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EASTERN AND SOUTH EASTERN EUROPE

*“Evaluation of the Competitiveness  
and the business environment  
in Turkey”*



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# Turkey

Capital: Ankara

Currency: Turkish lira (TRY)

Population (millions) .....74.3



GDP (US\$ billions) .....778.1

GDP per capita (US\$) .....10.522

GDP (PPP) as share (%) of world total .....1.36

Real GDP Growth .....4.0

Government Debt (to GDP).....39.40

Inflation Rate.....9.71

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## **ABSTRACT**

The present paper is an evaluation of Turkey's national competitiveness and business environment. It is based on data of two prominent Publications: Global Competitiveness Report (World Economic Forum) and Doing Business (World Bank), this paper presents a measurement of Turkey's national economy in comparison to the economies of the Balkans, EU27 and China.

Simultaneously, it attempts to find the positive and negative aspects of the performance of the Turkish economy and to propose possible scenarios of improvement.

It shows Turkey's position within the Balkans starting from almost eleven years back showing the improvements that might have been done throughout those years in several of areas such as institutions, infrastructure, macroeconomic environment and the rest of the pillars of Global Competitiveness Index. At the same time, it calculates how easy is to start a business not only in the country but also in comparison with the rest of the Balkan countries calculated by the data of the ten pillars of Doing Business Index.

From our research it is shown that Turkey moved up by 16 places in this year's Global Competitiveness Index, securing the 43rd spot in the 144-country survey prepared by the World Economic Forum.

It is characterized by a large market which classifies the country in the 15<sup>th</sup> position having an intense local competition and a vibrant business sector which derives important efficiency gains. Turkey also benefits from its developed infrastructure with a good average in the quality of overall infrastructure, the quality of roads and air transport.

Turkey's position is above the EU27 average according to the results in the global ranking. In addition, the results in the Balkan region place Turkey as the best performed Balkan country in competition leaving Slovenia, Bulgaria ahead.

# 1. Introduction

“Over the past half-decade, Turkey has been undergoing a process of deep economic and political reform. This process was triggered by the major economic crisis in 2001 (which led to an almost 8% contraction of GDP) and the acceleration of the convergence process with the European Union (EU) following Turkey’s designation as a candidate country in 1999 and the official opening of accession talks in 2005. Meanwhile, the wave of economic and political reforms to meet the Copenhagen criteria set the basis for a more market-friendly economy and reinforced the democratic fundamentals of Turkish society” (World Economic Forum, 2006).

With an overall score of 4.45 of a possible 7, the country of more than 70 million people jumped to the 43rd slot in the global table in 2012-2013 Global Competitiveness Report. An economic growth of 8.4 percent in 2011, improved macroeconomic stability, a more trustworthy financial sector and businesses' easier access to finance were cited as some of the factors that allowed Turkey to leapfrog 16 places in the GCI. "The results of this index once again show that Turkish economy is gradually becoming a source of inspiration for the rest of the world in the midst of a continuing financial turmoil," Professor Turkan Dagoglu, deputy from the ruling Justice and Development Party (AKP) said.<sup>1</sup> On the other hand the 2012 data shows that both the consumer and the business sectors are seeing a gradual deceleration of growth, and GDP expanded by only 3.2% 2012, compared with last year’s annual growth. Nevertheless, Turkey is still weathering the euro zone crisis better than most of Central and Eastern Europe.

In the following pages the evaluation of Turkey’s competitiveness and its economic growth is being analyzed in the global arena from 2001 until 2012. Many reforms have been achieved during these years. These accomplishments made the Turkish economy more friendly and the country a more attractive spot for doing business. The evaluation of the results that had been realized in the economic environment, is based on the data of two global studies; the Global Competitiveness Index of the World Economic Forum and the Ease of Doing Business of the World Bank. This paper aims to present Turkey’s advantages and disadvantages in its

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<sup>1</sup>[http://turkey.setimes.com/en\\_GB/articles/ses/articles/features/departments/economy/2012/09/07/feature-01](http://turkey.setimes.com/en_GB/articles/ses/articles/features/departments/economy/2012/09/07/feature-01)

business competitiveness field, both globally and also regionally. Furthermore it is compared with the European countries, the USA and China not only as a Balkan country but also individually. In addition, using the methodological framework of the above studies we can draw conclusions not only for national competitiveness but also for the ease to invest to the country.

In the first part of the essay we describe the Global Competitiveness Index of the World Economic Forum and its pillars. In the next pages we analyze the total performance, both ranking and scoring, in the Balkan region and compare it with the average yield of European countries, USA and China for the period 2001-2012. Moreover, we present Turkey's performance, according to the annual reports from 2001 until now, in Basic Requirements, Efficiency Enhancers and Innovation & Sophistication indicators. It was necessary as well to compare the competitiveness for the above years of Turkey with the average rank and score of the Balkan countries, the average rank and score of Europe and also USA's and China's.

In the second part we follow the same steps starting with the presentation of the Ease of Doing Business of the World Bank and its pillars. Following we compare Balkans ranking with the EU's, USA's and China's average for the period 2006-2012. In the next pages we focus on the ten business environment indicators and we analyze Turkey's ranking in each of them for the period 2004 until today.

In the last section of the essay, and after the presentation and evaluation of Turkey's economy, we present the policy recommendations that could be helpful in order to improve the country's business environment and make Turkey a more attractive place to invest. In other words, the aim is, based on the low performance in some fields of the Turkish economy, to recommend solutions that could develop economic growth and national competitiveness. Lastly, the concluding remarks are presented in the end of the paper.

## 2. Global Competitiveness Index

For more than three decades, the World Economic Forum's annual *Global Competitiveness Report (GCI)* is providing appropriate information to policymakers and business leader for strategies and policies in order to identify and overcome the obstacles to improved competitiveness.

It was first published in 1979 and developed by Professor Xavier Sala-i-Martin of Columbian University. It is a comprehensive tool that measures the competitiveness in national scale based on micro and macroeconomic foundations of competitiveness. GCI enables national economies to understand better the factors that determine economic growth and assist them to achieve economic growth and long-term prosperity. (The Global Competitiveness Report 2008-2009). It helps the countries to identify the weaknesses and strengths of their economy and therefore proceed in the appropriate reforms needed to boost their competitiveness and to achieve growth. The result of the report comes from many different components, each of which reflects one aspect of the complex reality that we call competitiveness. In this report these components are grouped into 12 pillars related to each other.

The pillars are categorized in 3 stages. According to the GCI, in the first stage, the economy is *factor-driven* and countries compete based on their factor endowments, primarily unskilled labor and natural resources. Countries move into the *efficiency-driven stage* of development, when they must begin to develop more efficient production processes and increase product quality. Finally, moving into the *innovation-driven stage*, they are able to sustain higher wages and the associated standard of living only if their businesses are able to compete with new and unique products. In the factor driven there are the *basic requirements sub index* groups which contains 4 pillars, in the efficiency-driven stage there are the *efficiency enhancers sub index* which includes 6 pillars and lastly in the innovation-driven stage there are the *innovation and sophistication factors sub index*.

In the report we can see the classification of the countries participated in the research. Beyond the rank the results are also shown on a scale ranging from 1 to 7 (the higher the score the better the performance). In the following pages there is a reference in the pillars that is mentioned above, helping understand the way that competitiveness is measured and calculated.



## *2.1 Pillars of Global Competitiveness Index*

### *1<sup>st</sup> pillar: Institutions*

The quality of institutions has a strong bearing on competitiveness and growth. The efficient structure and operation is important for the way in which societies distribute the benefits and bear the costs of development strategies and policies. Excessive bureaucracy, corruption, dishonesty in dealing with public contracts, lack of transparency and political dependence of the judicial system affects negatively a country's economic environment and development. On the other hand, Private-sector

Transparency is also necessary in order to prevent fraud and mismanagement and ensures not only good governance but also investor and consumer confidence. (Klaus Schwab, 2011)

### *2<sup>nd</sup> pillar: Infrastructure*

Effective infrastructure is essential for the economy. It determines the location of economic activity and the kinds of activities or sectors that can develop in a particular instance. A well-organized transport and communications infrastructure network eliminates the distance between regions and contributes the integration of national markets. High quality roads, railways, ports, air transports and also electricity and telecommunications, enable entrepreneurs to get their goods and services to market in a secure and timely manner and facilitate the movement of workers to the most suitable jobs.

### *3<sup>rd</sup> pillar: Macroeconomic environment*

Macroeconomic situation is a crucial element to be examined from an entrepreneur in order to start a business in a country. Factors that constitutes to macroeconomic stability is inflation rates, government dept/GDP ratio, the level of unemployment and also government spending. Firms cannot operate efficiently when inflation rates are high and also when unemployment is increased. Thus, this pillar

examines and evaluates the macroeconomic stability which contributes to the productivity of a nation.

*4<sup>th</sup> pillar: Health and primary education*

A healthy and well educated workforce facilitates to the country's competitiveness and productivity. Poor health and lack of primary education leads to significant costs to business and generally to the economy. Sick workers are often absent or operate at lower levels of efficiency. Moreover, workers who have received little formal education can carry out only simple manual tasks and find it much more difficult to adapt to more advanced production processes and techniques constraining the business development.

*5<sup>th</sup> pillar: Higher education and training*

Economies who wish to move up the value chain beyond simple production processes and products are required to be qualified with higher educated and trained workforce. Continuous on-the-job training is necessary for ensuring a constant upgrading of workers' skills. Hence, this pillar is evaluating the quality of the education, secondary and tertiary enrollment rates, as well as the extent of staff training.

*6<sup>th</sup> pillar: Goods market efficiency*

A healthy market both domestic and foreign is important for higher and strong competitiveness. An efficient market depends on the minimum intervention of the government, low taxes. In addition very significant for the economic growth are the demand conditions such as customer orientation and buyer sophistication and the FDI policy structure.

*7<sup>th</sup> pillar: Labor market efficiency*

A flexible and an efficient labor market can create job opportunities and make a country more attractive to invest. The market becomes more flexible by giving the

right incentives to the workforce, shifting workers from one economic activity to another rapidly and at low cost, allowing for wage fluctuations without much social disruption. Furthermore equal opportunities should be given to men and women. These elements abolish youth unemployment and increases national competitiveness and international business.

*8<sup>th</sup> pillar: Financial market development*

A country's healthy financial sector helps its economy to allocate the resources saved by a nation's citizens, as well as those entering the economy from abroad, to their most productive uses. Financial products with the most possible least risk and with the highest expected rates of return are offered for investments. Therefore it raises the level of productivity by making capital available for private-sector investment from such sources as loans from a sound banking sector, well-regulated securities exchanges, venture capital, and other financial products (Klaus Schwab, 2011). Thus, this pillar measures the level of the soundness and trustworthiness of a country's banking sector and hence its financial market.

*9<sup>th</sup> pillar: Technological readiness*

The technological readiness pillar evaluates the quickness with which an economy adopts existing technologies to develop the productivity of its industries. An important tool is the country's capacity to fully leverage information and communication technologies (ICT) in daily activities and production processes for increased efficiency and enabling innovation for competitiveness. In other words ICT boosts an economy's capability to develop further and gives the ability to meet the continuous international market demands. It is evident that an economy with advance technological means tend to be more productive.

*10<sup>th</sup> pillar: Market size*

Market size is very important for competitiveness. This pillar uses the size of the national domestic and foreign market in the Index. It measures exports as a substitute for domestic demand in determining the size of the market for the firms of a

country but at the same time including both domestic and foreign markets it gives credit to export-driven economies and geographic areas (such as the European Union) that are divided into many countries but have a single common market. It is evident that trade affects growth and especially countries with small domestic markets.

*11<sup>th</sup> pillar: Business sophistication*

According to Global Competitiveness Report 2012-2013, higher efficiency in the production of goods and services can be achieved by higher quality of a country's overall business networks and by higher quality of individual firms' operations and strategies. This pillar measures the quantity and quality of local suppliers and the extent of their interaction, proving that can create greater opportunities for innovation in processes and products. Furthermore, techniques such as branding, marketing, distribution, advanced production processes, and the production of unique and sophisticated products can lead to sophisticated and modern business processes across the country's business sectors.

*12<sup>th</sup> pillar: Innovation*

The Report's final pillar refers to technological innovation. Standards of living can be largely enhanced by technological innovation. Economies can improve and increase their productivity by adopting new technologies both in public and private sectors. In particular, investment in research and development, the presence of high-quality scientific research institutions, extensive collaboration in research and technological developments between universities and industry, and the protection of intellectual property can contribute to sustainable growth.

## *2.2 Competitiveness and ranking of the Balkan region in comparison with EU27, USA and China*

So far, the importance and the purpose of the Global Competitiveness Index and the 12 pillars that it is based on, has been already analyzed. Balkan region's data of the Global Competitiveness Index are going to be analyzed in the following section, compared to the ranking and scores of EU, USA and China based on basic requirements, efficiency enhancers and innovation and sophistication factors for the period 2001-2012.

It can be pointed out that all countries of Balkan region are participating to the Global Competitiveness Index since 2005. In 2004 only 9 countries were present in the index, in 2003 only 8 and in 2001/2002 only 4 countries were participating out of 12.

GCI published by the World Economic Forum, have demonstrated the progress made by several countries of the Balkans, even though, further structural reforms are required in order to mitigate the impact of the global economic crisis. At the same time, as exposing the economic vulnerability of the region, however, the economic downturn could also create the necessary political space and economic imperatives to undertake often difficult and disputed reforms.<sup>2</sup>

In 2012 the economy of the Balkan Region was ranked in the 77.25<sup>th</sup> place on average globally. Taking separately each country's ranking we can see Slovenia in the 56<sup>th</sup> place, Montenegro in 72<sup>nd</sup> place, Romania in 78<sup>th</sup>, Bulgaria in 62<sup>nd</sup>, Croatia in 81<sup>st</sup>, FYROM in 80<sup>th</sup>, Greece in 96<sup>th</sup>, Albania in 89<sup>th</sup>, Moldova in 87<sup>th</sup>, Serbia in 95<sup>th</sup> and Bosnia Herzegovina in 88<sup>th</sup>. Lastly, Turkey is placed 43<sup>rd</sup> being the best performed Balkan country.

Going back, it is worth noticing that starting from 2001 and until 2012, in both ranking and scoring, Balkan countries are following an upward trend. According to the OECD Balkan region is a strategic European interest because it provides opportunities for growth and jobs. The data of GCI though notifies that during these 12 years Balkans lags behind the EU27 in all the pillars. According to Global Competitiveness Report 2012/2013 the average score for the Balkan countries is below average only

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<sup>2</sup> <http://www.transconflict.com/2009/09/balkan-competitiveness/>

regarding Innovation and Sophistication factors (3,34 score & 91,92 place). The average score for the Balkan countries lags behind the European, USA and China's average. During the years 2002-2008, the average score was more or less the same, but as it is mentioned earlier, from 2008 there is a clear upward trend. Unfortunately the same applies to the classification of the region in GCI. In 2001, Balkans was placed in the 45<sup>nd</sup> place and in 2012 stands in the 77.25<sup>th</sup> place.

On the other hand, European countries have faced a number of challenges in the past few years. "The global economic crisis brought many difficulties and especially the Greek crisis which brought concerns about the sustainability of sovereign debt in Greece and a number of other European countries, raising questions about the very viability of the euro. In fact, this possibility is now a distinct prospect, with potentially devastating consequences for the region and beyond. Macroeconomic stability has captured the attention of the public most recently when some European countries needed the support of the IMF and other euro zone countries to prevent sovereign default, as their public debt reached unsustainable levels" (GCI 2011/2012).

Even though Europe failed to become the most competitive economy in the world, several European countries continue to feature highly among the most competitive regions globally. More specifically, for 2012/2013 "ten are among the top 20, as follows: Switzerland (1st), Finland (3rd), Sweden (4th), the Netherlands (5th), Germany (6th), the United Kingdom (8th), Denmark (12th), Norway (15th), Austria (16th), and Belgium (17th). However, Europe is also a region with significant disparities in competitiveness with several countries from the region significantly lower in the rankings (with Spain at 36th, Italy at 42nd, Portugal at 49th, and Greece at 96th). Focusing on these data, we can see that while Balkans region is struggling to maintain the average score and rank, EU27 are in a better performance" (GCI 2012/2013). In particular Balkans scored 4.21 and placed 45<sup>th</sup> on average in 2001 and in 2012 scores 4.08 and places 77.25<sup>th</sup> while EU27 scored 4.96 and placed 27.40 on average in 2001 and in 2012 scores 4.83 and places 32.96<sup>th</sup>.

By contrast, the United States has experienced an erosion of its competitive edge and continues its decline that began a few years ago, falling two more positions to take 7th place this year. In addition to the macroeconomic vulnerabilities that continue to build, some aspects of the United States' institutional environment

continue to raise concern among business leaders.<sup>3</sup> In the 2006-2007 WEF Report, the U.S. was sixth because its 2008 budget focused on defense and homeland security rather than workforce education and science research. “Combined with flexible labor markets and the scale opportunities afforded by the sheer size of its domestic economy—the largest in the world by far—these qualities continue to make the United States very competitive” (GCI 2012/2013). The U.S. jumped up to the first place in the 2007-2008 Report and stayed there in 2008-2009 Report. This was due to its innovative companies, an excellent university system and a strong collaboration between the two in research and development. In general, since 2001 USA is placed in the top countries globally and approves to have the largest economy in the world by far.<sup>4</sup>

Trying to evaluate and compare the Balkans with USA, we can see that the differences in the ranking and scores are high throughout the period 2001-2012. Particularly, while the Balkans is gradually losing spots in the ranking over the years, USA still keeps on maintaining peak positions.

