

TRISFTA

TURKEY- SINGAPORE FREE TRADE AGREEMENT



Prepared by the Ministry of Trade and Industry, Singapore

Contents

1	Turkey: A Land of Opportunity	3
2	Singapore- Turkey Trade Relations	6
3	Liberalising Trade in Goods	8
4	Liberalising Trade in Services	11
5	Government Procurement Opportunities in Turkey	15
6	Turkey: An Attractive Destination for Investments	18

This publication by the Government of the Republic of Singapore ["the Government"] provides an overview and a practical business guide to the Free Trade Agreement between the Republic of Singapore and the Republic of Turkey.

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■ About the Turkey-Singapore Free Trade Agreement (TRSFTA)

Negotiations for the TRSFTA were launched in January 2014 and concluded in October 2015. The agreement was signed on the sidelines of the G20 Leaders' Summit in Antalya, Turkey, in November 2015.

The TRSFTA is a comprehensive agreement comprising 18 chapters and one protocol. It covers market access for goods, trade remedies, sanitary and phytosanitary measures, technical barriers to trade, customs and trade facilitation, trade in services, investment, government procurement, competition policy, intellectual property rights, transparency and dispute settlement mechanisms. The TRSFTA also addresses non-tariff barriers to trade in three major sectors: telecommunications, electronic commerce and financial services.

This guide provides a summary of the key commitments made under the TRSFTA for companies to better understand the practical benefits of the agreement.



Turkey: A Land of Opportunity

Turkey presents a multitude of opportunities with its thriving economy, favourable demographics, and advantageous geographical position. According to global investment bank Goldman Sachs, Turkey is poised to be the next emerging economic giant and 9th largest economy in the world by 2050.

Thriving Economy



Turkey is one of the fastest growing economies in the world today, experiencing an average annual real GDP growth rate of 4.9% since 2010 – higher than the global average of 2.9%¹.

The Turkish economy was characterised by a series of boom and bust cycles prior to the 2001 financial crisis. This took a turn when Turkey adopted a number of financial and fiscal reforms as part of an IMF programme. Turkey restructured its banking sector and privatised various sectors of the economy, such as banking, transportation and communications. These reforms helped to strengthen the economic fundamentals of the country and ushered in a period of substantial growth.

Favourable Demographics



The population of Turkey stands at 80.3 million² and is expected to peak at 93.5 million in 2050³. Turkey's population is also relatively young; 16.1% of the population fall under the 18-24 year-old age group, a percentage larger than the other European nations. Coupled with the country's increasing emphasis on education, these factors have enabled Turkey to transform its young population and large labour force into a skilled workforce, thus offering a myriad of opportunities for Singapore businesses and investors, as skilled labour is available at lower costs.

Turkey's economic prosperity has also resulted in the rise of its middle class population. Turkey's middle class now makes up over 40% of the population, an amount which has doubled since 1993⁴. The average Turk now earns twice as much as compared to a decade ago. The middle class presents new market opportunities for Singapore companies, which can tap Turkey's sizeable demand for imported goods and services.

