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Spanish Investments In Turkey

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Spain now stands as the 13th largest foreign investor in Turkey. Last year, Spanish investments made into the Turkish market were valued at a record Euros 1.5 billion. Investment is primarily focused in the insurance, commerce and trade and real estate sectors with renewable energy becoming increasingly popular. Official statistics taken from the first half of this year indicate that 2008 should equal, if not exceed, 2007 in terms of direct Spanish investment in Turkey. Any deviation from the trends displayed in Q1 & Q2 would presumably be due to the global financial downturn that began in Q3 2008.

With regard to the practical aspects of investing, one of the most important issues with which Spanish investors are faced with is the procurement of the necessary authorizations, licenses and permits to start any business activity. For most sectors, such licenses and permits and the number of agencies and ministries which must be applied to appear to be excessive. In some cases even the town council must be applied to for a permit and/or license. For the foreign investor, this process leads to increased costs in terms of both time and money, whilst concurrently creating the opportunity for non-subjectivity in the application process.

The new Turkish Commercial Code (TCC), due to be enacted before the end of 2008 will most likely help stimulate foreign investment in Turkey. The TCC, which is expected to be simpler than the one currently in force, is modelled on the commercial codes of those adopted by EU member states and on Swiss law. Other areas of Turkish legislation however, are not as supportive to Spanish direct investment. The recently amended laws and provisions governing foreign acquisition of real estate have significantly impaired Spanish investments. As one of the largest segments of Spanish investment, the changes in real estate legislation are significant. Labour legislation is also an area where foreign investors would benefit from reform. Current legislation does not facilitate easy procurement of work and residence permits for expatriates and often poses a substantial hurdle to the foreign investor.

Looking ahead to 2009, it is likely that the rate of Spanish investments will decrease because of the global financial crisis, which affects both Spain and Turkey. It should be noted however, that the economic crisis aside we predict that Turkey will remain a preferred place for Spanish foreign investment in the future.

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