China since 2007 has moved up by 28 places and continues its steady progression in the rankings. It became the world’s second largest economy in 2010 and increasingly, it is playing an important and influential role in the global economy. The Global Competitiveness Report speaks highly of China's macroeconomic environment, despite a prolonged episode of high inflation. Moreover, the sentiment among businesses is that the country has become less safe over the past three years, resulting in higher costs for protection against diverse forms of crime and violence. As one of the world’s least indebted countries, moderate budget deficits and a savings rate of 53% of GDP, China’s performance has improved across most of the 12 pillars assessed by the WEF.<sup>5</sup> Undeniably, it has improved its score and rank each year since 2005 and continues to lead the BRICS economies by a significant margin. (GCI 2011/2012)

Comparing the Balkan region to China we notice that while China is losing places until 2007, and starting from this year (2007) onwards its ranking is improving

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<sup>3</sup> <http://www.weforum.org/news/us-competitiveness-ranking-continues-fall-emerging-markets-are-closing-gap>

<sup>4</sup> <http://useconomy.about.com/od/supply/p/Competitiveness.htm>

<sup>5</sup> <http://www.britishchamber.cn/content/global-competitiveness-report-2011-china-moves-rank>

and also is getting better scores reaching the top 30 countries in the world. Balkans on the other hand, loses steadily year by year places ending up in the center of the general ranking globally.

### *2.3 Competitiveness and ranking in Turkey*

In the previous section the competitiveness and ranking of the Balkan region has been analyzed compared to the EU's, USA's and China's average. The following section discusses the performance of Turkey and its position in the global competitiveness index during the years 2001-2012. Below, the yield of the country will be noted in details based on basic requirements, efficiency enhancers and innovation and sophistication factors.

During the period 2001 and 2012 the position of Turkey ranged between 43<sup>rd</sup> and 69<sup>th</sup> place. The best position has been achieved this year and the worst in 2002-2003. If we remark all those years, we can conclude that while in 2001 the country started in a very good place 54<sup>th</sup>, afterwards went through many ups and downs and ended up in 2012 moving up by 16 places to attain the 43<sup>rd</sup> spot. The data of Global Competitiveness reports notes that during the last 6 years (from 2006) the Turkish performance accelerated to over 4 units and this year recorded at 4.50. By 2006 the score was around the base fluctuating from 3.31 to 3.86.

According to GCI 2012-2013, Turkey is ranked 43<sup>rd</sup> globally out of 144 countries and has a score 4.5. Compared to last year's performance we may notice that the country has jumped up by 16 places. Improvements have been achieved in the financial sector and macroeconomic stability has improved. Moreover Turkey's vibrant business sector derives important efficiency gains from its large domestic market (ranked 15<sup>th</sup>), which is characterized by intense local competition (16<sup>th</sup>). Turkey also benefits from its reasonably developed infrastructure (51<sup>st</sup>), particularly roads and air transport, although ports and the electricity supply require additional upgrading (GCI 2012-2013). More particularly comparing the data of GCI 2011-2012 and GCI 2012-2013, regarding basic requirements, the country went up by 7 places, in efficiency enhancers there is an improvement by 10 places and in Innovation and sophistication factors has been upgraded 8 places.



### *2.3.1 Basic Requirements*

Starting with the basic requirements and as it has already been mentioned above we notice that Turkey went up by 7 places in comparison to last year's data. In particular with institutions, it is worth mentioning that Turkey stands in a quite good position close to average globally (64<sup>th</sup>). The quality of institutions has a strong bearing on competitiveness and growth. Nevertheless, the terrorism and organized crime in the country insist on obstructing Turkey's development. This phenomenon affects business and positions Turkey in a very bad place. Furthermore, judicial independence is not strong enough (83<sup>rd</sup>) and also it seems to be great favoritism in decisions of government officials (66<sup>th</sup>). Moreover, the performance of the country in intellectual property protection is rather poor. On the other hand we see that the scores of transparency of government policymaking (40<sup>th</sup> place) and the strength of investor protection (52<sup>nd</sup>) are very good, given the overall circumstances. In addition we see that there is considerable effort from the government to improve business performance.

Regarding the infrastructure pillar, the country remains at the same level for this year although it went up by 5 places in the ranking from 56<sup>th</sup> in 2011 to 51<sup>st</sup> in 2012. The good performance in this indicator is attested by the good level of quality of overall infrastructure, of roads, of air transport infrastructure. To increase competitiveness in the transport and telecom sectors the government has boosted public spending, for example to improve the road network with dual carriageways.<sup>6</sup> Furthermore in the availability of airline seat is placed in the 19<sup>th</sup> place. Turkish Airlines is the leading carrier in Turkey. Landmark projects include Istanbul's Atatürk International Airport which is delivering a strong service and has increased from carrying 14 million passengers in 2000 to 35 million in 2011, ranking it as one of the fastest growing airports in the world. The government faces continual challenge to meet the demands of a rapidly growing economy and gives priority to major infrastructure projects, particularly in the transport and energy sector.<sup>7</sup>

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<sup>6</sup> <http://ebrd-annual-meeting.com/newsentry/investing-in-turkeys-infrastructure>

<sup>7</sup> <http://www.nationsencyclopedia.com/economies/Asia-and-the-Pacific/Turkey-INFRASTRUCTURE-POWER-AND-COMMUNICATIONS.html>

Turkey is located at the crossroads between Europe and Asia. Thus, shipping plays an important role in the Turkish economy and therefore it is placed 63<sup>rd</sup> for the quality of ports. Turkey has a state-owned railway system under the responsibility of Ministry of Transport and Communications which carries out supervision of Turkish State Railways (General Directorate of State Railways Administration- TCDD)<sup>8</sup>. The railroad infrastructure places Turkey 53<sup>rd</sup> which is a very good position globally. Economical, reliable and high quality electrical energy plays an important role in the industrial growth in Turkey, though the ranking in 77<sup>th</sup> reveals that reforms should take place. The telecommunication system is in a good performance though mobile phone subscription fell by 4 places.

Moving to the next pillar, we can see that in macroeconomic environment, the country went up by 14 places. Turkey's economy rebounded vigorously following the global crisis, but in the process external and domestic macroeconomic imbalances emerged. A new monetary policy regime was put in place in late 2010, to try and contain domestic demand without fuelling capital inflows and excessive exchange rate appreciation. It helped improve competitiveness and rebalance demand but inflation remained above target and bringing it down should regain priority<sup>9</sup>. Sound economic policies combined with vigorous economic reforms have yielded favorable results; the economy has sustained robust economic growth over the last eight years. Due to resolutely implemented structural reforms and successful macroeconomic policies, Turkey has become one of the fastest-growing economies in its region. Turkey has reduced its debt stocks, becoming one of the best performers among the European economies in reducing government debt.<sup>10</sup>

Going through the health and primary education pillar, we notice that it has fallen down by 3 places since last year. In 2001 it was ranked in the 72<sup>nd</sup> place having score 5.6 and in 2012 it is placed 63<sup>rd</sup> having 5.8 score. It is worth testifying that in HIV prevalence Turkey is ranked first. In the 2010 Report on the Global AIDS Epidemic the UNAIDS/WHO Working Group estimated that around 4,500 adults aged 15 or over in Turkey were living with HIV; the prevalence percentage was

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<sup>8</sup> <http://www.comcec.org/UserFiles/File/ulastirma/%C3%9CLKE%20RAPORLARI/Turkey.pdf>

<sup>9</sup> <http://www.oecd.org/turkey/economicsurveyofturkey2012.htm>

<sup>10</sup> <http://www.invest.gov.tr/en-us/investmentguide/investorsguide/pages/macroeconomicindicators.aspx>

estimated at less than 0.1% of the adult population.<sup>11</sup> This percentage is still the same in 2012. The issue is not traditionally covered by the education curriculum or addressed by parents and as a result, adolescents tend to be poorly equipped to cope with the risks posed by unprotected sex and the concurrent risks of HIV/AIDS infection.<sup>12</sup> The performance is also bad as far as malaria cases and tuberculosis incidents are concerned. Nevertheless, the business impact of tuberculosis and HIV is in a better condition. Turkey's educational system is currently facing the challenge of increasing its quality to respond to the growth and competitiveness ambitions of the country while reducing inequalities.<sup>13</sup> The country attained 5 spots since last year regarding the quality of primary education. Turkey has made great progress in enrolment and gender parity in primary education, but non-attendance is still a problem, especially among girls. Ensuring the completion of quality primary education and transition to secondary education is critical.<sup>14</sup>

### *2.3.2 Efficiency enhancers*

Concerning the efficiency enhancers, Turkey has moved up by 10 places and is ranked 42<sup>nd</sup>. As it has already been noted in the previous pillar, Turkey has not satisfactory quality of primary education. Thus, without the benefit of a quality basic education, let alone access to secondary or tertiary education, women are relegated to secondary roles within their families, excluded from the job market and participation in political life. In October of the last year, the Education Reform Initiative (ERI) of Sabancı University demonstrated that 60 percent of 15 year olds are unable to solve a simple math problem; hence this phenomenon can explain the very quality of math and science education (100<sup>th</sup>). Moreover, there were huge disparities in access to education between socio-economic groups and the high number of school drop outs

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<sup>11</sup> <http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/europe/turkey/>

<sup>12</sup> <http://www.unicef.org.tr/en/content/detail/8/country-profile-2.html>

<sup>13</sup>

[http://www.worldbank.org.tr/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/TURKEYEXTN/0,,contentMDK:23090045~pagePK:1497618~piPK:217854~theSitePK:361712,00.html?cid=3001\\_4](http://www.worldbank.org.tr/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/TURKEYEXTN/0,,contentMDK:23090045~pagePK:1497618~piPK:217854~theSitePK:361712,00.html?cid=3001_4)

<sup>14</sup> <http://www.unicef.org.tr/en/content/detail/96/2011-2015-country-programme-action-plan.html>

(nearly 300,000 in 2009-2010).<sup>15</sup> The high drop-out rate in high school is linked to the quality of education which has low performance (82<sup>nd</sup>). The same also applies to the quality of management schools (97<sup>th</sup>). Internet access is in a better performance (68<sup>th</sup>) as well as the availability of research and training services (77<sup>th</sup>) though it fell by 4 and 8 places respectively since last year.

Studying to the goods market efficiency pillar, we see that Turkey jumped up by 9 places and by 0.2 in the score moving from 47<sup>th</sup> place to 38<sup>th</sup> in comparison to last year. Turkey's performance seems to be really good in this sector. According to World Economic Forum, Goods market efficiency ensures the production of the right mix of products and services given supply-and-demand conditions, and the effective trade of these goods. Regarding supply-and-demand conditions, there is an excellent performance in intensity of local competition, in extent of market domination, there is an effective anti-monopoly policy and the degree of customer orientation is in 22<sup>nd</sup> place.

Another advantage in goods market efficiency pillar is the little time and the less procedure to start business in the country which appears to be motivation in order to attract investors. The taxation system though seems to be the disadvantage of this pillar. Standard economic theory suggests that taxes are a major determinant of long-term growth but extent and effect of taxation in Turkey becomes an obstacle on further good performance (117<sup>th</sup> place).

On the other hand, given the importance of Turkey's agricultural sector and its intensive domestic agricultural support system, the agricultural policy costs is ranked above the average 53<sup>rd</sup> having further potential of improvement. Border measures (tariffs, tariff rate quotas, and other non-tariff barriers) are another significant source of protection for Turkish agriculture. The area's bad performance (96<sup>th</sup>) and the burden of customs procedure, however obstacles the overall process. Turkey ranks as the world's 13th most attractive destination for Foreign Direct Investment (FDI) in 2012, according to the A.T. Kearney FDI Confidence Index. During the last six years, the intermediation and manufacturing sectors have attracted the highest amount of FDI. <sup>16</sup> Moreover Turkey climbed by 22 places since last year and is ranked 54<sup>th</sup> in

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<sup>15</sup> <http://www.todayszaman.com/columnist-276143-can-the-new-system-improve-education-in-turkey.html>

<sup>16</sup> <http://www.invest.gov.tr/en-US/investmentguide/investorsguide/pages/FDIinTurkey.aspx>

business impact of rules on FDI. The degree of customer orientation is ranked 22<sup>nd</sup> but buyer sophistication in 84<sup>th</sup> place. This fact suggests that while customer's demands are high, they create an important competitive advantage making companies to be more efficient, but at the same time they think twice of buying products or services in the Turkish market.

In the third pillar of efficiency enhancers Turkey has had bad performance. The country ranks in 124<sup>th</sup> place globally. The cooperation between labor-employers is unsatisfactory making it difficult to shift workers from one economic activity to another. Bad wages and redundancy costs in the country affect negatively the working conditions and create a non flexible labor environment with workers unwilling to work hard in order to boost the market efficiency.

Turkey has one of the widest male–female employment gaps in the world. It is actively demonstrated by the ranking of the country in this field (131<sup>st</sup>) and the score is 0.40 (on a 1-7 scale). The overall trend in women's labor force participation rate has been better since last year but to a very small extend. "The maintenance of the patriarchal family and women's exclusion from the labor market have blocked the wage competitiveness of MENA (The Middle East and North Africa region where also Turkey belongs) economies in international markets and locked them into a vicious cycle of low growth patterns, low private investment, increasing unemployment, and women's further exclusion from the labor market." (İpek İlkkaracan, 2012) This fact prevents talents to seek work in Turkey but also does not ensure equal opportunities between sexes.

Concerning the performance in financial market development, Turkey has improved, rising from 55<sup>th</sup> to 44<sup>th</sup> position and scoring 4.5 increased by 0.2 since last year. Turkey's financial sector is still in a development stage, with financial services ready for further expansion, driven by solid economic growth along with declining interest rates and inflation.<sup>17</sup> The Turkish financial sector is assessed as more trustworthy and finance as more easily accessible for businesses. The banks in the county, as of September 2011 were considered as financially sound in general. Capital adequacy ratio, one of the indicators of financial soundness and the 22<sup>nd</sup> position in soundness of banks, shows that strong outlook continues. Turkish Banking Sector, for the last decade, has improved and attained a notable position in International Banking

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<sup>17</sup> <http://www.invest.gov.tr/en-us/sectors/pages/financialservices.aspx>

with its financial strength, increasing magnitude, diversified services and high technology.<sup>18</sup> Turkish banks have at least moderately conservative lending and underwriting standards. Therefore, the access to loan is not so easy enabling the capital availability for private-sector investment.

The Information and communication technologies (ICT) sector has become part of the economy and Turkey is well aware of the fact that ICT it will help daily activities and production processes to increase efficiency and competitiveness. The performance of the country stands in good place 53<sup>th</sup> and above the average having 4.3 score. As of September 2011, the number of internet users has exceeded 50 million, while the number broadband subscribers have increased to around 13 million. There is demand for high-tech telecommunication services, while a large Turkish population, are expected to increase total ICT spending. Furthermore, the Turkish ICT market grew exponentially by 14 percent between 2002 and 2010. Turkey has increased its interest in the ICT sector further, and started the necessary studies so as to have a voice in the sector in the future.<sup>19</sup> The 5.3 score shows that the country is able to absorb new technology in a very satisfactory level and shows its ability to enhance the productivity of its industries.

The main advantage of Turkey is its Market size which ranks the country in 15<sup>th</sup> place globally with a very good performance (5.3 score). Turkey's vibrant business sector derives important efficiency gains from its large domestic market, which is characterised by intense local competition (16<sup>th</sup>). The country, mainly because of its population and its geographical position, has a leading position being the first in Balkan region and in the top 15 globally. Turkey's geographic position as a hub, its extensive trade agreements with countries in the region, and the strong infrastructural and cultural linkages to the Middle East, North Africa, Balkans and Central Asia regions, offer global multinationals access to over 1 billion potential customers. Turkey is one of the most competitive emerging markets globally. Its domestic market is ranked 15<sup>th</sup> with a very good performance 5.2 allowing firm to exploit economies of scale.

Turkey's large and growing domestic market, with almost 75 million customers and a vibrant business sector, makes the country a viable alternative even

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<sup>18</sup> [http://www.internationalresearchjournaloffinanceandconomics.com/ISSUES/IRJFE\\_86\\_12.pdf](http://www.internationalresearchjournaloffinanceandconomics.com/ISSUES/IRJFE_86_12.pdf)

<sup>19</sup> <http://www.invest.gov.tr/en-US/sectors/Pages/ICT.aspx>

to established hubs in places such as Dubai. Also, Real GDP growth for 2011 realized as 8.5% with an estimation forecast of 2.5% for 2012 and GDP per capita has tripled in the last ten years from 3,492 USD to 10,522 USD. Trade played a minor role in the Turkish economy before 1980, but grew rapidly after economic reforms promoted liberalization of foreign trade. According to the Turkish ministry of economy, the ratio of foreign trade volume/GDP was 48.7% in 2011. In May 2012 compared to May 2011 exports and imports have increased by 20.3% and 3.1% and reached to the level of 13.2 and 21.7 billion dollar respectively. Having also a large foreign market size enables them to compete on a worldwide scale. The country in the foreign market size is placed 28<sup>th</sup> having a very high performance 5.4. Many foreign companies have invested in the area because of the country's position, the cheap labour force and the favourable investment climate.<sup>20</sup>

### *2.3.3 Innovation and Sophistication Factors*

According to sophistication factors, local suppliers in Turkey are quite numerous allowing it to perform good enough and being in the 33<sup>rd</sup> place. On the other hand, the quality of local suppliers is not so good though permitting Turkey to perform with a low score but not below the mean. Well-developed and deep clusters are widespread in many fields this year with a significant improvement keeping the country in a relatively good performance. Thus, the nature of competitive advantage of the companies in international markets is based on low cost or natural resources. Furthermore the exporting companies are in a satisfactory situation in the value chain while performing above the mean score. International distribution and marketing are either taking place through foreign companies or they are owned and controlled by domestic companies. Contrary, they show readiness to adopt new marketing tools, techniques and strategies and sophisticated production processes, reproducing opportunities for further sophistication. On the other hand, they show no tendency to delegate authority having low-top management controlling all important decisions.

Regarding innovation indicators, in the past few years Turkey shows a reasonable progress. The quality of education at Turkish universities varies greatly, some providing education and facilities on par with internationally renowned schools.

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<sup>20</sup> <http://blog.frontierstrategygroup.com/tag/turkey/>

For example, Turkish technical universities are often comparable to universities in the United States. The assessment of the quality and usefulness of educational research in Turkey is now becoming an important issue for universities and government agencies to determine the funding to support educational research and to use the research results for developing and implementing public policy. In the name of economic competence and sustainability, the Council of Higher Education in Turkey openly promotes all forms of research in higher education institutions to be in closer relations with the market<sup>21</sup>. Not many private or public companies though spent on research and development, according to the data of GCI.