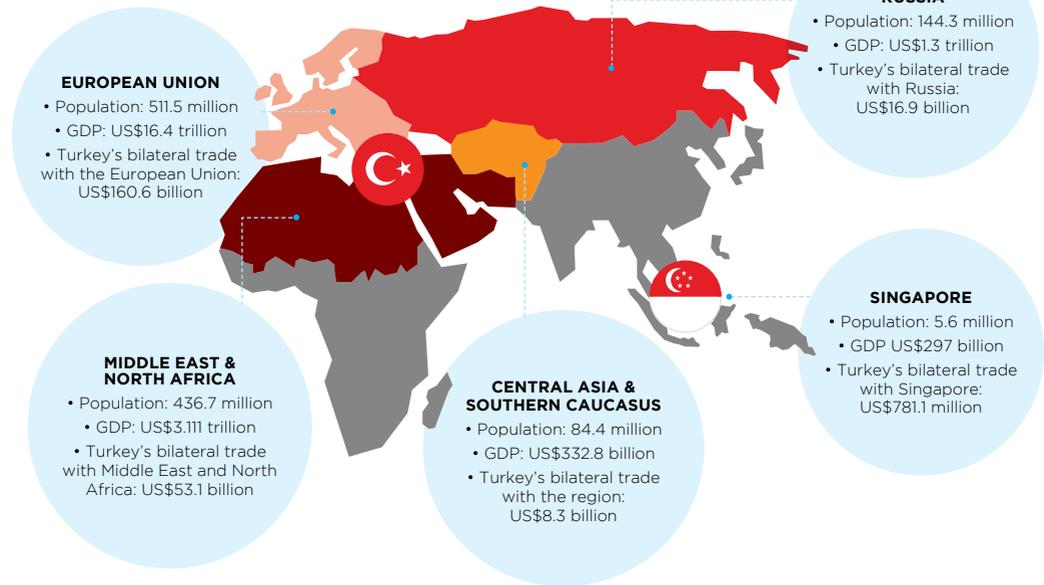
Geographical Location



Nestled at the crossroads of Europe and Asia, Turkey enjoys strong historical and economic linkages with countries in the neighbouring European, Middle Eastern and Asian regions. Singapore companies can leverage Turkey's strategic position as the gateway to these dynamic regions and expand into these nearby markets.

- ▶ Turkey provides access to multiple markets with a combined GDP of S\$33.5 trillion (US\$24 trillion)⁵, and 1.6 billion customers in Europe, Eurasia, the Middle East and North Africa.
- ▶ According to the Global Connectivity Ranking in 2016⁶, Turkey is the 5th most connected country in the world. Its national flag carrier, Turkish Airlines, flies to 239 international destinations and connects various important financial cities including London, New York, Hong Kong, and Singapore.

Turkey as a gateway to the region⁷



2023 Vision for Turkey

Turkey announced its 12 year plan, the "2023 Vision" in 2011. The 2023 Vision is a series of goals posited by President Erdogan in an effort to bring Turkey on its path to prosperity. Under this initiative, Turkey aims to grow its GDP to US\$2 trillion, achieve a per capita income of US\$25,000, and reduce unemployment to 5% by its 100th year of independence in 2023. The Turkish government is committed to achieving these targets, and has announced new projects and incentives to attract more private investment.

These projects present lucrative opportunities for Singapore companies.

Prospects for Turkey remain largely positive, particularly in the healthcare, transport infrastructure, and environmental solutions sectors.

Notable projects planned for under the 2023 Vision⁸ include:

- ▶ **A 3rd airport in Istanbul** by 2019 which is expected to be one of the world's largest airports.
- ▶ **A 3rd bridge across the Bosphorus Strait**, a waterway that strategically links the Black Sea and the Sea of Marmara.
- ▶ **The building of 35 health campuses and city hospitals.** The Turkish Ministry of Health is planning to launch 10 tax-free medical zones by 2023 to cater to its growing medical tourism market.
- ▶ **A US\$2.6 billion financial centre complex** for the central bank, financial regulators and private financial firms.

¹ Source: Information obtained from the World Bank website.

² Source: CIA Factbook, Turkey.

³ Source: 'Population Projections, 2013-2075', Turkish Statistical Institute, February 2013.

⁴ Source: The middle class is defined here as the share of the population living on at least US\$10 per capita per day in Purchasing Power Parity (PPP) terms (Azevedo and Atamanov, 2014).

⁵ As of 16 May 2017, 1 USD = 1.3971 SGD. Source: *Bloomberg markets*.

⁶ The Global Connectivity Ranking is a study published by a group of researchers from KPMG and Rome2rio. The rankings were computed using Rome2rio's global transit data from 2014 to 2016.

⁷ Source: Turkish Statistical Institute, World Bank (2016 figures).

⁸ All information can be found on www.invest.gov.tr.

Singapore-Turkey Trade Relations

Bilateral ties and economic cooperation between Singapore and Turkey have heightened in recent years and are set to further deepen. Turkey is Singapore's 46th largest trading partner globally, and bilateral trade between Singapore and Turkey has consistently crossed S\$1 billion since 2007.



