16.42
30	-17.019	14.18
	n=30	n=30
$\sum X_1 =$	1480.680	1645.260
$\sum X_1^2 =$	122642.89	123780.45

The standard deviation formula is: (it is computed separately for two groups)

$$\begin{aligned}
 SDX_1 &= \sqrt{\frac{\sum X_1^2 - \frac{(\sum X_1)^2}{n_{X_1}}}{n_{X_1} - 1}} = \sqrt{\frac{122642.893 - \frac{(1480.680)^2}{30}}{30 - 1}} \\
 &= \sqrt{\frac{122642.893 - 73080.466}{29}} = 41.34
 \end{aligned}$$

$$SDX_2 = \sqrt{\frac{\sum X_2^2 - \frac{(\sum X_2)^2}{n_{X2}}}{n_{X2} - 1}} = \sqrt{\frac{123780.452 - \frac{(1645.260)^2}{30}}{30 - 1}}$$

$$= \sqrt{\frac{123780.452 - 90229.388}{29}} = 34.01$$

$$F = \frac{SDX_1^2}{SDX_2^2} = \frac{41.34^2}{34.01^2} = 1.477$$

$$df_1 = n_1 - 1 = 30 - 1 = 29 \quad / \quad df_2 = n_2 - 1 = 30 - 1 = 29$$

$$P_{0.05}; 29 = 1.85$$

$$P_{0.01}; 29 = 2.41$$

Both $p(0.05;29)=1.85$ and $p(0.01;29)=2.41$ are than higher than the value of $f=1.477$ computed, which shows that variances are homogeneous.

If variances are homogeneous, the degree of freedom is computed as $(n-2)$.

$$Df = n - 2 = 60 - 2 = 58$$

Many statistical test such as t-test, ANOVA assume that data is distributed normally. If data is not distributed as normal, methods which are not parametric are used. Therefore, before t-test is made, it must be looked at whether data distributes normally or not. It is possible to benefit from various normality tests on the purpose to reveal whether data is suitable to normal distribution. The best knowns normality test among are Kolmogorov-Smirnov, Lilliefors and Shapiro - Wilk. While it express that hypothesis and data come from an universe with normal distribution in tests in question, it can be alleged that the distribution of hypothesis and universe do not suit to normal.

When looked at whether companies and the export change percent distribute as normal or not, the below results are obtained.

Table 5.2. Test of Normality for Independent Sample t-test

Tests of Normality						
Companies	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Export_Change_Percent Using_incentive	.131	30	.200*	.957	30	.258
Not_using_incentive	.088	30	.200*	.974	30	.650