On the other hand, the Turkish private sector aims at contributing to at least 60% of the country's total R&D expenditures by 2013. There is a noticeable trend to increase R&D activities of the private sector. In addition, the geographical importance and the regulatory circumstances push Turkey to become the next base for high-tech products<sup>22</sup> thus government procurement decisions foster technological innovation in a very satisfactory position. In addition, according to data, the number of applications for international patents have been raised to a considerable extends and is expected to grow even more in the following years. Furthermore, it is obvious that there are plenty of scientists and engineers in the Turkish market available and there is tendency to raise the number of full-time researchers to 80,000 by 2013.

#### *2.4 Competitiveness and ranking in Turkey in comparison to the Balkans, EU27, USA and China average*

So far, the performance of Turkey and its position in the global competitiveness index during the years 2001-2012 has been analyzed. The competitiveness and ranking of Turkey has been described in details based on basic requirements, efficiency enhancers and innovation and sophistication factors.

In the following lines Turkey will be compared to the Balkan regions, EU27, USA and China's performances always based on the data given by the Global Competitiveness Reports from 2001 to 2012.

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<sup>21</sup> <http://www.eera-ecer.de/about/members/turkey-eab/>

<sup>22</sup> <http://www.nanostart.de/index.php/en/news/media-coverage/552-mehmet-kirca-im-interview-vieles-treibt-die-tuerkei-dabei-an-der-naechste-stuetzpunkt-fuer-high-tech-produkte-zu-werden>



This year, Turkey was the first in ranking in the Balkan region, followed by Slovenia (56<sup>th</sup>), Bulgaria (62<sup>nd</sup>), Montenegro (72<sup>nd</sup>), Romania (78<sup>th</sup>), FYROM (80<sup>th</sup>), Croatia (81<sup>st</sup>), Moldova (87<sup>th</sup>), Bosnia & Herzegovina (88<sup>th</sup>), Albania (89<sup>th</sup>), Serbia (95<sup>th</sup>) and lastly Greece (96<sup>th</sup>). Along with Slovenia and Bulgaria, Turkey had the best score in the Balkans on average. In addition, this year's performance is the best compared to the previous years globally. Starting from 2001, according to the data, the country was the third in a row having always Slovenia and Greece ahead but since 2008 Greece retreated and gave the second place to Turkey. It is obvious though that despite the global crisis, the Balkan countries have made tremendous efforts to meet the market expectations and to remain competitive. Turkey being in a leading position with its huge market size is the most competitive emerging markets in the Balkans.

Compared to the average performance of the European countries, Turkey stands in a very good place and with a very satisfactory score since 2006. Moreover with the macroeconomic stability brought about through the structural reforms undertaken after the crisis of 2001, it has had one of the most successful growth performances in the world. Turkish economy expanded for 27 consecutive quarters during 2002-2008 due to increases in productivity. It has made significant progress in terms of harmonization with the EU in economic, social and legislative areas. Given the fact that all European countries are facing huge economic problems, there is obvious that Turkey is trying to fill in the gap and to compete with the rest of the EU countries maintaining an upward trend except from 2008. It was a difficult period for most of the region, due to the global financial crisis which caused and still causing a downturn in economic activity leading to the 2008–2012 global recession and contributing to the European sovereign-debt crisis. Turkey has strong industry and services in addition to consumption trends in Europe. When the competitiveness components of Turkey are compared with 12 countries that have recently joined EU, Turkey is seen to have a better business sophistication, innovation, institutional infrastructure in the public industry, and better performance in institutional governance in private sector, but worse intellectual property rights, railway network and port quality. In other areas, Turkey and other countries have almost equal performances.

If we study the average ranking though we may notice that in the data of GCI 2012-2013 the country lags behind 10 positions from EU27. Only 16 European countries are ahead of Turkey thus, we can assume that it is trying too hard to strive

with the European market. In 2011 only 3 of them had worst place than Turkey making this improvement as an accomplishment. The average European score is quite high through all the years since 2001 and up to 2012 fluctuating around 4.96 (2001) to 4.83 (2012). But Turkey is also above them having a performance that follows an increasing trend since 2008. In fact,” in 2008, under the direction of the Ministry of Industry and Trade, the “Turkish Industrial Strategy Vision” was prepared through the joint effort from public and private sectors. In this process, the Information Society Strategy and the annexed Action Plan (2006-2010), the SME Strategy and Action Plan (2007-2009), the National Innovation Strategy (2008-2010), as well as many other policies and measures directly concerning competitiveness, were taken into account. Furthermore, during the same periods, private sector and NGOs conducted competitiveness analyses and developed general and industrial strategy suggestions. On a local scale, work to reinforce the clusters and improve the regional competitiveness was expedited” (Turkish Industrial Strategy Document, 2010).

Turkey has had a gradual recovery earlier than other European countries which were integrated with the global economy. The latest indicators show that economic growth still continues. Nevertheless, according to the EBRD Report, Turkey's economy continued to grow buoyantly throughout the end of last year, reaching an overall growth rate of 8.5 per cent in 2011, but is headed towards significant slowdown this year brought about by a drop in domestic demand and the worsening economic conditions of the euro zone.<sup>23</sup>

Trying to evaluate the competitiveness of Turkey and compare it with USA, we can see that the differences in the ranking and scores are really high throughout the period 2001-2012. We see that since 2008 while Turkey is going up in ranking, at the same time USA is falling gradually from the first place to the 7<sup>th</sup> this year. Nevertheless, USA is placed at the top 10 countries globally having the largest economy in the world, while Turkey struggles to maintain approximately in the middle of the global ranking.

“US companies are highly sophisticated and innovative, supported by an excellent university system that collaborates admirably with the business sector in R&D. Combined with flexible labor markets and the scale opportunities afforded by the sheer size of its domestic economy—the largest in the world by far—these

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<sup>23</sup> <http://www.ebrd.com/english/pages/news/press/2012/120518d.shtml>

qualities continue to make the United States very competitive” (GCI 2012-2013). In contrast, Turkey is lagged behind in the education field and has no flexibility in the labor market. On the other hand, there some areas that USA is in a worst performance than Turkey. For example the public has lower trust in politicians; in comparison with Turkish public the American government spends its resources more wasteful. Macroeconomic stability is another area that USA is very weak while Turkey has improved strengthening the country’s competitive position. If the average score though of the two areas are to be compared, then we may conclude that USA’s performance is far ahead Turkey’s. Nevertheless, US Trade Representative Ron Kirk has reported that the United States had been watching Turkey's economic power and stability in admiration.<sup>24</sup>

On the other hand, China is not too far distant from Turkey in the scores but in the rankings we notice that since 2007 is gaining positions improving at the same time its performance in 2011 but in 2012 it fell in the 29<sup>th</sup> place. After five years of incremental but steady progression, it has now returned to its 2009 level. We see a similar attitude in Turkey but there is a difference in 2012-2013 data.

“However, the spectacular performance of China in the past year has had a direct impact on developments in the global economy and in Turkey also. China has adopted a strategy focusing on export, foreign investments and technology-intense activates. Steps taken, particularly in the area of education, have expanded the qualifications of hundreds of millions of laborers and restricted the employment creation capacity of other developing countries. The membership of China in WTO in 2001 affected Turkey and many other developing economies, especially in terms of their labor-intensive industries” (Turkish Industrial Strategy Document, 2010).

Comparing China with Turkey we might notice that China lags behind in several sectors. Financial market development, technological readiness, and market efficiency are some of them. In addition, the Turkish economy has shown remarkable performance with its steady growth over the last eight years. A sound macroeconomic strategy in combination with prudent fiscal policies and major structural reforms in effect since 2002 has integrated the Turkish economy into the globalized world.<sup>25</sup>

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<sup>24</sup> <http://www.turkishweekly.net/news/137278/usa-watches-turkey-39-s-economic-stability-in-admiration.html>

<sup>25</sup> <http://www.invest.gov.tr/en-us/turkey/factsandfigures/pages/economy.aspx>

### 3. Ease of doing Business

Doing Business Report is being published since 2003 every year up to 2012. Doing Business Report investigates the regulations that affect domestic firms in 183 economies and ranks the economies in 10 areas of business regulation, such as starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and finally resolving insolvency (formerly closing a business).

The data offered is presented in a variety of ways and offers to business leaders and policy makers a base for information and provides open data for further research in business regulations. The indicators analyze economic outcomes and identify what reforms of business regulation have been made. A high ranking of a country means that the regulatory environment is conducive to business operation. The ranking on each topic is the simple average of the percentile rankings on its component indicators (World Bank, 2011)

#### *3.1 Ease of doing Business Indicators*

##### *1<sup>st</sup> Indicator: Starting a business*

The first indicator measures all the procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business. In the Report a detailed list of procedures is developed, along with the time and cost of complying with each procedure under normal circumstances and the paid-in minimum capital requirements. The required procedures are to obtain all necessary licenses and documents and are completed when final document is received. The time needed is countered in calendar days, the cost as % of income per capita and the paid-in minimum capital are the funds deposited in a bank or with a notary before registration and up to 3 months following registration as % of income per capita.

### *2<sup>nd</sup> Indicator: Dealing with Construction Permits*

This indicator refers to all the procedures required for a business in the construction industry to build a standardized warehouse. These procedures are all relevant project-specific documents to the authorities, all necessary clearances, licenses, permits and certificates, all required notifications and receiving all necessary inspections. It also deals with the necessary actions for getting utility connections. The time required to complete all the above procedures is recorded and the cost as a percentage of the economy's income per capita. Moreover it examines whether a building is constructed along with the safety codes and the environmental regulation.

### *3<sup>rd</sup> Indicator: Getting Electricity*

Doing Business records all procedures required for a business to obtain a permanent electricity connection and supply for a standardized warehouse. These procedures include applications and contracts with electricity utilities, all necessary inspections and clearances from the utility and other agencies and the external and final connection works.<sup>26</sup> At the same time it calculates the time and cost of completing each procedure. Time is recorded in calendar days and the cost-referring always in official costs and no bribes and without the value added tax as a percentage of the economy's income per capita.

### *4<sup>th</sup> Indicator: Registering property*

In this indicator are reported all procedures that are necessary for a business (buyer) to purchase a property from another business (seller) and to transfer the property title to the buyer's name so that the buyer can use the property for expanding its business, use the property as collateral in taking new loans or, if necessary, sell the property to another business.<sup>27</sup> It is also calculated the number of days to transfer property in main city and the cost as a percentage of property value excluding bribes.

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<sup>26</sup> <http://www.doingbusiness.org/methodology/getting-electricity>

<sup>27</sup> <http://www.doingbusiness.org/methodology/registering-property>

### *5<sup>th</sup> Indicator: Getting credit*

Getting credit indicator measures the credit trustworthiness of an individual or a firm gathering credit information available through public credit registries and private credit bureaus. Firstly, it is described how well collateral and bankruptcy laws facilitate lending and secondly measures the scope, quality and accessibility of borrowers and lenders. These sub indicators are the depth of credit information index and the strength of legal rights index.

### *6<sup>th</sup> Indicator: Protecting investors*

Doing Business measures the strength of minority shareholder protections against directors' misuse of corporate assets for personal gain.<sup>28</sup> More particular, it captures the requirements on approval and disclosure of related party transactions, the liability of chief executive officers and board of directors in a related party transaction and the type of evidence that can be collected before and during the trial. The protecting investors index uses the indicators extent of disclosure index, extent of director liability index and ease of shareholder suits index.

### *7<sup>th</sup> Indicator: Paying Taxes*

The tax burden and regulations in a country determines an entrepreneur's decision whether to invest or not. Thus, this indicator measures the taxes and mandatory contributions that a medium-size company must pay in a given year as well the administrative burden of paying taxes and contributions. It records the number of tax payments per year, the number of hours per year to prepare the file returns and the time to pay the taxes and finally the firm tax liability as a percentage of profits before all taxes borne.<sup>29</sup> The above taxes are the corporate income tax, the value added or sales tax, labor taxes and other small taxes.

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<sup>28</sup> <http://www.doingbusiness.org/methodology/protecting-investors>

<sup>29</sup> <http://www.doingbusiness.org/methodology/paying-taxes>

### *8<sup>th</sup> Indicator: Trading Across Borders*

Trading across borders indicator calculates the documents, time and cost that are necessary in order to import and export a standardized cargo of goods by ocean transport. Local freight forwarders, shipping lines, customs brokers, port officials and banks provide information on required documents and cost as well as the time to complete each procedure. The time and cost for ocean transport are not included.<sup>30</sup>

### *9<sup>th</sup> Indicator: Enforcing contracts*

Indicators on enforcing contracts measure the efficiency of the judicial system in resolving a commercial dispute among domestic companies. One of the factors that indicate these measurements are the number of procedures such as steps to file and serve the case, for trial and judgment and steps necessary to enforce the judgment. In addition, it records the time needed to resolve commercial sale dispute through the courts and the cost for average attorney fees, court costs, enforcement costs.

### *10<sup>th</sup> Indicator: Resolving insolvency*

Doing Business studies the time, cost and outcome of insolvency proceedings involving domestic entities.<sup>31</sup> In particular it examines the whole procedure required for closing an enterprise. The data are verified through a study of laws and regulations as well as public information on bankruptcy systems. Rankings are based on one indicator, the recovery rate. It is a function of time, cost and other factors such as lending rate and the likelihood of the company continuing to operate. The cost of the proceedings is recorded as a percentage of the value of the debtor's estate and the time for creditors to recover their credit is calculated in calendar years.

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<sup>30</sup> <http://www.doingbusiness.org/methodology/trading-across-borders>

<sup>31</sup> <http://www.doingbusiness.org/methodology/resolving-insolvency>

### *3.2 Ease of doing Business and ranking in the Balkans in comparison to the EU27, USA and China*

So far, the importance and the purpose of the Ease of Doing Business Index and the 10 pillars that it is based on, has been analyzed. Balkan region's data of the EDB are going to be presented in the following section, compared to the ranking of EU, USA and China based on the previous 10 pillars that have been already stated for the period 2006-2012.

Throughout all the previous years, most of the countries in the Balkan region have succeeded to achieve progress and in particular they are the best improving countries globally. In particular, Montenegro and FYROM went up by 11 and 16 places respectively. Furthermore Moldova jump up by 9 places and is now ranked in the 81<sup>st</sup> position globally.

Between January 2008 and January 2011, national and local governments carried out 48 reforms aimed at making it easier to start a business, strengthening property rights, rendering the process of dealing with construction permits more efficient, and improving the efficiency of commercial dispute resolution. For example, across the region, the average cost to start a business decreased from 22% to 13% of income per capita. In addition, the average time required to process construction permits and register property also decreased by more than one month.<sup>32</sup>

In detail, FYROM is the country with the best performance in the Balkans. Thanks to this country, the average ranking of the region significantly improved. "The country's efforts have shown results. FYROM is among the 10 economies that made the biggest strides in creating a regulatory environment more favorable to business in the past 6 years. It moved up in the global ranking from 81 in Doing Business 2006 to 22 in this year's report. Besides, improving in the relative ranking, FYROM is also among the economies that closed the gap to the frontier the most in the past 6 years" (EDB Report 2012). They implemented business reforms in all 4 regulatory areas, resulting in significant time and cost savings for domestic entrepreneurs.

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<sup>32</sup> <http://blogs.worldbank.org/psd/bucking-the-trends-of-the-past-doing-business-in-the-balkans>



On the other hand, there are also Balkan countries such as Bosnia & Herzegovina and Romania that lost many places from the global ranking throughout these years. Bosnia & Herzegovina moved down 38 places since 2006 losing 15 places the last year. Similarly Romania lost only 6 places since 2006 but in the last year the country went down by 16 places, from 56 to 72.

Moreover, Turkey had an improvement over the years. In 2006 the country was ranked in 93<sup>rd</sup> place and having many ups and downs during the years, in 2012 is ranked in 71<sup>st</sup> place. “In 2008 the interest tax and corporate income tax were lowered to 20%, and online filing was introduced and implemented and in 2009 investor protections were further strengthened through a new law. This year Turkey made starting a business less costly by eliminating notarization fees for the articles of association and other documents. Moreover, it lowered the social security contribution rate for companies by offering them a 5% rebate. Evaluating this improvement, we come to a conclusion that there is a jump of 22 places and a clear progress” (EDB, 2012).

According to the data of the World Bank, the current average of the Balkan countries is 76.46 while the average of the EU members is 38.54. The Balkan’s improvement in the ranking in Doing Business report from 2006 and until today is obviously evident. Owing to the reforms taken in the name of joining the EU some countries in the Balkans improved their performance while the countries-already members have gone through economic reforms in order to meet the EU rules.

Contrary, European countries had a decline from 35.75 in 2006 to 38.54 on average. As it is obvious from the data, the most efficient business environment in Europe is Denmark which is placed 5<sup>th</sup> globally. It is much simpler, faster and more cost-efficient to establish a company there. Moreover, a new company can be registered and ready to do business within a few hours<sup>33</sup>.

United Kingdom is the next top European country in the list placed 7<sup>th</sup> globally and the rest of the EU countries are following. More particularly, from 2006 to 2012, Bulgaria, Denmark, Finland, France, Hungary, Ireland, Latvia, Portugal, Slovenia and United Kingdom climbed up some places in the global ranking and the rest of them lost few positions. Czech Republic and Greece had the best performance falling by 23 and 20 places respectively.

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<sup>33</sup> <http://www.investindk.com/Establishing-a-business-in-Denmark>

“The global crisis triggered major legal and institutional reforms in 2009/10. Facing rising numbers of insolvencies and debt disputes, many economies, including Austria, Denmark, France, Italy, Poland and Slovenia as well as Bulgaria, Latvia, Lithuania, the former Yugoslav Republic of Macedonia and Romania. Greece, Portugal and Spain simplified business start-up and reformed their insolvency regimes. Most of the reforms taken focused on improving or introducing reorganization procedures to ensure that viable firms can continue operating” (Doing Business, 2012). In many cases European Commission assisted, by giving the right directions, in order to make the European Business environment more approachable.

Against the backdrop of the global financial and economic crisis, more economies strengthened their insolvency regime in 2010/11 than in any previous year. Twenty-nine economies implemented insolvency reforms, up to 16 the previous year and 18 the year before. Most were OECD high-income economies or in Eastern Europe and Central Asia, China included.

Research has shown that effective insolvency systems can influence the cost of debt, access to credit, and both the ability of an economy to recover from a recession and the speed of its recovery. Moreover, a less business-friendly regulatory environment also means weaker legal protections of minority shareholders and weaker collateral laws and institutions such as courts, credit bureaus and collateral registries.