Trade in Goods

In 2016, total bilateral trade in goods amounted to S\$1.41 billion, with imports of goods from Turkey at S\$753 million, mostly comprising petroleum oils; turbo propellers & parts; and semi-manufactured silver. Meanwhile, exports of goods to Turkey amounted to S\$657 million, and mostly comprised polyethylene, and turbo jet components.

Trade in Services

In 2015, total bilateral trade in services amounted to S\$488 million. In the same year, Singapore's imports of services from Turkey amounted to S\$298 million, and mostly comprised transport and insurance services. Meanwhile, exports of services to Turkey amounted to S\$190 million, and mostly comprised transport, maintenance, and repair services.

Investment

By end-2015, Turkish Direct Investment in Singapore amounted to S\$135 million⁹. Based on records from the Accounting and Corporate Regulatory Authority (ACRA), there are currently 77 Turkish companies in Singapore. Meanwhile, Singapore Direct Investment in Turkey amounted to S\$218 million¹⁰, with about 10 Singapore companies in Turkey.

Existing Collaborative Efforts between Singapore and Turkey

Apart from the TRSFTA, there have also been other efforts aimed at boosting relations between the 2 countries. These efforts include:



▶ A joint declaration of **Strategic Partnership** signed during Singaporean Prime Minister Lee's visit to Turkey in October 2014. The Strategic Partnership aims to achieve deeper cooperation on several fronts, including political exchanges, defence, trade and investment, aviation, and research.



▶ The **Singapore-Turkey Avoidance of Double Taxation Agreement (DTA)** which came into effect in August 2001. With the DTA, Singapore companies and investors who conduct business activities in Turkey need not pay income taxes to both the Singapore and Turkey governments. This gives Singapore businesses incentives to venture into Turkey, and vice versa.

⁹ Source: Latest figures available from DOS. This figure covers corporate companies registered in Singapore with foreign shareholders, including branches of foreign companies. Partnerships and sole proprietorships as well as activities by non-profit and not-for-profit enterprises are also not included in the figure.

¹⁰ Source: Ibid.

Liberalising Trade in Goods

With the TRSFTA's entry into force, Singapore's exports will enjoy immediate tariff-free concessions for 80% of all tariff lines, with coverage progressively rising to 95% over a period of 10 years.

Key sectors benefitting from tariff reduction are: i) plastics and related products which are subject to applied tariffs of around 6.5%, and ii) power generation equipment¹¹ which are subject to tariffs as high as 8%. Under the TRSFTA, these tariffs will be gradually eliminated over the course of 10 years.

Notably, exports of ornamental fish, Asian processed food products, electronics, and petrochemicals will enjoy immediate elimination of customs duties upon entry into force of the TRSFTA.



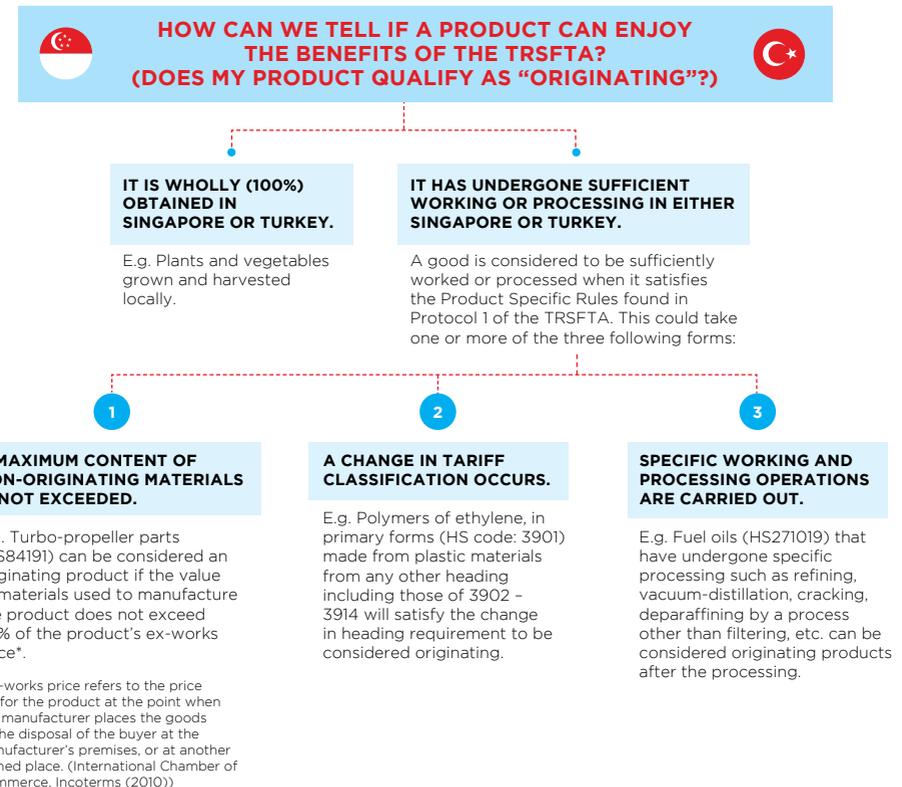
What this means for Singapore businesses:

Singapore companies can expect to enjoy greater market access with the TRSFTA. The elimination of customs duties reduces the cost burden for Singapore businesses exporting to Turkey, allowing their goods to be priced more competitively compared to other foreign firms.

Apart from tariff-related measures, the TRSFTA also governs non-tariff related measures to better facilitate trade processes such as: i) imposing disciplines to prevent both parties from restricting the importation or exportation of any good; ii) requiring both parties to publish relevant information relating to import and export procedures on public sources; and iii) ensuring that fees and formalities connected with importation and exportation are limited to only the costs of services rendered (e.g. fees needed to document or certify a shipment of goods).

What qualifies as an 'originating good':

For products to benefit from the TRSFTA, they must first be "originating," i.e. products must have either been produced or processed in either Singapore or Turkey. "Originating" status will be given to products that satisfy the rules of origin, which determine the nationality of the goods exported.



¹¹ Power generation equipment largely comprises nuclear reactors, boilers, machinery and mechanical appliances.

Recognising that businesses may have varied manufacturing processes and sourcing requirements for the same good, the TRSFTA allows exporters to choose from a range of rules ('co-equal rules') that may better meet their needs. For example, turbo-propeller parts that do not meet the maximum content rule above could still be considered originating via a change in tariff classification if manufactured from materials of any heading except HS 8411.

The TRSFTA also incorporates the concept of regional cumulation of origin (EU and ASEAN cumulation) for Singapore's exports of industrial goods to Turkey. This means that Turkey and Singapore manufacturers can use raw materials and parts sourced from the EU and ASEAN region to qualify as originating content when manufacturing goods for export.

Origin Declaration

The TRSFTA has also adopted a self-declaration regime that further facilitates bilateral trade by reducing administrative time and costs. Businesses simply declare the country of origin for their products on commercial documents such as invoices or delivery orders, without having to apply for an authorised Certificate of Origin with Singapore Customs.

Self-Declaration Regime



STEP 1

Exporter makes self-assessment on whether product meets the requisite Rules of Origin.

STEP 2:

Exporter makes proper self-declaration on the commercial invoice, or any other commercial document e.g. billing statement or delivery order, if the invoice is not available at time of export.

STEP 3:

The importer makes a preferential tariff claim based on the exporter's self-declaration.



Liberalising Trade in Services

The TRSFTA provides Singapore companies enhanced market opportunities and legally-binding preferential access to Turkey's services market.

Principles of Liberalisation

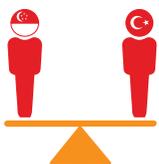
Singapore and Turkey's commitment to strengthen and expand bilateral trade in services is rooted in 3 main principles of liberalisation:



Market Access

▶ Eliminates substantial barriers to trade in services by removing restrictions on:

- Number of service suppliers
- Value of service transactions
- Number of service operations /output
- Number of persons that may be employed
- Types of legal entity or joint venture permitted
- The need for foreign suppliers to have local presence



National Treatment

▶ Prohibits discriminatory practices against foreign suppliers. The state is obligated to treat foreign suppliers the same as local suppliers.