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

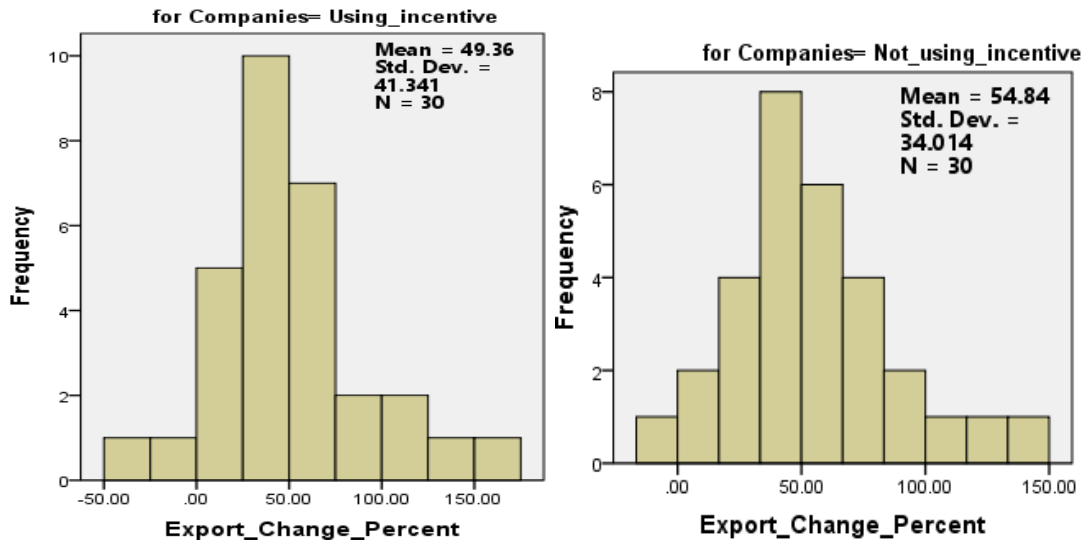


Figure 5.1 The Export Change Percent and Companies Histogram

Both companies using export incentive $D(30)=.131$, $p=.200$ and companies not using export incentive $D(30)=.088$, $p=.200$ are suitable to normal distribution. Thus, it is possible to say that data has normal distribution. According as data has the normal distribution, t-test is able to be made. The result is able to be obtained by putting values to t-test formula.

$$t = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{\frac{SDX_1^2}{n_{x1}} + \frac{SDX_2^2}{n_{x2}}}} = \frac{49.356 - 54.842}{\sqrt{\frac{41.34^2}{30} + \frac{34.01^2}{30}}} = \frac{-5.486}{9.774} = -0.561$$

The result of t-test is demonstrated as output on Table 5.3

Table 5.3. The result of t-test As output for Independent Sample t-test

Group Statistics									
Companies		N	Mean	Std. Deviation	Std. Error Mean				
Export_Change_Percent	Using_incentive	30	49.3559	41.34065	7.54773				
	Not_using_incentive	30	54.8417	34.01415	6.21011				

Independent Samples Test									
		Levene's Test for Equality of Variances		t-test for Equality of Means					
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the ...
Export_Change_Percent	Equal variances assumed	.386	.537	-.561	58	.577	-5.48573	9.77414	-25.05079 14.0793
	Equal variances not assumed			-.561	55.925	.577	-5.48573	9.77414	-25.06626 14.0948

The result of test is able to be significant but its effect is able to be low. Therefore, the size of effect must be computed.

$$r = \sqrt{t^2 / (t^2 + DF)} = \sqrt{-0.561^2 / (-0.561^2 + 58)} = 0,0734$$

As a result, the export change percent of companies not using incentives (Mean_{cnu}=54.8417, SE=6.21) is not more different than the export change percent of companies using incentives (Mean_{cui}=49.3559, SE=7.55), and this difference is not significant in terms of statistical (t (58) =-.561 p=0.537, r=0.0734), on other words there is no significant difference between the export change percent of them, which shows that export incentives do not have any effect. Even, when looked at means of both groups, it is able to be said that the mean of export change percent of companies not using incentives is higher than companies using incentives's. Besides, the size of effect is pretty low.

In conclusion, it is not able to be true to connect the increase of export to incentives. Alongside these incentives provided in export, there can be many factors which influence on export, one of which is the real exchange rate. Because, the fluctuations in exchange rate is one of the most important factors which determine the foreign trade volume and competition power of country. In addition to this, the export price index, the consumption goods import is other factors which provide with increasing exports. For example; in the export price index, that is to said, a united increment appearing on the unit prices provides the 57.5 united increment on the total export. Providing the increase of export depends on the ability to produce the goods and service in the international competition environment. Because the contestability makes cost reduce by rising productivity. The increase of productivity to be provided in production brings with the increase of export. It is possible to say that there is no difference due to these factors.

By looking at the 2017/2018 year export figures which belong to two groups, it was examined through the paired sample t-test whether there is the difference between years, and according as this difference is size, it was evaluated wheter incentive is effective upon the trade/export or not.

The hypothesis are:

(H₂): There is an increase in the 2018 year export figures of companies using incentives.

(H₃): There is an increase in the 2018 year export figures of companies not using incentives.

Formula of paired sample t-test is;