With regards to USA, Ease of Doing Business in Balkans ranks worse in a vast degree. Contrary to the Balkan region, USA follows a steady trend over the years. Now it stands in the 4<sup>th</sup> place globally. Since 2004 it is proved to be a healthy and steady economy to start a business. The indicators in each pillar present remarkable ranks and places USA in the top 20 countries in the world excluding the paying taxes pillar in which it is ranked 72<sup>nd</sup> and having lost 2 places since last year. In the United States the introduction of a new tax on payroll increased taxes in companies operating within the New York City metropolitan commuter transportation district. This fact, made more difficult to do business in the area. Still, the average rank of the Balkans is 90.15. The best rank of USA is in the scope, access and quality of credit information available through public registries or private bureaus placing USA 4<sup>th</sup>. On the other hand, Balkan average in this area is also the best ranked among all the pillars of the Report and places the region 40,69<sup>th</sup>.

Comparing the two areas, we may conclude that there is a huge gap between them. USA is among the best friendlier places to start a business while Balkans struggles, with many ups-and-downs and tries to climb the scale although the last year it had lost positions in the world ranking.

Looking at the data of the World Bank China's average ranking is lagging behind Balkans in the global ranking through all the years since 2006. This year it is rank 91<sup>st</sup> with a drop of 4 places since last year. Contrary, Balkan region seems to be a friendlier environment to start a business having an average rank 76.46, almost 3 places more since 2010.

Regarding procedures, time and costs to build a new warehouse, China is ranked in the 179<sup>th</sup> and is among the worst performances in the Dealing with construction permits index, being a less friendly business environment. The corporate income tax rate has being reduced in 2009 and the new tax law has unified the tax regimes in 2011, nevertheless, China is ranked 122<sup>nd</sup>. Trade credit restrictions were relaxed in 2010 in response to the economic and financial crisis. Thus, foreign exchange authorization is no longer required allowing them to be in a better position (60) in comparison to the Balkans (85.80).

During 2009, the rules on enforcement of judgments were tightened, making it harder for debtors to prevent enforcement. Due to this detail, the country is placed 16<sup>th</sup>, facilitating companies to reduce time, cost and number of procedures involved from the moment a plaintiff files the lawsuit until actual payment. In 2007, China passed a new Property Rights Law, referred to as "China's next revolution" by The Economist, which offered equal protection to socialist public property and private property, stated explicitly for the first time. This was a huge step in reforming secured lending and building a modern secured transactions system.<sup>34</sup>

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<sup>34</sup> <http://www.doingbusiness.org/reports/case-studies/2009/property-rights-law-reform-in-china>

### 3.2.1 Starting a business in Turkey

ECONOMY		Starting a Business Rank	Procedures	Time	Cost	Paid-in Min. Capital
1	FYROM	6	3	3	2.4	0.0
2	Slovenia	28	2	6	0.0	43.6
3	Montenegro	47	6	10	1.8	0.0
4	Bulgaria	49	4	18	1.5	0.0
5	Albania	61	5	5	29.0	0.0
6	Turkey	61	6	6	11.2	8.7
7	Romania	63	6	14	3.0	0.8
8	Croatia	67	6	7	8.6	13.8
9	Moldova	88	4	18	1.5	0.0
10	Serbia	92	7	13	7.8	6.0
11	Greece	135	10	10	20.1	22.8
12	BiH	162	12	40	17.0	29.4
13	Kosovo	168	10	58	26.7	104.6

Source: World Bank, Ease of Doing Business Reports

Year	Rank	Procedures (number)	Time (days)	Cost (% of income per capita)	Paid-in Min. Capital (% of income per capita)
2004	..	13	38	37.1	13.2
2005	..	8	9	26.4	0
2006	..	8	9	27.7	20.9
2007	53	8	9	26.8	18.7
2008	43	6	6	20.7	16.2
2009	43	6	6	14.9	10.9
2010	56	6	6	14.2	9.5
2011	63	6	6	17.2	9.9
2012	61	6	6	11.2	8.7

Source: World Bank, Ease of Doing Business Reports

It is not easy to start business in the Balkan region. According to the data of the World Bank, the best Balkan country to start business is Slovenia where someone needs the less procedures to follow, little time and low cost. Contrary, it is very difficult to start business in Kosovo. The procedures are too many, it takes too many hours to proceed and there is a huge cost.

Measuring the rankings since 2004, it is pointed out that Turkey's ranking in 2012 (61<sup>st</sup>) is above the Balkan average (71.77<sup>th</sup>) as well as above the EU27 average (66.15<sup>th</sup>). It is placed 5<sup>th</sup> in the Balkans leaving behind Romania, Croatia, Moldova, Serbia, Greece, Bosnia Herzegovina and Kosovo. We may assume that among the Balkan countries Turkey made a significant progress and reduced the number of procedures needed from 13 in 2004 to 6 in 2012. Furthermore, the necessary days to start a business diminished from 38 in 2004 to 6 this year making the country one of the most stress-free and fastest procedures in the Balkans and Europe.

There is also a significant reduction of the cost and of the paid-in minimum capital required for limited liability companies to about 4.5 % of gross national capital per income. This is due to the elimination of notarization fees for articles of association and other documents. In particular, the minimum share capital for a Limited Liability Company is YTL 5,000 (€2,700), 25% of which should be paid up. This fact helped their establishment by making the rules more flexible and the company registry more efficient. Economies where registering a new business takes less time, have seen more businesses register in industries where the potential for growth is greatest, such as those that have experienced expansionary shifts in global demand or technology. There is also evidence that more efficient business entry regulations improve firm productivity and macroeconomic performance. It must be pointed out that many EU and Balkan countries such as Albania, Bulgaria, Montenegro, FYROM, Ireland, France, do not have such a limitation for entrepreneurs before registration.

In conclusion, a company in Turkey can be established in a day provided that all the required documents are ready to be submitted to the Trade Registry. This fast-track approach comes very close to the two or three hours many other countries offer for the same service. Turkey has substantially reduced the amount of red tape

necessary to form a new business and in particular how long is demanded to complete everything necessary, also.<sup>35</sup>

### 3.2.2 Dealing with Construction permits in Turkey

ECONOMY		Dealing with Construction Permits Rank	Procedures	Time	Cost
1	Greece	41	14	169	3.4
2	FYROM	61	10	117	552.7
3	Slovenia	81	13	199	64.9
4	Romania	123	16	287	73.0
5	Bulgaria	128	23	120	317.0
6	Croatia	143	12	317	591.1
7	Turkey	155	24	189	197.7
8	BiH	163	18	181	1.112.9
9	Moldova	164	27	291	79.2
10	Montenegro	173	17	267	1.469.9
11	Serbia	175	19	279	1.603.8
12	Albania	183	no practice	no practice	no practice
13	Kosovo	171	17	301	775.8

Source: World Bank, Ease of Doing Business Reports

Year	Rank	Procedures (number)	Time (days)	Cost (% of income per capita)
2004	..	..	..	..
2005	..	..	..	..
2006	..	32	232	368.7
2007	148	24	189	150.2
2008	128	25	188	369.9
2009	131	25	188	249.3
2010	133	25	188	218.8
2011	137	25	188	231.4
2012	155	24	189	197.7

Source: World Bank, Ease of Doing Business Reports

<sup>35</sup>

[http://www.todayszaman.com/newsDetail\\_getNewsById.action;jsessionid=4AFA68AAF916E06FC34FEE000923BD1F?newsId=214819](http://www.todayszaman.com/newsDetail_getNewsById.action;jsessionid=4AFA68AAF916E06FC34FEE000923BD1F?newsId=214819)

Globally, Turkey stands at the 155<sup>th</sup> place in the ranking of 183 economies on the ease of dealing with construction permits. This position places the country quite behind the Balkan region (135.46<sup>th</sup>) and lags significantly behind the EU average (65.15<sup>th</sup>). Even if there is a great improvement in the number of the procedures needed, the country has the third worst performance after Czech Republic and Poland among the European countries and the second worst position after Moldova among Balkans. Regarding the necessary time to complete the procedure is in the top worst of the EU27 (average rank 190 days) and in the middle of the list in the Balkan region having better performance from the Balkan average (202 days). Furthermore is the third most expensive, as it concerns the cost of income per capita, in Europe after Estonia and Bulgaria and in the top less costly Balkan countries after Greece, Slovenia, Romania and Moldova.

According to the data collected by Doing Business, dealing with construction permits in Turkey requires 24 procedures in order to get various licenses for building, power connection facilities, phone, licenses issued by inspection or other authorities. Additionally, it takes 189 days to complete the procedure and it costs 197.7% of income per capita. Since 2006 this cost has been intensely reduced.

It is obvious that it is not easy for an entrepreneur in Turkey to legally build a warehouse. Clearly the country stands in a very low position and the number of the procedures needed is on the top highest in the Balkans. It is evident that in this pillar the country shows the worst performance.

On the other hand, the Turkish infrastructure sector attracts more and more investors every day, focusing on long-term business opportunities. The national and local authorities in Turkey have been implementing numerous infrastructure projects through Public and Private Partnership (PPP) and they are also keen to realize further infrastructure projects in education, energy, defense, health, transportation and other public services. Considering Turkey's growing demand for energy which will require more than USD 100 billion worth of investment in the next decade, there are numerous investment opportunities for energy companies.<sup>36</sup>

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<sup>36</sup> <http://www.invest.gov.tr/en-us/sectors/pages/infrastructure.aspx>

### 3.2.3 Getting Electricity in Turkey

ECONOMY		Getting Electricity Rank	Procedures	Time	Cost
1	Slovenia	27	5	38	119.1
2	Croatia	56	5	70	328.6
3	Montenegro	71	5	71	533.4
4	Turkey	72	5	70	624.4
5	Greece	77	6	77	59.2
6	Serbia	79	4	131	545.7
7	FYROM	121	5	151	847.4
8	Bulgaria	133	6	130	366.6
9	Albania	154	6	177	585.6
10	BiH	157	8	125	497.6
11	Moldova	160	7	140	660.6
12	Romania	165	7	223	556.9
13	Kosovo	124	7	60	1016.8

Source: World Bank, Ease of Doing Business Reports

Year	Rank	Procedures (number)	Time (days)	Cost (% of income per capita)
2004	..	..	..	..
2005	..	..	..	..
2006	..	..	..	..
2007	..	..	..	..
2008	..	..	..	..
2009	..	..	..	..
2010	..	5	70	688.9
2011	73	5	70	714.3
2012	72	5	70	624.4

Source: World Bank, Ease of Doing Business Reports

The average number of the time needed to obtain electricity in the Balkans is 107.38 days in order to complete 5.85 procedures. The average cost is 112.54 % of income per capita. Slovenia is once again the top Balkan country to acquire electricity and with the minimum cost being ranked in the 27<sup>th</sup> place globally. In contrast, the most expensive country is Kosovo while Albania is the most time consuming in the completion of the procedures.

Globally, Turkey stands 72<sup>nd</sup> place in the ranking of 183 economies on the ease of getting electricity. According to the data collected by Doing Business, getting



electricity there requires 5 procedures, takes 70 days and costs 624.4% of income per capita (World Bank, 2012). The country is the 4<sup>th</sup> best ranked among Balkans and the 7<sup>th</sup> among EU27. As far as the time and procedures concerns, it stands in a very good position nevertheless it is very expensive.

The Turkish electricity market is currently going through a liberalization process and rapid growth. The market is experiencing a transition into a competitive electricity market in order to attract private sector investments and maximize efficiency. Before the 1990s, the Turkish Electricity Authority (TEK), a state-owned company, dominated the Turkish electricity industry. TEK was established in 1970, and in order to move towards market liberalization. 100 % of transmission is done by TEIAS. In 2001, wholesale was made entirely by public sector. In 2009, 20 percent of wholesale was realized in balancing market in which prices were determined according to price bids of generators. In distribution and retail of electricity energy, major share of public in 2001 was replaced by private sector.<sup>37</sup> The entrepreneur who seeks for electricity connection submits Electricity Structural Project and awaits meter installation and final connection from Boğaziçi Elektrik Dağıtım A.ğ. (BEDA).

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<sup>37</sup> <http://www.invest.gov.tr/en-US/infocenter/publications/Documents/ENERGY.INDUSTRY.PDF>

### 3.2.4 Registering Property in Turkey

ECONOMY		Registering Property Rank	Procedures	Time	Cost
1	Moldova	18	5	5	0.9
2	Serbia	39	6	11	2.8
3	Turkey	44	6	6	3.3
4	FYROM	49	4	40	3.1
5	Bulgaria	66	8	15	3.0
6	Romania	70	8	26	1.2
7	Slovenia	79	5	110	2.0
8	BiH	100	7	33	5.3
9	Croatia	102	5	104	5.0
10	Montenegro	108	7	71	3.1
11	Albania	118	6	33	11.9
12	Greece	150	11	18	12.0
13	Kosovo	73	8	33	0.6

Source: World Bank, Ease of Doing Business Reports

Year	Rank	Procedures (number)	Time (days)	Cost (% of property value)
2004	..	..	..	..
2005	..	8	9	3.3
2006	..	8	9	3.2
2007	54	8	9	3.2
2008	31	6	6	3.1
2009	34	6	6	3.0
2010	36	6	6	3.0
2011	38	6	6	3.0
2012	44	6	6	3.3

Source: World Bank, Ease of Doing Business Reports

According to the World Bank Report, the average rank of the Balkan region in the registering property pillar is 78.15 and it takes 38.84 days on average and 6.15 procedures to complete a property transfer. Moldova is on the top of the list in 18<sup>th</sup> place while Greece has the worst performance not only in ranking but also in the

number of the procedures, having at the same time the highest cost of property value in the region.

In Turkey registering property requires 6 procedures, takes 6 days and costs 3.3% of the property value. Globally, it stands at the 44<sup>th</sup> position in the ranking of 183 economies. The country is the fourth most performed in the Balkans and is placed 12<sup>th</sup> amongst EU27. Turkey showed an improvement from 2007, when it was ranked 54<sup>th</sup>, to 2009 when it jump up to the 34<sup>th</sup> place. Since then it dropped by 10 places. Furthermore, the cost of a property value to transfer a property from one domestic company to another went up by 0.3%. Nonetheless, the number of procedures and the time required dropped and made the registration easier.

In order to facilitate the registration of property many countries made efforts such as by computerizing land registries, introducing time limits for procedures and setting low fixed fees (World Bank, Economy profile: Turkey, 2012). Doubtless, with this amendment those countries shortened the time of registration and facilitated the entire process of establishing a new company. Nevertheless Turkey did not proceed in any reforms yet.

Contrary, Turkey's property market demonstrates that the country is the third most popular place to invest. It could be that Turkey has fared so well given the global economic crisis because it had its own crisis over ten years ago in 2001. Since then the country has turned itself around and is growing stronger all the time. Reforms brought in after the crisis, such as cleaning up of the banking system, giving Central Bank independence and closing extra budgetary funds meant that growth resumed at 7% within just one year. Inflation also dropped to the lowest rate in three decades, and the Turkish Lira regained its strength against other currencies.<sup>38</sup>

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<sup>38</sup> <http://www.turkeybuyingguide.com/content/turkey-turkeys-property-market-2012>

### 3.2.5 Getting credit in Turkey

ECONOMY		Getting Credit Rank	Strength of legal rights index (0-10)	Depth of Credit Information Index (0-6)	Public Registry Coverage (%of adults)	Private Bureau Coverage (%of adults)
1	Bulgaria	8	8	6	52.8	28.8
2	Montenegro	8	10	4	26.4	0.0
3	Romania	8	9	5	15.2	42.0
4	Albania	24	9	4	12.0	0.0
5	FYROM	24	7	6	34.3	68.3
6	Serbia	24	8	5	0.0	100.0
7	Moldova	40	8	4	0.0	3.0
8	Croatia	48	6	5	0.0	100.0
9	BiH	67	5	5	35.3	39.6
10	Greece	78	4	5	0.0	82.4
11	Turkey	78	4	5	23.8	60.5
12	Slovenia	98	4	4	3.3	100.0
13	Kosovo	24	8	5	20.5	0

Source: World Bank, Ease of Doing Business Reports

Year	Rank	Strength of legal rights index (0-10)	Depth of credit information index (0-6)	Public registry coverage (% of adults)	Private bureau coverage (% of adults)
2004	..	..	..	..	..
2005	..	1	4	3.2	30.0
2006	..	1	5	4.9	27.6
2007	66	3	5	6.7	..
2008	68	3	5	10.3	2.7
2009	68	4	5	12.7	26.3
2010	71	4	5	15.9	42.9
2011	75	4	5	18.3	42.2
2012	78	4	5	23.8	60.5

Source: World Bank, Ease of Doing Business Reports

In comparison with the Balkans Turkey is low in the list being in the second worst spot, having the same position with Greece and being far below the average of the Balkans (40.69). The best performed Balkan countries in this section are Bulgaria, Montenegro and Romania which ranks 8<sup>th</sup> globally while Slovenia has the worst

credit information system (98<sup>th</sup> position). In association with EU27, Turkey comes 21<sup>st</sup> leaving behind Italy, Slovenia, Portugal, Luxemburg and Malta.

In 2012 the country ranks 78<sup>th</sup> out of 183 economies on the ease of getting credit. From 2007 until now it lost 12 places in the global ranking; the level of legal rights for borrowers and lenders is below average and reveals that the credit information system and collateral and bankruptcy laws in Turkey support lending and borrowing today in a low status. Thus, lending is not easy. In contrast, the scope and accessibility of credit information distributed by public credit registries and private credit bureaus is in a good level but it is stable since 2006. Turkey did not follow any reforms through the years in getting credit. The only change was that in 2010 the private credit bureau started including firms in its database.

The number of individuals listed in public credit registry now is 9,553,330 and of the number of firms is 2,618,497. As a percentage is coverage of 23.7 % hence, below the average. Furthermore, the number of individuals listed in largest private credit bureau is 25.000.000 and for firms is 6.000.000. As a percentage of adult population are 60.5 quite above the average. It must be pointed out though that these percentages increase every year.