Domestic Regulation

▶ Measures affecting trade in services are to be administered in a reasonable, objective and impartial manner.

Modes of Supply

Under the TRSFTA, the delivery of services in cross-border trade can be grouped into 4 categories:



Occurs when only the service crosses the border.

E.g. Advertising firm providing consultancy services online.



Occurs when the service is consumed in the supplier's market.

E.g. Sending a photocopier across to another country for repair.



Service supplier is a locally established affiliate, subsidiary, representative office or brand of a foreign service supplier.

E.g. Setting up a branch abroad.



Foreign supplier enters the market on a temporary basis to provide the service.

E.g. Sending a consultant overseas to follow up with the client.

SOME SECTORS OF INTEREST TO SINGAPORE COMPANIES UNDER THE TRSFTA INCLUDE:

- ▶ Business services
- ▶ Construction services
- ▶ Food retailing services
- ▶ Non-food retailing services
- ▶ Retail sales of motor vehicles
- ▶ Retailing services of parts and accessories of motor vehicles
- ▶ Retailing services of motorcycles and snowmobiles and related parts and accessories
- ▶ Related services in support of air services such as:
 - The selling of air transport services
 - Computer reservation systems services
 - Maintenance and repair of aircraft



■ Electronic Commerce

Recognising the growth and opportunities of the digital economy, the TRSFTA contains disciplines that promote cross-border electronic commerce. It allows Singapore companies to enjoy an elimination of barriers, which may impede smooth electronic transactions, such as the hassle of submitting hard copies of administrative trade documents.

- ▶ With the agreement, these documents can be submitted electronically, helping companies save substantial time and effort.
- ▶ The agreement also requires both Singapore and Turkey to adopt or maintain a domestic legal framework that provides for the protection of electronic commerce users' personal data.
- ▶ Electronic transmissions between Singapore and Turkey will remain free from customs duties.
- ▶ The agreement fosters cooperation in the areas assisting small and medium enterprises, and information exchange on regulations, policies, enforcement, and compliance regarding electronic commerce.



Government Procurement Opportunities in Turkey

The Government Procurement (GP) chapter in the TRSFTA is Turkey's first treaty commitment in GP. It establishes fair, transparent, predictable, and non-discriminatory rules to open Turkey's government procurement market to Singapore businesses, and vice versa. Singapore businesses can also expect to enjoy preferential access to the Turkish government procurement market (worth at least 7.2% of its GDP¹²) vis-à-vis foreign firms.

¹² Economic Policy Research Foundation of Turkey (TEPAV).

Access to Government Procurement Opportunities under the TRSFTA

All 30 metropolitan municipalities, covering three-quarters of Turkey's population, will be committed to the GP chapter in the TRSFTA. Singapore companies can leverage Turkey's infrastructural reforms in the coming years to seize various procurement contracts in the Turkish market.

EXAMPLES OF GOVERNMENT PROCUREMENT OPPORTUNITIES IN TURKEY



MAINTENANCE & REPAIR SERVICES



PROPERTY MANAGEMENT SERVICES



ACCOUNTING, AUDITING & BOOKKEEPING SERVICES



LAND TRANSPORT SERVICES



MARKET RESEARCH & PUBLIC OPINION POLLING SERVICES



MANAGEMENT CONSULTANT SERVICES



TELECOMMUNICATIONS SERVICES



SEWAGE AND REFUSE DISPOSAL, SANITATION & SIMILAR SERVICES



PUBLISHING & PRINTING SERVICES



ADVERTISING SERVICES



COMPUTER & RELATED SERVICES



ENGINEERING & OTHER TECHNICAL SERVICES

Procurement Process

1 NOTICE OF INTENDED PROCUREMENT

▶ Procurement information and opportunities in Turkey will be published via **The Republic of Turkey Official Gazette** (<http://resmigazete.gov.tr>) and the **Electronic Public Procurement Platform** (<http://ekap.kik.gov.tr>).

2 SOURCING

▶ The procuring entity will call for tenders through the aforementioned electronic medium.
▶ Interested suppliers may submit their bids for the specified requirements.