$$D_{sd} = \sqrt{\frac{\sum D^2 - \frac{(\sum D)^2}{n}}{n-1}}$$

Table 5.4.The 2017 and 2018 year Export Figures of Companies using Incentives

COMPANIES USING INCENTIVES				
No	The 2017export figures TL	The 2018 export figures	(X1-X2)	(X1-X2)2
	(X1)	(X2)	(DX1)	(DX1)2
1	17,830,091	27,303,441	9,473,350	8.97E+13
2	8,649,358	12,760,645	4,111,287	1.69E+13
3	11,947,746	14,517,284	2,569,538	6.60E+12
4	10,205,556	12,489,247	2,283,691	5.22E+12
5	7,377,223	10,539,364	3,162,141	1.00E+13
6	78,629	127,058	48,429	2345368041
7	95,008	128,966	33,958	1153145764
8	3,189,628	4,270,535	1,080,907	1.17E+12
9	784,165	888,955	104,790	10980944100
10	2,659,400	3,611,200	951,800	9.06E+11
11	1,133,810	1,899,620	765,810	5.86E+11
12	1,615,383	3,344,278	1,728,895	2.99E+12
13	834,228	915,240	81,012	6562944144
14	645,404	1,005,245	359,841	1.29E+11
15	654,493	1,071,623	417,130	1.74E+11
16	652,701	794,945	142,244	20233466771
17	549,337	822,884	273,547	74827961209
18	230,533	528,832	298,299	88982461045
19	2,671,529	5,613,076	2,941,547	8.65E+12
20	311,957	572,691	260,734	67982459153
21	50,019	91,158	41,139	1692401853
22	212,327	333,530	121,202	14690022251
23	116,305	159,890	43,584	1899584407
24	106,846	55,387	-51,459	2648020345
25	31,508	41,695	10,188	103785360
26	179,013	286,983	107,970	11657621744
27	220,134	567,491	347,357	1.21E+11
28	1,024,195	1,301,496	277,301	76895844601
29	198,995	249,368	50,373	2537451420
30	318,931	264,652	-54,279	2946199637
TOTAL	74,574,451.00	106,556,778.00	31,982,328.00	1.44E+14
MEAN	2,485,815.02	3,551,892.61		

$$D_{sdX} = \sqrt{\frac{\sum D^2 - \frac{(\sum D)^2}{n}}{n-1}} = \sqrt{\frac{1.43579E + 14 - \frac{(31,982,328)^2}{30}}{29}} = \sqrt{\frac{1.09483E + 14}{29}}$$

$$= 1943007.873$$

Table 5.5.The 2017 and 2018 year Export Figures of Companies not using Incentives

COMPANIES NOT USING INCENTIVES				
No	The 2017export figures	The 2018 export figures (Y2)	(Y1-Y2)	(Y1-Y2)^
	TL (Y1)		(DY2)	(DY2)^
1	526,044	673,287	147,243	21680459232
2	1,054,742	1,412,267	357,525	1.28E+11
3	1,893,969	3,751,411	1,857,442	3.45E+12
4	817,579	1,151,992	334,413	1.12E+11
5	1,022,953	1,506,236	483,283	2.34E+11
6	444,627	705,509	260,882	68059279657
7	20,090	29,408	9,317	86814464.54
8	950,229	1,301,992	351,764	1.24E+11
9	338,714	575,513	236,799	56073591170
10	55.92	85.74	30	889.351684
11	3,762,082	4,967,818	1,205,736	1.45E+12
12	19.16	30.87	12	137.194369
13	56,307	86,967	30,661	940081774.5
14	0	32,549	32,549	1059404852
15	80,902	112,309	31,407	986403103.8
16	181,712	320,661	138,949	19306877680
17	62,008	102,295	40,288	1623104250
18	17,758	32,971	15,213	231434760.5
19	16231.854	19269.423	3,038	9226825.43
20	57,137	70,862	13,725	188373813.3
21	97,492	242,852	145,359	21129369123
22	815	1,157	341	116470.6733
23	9,589	16,716	7,127	50787928.7
24	305,800	509,290	203,491	41408461324
25	283,083	310,898	27,815	773668495.1
26	154,060	215,841	61,781	3816870585
27	12,300	26,711	14,411	207689029.6
28	954,134	1,706,687	752,553	5.66E+17
29	44,257	36,992	-7,265	52786124.34
30	659	753	93	8730.659844
TOTAL	13,165,351.00	19,921,331.00	6,755,980.00	6.30E+12
MEAN	438,845.03	664,044.36		

$$D_{sdY} = \sqrt{\frac{\sum D^2 - \frac{(\sum D)^2}{n}}{n-1}} = \sqrt{\frac{6.30487E+12 - \frac{(6,755,980)^2}{30}}{29}} = \sqrt{\frac{4.78343E+12}{29}}$$

$$= 406135.074$$

Before t-test was made, whether data distributes as normal or not were looked at, the below results were obtained.