“Which has been the thorniest and most controversial in the development of credit information reporting systems in the last decade or so – that of the most efficient model between a public registry and a private bureau in the Balkans? It is shown that, despite a trend towards the “privatization” of reporting systems, the transition region has developed a diversity of models where the share of private-sector involvement varies” (Credit information reporting systems, EBRD, 2012).<sup>39</sup>

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<sup>39</sup> <http://www.ebrd.com/downloads/research/law/lit12ec.pdf>

### 3.2.6 Protecting investors in Turkey

ECONOMY		Protecting Investors Rank	Extent of Disclosure Index (0-10)	Extent of Director Liability Index (0-10)	Ease of shareholder suits index (0-10)	Strength of investor protection index (0-10)
1	Albania	16	8	9	5	7.3
2	FYROM	17	9	7	5	7.0
3	Slovenia	24	3	9	8	6.7
4	Montenegro	29	5	8	6	6.3
5	Bulgaria	46	10	1	7	6.0
6	Romania	46	9	5	4	6.0
7	Turkey	65	9	4	4	5.7
8	Serbia	79	7	6	3	5.3
9	BiH	97	3	6	6	5.0
10	Moldova	111	7	1	6	4.7
11	Croatia	133	1	5	6	4.0
12	Greece	155	1	4	5	3.3
13	Kosovo	174	3	2	3	2.7

Source: World Bank, Ease of Doing Business Reports

Year	Rank	Extent of disclosure index (0-10)	Extent of director liability index (0-10)	Ease of shareholder suits index (0-10)	Strength of investor protection index (0-10)
2004	..	..	..	..	..
2005	..	..	..	..	..
2006		8	3	4	5
2007	60	8	4	4	5.3
2008	64	8	4	4	5.3
2009	53	9	4	4	5.7
2010	57	9	4	4	5.7
2011	59	9	4	4	5.7
2012	65	9	4	4	5.7

Source: World Bank, Ease of Doing Business Reports

In the indicator Protecting Investors, Balkans have an average rank 76.31 and stand more or less in the same level with the EU27 average (72.19). Among Balkan countries, transparency of related-party transactions is higher in Bulgaria; liability for

self-dealing is privileged in Albania and Slovenia while the latest offers healthier shareholders' ability to sue officers and directors for misconduct.

Globally, Turkey stands at the 65<sup>th</sup> place in the ranking on the strength of investor protection index. The level in this indicator fell down by 13 places since 2009. Nevertheless it surpasses Balkan and EU average. The country scores near the average in the strength of investor protection with a steady course since 2009 scoring by 5.7. This indicates that the economy has quite strong protections against self-dealing. It is obvious also that Turkey is transparent in related party transactions having at the same time extensive disclosure requirements. Contrary, the level of the protection of director liability is 4 to 10 presenting a chance of enhancing the liability of self-dealing and to improve the ability of shareholders to hold interested parties and members of the approving body liable in case of related-party transactions. Moreover the ability of shareholders to sue directly or derivatively is not satisfactory since it is among the worst of the Balkans.

In 2009 investor protections were further strengthened through a new law requiring that an independent auditor assess transactions between interested parties before the transactions are approved (Doing Business, 2012). Since then, no reform has been implemented in order to strengthen investor protections.

### 3.2.7 Paying taxes in Turkey

ECONOMY		Paying taxes Rank	Payments (number per year)	Time (hours per year)	Profit tax (%)	Labour tax and contributions (%)	Other taxes (%)	Total tax rate (% profit)
1	FYROM	26	28	119	6.3	0.0	3.4	9.7
2	Croatia	32	17	196	11.5	19.4	1.5	32.3
3	Bulgaria	69	17	500	4.9	19.2	4.1	28.1
4	Turkey	79	15	223	17.9	18.8	4.4	41.1
5	Greece	83	10	224	13.4	31.7	1.4	46.4
6	Moldova	83	48	228	0.0	30.6	0.7	31.3
7	Slovenia	87	22	260	14.1	18.2	2.4	34.7
8	Montenegro	108	42	372	7.1	12.8	2.4	22.3
9	BiH	110	40	422	7.1	12.6	5.3	25.0
10	Serbia	143	66	279	11.6	20.2	2.2	34.0
11	Albania	152	44	371	8.7	25.0	4.8	38.5
12	Romania	154	113	222	10.4	31.8	2.2	44.4
13	Kosovo	46	33	164	n/a	n/a	n/a	15.4

Source: World Bank, Ease of Doing Business Reports

Year	Rank	Payments (number per year)	Time (hours per year)	Profit tax (%)	Labor tax and contributions (%)	Other taxes (%)	Total tax rate (% profit)
2004							
2005							
2006		18	254				51.1
2007	65	18	254				46.3
2008	54	15	223				45.1
2009	68	15	223				45.5
2010	75	15	223				45.5
2011	75	15	223				44.5
2012	79	15	223	17.9	18.8	4.4	41.1

Source: World Bank, Ease of Doing Business Reports

In the indicator of paying taxes, Turkey stands in the 5<sup>th</sup> place among the Balkans and 18<sup>th</sup> among EU27. Firms make 15 payments per year, which ranks the country in the second place after Greece in the Balkans with the fewest number of



payments; nevertheless it has the highest profit or income tax (17.9%). Social contributions and labour taxes paid by the employer are too expensive as well as other charges such as property and property transfer taxes, dividend, capital gains and financial transactions taxes and waste collection, vehicle, road and other taxes. On average, firms spend 223 hours a year filing, preparing and paying taxes and pay total tax rate 41.1% of profit. The country has fallen by 14 places since 2007 but we can see from the table above that there is a positive trend through the years.

“Economies around the world have made paying taxes faster and easier for businesses—such as by consolidating filings, reducing the frequency of payments or offering electronic filing and payment. Many have lowered tax rates” (Doing Business, 2012). In 2007 Turkey simplified and modernized the tax system. Corporate Income Tax Law No. 5520 replaced the former corporate income tax law and passed into law on 3 April 2007. The new law introduced extensive amendments, including formerly ambiguous issues such as transfer pricing and thin capitalization in line with the OECD’s guidelines and worldwide applications, together with defining new provisions such as Controlled Foreign Company (CFC) applications and anti-tax haven regulations.<sup>40</sup> One of the most visible changes introduced was a 10% reduction in corporate tax rates, from 30% to 20%. On the other hand, the withholding tax rate on profit distribution increased from 10% to 15%.<sup>41</sup>

According to a new tax amnesty law effective February 2011 Turkish taxpayers can voluntarily submit a written application increasing their tax base in the years 2006 to 2009. Such taxpayers will get immunity from further tax audit after paying an additional agreed tax. There are no significant changes or reforms in Turkey's 2012 tax rates compared to 2011<sup>42</sup>. “In 2012 Turkey lowered the social security contribution rate for companies by offering them a 5% rebate” (Doing business, 2012).

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<sup>40</sup> <http://www.vergiportali.com/doc/yayinlar/taxguide.pdf>

<sup>41</sup> <http://www.doingbusiness.org/~media/FPDKM/Doing%20Business/Documents/Reforms/Case-Studies/2008/DB08-CS-Turkey.pdf>

<sup>42</sup> [http://www.worldwide-tax.com/turkey/tur\\_econonews.asp](http://www.worldwide-tax.com/turkey/tur_econonews.asp)

### 3.2.8 Trading across borders in Turkey

ECONOMY		Trading Across Borders Rank	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
1	Montenegro	34	6	14	805	6	14	915
2	Slovenia	50	6	16	710	8	15	765
3	FYROM	67	6	12	1.38	6	11	1.38
4	Romania	72	5	12	1.49	6	13	1.5
5	Albania	76	7	19	745	8	18	730
6	Serbia	79	6	12	1.43	6	14	1.61
7	Turkey	80	7	14	990	8	15	1.06
8	Greece	84	5	20	1.15	6	25	1,27
9	Bulgaria	91	5	21	1.55	6	17	1.67
10	Croatia	100	7	20	1.3	8	16	1.18
11	BiH	108	8	15	1.24	9	16	1.2
12	Moldova	134	6	32	1.55	7	35	1.74
13	Kosovo	131	8	17	2.270	8	16	2.280

Source: World Bank, Ease of Doing Business Reports

Year	Trading Across Borders						
	Rank	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
2004	..	..	..	..	..	..	..
2005	..	..	..	..	..	..	..
2006	9	10	20		13	25	
2007	79	9	20	513	13	25	735
2008	56	7	14	865	8	13	1.013
2009	59	7	14	940	8	15	1.063
2010	67	7	14	990	8	15	1.063
2011	76	7	14	990	8	15	1.063
2012	80	7	14	990	8	15	1.063

Source: World Bank, Ease of Doing Business Reports

On the ease of trading across borders, Turkey holds the 80<sup>th</sup> place in the world.

It is the 7<sup>th</sup> best performed Balkan country and it stands in the underneath of the EU

27 rank. According to data collected by Doing Business, exporting a standard container of goods requires 7 documents, takes 14 days and costs \$990. Importing the same container of goods requires 8 documents, takes 15 days and costs \$1063.

It is obvious from the above table that during the years and since 2006 the documentation requirements and procedures at customs and other regulatory agencies as well as at the port have been significantly decreased either for imports or exports. The same trend can be noticed in the time required to import and export a standard shipment of goods by ocean transport. Turkey's trade, exports and imports were hit badly in the year 2008, when the trade deficit stood at -31%<sup>43</sup>. Since then, it seems that the cost of inland transport to a largest business city has been considerably increased. Yet, in trading across borders, Turkey remains one of the cheapest countries in the Balkan region.

In order to improve their trading environment over the years, governments have introduced tools to facilitate trade—including single windows, risk-based inspections and electronic data interchange systems. In contrast, Turkey did not proceed in any trade reform in the past few years so as to boost imports and exports of standardized cargos of goods.

Turkey is the linchpin of the Central Asian region, a crossroad for Europe, the Caucasus, Asia and the Middle East. There is a potential “new Silk Road”, both real and virtual. Turkey has started to explore alternative markets to counter the effects of the financial crisis. The market potential is huge, particularly if it stretches out to the Middle East, where economic activity continues apace and exports to Central Asia are rising but still the country lags behind its European counterparts (Doing Business in Armenia and Turkey, 2009).

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<sup>43</sup> [http://www.economywatch.com/world\\_economy/turkey/export-import.html](http://www.economywatch.com/world_economy/turkey/export-import.html)

### 3.2.9 Enforcing contracts in Turkey

ECONOMY		Enforcing Contracts Rank	Procedures (number)	Time (days)	Cost (%of claim)
1	Moldova	26	352	28.6	30
2	Croatia	48	561	13.8	38
3	Turkey	51	420	27.9	36
4	Romania	56	512	28.9	31
5	Slovenia	58	1.29	12.7	32
6	FYROM	60	370	31.1	37
7	Albania	85	390	35.7	39
8	Bulgaria	87	564	23.8	39
9	Greece	90	819	14.4	39
10	Serbia	104	635	31.3	36
11	BiH	125	595	40.4	37
12	Montenegro	133	545	25.7	49
13	Kosovo	157	53	420	61.2

Source: World Bank, Ease of Doing Business Reports

Year	Rank	Time (days)	Cost (% of claim)	Procedures (number)
2004	..	105	5.4	18
2005		330	12.5	22
2006		330	12.5	22
2007	70	420	17.4	34
2008	34	420	18.8	36
2009	27	420	18.8	35
2010	27	420	18.8	35
2011	26	420	18.8	35
2012	51	420	27.9	36

Source: World Bank, Ease of Doing Business Reports

Regarding Enforcing Contracts indicator, Turkey's performance fell dramatically by 25 places since last year after a period of 3 years cruising. The country now stands in the 51<sup>st</sup> position globally. According to data collected by Doing Business, enforcing a contract requires 36 procedures, takes 420 days and costs 27.9% of the value of the claim. The number of steps had many ups and downs during the past years in contrast with the time required to complete procedures which is fixed

since 2007. On the other hand, the cost of resolving a commercial lawsuit has been significantly increased by 9.1% this year.

Among Balkan countries, Turkey is the third best performed requiring a considerable number of necessary procedures and a near the average cost. In comparison to the EU, Turkey comes 15<sup>th</sup> having sufficient time and procedural complexity of resolving a commercial lawsuit in relation with the average of European countries but relatively high cost for the enforcement of contracts.

According to World Bank, either higher income economies or lower income economies found different ways to improve their contract enforcement in recent years. No reforms making it easier to enforce contracts have been recorded recently in Turkey. The country showed no progress in implementing reforms in this indicator.

### *3.2.10 Resolving Insolvency (Closing business) in Turkey*

<b>ECONOMY</b>		<b>Resolving Insolvency Rank</b>	<b>Time (years)</b>	<b>Cost (% of estate)</b>	<b>Recovery Rate (Cents on the dollar)</b>
1	Slovenia	39	2.0	4	51.1
2	Montenegro	52	2.0	8	43.3
3	FYROM	55	2.0	10	42.0
4	Greece	57	2.0	9	41.8
5	Albania	64	2.0	10	40.2
6	BiH	80	3.3	9	35.0
7	Bulgaria	90	3.3	9	31.4
8	Moldova	91	2.8	9	31.3
9	Croatia	94	3.1	15	29.7
10	Romania	97	3.3	11	28.6
11	Serbia	113	2.7	23	24.4
12	Turkey	120	3.3	15	22.3
13	Kosovo	31	2.0	15	57.4

Source: World Bank, Ease of Doing Business Reports

Year	Rank	Time (years)	Cost (% of estate)	Recovery rate (cents on the dollar)
2004	..	1,8	8	..
2005	..	2,9	8	..
2006	..	6	7	7.2
2007	138	5,9	7	9.8
2008	112	3,3	15	20.3
2009	118	3,3	15	20.2
2010	121	3,3	15	20.2
2011	115	3,3	15	21.1
2012	120	3,3	15	22.3

Source: World Bank, Ease of Doing Business Reports

Globally, Turkey stands at the 120<sup>th</sup> in the ranking of 183 economies on the ease of resolving insolvency. The country holds the last place in the Balkans and in the EU27 as well and it is far below its overall ranking. It has though the lower recovery rate in the Balkan region. According to data collected by Doing Business, resolving insolvency takes 3.3 years on average and costs 15% of the debtor's estate. The average recovery rate is 22.3 cents on the dollar. Since 2008 it fell by 8 places while keeping the time and the cost required stable for recovering debt.

Insolvency in Turkey is primarily governed by the Execution and Bankruptcy Code (EBC), enacted in 1932 and subsequently amended in 2003 and 2004. Consequently, the EBC was amended in 2003 and 2004. The 2003 amendments resulted in a number of measures, which objectives were to rejuvenate the national economy by providing regulatory and legal tools to rescue and rehabilitate financially distressed companies. However, the general view on these is that they are disproportionately favorable to debtors at the disadvantage of creditors. Nevertheless, Turkey's insolvency regime is sound but there remains room for improvement.<sup>44</sup>

<sup>44</sup> <http://www.ebrd.com/downloads/sector/legal/turkey.pdf>

## 4. Policy Recommendations

Turkey, being placed at the crossroads of Europe and the Middle East, is a key player in the global economy that has seen ten years of high growth. Going forward, it will be important that the country continues to implement economic reforms to sustain stability, growth, and to increase employment, said Christine Lagarde on her first trip to the country since her selection as head of the International Monetary Fund. According to her, Turkey should continue to implement a sound combination of macroeconomic, fiscal, and structural reforms to sustain stability and growth into the future.<sup>45</sup>

According to the OECD, long-term growth is possible with reforms concerning labor, education and the industrial sector. Turkish labor legislation needs to encourage the creation of more qualified jobs. A reform of schools also needs to be approved, provided that progress in labor laws and education would boost productivity and life conditions in Turkey.<sup>46</sup>

“Turkish authorities face the double challenge of needing to fully prepare for a more advanced stage of development while, at the same time, still addressing some of the more basic areas, such as reducing macroeconomic vulnerability, improving the access to and quality of education, upgrading infrastructure, as well as achieving higher levels of institutional accountability and transparency” (World Economic Forum, 2006).

To begin with, reforms in the *institutional environment* must be one of Turkey’s first priorities. The quality of institutions has a strong bearing on competitiveness and growth. Turkey would remain on the watch list for intellectual property rights violations. Thus, improvements, standards and norms about copyright policy should be followed in order to become closer to international standards and the requirements of the World Intellectual Property Organization, or WIPO. Significant economic costs to businesses also cause the political dependence of the judicial system and government attitudes toward markets and freedoms.

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<sup>45</sup> <http://www.imf.org/external/pubs/ft/survey/so/2012/new051112a.htm>

<sup>46</sup> [http://ansamed.ansa.it/ansamed/en/news/sections/economics/2012/08/23/Turkey-OECD-calls-structural-reforms\\_7371036.html](http://ansamed.ansa.it/ansamed/en/news/sections/economics/2012/08/23/Turkey-OECD-calls-structural-reforms_7371036.html)

The economic impact of terrorism can be calculated from a variety of perspectives. There are direct costs to property and immediate effects on productivity, as well as longer term indirect costs of responding to terrorism. It is well known that Turkey faces a Kurdish problem. The non-resolution of the Kurdish issue remains the single greatest obstacle to progress on human rights in Turkey. Therefore, political reform should become an important tool in tackling disadvantages and turning around alienation to involvement in civil society and a common vision for future, which is one way to erode support for terrorism<sup>47</sup>. Moreover, as Justice Minister Sadullah Ergin said, Turkey is already in the process of implementation of a fourth judicial reform package which will lead to an acceptable reduction in the rate of terrorism. Fighting organized crime should also be a significant step for a more efficient institutional environment.

What should be done in this field is that Turkish government must first of all develop appropriate tools; knowledge about organized crime and the vulnerabilities of licit sectors must be collected and updated. Initially a research program can be made in order to gather this information via collection, protection and exchange of electronic evidence and then a well prepared team of the police force to proceed in fighting crime. Concluding, it is evidence that the harmonization of legislation on offences and penalties should complement the principle of mutual recognition of judicial decisions in criminal matters<sup>48</sup>.

