

## Turkey and the rise of the Phoenix

### 1. Economic Data

2017 has certainly been a record year for the Turkish economy. The export trade volume, which represents one of the most interesting indicators to be assessed, amounted to USD 157 billions, with an increase of 10,2% compared to 2016.

Forecasts on Turkish economic outlook for 2018 are optimistic: according to the Turkish Ministry of Economy, exports may reach USD 170 billions, both in consideration of the new bail package worth TL 55 billions – two-thirds of which will be granted to Turkish exporting businesses – financed by the Turkish government and of a new partnership signed between Turkey and the European Bank for Reconstruction and Development (EBRD), which agreed to continue boosting Turkish companies in their advancement in the international markets.

Moreover, the previous year has registered a y-o-y increase in imports of 17,9%, for a total amount of circa USD 234,2 billions.

With regard to foreign direct investments (“FDIs”) from EU countries, these amounted to USD 4,5 billions, USD 1,64 billions of which coming from the Netherlands, USD 306 millions from Austria and USD 241 millions from Germany. The FDIs from Italy instead amounted to USD 121 millions.

### 2. The M&A Market

The Turkish M&A market showed evident signs of recovery, by registering a y-o-y increase of 41% to circa USD 10,3 billions through an annual number of 298 deals; 228 of which have been signed between Turkish investors, whilst foreign investors have only been involved in 70 deals. Although the transactions carried out by foreign investors decreased compared to 2016, which registered 93 deals, their value saw a y-o-y increase of 45%.

Among foreign investors, Europeans were the most active buyers in Turkey with 36 transactions, which represented 55% of the total annual deal volume. In particular, Dutch, French and Spanish investors marked the best performances and represented 35% of the total deal volume.

In 2017 the M&A sector was also a strong component in the commercial relationships between Turkey

and Italy. On the Italian side, the listed-Italian company Servizi Italia S.p.A. exercised the option for acquiring additional 15% of the Turkish company Ankateks Turizm Insaat Tekstil Temizleme San. Ve Tic. Ltd. Sti., whose 40% was already owned by Servizi Italia S.p.A. since 2015.

On the Turkish side, instead, the Turkish company Kastamonu Entegre A.S., the global player of the wood based panel sector, consistently explored the Italian market by purchasing the Italian company Gruppo Trombini S.p.A. and its facilities of Pomposa and Frossasco, respectively located in Emilia-Romagna and Piemonte.

### 3. Legal Framework

Since 2010 Turkey has insisted on implementing its legislation on FDI, by modernizing its legal system and introducing economic incentives on foreign-owned businesses. In particular in the past two years Turkey promulgated the Law Amending Certain Laws for Improvement of the Investment Environment no. 6728 (the “Amending Law”) and the Law on Amendment of Certain Laws and Executive Orders no. 7033 (the “Amendment Law”). The Amending Law and the Amendment Law provided a regulatory framework for tax and company law reforms.

As regards taxes, for instance, it shall be outlined that gains, generated by high-tech companies operating in technology zones are excluded from income and corporate tax until 31 December 2023.

On the hand concerning corporate law, instead, the Turkish legislator reformed, among others, art. 543 of the Turkish Commercial Code (“TCC”), concerning the distribution of assets at the end of the liquidation process, by reducing to six months from the invitation of liquidators the term within which third creditors could advance a petition on company’s assets, prior to their distribution among shareholders.

Beside tax and corporate law reforms, however, Turkey was also keen on complying with the recent trends within the EU legal framework on data protection and the Directive 95/46/EC on GDPR. With the entry into force of Law no. 6698/2016, it is stipulated that natural or legal persons, that are in need of processing personal data, shall be registered at the Data Controllers’ Registry. In the previous year, moreover, a Data Protection Authority was established, with the aim of ensuring the enforcement of the Turkish laws on privacy.

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