Table 5.6. Test of Normality for both companies using incentives and companies not using incentive on the Paired Sample t-test

One-Sample Kolmogorov-Smirnov Test		Dif_CUI	Dif_CNUI
N		30	30
Normal Parameters ^{a, b}	Mean	-1066077.57	-225199.3815
	Std. Deviation	1943007.884	406135.0451
Most Extreme Differences	Absolute	.297	.284
	Positive	.282	.284
	Negative	-.297	-.243
Test Statistic		.297	.284
Asymp. Sig. (2-tailed)		.000 ^c	.000 ^c

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Dif_CUI	.297	30	.000	.591	30	.000
Dif_CNUI	.284	30	.000	.601	30	.000

a. Lilliefors Significance Correction

Both companies using export incentive $D(30)=.297$, $p=.000$ and companies not using export incentive $D(30)=.284$, $p=.000$ are not suitable to normal distribution.. Thus, it is possible to say that data does not have normal distribution. According as data does not have the normal distribution, t-test cannot be implemented. In this circumstance data is defined as non-parametric, and Wilcoxon Test is implemented. If the sample which is subject of study is gauged in two circumstances or two different conditions, Wilcoxon Signed Ranks Test is able to be used. This test is the non- parametric alternative of the paired sample t-test. The sign test is interested in only the aspect of differences between paired data. Wilcoxon test tries to test whether the distribution which belongs to two variances is similar by considering the sizes of differences related to the paired groups. In the Wilcoxon test, the data must be sustained, independent, random, and obtained from least interval dimension.

Wilcoxon Test is computed like that;

$$z = \frac{W_s - \frac{n(n+1)}{4}}{\sqrt{\frac{n(n+1)(2n+1)}{24}}}$$

The preparatory operations table is prepared for the statistics of Wilcoxon Test. These tables where the data belonging to two groups are demonstrated on Table 5.7/5.8

Table 5.7. The Preparatory Operations Table for Wilcoxon Test of Companies using Incentives

COMPANIES USING INCENTIVES						
No	The 2017 export figures (X1)	The 2018 export figures (X2)	(X2-X1) (DX)	Absolute Value	Ranking	Singed Ranks
1	17,830,091	27,303,441	-9,473,350	9,473,350	30	-30
2	8,649,358	12,760,645	-4,111,287	4,111,287	29	-29
3	11,947,746	14,517,284	-2,569,538	2,569,538	26	-26
4	10,205,556	12,489,247	-2,283,691	2,283,691	25	-25
5	7,377,223	10,539,364	-3,162,141	3,162,141	28	-28
6	78,629	127,058	-48,429	48,429	5	-5
7	95,008	128,966	-33,958	33,958	2	-2
8	3,189,628	4,270,535	-1,080,907	1,080,907	23	-23
9	784,165	888,955	-104,790	104,790	10	-10
10	2,659,400	3,611,200	-951,800	951,800	22	-22
11	1,133,810	1,899,620	-765,810	765,810	21	-21
12	1,615,383	3,344,278	-1,728,895	1,728,895	24	-24
13	834,228	915,240	-81,012	81,012	9	-9
14	645,404	1,005,245	-359,841	359,841	19	-19
15	654,493	1,071,623	-417,130	417,130	20	-20
16	652,701	794,945	-142,244	142,244	13	-13
17	549,337	822,884	-273,547	273,547	15	-15
18	230,533	528,832	-298,299	298,299	17	-17
19	2,671,529	5,613,076	-2,941,547	2,941,547	27	-27
20	311,957	572,691	-260,734	260,734	14	-14
21	50,019	91,158	-41,139	41,139	3	-3
22	212,327	333,530	-121,202	121,202	12	-12
23	116,305	159,890	-43,584	43,584	4	-4
24	106,846	55,387	51,459	51,459	7	7
25	31,508	41,695	-10,188	10,188	1	-1
26	179,013	286,983	-107,970	107,970	11	-11
27	220,134	567,491	-347,357	347,357	18	-18
28	1,024,195	1,301,496	-277,301	277,301	16	-16
29	198,995	249,368	-50,373	50,373	6	-6
30	318,931	264,652	54,279	54,279	8	8