In order to boost its competitiveness Turkey should first of all focus in its *labor force and education policies*. Many workers continue to be employed without social security coverage, or are in self-employment or unpaid family work. Salaried unskilled workers in the formal sector are still a minority (OECD, 2012). Too many of the new businesses and jobs are created in the informal sector and the skills of the majority of the labour force remain too low. Both exert a drag on productivity and competitiveness. Around one third of new low-skilled jobs have been created in the informal sector, in firms exposed to competition from less-advanced emerging economies. To encourage hiring and growth in the more productive formal sector,

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<sup>47</sup><http://www.wilsoncenter.org/sites/default/files/Turkey%20Counter%20Terrorism%20AYBET%20for%20SEP%20website.doc>

<sup>48</sup>[http://europa.eu/legislation\\_summaries/justice\\_freedom\\_security/fight\\_against\\_organised\\_crime/l33250\\_en.htm](http://europa.eu/legislation_summaries/justice_freedom_security/fight_against_organised_crime/l33250_en.htm)



far-reaching labour market reforms and a more flexible labour contract are indispensable.<sup>49</sup> “A key priority for improving potential growth is to shift employment to higher-quality jobs in fully formal activities. Formalisation, together with improved coverage and eligibility conditions for unemployment insurance, would also bring major benefits to Turkish workers by improving social protection against unemployment and income loss, poverty, exploitation and unsafe workplaces”. (OECD, 2012)

The relations between employee and employer should be upgraded. Labor markets must therefore have the flexibility to shift workers from one economic activity to another rapidly and at low cost, and to allow for wage fluctuations without much social disruption. Workers must have incentives in order to be more productive. Some of these incentives could be a productivity bonus or a day off. The payment regime should be re-designed and harmonized with the international standards in order to make more flexible the permanent contracts. Given an example, in order to boost competitiveness, IMF proposed Greece to reduce the minimum cost of labor, to follow pension reforms and allow temporary employment, without any restrictions. Wage adjustments to productivity gains should be in force through bargaining at enterprise level. In addition, new more flexible labor contracts on a temporary basis should be signed under negotiations with social partners.

Furthermore education is central to economic development and social change. The quality of higher education is crucial for an economy to move further in the chain value beyond simple production. In any case such economies need well-educated workers in order to cope in the continuous upgrade of the market. “To achieve this, what should be done is to offer effective lifelong education programs which will improve the labor market skills for adults whose schooling was inadequate. Moreover the quality gap among schools and universities should be reduced by granting them more autonomy in exchange for more accountability for performance, and by shifting to per student funding with adjustments for socio-economic disadvantages. Additionally, vocationally schools could cooperate with the business sector in developing and teaching their curricula”. (OECD, 2012)

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<sup>49</sup> <http://www.oecd.org/turkey/economicsurveyofturkey2012.htm>

According to OECD, combining these two sets of labor and education reforms would raise GDP growth by 1.3 percentage points annually relative to the baseline over 2012-30 and potential output would increase by 25% by 2030.

On the other hand policies should also focus in *primary education*. The quality of primary education is very low in Turkey. A large number of children, and especially girls, give up school in a very early age. Thus, workers who have received little formal education can carry out only simple manual tasks and find it much more difficult to adapt to more advanced production processes and techniques. What should be done is to ensure that students are equipped with the right skills to benefit from further education and above all to give them or give to their parents incentives to participate and assure them that higher education will provide high returns in their lives and of course in the labor market. Hence, it remains a priority to continue to develop pre-school education, which reduces the influence of the socio-economic background on educational achievement.

In addition, efficient markets should provide equity in the business environment between women and men. Gender and women's rights remain significant challenges. In Turkey, only one among four women participates in the workforce. The number of girls enrolling in school has been increased but not necessarily the number of girls graduating from primary education: there are many drop-outs. Girls are needed at home, or there is not enough money to send them to school, or they need to contribute to the family income. Or they are forced to get married, or at least prepared for it.<sup>50</sup> An effective solution would be the recently introduced draft legislation by the ruling Justice and Development Party (AKP). This draft proposed increasing the level of mandatory schooling from eight years to 12 years. It is a way to decrease the number of drop outs. Furthermore, in order to increase women's labor force participation, Turkish government should provide high-quality and affordable child and elderly care.

Boosting productivity also requires pushing ahead with *product market reforms*. Implementing product market reforms, notably in network industries, would unleash productivity gains in those sectors and would be a boost to the rest of the

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<sup>50</sup> <http://www.eurasianet.org/node/65058>

economy. A set of alternative growth scenarios through 2030 illustrates how progress on these various fronts can lift productivity growth and deliver lasting improvements in living standards<sup>51</sup>. Greater competition in the energy, telecommunication and agricultural sectors would benefit consumers and economy-wide competitiveness, and also would help to reduce the external deficit. The long-planned liberalisation of the electricity and natural gas sectors needs to be implemented. Support to agriculture ought to rest less on price support and more on direct transfers and rural development. “It must be a significant reduction of price interventions in agricultural products by using less distortive forms of support and offering greater scope for import competition” (OECD, 2012).

It is evident that thanks to its geopolitically location and its continuously rising economy, Turkey is a suitable place to invest. Nevertheless, according to World Bank, it is obvious that it is not very easy for an entrepreneur in Turkey to legally build a warehouse. The country stands in a very low position globally and among Balkans. Therefore, there must be a significant reduction of the procedures, time and cost for a business to obtain all the necessary approvals to build a simple commercial warehouse in the economy’s largest business city. Turkey should adopt new building regulations; reduce time for processing permit applications, modernize the total procedures and reduce fees using improved electronic platforms or online services.

In the past 7 years 87 economies, more than half of those with a credit reporting system as recorded by Doing Business (142 economies), implemented 144 regulatory reforms to improve credit information systems. In contrast, Turkey having a bad performance in this field did nothing to update it. In order to strengthen legal rights of borrowers and lenders and improve the sharing of credit information, regulatory reforms should be done by adopting new rules for credit bureaus and guaranteeing the right of borrowers to inspect their data. According to the World Bank, many countries have followed this trend the past few years.

In 2007 Turkey simplified and modernized the tax system. An additional tax law which has been introduced in 2011 made the tax burden less heavy, nevertheless paying taxes in Turkey should be easier and less costly. The most effective reforms to achieve this are reducing tax rates, introducing electronic systems and simplifying tax

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<sup>51</sup> [http://www.oecd-ilibrary.org/economics/oecd-economic-surveys-turkey-2012/structural-reforms-to-boost-long-term-growth\\_eo\\_surveys-tur-2012-6-en](http://www.oecd-ilibrary.org/economics/oecd-economic-surveys-turkey-2012/structural-reforms-to-boost-long-term-growth_eo_surveys-tur-2012-6-en)

compliance by reducing the frequency of filing or allowing joint payment and filing of several taxes.<sup>52</sup>

Evaluating Turkey's trade across borders we may conclude that although the country has great potential of growth, its performance in this field is not satisfactory. The cost of inland transport to a largest business city has been considerably increased and there are a big number of documents. A solution would be a simplification of the documentation requirements for import and export with an electronic data interchange allowing exporters to submit documents to customs online and also allowing easier assembly of documents required by different authorities and reducing the time to trade. A significant decrease of the associated cost would also make the trade across borders easier.

From the data collected in the Turkish insolvency regime we notice that the country is in a very low level. Significant attention should be made at improving both the efficiency and the outcome of insolvency proceedings. Hence, a new insolvency law must be established likely to reduce the processing time for bankruptcy proceedings and simplify debt enforcement proceedings. Furthermore an establishment of new courts with insolvency administrators academically qualified to deal with this specific sector would assist further the aim for a better performance in this field.

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<sup>52</sup> <http://www.doingbusiness.org/Data/ExploreTopics/paying-taxes/Reforms>

## *Conclusion*

The present paper's aim was to evaluate Turkey's national competitiveness and business environment. The assessment of the results and assumptions was based on the data of two prominent Publications: Global Competitiveness Report (World Economic Forum) and Doing Business (World Bank). This survey presents a measurement of Turkey's national economy in comparison to the economies of the Balkans, EU27, USA and China. Furthermore it attempts to evaluate the progress of the country during the years 2001-2012.

GCI is a comprehensive tool that measures the microeconomic and macroeconomic foundations of national competitiveness. According to World Economic Forum competitiveness is the set of institutions, policies, and factors that determine the level of productivity of a country. Productivity on the other hand determines the level of a country's potential growth. Regarding this aspect, Turkey is the most competitive country in the Balkans and 43<sup>rd</sup> globally. With the euro zone falling into recession and most of Central and Eastern Europe countries following closely behind, multinationals increasingly look to Turkey as a growth engine.

According to GCI 2012-2013 data, in 2012 the economy of the Balkan Region was ranked in a relative good place on average globally. The average score of the Balkan countries though lags behind the European, USA and China's average. Among the region, Turkey seems to perform better in many fields proving to be the most competitive country for 2012. More particularly comparing the data of GCI 2011-2012 and GCI 2012-2013, regarding Basic requirements the country went up by 7 places, there is an improvement by 10 places in Efficiency Enhancers and the Innovation and Sophistication factors has been upgraded by 8 places.

Nevertheless, further structural reforms are required in order to mitigate the impact of the global economic crisis. In the previous pages a number of policy recommendations have been made in an effort to boost competitiveness. For instance, regarding institution environment the country should follow more strictly the international standards regarding property rights.

Additionally an area of great concern is the country's inefficient labor force which needs to be more flexible. Furthermore the government should focus more on finding solutions for the Kurdish issue as well as the organized crime. These two

aspects are an obstacle for the economy's progress. In addition, it has been pointed out that the quality of Turkish higher education and training is not good enough in order to compete with the evolving needs of the economy. The Turkish market needs well educated workers so as to be upgraded. Primary education should also be reformed and the number of children, especially girls, which drop out school, should be reduced.

Lastly, implementing product market reforms would unleash productivity gains and boost the Turkish economy. Those reforms should be implemented in the agricultural sector, which has great potential of development, aligned and harmonized with EU standards. Improving competition in telecommunications and energy sector would additionally push forward the liberalization of the market.

Considering the Ease of Doing Business Index it can be assumed that Turkey has been improved in many sectors since 2006; "it made starting a business less costly by eliminating notarization fees for the articles of association and other documents. Additionally in paying taxes Turkey lowered the social security contribution rate for companies by offering them a 5% rebate. Moreover, in 2010 included firms in its database in getting Credit and in 2009 investor protections were further strengthened through a new law requiring that an independent auditor assess transactions between interested parties before the transactions are approved" (World Bank, 2012)

Turkey enjoys a very special location at the crossroads between East and West, overlapping Europe and Asia geographically. The proximity to the new emerging markets in the Middle East and Central Asia creates unique business opportunities. As it has already been mentioned it has a very dynamic economy with a high further potential of growth. In addition, World Trade Organization categorizes Turkey as one of the top 20 countries in the world trade.

Concluding, "Turkey should be commended for the great progress it has achieved in recent years, which is reflected in the country's impressive rise in the competitiveness rankings. However, this should not lead to complacency, as there is a challenging road ahead" (World Economic Forum, 2006).

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## **APPENDIX : TABLES**

		2001		2002/2003		2003/2004		2004		2005		2006		2007/2008		2008/2009		2009/2010		2010/2011		2012
	Country/ EU27	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank
1	Finland	1	6,03	2	5,74	1	6,01	1	5,95	1	5,94	2	5,76	6	5,49	6	5,5	6	5,43	7	5,37	4
2	Sweden	9	5,55	5	5,4	3	5,8	3	5,72	3	5,65	3	5,74	4	5,54	4	5,53	4	5,51	2	5,56	3
3	Denmark	14	5,44	10	5,23	4	5,61	5	5,66	4	5,65	4	5,7	3	5,55	3	5,58	5	5,46	9	5,32	8
4	Germany	17	5,39	14	5,06	13	5,24	13	5,28	15	5,1	8	5,58	5	5,51	7	5,46	7	5,37	5	5,39	6
5	Netherlands	8	5,56	15	5,03	12	5,24	12	5,3	11	5,21	9	5,56	10	5,4	8	5,41	10	5,32	8	5,33	7
6	United Kingdom	12	5,51	11	5,17	15	5,23	11	5,3	13	5,11	10	5,54	9	5,41	12	5,3	13	5,19	12	5,25	10
7	Austria	18	5,33	18	4,93	17	5,07	17	5,2	21	4,95	17	5,32	15	5,23	14	5,23	17	5,13	18	5,09	19
8	France	20	5,29	30	4,62	26	4,91	27	4,92	30	4,78	18	5,31	18	5,18	16	5,22	16	5,13	15	5,13	18
9	Belgium	19	5,31	25	4,81	27	4,88	25	4,95	31	4,63	20	5,27	20	5,1	19	5,14	18	5,09	19	5,07	15
10	Ireland	11	5,52	24	4,86	30	4,73	30	4,9	26	4,86	21	5,21	22	5,03	22	4,99	25	4,84	29	5,74	29
11	Luxembourg	-	-	-	-	21	4,99	26	4,95	25	4,9	22	5,16	25	4,88	25	4,85	21	4,96	20	5,05	23
12	Estonia	29	4,87	26	4,73	22	4,96	20	5,08	20	4,95	25	5,12	27	4,74	32	4,67	35	4,56	33	4,61	33
13	Spain	22	5,17	22	4,88	23	4,94	23	5	29	4,8	28	4,77	29	4,66	29	4,72	33	4,59	42	4,49	36
14	Czech Republic	37	4,41	40	4,26	39	4,48	40	4,55	38	4,42	29	4,74	33	4,58	33	4,62	31	4,67	36	4,57	38
15	Slovenia	31	4,7	28	4,64	31	4,7	33	4,75	32	4,59	33	4,64	39	4,48	42	4,5	37	4,55	45	4,42	57
16	Portugal	25	4,92	23	4,87	25	4,92	24	4,96	22	4,91	34	4,6	40	4,48	43	4,47	43	4,4	46	4,38	45
17	Latvia	47	4,19	44	4,14	37	4,54	44	4,43	44	4,29	36	4,57	45	4,41	54	4,26	68	4,06	70	4,14	64
18	Malta	-	-	-	-	19	5,03	32	4,79	35	4,54	39	4,54	56	4,21	52	4,31	52	4,3	50	4,34	51
19	Lithuania	43	4,27	36	4,33	40	4,39	36	4,57	43	4,3	40	4,53	38	4,49	44	4,45	53	4,3	47	4,38	44
20	Hungary	28	4,87	29	4,63	33	4,61	39	4,56	39	4,38	41	4,52	47	4,35	62	4,22	58	4,22	52	4,33	48
21	Italy	26	4,9	39	4,31	41	4,38	47	4,27	47	4,21	42	4,46	46	4,36	49	4,35	48	4,31	48	4,37	43
22	Cyprus	-	-	-	-	-	-	38	4,56	34	4,54	46	4,36	55	4,23	40	4,53	34	4,57	40	4,5	47
23	Greece	36	4,46	38	4,32	35	4,58	37	4,56	46	4,26	47	4,33	65	4,08	67	4,11	71	4,04	83	3,99	90
24	Poland	41	4,3	51	3,98	45	4,15	60	3,98	51	4	48	4,3	51	4,28	53	4,28	46	4,33	39	4,51	41
25	Romania	56	-	66	3,59	75	3,38	63	3,86	67	3,67	68	4,02	74	3,97	68	4,1	64	4,11	67	4,16	77
26	Bulgaria	59	3,82	62	3,68	64	3,67	59	3,98	58	3,83	72	3,96	79	3,93	76	4,03	76	4,02	71	4,13	74
27	Slovak Republic	40	4,36	49	4,02	43	4,23	43	4,43	41	4,31	37	4,55	41	4,45	46	4,4	47	4,31	60	4,2	69
	<b>Average</b>	<b>27,04</b>	<b>4,96</b>	<b>29,46</b>	<b>4,63</b>	<b>28,50</b>	<b>4,80</b>	<b>29,93</b>	<b>4,83</b>	<b>30,59</b>	<b>4,70</b>	<b>29,59</b>	<b>4,89</b>	<b>33,41</b>	<b>4,74</b>	<b>34,30</b>	<b>4,75</b>	<b>34,74</b>	<b>4,70</b>	<b>36,04</b>	<b>4,73</b>	<b>37,00</b>

Table 1: Global Competitiveness Index: EU27

**Table 2: Global Competitiveness Index: Balkans**

	2001		2002/03		2003/04		2004		2005		2006/07		2007/08		2008/9		2009/10		2010/11		2011/12	
	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK
<b>Balkans 12</b>																						
Slovenia	4,7	31	4,64	28	4,7	31	4,75	33	4,59	32	4,64	33	4,48	39	4,50	42	4,55	37	4,42	45	4,3	57
Montenegro	-	-	-	-	-	-	-	-	-	-	-	-	3,91	82	4,11	65	4,16	62	4,36	49	4,3	60
Turkey	3,86	54	3,31	69	3,65	65	3,82	66	3,68	66	4,14	59	4,25	53	4,15	63	4,16	61	4,25	61	4,3	59
Romania	-	-	3,59	66	3,38	75	3,86	63	3,67	67	4,02	68	3,97	74	4,10	68	4,11	64	4,16	67	4,1	77
Bulgaria	3,82	59	3,68	62	3,67	64	3,98	59	3,83	58	3,96	72	3,93	79	4,03	76	4,02	76	4,13	71	4,2	74
Croatia	-	-	3,8	58	3,97	53	3,94	61	3,74	62	4,26	51	4,20	57	4,22	61	4,03	72	4,04	77	4,1	76
FYROM	-	-	-	-	3,22	81	3,34	84	3,26	85	3,86	80	3,73	94	3,87	89	3,95	84	4,02	79	4,1	79
Greece	4,46	36	4,32	38	4,58	35	4,56	37	4,26	46	4,33	47	4,08	65	4,11	67	4,04	71	3,99	83	3,9	90
Albania	-	-	-	-	-	-	-	-	3,07	100	3,46	98	3,48	109	3,55	108	3,72	96	3,94	88	4,1	78
Moldova	-	-	-	-	-	-	-	-	3,37	82	3,71	86	3,64	97	3,75	95	-	-	3,86	94	3,9	93
Serbia	-	-	-	-	3,36	77	-	-	-	-	-	-	3,78	91	3,90	85	3,77	93	3,84	96	3,9	95
BiH	-	-	-	-	-	-	3,38	81	3,17	95	3,67	89	3,55	106	3,56	107	3,53	109	3,70	102	3,8	100
Serbia and Montenegro	-	-	-	-	-	-	3,23	89	3,38	80	3,69	87										
<b>Average</b>	<b>4,21</b>	<b>45</b>	<b>3,89</b>	<b>53,5</b>	<b>3,92</b>	<b>60,13</b>	<b>3,87</b>	<b>63,67</b>	<b>3,64</b>	<b>70,27</b>	<b>3,98</b>	<b>70,00</b>	<b>3,92</b>	<b>78,83</b>	<b>3,99</b>	<b>77,17</b>	<b>4,00</b>	<b>75,00</b>	<b>4,06</b>	<b>76,00</b>	<b>4,08</b>	<b>78,17</b>