3 EVALUATION & AWARDING OF CONTRACTS

▶ All tenders will be evaluated in a holistic and impartial manner; in terms of their value for price and other factors which include reliability and timeliness of delivery.

To determine whether a supplier is qualified to participate in a procurement project, they will be evaluated based on their: i) financial capacities; ii) commercial and technical abilities; iii) business activities both inside and outside the territory of the procuring entity; and iv) ability to satisfy specific conditions stipulated in the procurement notices or tender documentation.

Implications of the GP Chapter for Singapore Companies

▶ Singapore suppliers bidding for Turkish procurement contracts will receive **non-discriminatory treatment vis-à-vis other foreign suppliers**.

▶ Singapore suppliers will be accorded National Treatment after a transitional period of 10 years following the entry into force of the TRSFTA.

▶ The procurement process will remain **fair and transparent**; procuring entities must ensure that the dissemination of procurement-related information is done in an impartial manner. This allows Singapore companies to compete fairly with other firms.

▶ Public tenders and related information will remain **readily accessible**. Under the TRSFTA, Turkey is required to publish summary notices in English. This helps to eliminate language barriers and potential miscommunication between Singapore companies and Turkey's procuring entities.

Turkey: An Attractive Destination for Investments

Turkey's appeal as a stable emerging market with a promising trajectory of reforms has attracted substantial investment over the last decade. The sectors which have attracted the largest amount of investment from Singapore are primarily the financial services and real estate sectors.

The most positive aspects of Turkey's investment climate are its favourable demographics, relatively young and educated workforce, optimal geographical position, strong consumer-driven economy, and well-developed infrastructure. These factors boost Turkey's investment climate, making it an attractive market for investors.



Committed to Provide Investment Opportunities and Protection

► LIBERAL INVESTMENT ENVIRONMENT

The TRSFTA guarantees that Singaporean investors in Turkey are accorded **treatment no less favourable** than that accorded to Turkish investors and non-Turkish investors. Such equality of treatment is rooted in the National Treatment and Most-Favoured-Nation Treatment provisions of the agreement respectively. The host government is also **prohibited from imposing restrictive conditions on investments**. Examples of restrictive conditions include requiring Singaporean investors in Turkey to only purchase locally produced goods from Turkey (i.e. minimum local contents), or limiting the amount of imported products Singaporean investors can purchase to the same amount of local goods they have exported (i.e. trade balancing requirements).

To further facilitate a liberal investment environment in both Singapore and Turkey, investors will be granted considerable degrees of **freedom to appoint senior management positions and boards of directors** without facing any forms of restriction which might impair their ability to exercise control over their own investment. In addition, investors can **freely conduct capital transfers** related to their investments in and out of the territory without any delays. This is based on the understanding that the freedom to manage capital and funds is essential for all business operations.

► ADDITIONAL PROTECTION FOR INVESTORS AND INVESTMENTS

The TRSFTA affords investors **full protection and security**. In the event of losses incurred as a result of national emergencies, armed conflict or any other similar events, **compensation and/or restitution will be granted to affected investors by the host government**. Investors can also be assured of **protection against unlawful expropriation**, which occurs when the government takes away an investor's property without following the due process of law, and does not offer any form of compensation.

If investors find that the obligations stipulated in the agreement have been breached and conflict with the host government ensues, they will have access to dispute settlement mechanisms, where investors are given the right to pursue legal recourse through international arbitration.

**FOR FURTHER INFORMATION
AND CONTACT POINTS**

Ministry of Trade and Industry

Address: 100 High Street,
Singapore 179434
Tel: +65 6225 9911
Fax: +65 6332 7260
Website: www.mti.gov.sg

IE Singapore

Address: 230 Victoria Street, #10-00,
Bugis Junction Tower, Singapore 188024
Tel: 1800 437 7673
Fax: +65 6337 6628
Website: www.iesingapore.gov.sg

IE Singapore's Istanbul Office

Address: Levent Loft, Büyükdere Cad. No: 201,
D:13, Levent Istanbul 34394 Turkey
Tel: +90 212 281 2015

*More information on the TRSFITA is available on
Singapore's FTA Network (www.fta.gov.sg)*