Table 5.8. The Preparatory Operations Table for Wilcoxon Test of Companies not using Incentives

COMPANIES NOT USING INCENTIVES						
No	The 2017 export figures (Y1)	The 2018 export figures (Y2)	(Y1-Y2)	Absolute Value	Ranking	Signed Ranks
			(DY)			
1	526,044	673,287	-147,243	147,243	20	-20
2	1,054,742	1,412,267	-357,525	357,525	26	-26
3	1,893,969	3,751,411	-1,857,442	1,857,442	30	-30
4	817,579	1,151,992	-334,413	334,413	24	-24
5	1,022,953	1,506,236	-483,283	483,283	27	-27
6	444,627	705,509	-260,882	260,882	23	-23
7	20,090	29,408	-9,317	9,317	8	-8
8	950,229	1,301,992	-351,764	351,764	25	-25
9	338,714	575,513	-236,799	236,799	22	-22
10	55.92	85.74	-30	30	2	-2
11	3,762,082	4,967,818	-1,205,736	1,205,736	29	-29
12	19.16	30.87	-12	12	1	-1
13	56,307	86,967	-30,661	30,661	13	-13
14	0	32,549	-32,549	32,549	15	-15
15	80,902	112,309	-31,407	31,407	14	-14
16	181,712	320,661	-138,949	138,949	18	-18
17	62,008	102,295	-40,288	40,288	16	-16
18	17,758	32,971	-15,213	15,213	11	-11
19	16231.854	19269.423	-3,038	3,038	5	-5
20	57,137	70,862	-13,725	13,725	9	-9
21	97,492	242,852	-145,359	145,359	19	-19
22	815	1,157	-341	341	4	-4
23	9,589	16,716	-7,127	7,127	6	-6
24	305,800	509,290	-203,491	203,491	21	-21
25	283,083	310,898	-27,815	27,815	12	-12
26	154,060	215,841	-61,781	61,781	17	-17
27	12,300	26,711	-14,411	14,411	10	-10
28	954,134	1,706,687	-752,553	752,553	28	-28
29	44,257	36,992	7,265	7,265	7	7
30	659	753	-93	93	3	-3

The error margin is .05. While the statistics of test is being computed, the sequence numbers of less ones from + and - signs which are on the signed ranking column are summed.

As is seen on the tables, in both rankings, positive signed sequence numbers are less. Therefore, for the test statistic (W_s), the absolute value of positive signed sequence numbers which are on the signed ranking column are summed.

For companies using export incentives, $W_{sx} = 8 + 7 = 15$

H₂: $\mu_{1_2017} < \mu_{1_2018}$

$$z_x = \frac{W_{sx} - \frac{n_x(n_x + 1)}{4}}{\sqrt{\frac{n_x(n_x + 1)(2n_x + 1)}{24}}} = \frac{15 - \frac{30(30 + 1)}{4}}{\sqrt{\frac{30(30 + 1)(2.30 + 1)}{24}}} = \frac{-217.5}{48.618} = -4.474$$

$$r_{cui} = t/\sqrt{N} = -4.474/\sqrt{30} = -4.474/5.477 = |-0.817| = 0.817$$

For companies not using export incentives, $W_{sy} = 7$

H₃: $\mu_{2_2017} < \mu_{2_2018}$

$$z_y = \frac{W_{sy} - \frac{n_y(n_y + 1)}{4}}{\sqrt{\frac{n_y(n_y + 1)(2n_y + 1)}{24}}} = \frac{7 - \frac{30(30 + 1)}{4}}{\sqrt{\frac{30(30 + 1)(2.30 + 1)}{24}}} = \frac{-225.5}{48.618} = -4.638$$

$$r_{cnui} = t/\sqrt{N} = -4.474/\sqrt{30} = -4.638/5.477 = |-0.847| = 0.847$$

Table 5.9. The result of t-test As output for Wilcoxon Test

Descriptive Statistics					
	N	Mean	Std. Deviation	Minimum	Maximum
exportfigures_2017_cui	30	2485815.067	4320529.962	31508.00	17830091.00
exportfigures_2017_cnui	30	438844.9645	775765.4646	.00	3762082.00
exportfigures_2018_cui	30	3551892.633	6140142.293	41695.00	27303441.00
exportfigures_2018_cnui	30	664044.3460	1138814.451	30.87	4967818.00