**Table 3: Competitiveness and ranking of Turkey**

	2001		2002/03		2003/04		2004		2005		2006/07		2007/08		2008/9		2009/10		2010/11		2011/12	
	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK
Turkey	3,86	54	3,31	69	3,65	65	3,82	66	3,68	66	4,14	59	4,25	53	4,15	63	4,16	61	4,25	61	4,3	59

**Table 4: Global Competitiveness Index: Turkey Pillars**

2011-2012																							
BASIC REQUIREMENTS								EFFICIENCY ENHANCERS										INNOVATION AND SOPHISTICATED FACTORS					
1. Institutions		2. Infrastructure		3. Macroeconomic Environment		4. Health and Primary Education		5. Higher Education & Training		6. Goods Market Efficiency		7. Labor Market Efficiency		8. Financial Market Development		9. Technological Rediness		10. Market Size		11. Business Sophistication		12. Innovation	
RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE
80	3,7	51	4,4	69	4,8	75	5,6	74	4,0	47	4,4	133	3,5	55	4,3	55	3,9	17	5,2	58	4,1	69	3,1



**Table 5: Global Competitiveness Index: China & USA**

	2001		2002/03		2003/04		2004		2005		2006/07		2007/08		2008/9		2009/10		2010/11		2011/12	
	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK
China	4,4	39	4,37	33	4,19	44	4,29	46	4,07	49	4,24	54	4,57	34	4,7	30	4,7	29	4,8	27	4,9	26
USA	5,95	2	5,93	1	5,81	2	5,82	2	5,81	2	5,61	6	5,67	1	5,74	1	5,6	2	5,4	4	5,4	5

**Table 6: Competitiveness and ranking in Turkey in comparison to the Balkans,EU27,CHINA,USA AVERAGE**

	2001/2002		2002/2003		2003/2004		2004/2005		2005/2006		2006/2007		2007/2008		2008/2009		2009/2010		2010/2011		2011/2012	
Country	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Turkey	54	3,86	69	3,31	65	3,65	66	3,82	66	3,68	59	4,14	53	4,25	63	4,15	61	4,16	61	4,25	59	4,3
EU27	27,40	4,96	29,46	4,63	28,50	4,80	29,93	4,83	30,59	4,70	29,59	4,89	33,41	4,74	34,30	4,75	34,74	4,70	36,04	4,73	37,00	4,71
BALKAN	45	4,21	53,5	3,89	60,13	3,92	63,67	3,87	70,27	3,64	70,00	3,98	78,83	3,92	77,17	3,99	75,00	4,00	76,00	4,06	78,17	4,08
China	39	4,4	33	4,37	44	4,19	46	4,29	49	4,07	54	4,24	34	4,57	30	4,7	29	4,7	27	4,8	26	4,9
USA	2	5,95	1	5,93	2	5,81	2	5,82	2	5,81	6	5,61	1	5,67	1	5,74	2	5,6	4	5,4	5	5,4

**Table 7: Global Competitiveness Index: EU27 Pillars**

EU-27	BASIC REQUIREMENTS		1. INSTITUTIONS		2. INFRASTRUCTURE		3. MACROECONOMIC		4. HEALTH AND PRIMARY EDUCATIONS		EFFICIENCY ENHANCERS		5. HIGHER EDUCATION AND TRAINING		6. GOODS MARKET EFFICIENCY		7. LABOR MARKET EFFICIENCY		8. FINANCIAL MARKET DEVELOPMENT		9. TECHNOLOGICAL READINESS		10. MARKET SIZE		INNOVATION AND SOPHISTICATION		11. BUSINESS SOPHISTICATION		12. INNOVATION	
	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE
Sweden	4	6,06	2	6,06	13	5,74	13	6,08	18	6,35	7	5,33	2	5,81	7	5,21	25	4,82	11	5,24	2	6,29	31	4,59	2	5,79	2	5,83	2	5,76
Finland	5	6,02	4	5,98	19	5,62	20	5,71	1	6,76	5	5,43	16	5,47	19	4,97	7	5,36	20	4,94	8	6,08	6	5,77	5	5,53	4	5,66	7	5,39
Germany	11	5,83	19	5,27	2	6,35	30	5,43	23	6,27	8	5,29	8	5,66	9	5,17	23	4,84	23	4,86	5	6,13	18	5,10	4	5,56	9	5,4	3	5,72
Denmark	8	5,86	5	5,94	10	5,89	31	5,39	28	6,24	9	5,27	6	5,75	16	5,06	6	5,39	17	5,01	4	6,20	53	4,21	9	5,3	5	5,58	12	5,03
Netherlands	7	5,88	10	5,61	7	6,02	36	6,34	7	6,54	13	5,18	7	5,73	26	4,79	64	4,41	39	4,54	14	5,61	5	6,00	8	5,31	6	5,53	10	5,1
Luxembourg	6	5,9	8	5,67	21	5,61	15	6,04	25	6,26	10	5,19	1	6,09	21	4,89	15	4,94	9	5,34	12	5,75	54	4,15	12	5,17	8	5,41	13	4,94
Austria	18	5,65	20	5,24	18	5,64	33	5,39	19	6,32	17	5,09	20	5,24	38	4,56	8	4,38	18	5,00	13	5,63	7	5,74	13	5,12	7	5,46	16	4,79
France	23	5,57	28	5,00	4	6,30	83	4,60	16	6,37	15	5,13	5	5,75	14	5,06	44	4,61	28	4,76	11	5,8	26	4,78	14	5,06	11	5,3	15	4,83
United Kingdom	21	5,6	15	5,34	6	6,09	85	4,54	14	6,42	19	4,94	18	5,38	20	4,89	29	4,76	31	4,64	15	5,4	35	4,58	17	4,93	14	5,14	17	4,72
Belgium	22	5,58	27	5,03	17	5,65	60	4,90	2	6,75	23	4,86	40	4,69	2	5,44	41	4,63	8	5,34	9	6,00	96	3,04	20	4,75	21	4,98	21	4,52
Estonia	27	5,41	29	4,99	40	4,71	21	5,71	26	6,26	28	4,67	22	5,15	13	5,10	17	4,90	115	3,44	17	5,34	56	4,12	23	4,65	22	4,93	23	4,37
Cyprus	32	5,26	36	4,76	31	5,01	64	4,81	13	6,45	29	4,63	30	4,95	36	4,58	42	4,62	53	4,31	31	4,82	40	4,48	32	4,09	36	4,42	33	3,77
Slovenia	39	5,12	55	4,08	37	4,81	35	5,34	24	6,26	30	4,61	31	4,95	52	4,36	58	4,48	34	4,60	48	4,18	20	5,08	30	4,18	26	4,85	43	3,51
Ireland	37	5,2	23	5,19	29	5,12	118	4,01	12	6,49	32	4,58	32	4,90	66	4,23	119	3,84	64	4,14	28	4,95	13	5,44	45	3,87	49	4,19	40	3,55
Spain	38	5,18	49	4,27	12	5,83	84	4,60	44	6,04	36	4,52	23	5,15	29	4,74	16	4,92	41	4,51	27	4,95	100	2,89	48	3,83	48	4,19	45	3,48
Malta	40	5,12	38	4,69	47	4,52	51	5,04	29	6,22	46	4,32	39	4,70	27	4,78	60	4,44	25	4,83	41	4,36	103	2,83	38	3,98	50	4,19	32	3,77
Portugal	44	5	51	4,20	23	5,48	111	4,21	34	6,12	44	4,38	53	4,50	51	4,36	59	4,47	47	4,44	37	4,54	58	3,99	33	4,03	34	4,51	39	3,55
Czech Republic	45	4,9	84	3,65	36	4,87	43	5,17	51	5,91	42	4,39	45	4,66	55	4,32	66	4,38	63	4,15	36	4,55	52	4,24	37	3,98	53	4,16	30	3,81
Italy	47	4,84	88	3,61	32	5,01	92	4,47	20	6,28	39	4,42	35	4,82	62	4,27	122	3,79	78	3,98	19	5,31	45	4,35	49	3,83	42	4,28	51	3,38
Lithuania	49	4,82	62	3,94	43	4,64	73	4,71	46	5,99	40	4,41	41	4,69	59	4,30	123	3,77	97	3,73	42	4,34	9	5,62	50	3,78	54	4,13	48	3,43
Slovak Republic	60	4,66	101	3,46	57	4,23	56	4,92	43	6,04	51	4,23	21	5,16	48	4,37	102	4,00	102	3,62	32	4,54	58	3,99	57	3,64	60	4,06	58	3,23
Poland	56	4,7	52	4,17	74	3,87	74	4,71	40	6,06	47	4,32	37	4,81	34	4,61	103	3,99	15	5,11	26	5,05	127	2,33	52	3,75	69	3,88	34	3,62
Hungary	66	4,6	66	3,87	61	4,12	93	4,46	49	5,94	48	4,31	26	5,08	64	4,25	54	4,53	89	3,86	34	4,70	79	3,46	71	3,46	63	4	96	2,91
Latvia	55	4,72	73	3,79	46	4,52	67	4,77	54	5,81	62	4,09	55	4,42	96	3,96	92	4,10	84	3,91	60	3,76	44	4,39	81	3,39	77	3,79	88	2,98
Greece	80	4,36	96	3,52	45	4,54	140	3,29	37	6,09	65	4,06	46	4,66	107	3,88	126	3,63	110	3,52	47	4,21	42	4,42	64	3,53	71	3,84	59	3,21
Bulgaria	74	4,46	110	3,32	87	3,62	46	5,13	57	5,80	54	4,20	34	4,84	60	4,28	47	4,59	60	4,17	46	4,26	95	3,05	99	3,2	102	3,48	95	2,91
Romania	89	4,28	99	3,49	95	3,37	87	4,52	66	5,72	59	4,10	70	4,16	86	4,08	56	4,49	75	3,99	50	4,11	64	3,8	96	3,24	96	3,55	93	2,94
<b>Average</b>	<b>37,15</b>	<b>5,21</b>	<b>46,30</b>	<b>4,60</b>	<b>33,78</b>	<b>5,08</b>	<b>61,52</b>	<b>4,97</b>	<b>29,56</b>	<b>6,21</b>	<b>32,52</b>	<b>4,66</b>	<b>28,26</b>	<b>5,08</b>	<b>41,37</b>	<b>4,61</b>	<b>56,44</b>	<b>4,48</b>	<b>50,22</b>	<b>4,44</b>	<b>26,44</b>	<b>5,07</b>	<b>49,48</b>	<b>4,31</b>	<b>37,37</b>	<b>4,33</b>	<b>38,48</b>	<b>4,62</b>	<b>37,89</b>	<b>4,05</b>

Croatia	52	4,8	90	3,6	39	4,7	70	4,8	48	6,0	72	4,0	56	4,4	114	3,8	116	3,9	87	3,9	38	4,5	72	3,6	82	3,4	88	3,7	76	3,1
FYROM	69	4,6	81	3,7	86	3,7	37	5,3	80	5,5	87	3,8	80	4,0	63	4,3	72	4,3	82	3,9	67	3,7	107	2,8	104	3,1	105	3,5	105	2,8
Greece	80	4,4	96	3,5	45	4,5	140	3,3	37	6,1	65	4,1	46	4,7	107	3,9	126	3,6	110	3,5	47	4,2	42	4,4	81	3,4	77	3,8	88	3,0
Albania	71	4,5	57	4,0	72	3,9	86	4,5	65	5,7	82	3,9	82	4,0	43	4,5	49	4,6	107	3,6	62	3,8	101	2,9	102	3,2	78	3,8	123	2,6
Moldova	102	4,1	106	3,4	96	3,3	103	4,3	86	5,5	103	3,6	83	3,9	98	3,9	75	4,3	105	3,6	78	3,5	122	2,4	127	2,9	117	3,3	128	2,4
Serbia	88	4,3	121	3,2	84	3,7	91	4,5	52	5,8	90	3,7	81	4,0	132	3,5	112	3,9	96	3,7	71	3,6	70	3,6	118	3,0	130	3,1	97	2,9
BiH	92	4,2	109	3,3	99	3,2	78	4,6	58	5,8	102	3,6	86	3,9	115	3,8	85	4,2	124	3,3	73	3,6	97	3,0	108	3,1	108	3,4	104	2,8
<b>Average</b>	<b>73,08</b>	<b>4,51</b>	<b>87,17</b>	<b>3,65</b>	<b>71,17</b>	<b>3,93</b>	<b>78,00</b>	<b>4,63</b>	<b>58,92</b>	<b>5,80</b>	<b>74,00</b>	<b>3,95</b>	<b>65,17</b>	<b>4,28</b>	<b>82,33</b>	<b>4,09</b>	<b>88,58</b>	<b>4,13</b>	<b>88,50</b>	<b>3,83</b>	<b>57,17</b>	<b>3,96</b>	<b>78,83</b>	<b>3,46</b>	<b>89,92</b>	<b>3,30</b>	<b>89,83</b>	<b>3,65</b>	<b>89,00</b>	<b>2,96</b>

**Table 9: Ease of Doing Business Index: EU27**

<b>ECONOMY</b>		<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
1	Austria	32	30	25	27	28	32	32
2	Belgium	18	20	19	19	22	25	28
3	Bulgaria	62	54	46	45	44	51	59
4	Cyprus	x	x	x	x	40	37	40
5	Czech Republic	41	52	56	75	74	63	64
6	Denmark	8	7	5	5	6	6	5
7	Estonia	16	17	17	22	24	17	24
8	Finland	13	14	13	14	16	13	11
9	France	44	35	31	31	31	26	29
10	Germany	19	21	20	25	25	22	19
11	Greece	80	109	100	96	109	109	100
12	Hungary	52	66	45	41	47	46	51
13	Ireland	11	10	8	7	7	9	10
14	Italy	70	82	53	65	78	80	87
15	Latvia	26	24	22	29	27	24	21
16	Lithuania	15	16	26	28	26	23	27
17	Luxembourg	x	x	42	50	64	45	50
18	Malta	x	x	x	x	x	x	x
19	Netherlands	24	22	21	26	30	30	31
20	Poland	54	75	74	76	72	70	62
21	Portugal	42	40	37	48	48	31	30
22	Romania	78	49	48	47	55	56	72
23	Slovak Republic	37	36	32	36	42	41	48
24	Slovenia	63	61	55	54	53	42	37
25	Spain	30	39	38	49	62	49	44
26	Sweden	14	13	14	17	18	14	14
27	United Kingdom	9	6	6	6	5	4	7
<b>AVERAGE</b>		35,75	37,42	34,12	37,52	40,5	37,12	38,54
<b>NUMBER OF</b>		<b>155</b>	<b>175</b>	<b>178</b>	<b>181</b>	<b>183</b>	<b>183</b>	<b>183</b>
<b>NUMBER OF PILLARS</b>		<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>9</b>	<b>10</b>

**Table 9 : Ease of Doing Business Index EU27**

**Table 10: Ease of Doing Business Index: Balkans**

<b>ECONOMY</b>		<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
1	Albania	117	120	136	86	82	82	82
2	BiH	87	95	105	119	116	110	125
3	Bulgaria	62	54	46	45	44	51	59
4	Croatia	118	124	97	106	103	84	80
5	FYROM	81	92	75	71	32	38	22
6	Greece	80	109	100	96	109	109	100
7	Moldova	83	103	92	103	94	90	81
8	Montenegro	92	70	81	90	71	66	56
9	Romania	78	49	48	47	55	56	72
10	Serbia	92	68	86	94	88	89	92
11	Slovenia	63	61	55	54	53	42	37
12	Turkey	93	91	57	59	73	65	71
13	Kosovo	-	-	-	-	-	-	117
<b>AVERAGE</b>		<b>87,17</b>	<b>86,33</b>	<b>81,50</b>	<b>80,83</b>	<b>76,67</b>	<b>73,50</b>	<b>76,46</b>
<b>NUMBER OF ECONOMIES</b>		<b>155</b>	<b>175</b>	<b>178</b>	<b>181</b>	<b>183</b>	<b>183</b>	<b>183</b>
<b>NUMBER OF PILLARS</b>		<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>9</b>	<b>10</b>

**Table 11: Ease of Doing Business Index: Turkey**

<b>INDICATORS</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Ease of Doing Business Rank</b>	93	91	57	59	73	65	71
<b>Starting a Business</b>		53	43	43	56	63	61
<b>Dealing with Construction Permits</b>		148	128	131	133	153	155
<b>Getting Electricity</b>		146	136	138	employing workers	73	72
<b>Registering Property</b>		54	31	34	36	39	44
<b>Getting Credit</b>		65	68	68	71	75	78
<b>Protecting Investors</b>		60	64	53	57	60	65
<b>Paying taxes</b>		65	54	68	75	83	79
<b>Trading Across Borders</b>		79	56	59	67	79	80
<b>Enforcing Contracts</b>		70	34	27	27	51	51
<b>Resolving Insolvency</b>		138	112	118	121	122	120

**Table 11 : Ease of Doing Business Index : Turkey**

<b>ECONOMY</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
BALKANS	87,17	86,33	81,50	80,83	76,67	73,50	76,46
EU	35,75	37,42	34,12	37,52	40,5	37,12	38,54
USA	3	3	3	3	4	4	4
CHINA	91	93	83	83	89	87	91

**Table 12: Ease of doing Business and ranking in the Balkans in comparison to the EU27, USA and China**

**Table 13: Ease of doing Business China**

<b>Topic Rankings</b>	<b>DB 2012 Rank</b>	<b>DB 2011 Rank</b>	<b>Change in Rank</b>
Starting a Business	151	150	-1
Dealing with Construction Permits	179	180	1
Getting Electricity	115	116	1
Registering Property	40	38	-2
Getting Credit	67	64	-3
Protecting Investors	97	93	-4
Paying Taxes	122	119	-3
Trading Across Borders	60	61	1
Enforcing Contracts	16	17	1
Resolving Insolvency	75	72	-3