Ranks				
		N	Mean Rank	Sum of Ranks
exportfigures_2017_cui - exportfigures_2018_cui	Negative Ranks	28 ^a	16.07	450.00
	Positive Ranks	2 ^b	7.50	15.00
	Ties	0 ^c		
	Total	30		
exportfigures_2017_cnui - exportfigures_2018_cnui	Negative Ranks	29 ^d	15.79	458.00
	Positive Ranks	1 ^e	7.00	7.00
	Ties	0 ^f		
	Total	30		

a. exportfigures_2017_cui < exportfigures_2018_cui

b. exportfigures_2017_cui > exportfigures_2018_cui

c. exportfigures_2017_cui = exportfigures_2018_cui

d. exportfigures_2017_cnui < exportfigures_2018_cnui

e. exportfigures_2017_cnui > exportfigures_2018_cnui

f. exportfigures_2017_cnui = exportfigures_2018_cnui

Test Statistics^a

	exportfigures _2017_cui - exportfigures _2018_cui	exportfigures _2017_cnui - exportfigures _2018_cnui
Z	-4.474 ^b	-4.638 ^b
Asymp. Sig. (2-tailed)	.000	.000

a. Wilcoxon Signed Ranks Test

b. Based on positive ranks.

In conclusion, when examined the results of Wilcoxon Test, both there is a significant difference between 2017 and 2018 export figures of companies not using incentives ($T=7$, $p=.000$, $z=-4.638$, $r=0.847$), and there is a significant difference between 2017 and 2018 export figures of companies using incentives ($T=15$, $p=.000$, $z=-4.747$, $r=0.817$), which means that the exports of companies show a significant increase in 2018 according to 2017. In other words it is obvious that there is the increase in exportation, but when considered the sizes of effect belonging to both groups, the size of effect of companies not using incentive is higher than companies using incentive's. Thus, it can be said that reason is not the incentives. Besides, the sizes of effect are pretty big.

Table 5.10 Summary of Test Results

Assumption of The Model	Testing Assumption of The Model	r-value	t/z-Value	p-Value	Test Result
Independent Sample Test	Kolmogorov-Smirnov Test (Test of Normality)			.200	Normal
	Shapiro-Wilk Test (Test of Normality)			.650	Normal
	Independent Sample Test	0.0734	.561	.537	Reject H_1^*
Paired Sample Test	Kolmogorov-Smirnov Test (Test of Normality)			.000	Not Normal
	Shapiro-Wilk Test (Test of Normality)			.000	Not Normal
	Wilcoxon Singed Rank Test	0.817	4.474	.000	Accept, H_2^{**}
Paired Sample Test	Kolmogorov-Smirnov Test (Test of Normality)			.000	Not Normal
	Shapiro-Wilk Test (Test of Normality)			.000	Not Normal
	Wilcoxon Singed Rank Test	0.847	4.638	.000	Accept, H_3^{***}

* H_1 : Usage of incentives in export has the effect to export** H_2 : There is an increase in the 2018 year export figures of companies using incentives.*** H_3 : There is an increase in the 2018 year export figures of companies not using incentives.

CONCLUSION

Exportation; is defined as that the goods and services which are in free circulation within the national borders of a country are sold to another countries. Exportation is the most important factor in terms of economic equilibrium and national interests of foreign trade. Both in the developed countries and the developing countries, relentless efforts are shown in the subject to increase export volume. The developed countries have to protect their market share and enter the new markets; whereas the developing countries have to attach the importance of industrialization to develop, and meet the importation of raw materials and investment goods that they need in order to reach this purpose with the revenues that they generate from exports. The economy of Turkey has not had the characteristics of development economy with regards to economic and social indicators yet. In addition to this, the development has been observed in various sectors of economy in recent years. As long as these developments continue in a consistent manner, and when the economic development is passed, Turkey will gain its place among developed countries. In this connection; the developments in exports have the importance.

Export incentives provide with increase the foreign exchange earnings along with export in the short term, and move the resource of country to export industrial in the long term. Hence, countries apply to various export incentives in conformity with their economic conditions in order to increase their exports in short term, and transfer their resource to export oriented industry branches in long term, and so they develop their export structure. Exportation has usually been encouraged on the condition to provide competition chance in the international markets, increase the inflow of foreign currency, and expand employment opportunities. In this connection, the increase of exports, both affects positively the growth of economy by increasing national income, and supports to the development of economy by providing increase in foreign currency. Getting finance necessary inputs for the development of economy depends on the size of export volume. The most important effect for economy is positive growth. For economies which want to grow, the one of essential policy tool government implement is incentive.

Test	Hypothesis	p-Value	Situation
Independent sample t-test	H ₁	0.537	Rejected
Paired sample t-test	H ₂	0.000	Accepted
Paired sample t-test	H ₃	0.000	Accepted

This data has been collected by sampling methods among 2000 companies. Although, the random sampling gives as much as accurate scores. As a sampling method changes, the results could be change as well. In consequence of the study done, when the 2017/2018 export figures of and export change percent of companies are examined, it is seen to increase the exports of every two groups. It is possible to say that only incentives do not cause this increase according to results of test. For example, conjuncture changes might also affect the result directly. Election is a conjuncture, and the initiatives and the profit ratios could be changed during this conjuncture. Exchange rate crisis is a conjuncture. All of data can change during crisis. Since, the alternations in exchange rate are the one of the most important factors which determine the foreign trade volume and competition power of country. Because the fluctuations in exchange rate cause the trade volume of country to narrow. In the developing countries like Turkey, the alternations which are brought about in the exchange rate are able to have the important effects on the balance of macroeconomic. The appreciation / depreciation of domestic currency is able to affect the competition power of country. The foreign exchange rate increase causes the price of exported goods to reduce in foreign currency. Hence, the foreign demand of exported goods increases, and the export of country which makes its exchange rate rise increases. A study done in Turkey, reached to the result that the depreciation of TL against foreign currency is effective in adjusting the unbalance of foreign trade of Turkey. For example, when the dual balance of foreign trade between Turkey and Germany was examined, the result was found that the depreciation of TL was significant positive effect on balance of foreign trade between Turkey and Germany statistically in both short time and long term. Thus, the exchange rate variable can be used as policy tool in order to provide the balance of foreign trade between Turkey and Germany. Foreign trade deficit determines the demand and supply of foreign currency in the developing countries. Whereas in countries where the capital movements is limited, this circumstance becomes a more distinct. In Turkey, the foreign trade deficit and current deficit are an important economic problem. In this respect, the depreciation / appreciation of TL becomes an important effect which affects exchange rate and foreign trade.

Besides, it can be said that the effect on export of exchange rate gives variety results in the basis of sectoral and regional. Specially, the sensitivity of exchange rate has been

showing differences, so, it is very important to take in consideration that conjuncture changes should be existed during collection data.

Furthermore, other factors which determined foreign trade can be arrayed in shortly as follows.

- ✓ Internal and External Revenue Level
- ✓ Relative Price
- ✓ Commercial Reforms
- ✓ Monetary and Fiscal Policies
- ✓ Firm Level Factors
- ✓ Trends in World Economy

Providing the increase of export depends on the ability of firms which produce goods and service to produce in international competitive environment. The competitive power of Turkey depends on operation of investment –production processes in healthy manner. The pre-condition of that is to provide the stability of macroeconomic. The important condition of competition is to reduce the cost by increasing productivity. The productivity growth to be provided in the production, brings with the increase of export.

Exportation, feels the deficiencies and ignorance in export incentives in full measure. Eliminating the deficiency of qualified employee has the importance in this direction. The symptoms such as not using or knowing some of available incentives, not demanding the providing credit oriented to export enough, shows that incentives are not introduced adequately. It is needed that the public institutes and organization or intermediary firms which provide incentives inform companies much more about incentives provided oriented to export. It is needed that the authority organizations make arrangements in the available incentives or constitute new incentives by making necessary examinations and investigations on the problems met in export, and that the alterations brought about in the international markets are followed. It is needed to abolish or change the supports or credit incentives which are in force but are not used. Training and seminars must be organized about incentives. Besides, the other deficiency in export incentives is that the legislation is incomprehensible. Legislations about incentives must be become understandable. Bureaucracy is very heavy, the necessary regulation must be made.

For further studies, it is recommended that sample size must be increase and more sophisticated tests must be performed to get a brilliant conclusion.

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