<b>Topic Rankings</b>	<b>DB 2012 Rank</b>	<b>DB 2011 Rank</b>	<b>Change in Rank</b>
Starting a Business	13	11	-2
Dealing with Construction Permits	17	17	No change
Getting Electricity	17	16	-1
Registering Property	16	11	-5
Getting Credit	4	4	No change
Protecting Investors	5	5	No change
Paying Taxes	72	70	-2
Trading Across Borders	20	20	No change
Enforcing Contracts	7	7	No change
Resolving Insolvency	15	14	-1

**Table 14: Ease of doing Business USA**



**Table 15: Ease of Doing Business Index: Balkans Pillars**

ECONOMY		Ease of Doing	Starting a	Dealing with	Getting	Registerin	Getting	Protecting	Paying	Trading	Enforcing	Resolving
		Business Rank	Business	Constru	Electricity	Property	Credit	Investors	Taxes	Borders	Contracts	Insolvency
1	FYROM	22	6	61	121	49	24	17	26	67	60	55
2	Slovenia	37	28	81	27	79	98	24	87	50	58	39
3	Monteneg	56	47	173	71	108	8	29	108	34	133	52
4	Bulgaria	59	49	128	133	66	8	46	69	91	87	90
5	Turkey	71	61	155	72	44	78	65	79	80	51	120
6	Romania	72	63	123	165	70	8	46	154	72	56	97
7	Croatia	80	67	143	56	102	48	133	32	100	48	94
8	Moldova	81	88	164	160	18	40	111	83	134	26	91
9	Albania	82	61	183	154	118	24	16	152	76	85	64
10	Serbia	92	92	175	79	39	24	79	143	79	104	113
11	Greece	100	41	41	77	150	78	155	83	84	90	57
12	BiH	125	162	163	157	100	67	97	110	108	125	80
13	Kosovo	117	168	171	124	73	24	174	46	131	157	31
<b>AVERAGE</b>		76,46	71,77	135,46	107,38	78,15	40,69	76,31	90,15	85,08	83,08	75,62

**Table 17: Ease of Doing Business Index: EU27 Pillars**

ECONOMY		Ease of Doing Business	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Investors	Paying taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
1	Denmark	5	31	10	13	11	24	29	14	7	32	9
2	United	7	19	22	60	68	1	10	24	13	21	6
3	Ireland	10	13	27	90	81	8	5	5	21	62	10
4	Finland	11	39	45	25	25	40	65	28	6	11	5
5	Sweden	14	46	23	8	19	48	29	50	8	54	19
6	Germany	19	98	15	2	77	24	97	89	12	8	36
7	Latvia	21	51	112	84	32	4	65	67	15	17	32
8	Estonia	24	44	89	48	13	40	166	51	3	29	72
9	Lithuania	27	101	47	81	7	48	65	62	28	15	40
10	Belgium	28	36	51	87	174	48	17	77	36	20	8
11	France	29	25	30	62	149	48	79	58	24	6	46
12	Portugal	30	26	97	34	31	126	46	78	26	22	22
13	Netherlands	31	79	99	67	48	48	111	43	13	28	7
14	Austria	32	134	76	21	35	24	133	82	25	9	21
15	Slovenia	37	28	81	27	79	98	24	87	50	58	39
16	Cyprus	40	33	78	96	123	78	29	37	19	105	23
17	Spain	44	133	38	69	56	48	97	48	55	54	20
18	Slovak	48	76	50	102	10	24	111	130	95	71	35
19	Luxembourg	50	81	33	63	134	150	122	17	31	1	49
20	Hungary	51	39	55	103	43	48	122	117	74	19	66
21	Bulgaria	59	49	128	133	66	8	46	69	91	87	90
22	Poland	62	126	160	64	89	8	46	128	46	68	87
23	Czech	64	138	68	148	34	48	97	119	70	78	33
24	Romania	72	63	123	165	70	8	46	32	72	56	97
25	Italy	87	77	96	109	84	98	65	134	63	158	30
26	Greece	100	135	41	77	150	78	155	83	108	90	57
27	Malta	x	x	x	x	x	x	x	x	x	x	x
<b>AVERAGE</b>		<b>38,5385</b>	<b>66,1538</b>	<b>65,1538</b>	<b>70,6923</b>	<b>65,6923</b>	<b>47,1154</b>	<b>72,192308</b>	<b>66,5</b>	<b>38,8846</b>	<b>45,34615</b>	<b>36,884615</b>

**Table 16: Ease of Doing Business Index: EU27 Pillars**

<b>ECONOMY</b>		<b>Starting a Business Rank</b>	<b>Procedu res</b>	<b>Time</b>	<b>Cost</b>	<b>Paid-in Min. Capital</b>
1	FYROM	6	3	3	2.4	0.0
2	Slovenia	28	2	6	0.0	43.6
3	Montene gro	47	6	10	1.8	0.0
4	Bulgaria	49	4	18	1.5	0.0
5	Albania	61	5	5	29.0	0.0
6	Turkey	61	6	6	11.2	8.7
7	Romania	63	6	14	3.0	0.8
8	Croatia	67	6	7	8.6	13.8
9	Moldova	88	4	18	1.5	0.0
10	Serbia	92	7	13	7.8	6.0
11	Greece	135	10	10	20.1	22.8
12	BiH	162	12	40	17.0	29.4
13	Kosovo	168	10	58	26.7	104.6

**Table 17: Ease of Starting a Business: Balkans**

**Table 18: Ease of Starting a business: Turkey**

<b>Year</b>	<b>Starting a Business - Rank</b>	<b>Starting a Business - Procedures (number)</b>	<b>Starting a Business - Time (days)</b>	<b>Starting a Business - Cost (% of income per capita)</b>	<b>Starting a Business - Paid-in Min. Capital (% of income per capita)</b>
2004		13	38	37,1	13,2
2005		8	9	26,4	0
2006		8	9	27,7	20,9
2007	53	8	9	26,8	18,7
2008	43	6	6	20,7	16,2
2009	43	6	6	14,9	10,9
2010	56	6	6	14,2	9,5
2011	63	6	6	17,2	9,9
2012	61	6	6	11,2	8,7

**Table 19: Ease of Dealing with Construction Permits: Balkans**

<b>ECONOMY</b>		<b>Dealing with Construction Permits Rank</b>	<b>Procedures</b>	<b>Time</b>	<b>Cost</b>
1	Greece	41	14	169	3.4
2	FYROM	61	10	117	552.7
3	Slovenia	81	13	199	64.9
4	Romania	123	16	287	73.0
5	Bulgaria	128	23	120	317.0
6	Croatia	143	12	317	591.1
7	Turkey	155	24	189	197.7
8	BiH	163	18	181	1,112.9
9	Moldova	164	27	291	79.2
10	Montenegro	173	17	267	1,469.9
11	Serbia	175	19	279	1,603.8
12	Albania	183	no practice	no practice	no practice
13	Kosovo	171	17	301	775.8

**Table 20: Ease of Dealing with Construction Permits: Turkey**

Year	Dealing with Construction Permits			
	Rank	Procedures (number)	Time (days)	Cost (% of income per capita)
2004	..	..	..	..
2005	..	..	..	..
2006	..	32	232	368,7
2007	148	24	189	150,2
2008	128	25	188	369,9
2009	131	25	188	249,3
2010	133	25	188	218,8
2011	137	25	188	231,4
2012	155	24	189	197,7

**Table 21: Ease of Getting Electricity: Balkans**

<b>ECONOMY</b>	<b>Getting Electricity Rank</b>	<b>Procedures</b>	<b>Time</b>	<b>Cost</b>	
1	Slovenia	27	5	38	119.1
2	Croatia	56	5	70	328.6
3	Montenegro	71	5	71	533.4
4	Turkey	72	5	70	624.4
5	Greece	77	6	77	59.2
6	Serbia	79	4	131	545.7
7	FYROM	121	5	151	847.4
8	Bulgaria	133	6	130	366.6
9	Albania	154	6	177	585.6
10	BiH	157	8	125	497.6
11	Moldova	160	7	140	660.6
12	Romania	165	7	223	556.9
13	Kosovo	124	7	60	1016.8

**Table 22: Ease of Getting Electricity: Turkey**

Year	Getting Electricity			
	Rank	Procedures (number)	Time (days)	Cost (% of income per capita)
2004	..	..	..	..
2005	..	..	..	..
2006	..	..	..	..
2007	..	..	..	..
2008	..	..	..	..
2009	..	..	..	..
2010	..	5	70	688.9
2011	73	5	70	714.3
2012	72	5	70	624.4



**Table 23: Ease of Registering Property: Balkans**

ECONOMY		Registering Property Rank	Procedures	Time	Cost
1	Moldova	18	5	5	0.9
2	Serbia	39	6	11	2.8
3	Turkey	44	6	6	3.3
4	FYROM	49	4	40	3.1
5	Bulgaria	66	8	15	3.0
6	Romania	70	8	26	1.2
7	Slovenia	79	5	110	2.0
8	BiH	100	7	33	5.3
9	Croatia	102	5	104	5.0
10	Montenegro	108	7	71	3.1
11	Albania	118	6	33	11.9
12	Greece	150	11	18	12.0
13	Kosovo	73	8	33	0.6

**Table 24: Ease of Registering Property: Turkey**

Year	Registering Property			
	Rank	Procedures (number)	Time (days)	Cost (% of property value)
2004	..	..	..	..
2005	..	8	9	3,3
2006	..	8	9	3,2
2007	54	8	9	3,2
2008	31	6	6	3.1
2009	34	6	6	3.0
2010	36	6	6	3.0
2011	38	6	6	3.0
2012	44	6	6	3.3

**Table 25: Ease of Getting Credit: Balkans**

<b>ECONOMY</b>		<b>Getting Credit Rank</b>	<b>Strength of legal rights index (0-10)</b>	<b>Depth of Credit Information Index (0-6)</b>	<b>Public Registry Coverage (%of adults)</b>	<b>Private Bureau Coverage (%of adults)</b>
1	Bulgaria	8	8	6	52.8	28.8
2	Montenegro	8	10	4	26.4	0.0
3	Romania	8	9	5	15.2	42.0
4	Albania	24	9	4	12.0	0.0
5	FYROM	24	7	6	34.3	68.3
6	Serbia	24	8	5	0.0	100.0
7	Moldova	40	8	4	0.0	3.0
8	Croatia	48	6	5	0.0	100.0
9	BiH	67	5	5	35.3	39.6
10	Greece	78	4	5	0.0	82.4
11	Turkey	78	4	5	23.8	60.5
12	Slovenia	98	4	4	3.3	100.0
13	Kosovo	24	8	5	20.5	0

**Table 26: Ease of Getting Credit: Turkey**

<b>Year</b>	<b>Getting Credit Rank</b>	<b>Strength of legal rights index (0-10)</b>	<b>Depth of credit information index (0-6)</b>	<b>Public registry coverage (% of adults)</b>	<b>Private bureau coverage (% of adults)</b>
2004	..	..	..	..	..
2005	..	1	4	3.2	30.0
2006	..	4	5	4.9	27.6
2007	..	4	5	6.7	..
2008	..	4	5	10.3	27.0
2009	..	4	5	12.7	26.3
2010	..	4	5	15.9	42.9
2011	75	4	5	18.3	42.2
2012	78	4	5	23.8	60.5

ECONOMY		Protecting Investors Rank	Extent of Disclosure Index (0-10)	Extent of Director Liability Index (0-10)	Ease of shareholder suits index (0-10)	Strength of investor protection index (0-10)
1	Albania	16	8	9	5	7.3
2	FYROM	17	9	7	5	7.0
3	Slovenia	24	3	9	8	6.7
4	Montenegro	29	5	8	6	6.3
5	Bulgaria	46	10	1	7	6.0
6	Romania	46	9	5	4	6.0
7	Turkey	65	9	4	4	5.7
8	Serbia	79	7	6	3	5.3
9	BiH	97	3	6	6	5.0
10	Moldova	111	7	1	6	4.7
11	Croatia	133	1	5	6	4.0
12	Greece	155	1	4	5	3.3
13	Kosovo	174	3	2	3	2.7

**Table 27: Protecting Investors: Balkans**

**Table 28: Protecting Investors: Turkey**

Year	Protecting Investors			
	Rank	Extent of disclosure index (0-10)	Extent of director liability index (0-10)	Ease of shareholder suits index (0-10)
2004	..	..	..	..
2005	..	..	..	..
2006		8	3	4
2007	60	8	4	4
2008	64	8	4	4
2009	53	9	4	4
2010	57	9	4	4
2011	59	9	4	4
2012	65	9	4	4

ECONOMY		Paying taxes Rank	Payments (number per year)	Time (hours per year)	Profit tax (%)	Labour tax and contributions (%)	Other taxes (%)	Total tax rate (% profit)
1	FYROM	26	28	119	6.3	0.0	3.4	9.7
2	Croatia	32	17	196	11.5	19.4	1.5	32.3
3	Bulgaria	69	17	500	4.9	19.2	4.1	28.1
4	Turkey	79	15	223	17.9	18.8	4.4	41.1
5	Greece	83	10	224	13.4	31.7	1.4	46.4
6	Moldova	83	48	228	0.0	30.6	0.7	31.3
7	Slovenia	87	22	260	14.1	18.2	2.4	34.7
8	Montenegro	108	42	372	7.1	12.8	2.4	22.3
9	BiH	110	40	422	7.1	12.6	5.3	25.0
10	Serbia	143	66	279	11.6	20.2	2.2	34.0
11	Albania	152	44	371	8.7	25.0	4.8	38.5
12	Romania	154	113	222	10.4	31.8	2.2	44.4
13	Kosovo	46	33	164	n/a	n/a	n/a	15.4

**Table 29: Paying Taxes: Balkans**

**Table 30: Paying Taxes: Turkey**

	<b>Rank</b>	<b>Payments (number per year)</b>	<b>Time (hours per year)</b>	<b>Profit tax (%)</b>	<b>Labor tax and contributions (%)</b>	<b>Other taxes (%)</b>	<b>Total tax rate (% profit)</b>
2004							
2005							
2006		18	254				51,1
2007	65	18	254				46,3
2008	54	15	223				45,1
2009	68	15	223				45,5
2010	75	15	223				45,5
2011	75	15	223				44,5
2012	79	15	223	17.9	18.8	4.4	41.1



**Table 31: Trading Across Borders: Balkans**

ECONOMY		Trading Across Borders Rank	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
1	Montenegro	34	6	14	805	6	14	915
2	Slovenia	50	6	16	710	8	15	765
3	FYROM	67	6	12	1,38	6	11	1,38
4	Romania	72	5	12	1,49	6	13	1,5
5	Albania	76	7	19	745	8	18	730
6	Serbia	79	6	12	1,43	6	14	1,61
7	Turkey	80	7	14	990	8	15	1,06
8	Greece	84	5	20	1,15	6	25	1,27
9	Bulgaria	91	5	21	1,55	6	17	1,67
10	Croatia	100	7	20	1,3	8	16	1,18
11	BiH	108	8	15	1,24	9	16	1,2
12	Moldova	134	6	32	1,55	7	35	1,74
13	Kosovo	131	8	17	2,270	8	16	2,280

**Table 32: Trading Across Borders: Turkey**

Year	Trading Across Borders						
	Rank	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
2004	..	..	..	..	..	..	..
2005	..	..	..	..	..	..	..
2006	9	10	20		13	25	
2007	79	9	20	513	13	25	735
2008	56	7	14	865	8	13	1,013
2009	59	7	14	940	8	15	1,063
2010	67	7	14	990	8	15	1,063
2011	76	7	14	990	8	15	1,063
2012	80	7	14	990	8	15	1,063

**Table 33: Ease of Enforcing Contracts: Balkans**

ECONOMY		Enforcing Contracts Rank	Procedures (number)	Time (days)	Cost (%of claim)
1	Moldova	26	352	28.6	30
2	Croatia	48	561	13.8	38
3	Turkey	51	420	27.9	36
4	Romania	56	512	28.9	31
5	Slovenia	58	1,29	12.7	32
6	FYROM	60	370	31.1	37
7	Albania	85	390	35.7	39
8	Bulgaria	87	564	23.8	39
9	Greece	90	819	14.4	39
10	Serbia	104	635	31.3	36
11	BiH	125	595	40.4	37
12	Montenegro	133	545	25.7	49
13	Kosovo	157	53	420	61.2

**Table 34: Ease of Enforcing Contracts: Turkey**

Year	Enforcing Contracts			
	Rank	Time (days)	Cost (% of claim)	Procedures (number)
2004	..	105	5,4	18
2005		330	12,5	22
2006		330	12,5	22
2007	70	420	17,4	34
2008	34	420	18,8	36
2009	27	420	18,8	35
2010	27	420	18,8	35
2011	26	420	18,8	35
2012	51	420	27,9	36

**Table 35: Ease of Resolving Insolvency: Balkans**

<b>ECONOMY</b>		<b>Resolving Insolvency Rank</b>	<b>Time (years)</b>	<b>Cost (%of estate)</b>	<b>Recovery Rate (Cents on the dollar)</b>
1	Slovenia	39	2.0	4	51.1
2	Montenegro	52	2.0	8	43.3
3	FYROM	55	2.0	10	42.0
4	Greece	57	2.0	9	41.8
5	Albania	64	2.0	10	40.2
6	BiH	80	3.3	9	35.0
7	Bulgaria	90	3.3	9	31.4
8	Moldova	91	2.8	9	31.3
9	Croatia	94	3.1	15	29.7
10	Romania	97	3.3	11	28.6
11	Serbia	113	2.7	23	24.4
12	Turkey	120	3.3	15	22.3
13	Kosovo	31	2.0	15	57.4

**Table 36: Ease of Resolving Insolvency: Turkey**

Year	Resolving Insolvency			
	Rank	Time (years)	Cost (% of estate)	Recovery rate (cents on the dollar)
2004	..	1,8	8	
2005		2,9	8	
2006		6	7	7,2
2007	138	5,9	7	9,8
2008	112	3,3	15	20,3
2009	118	3,3	15	20,2
2010	121	3,3	15	20,2
2011	115	3,3	15	21,1
2012	120	3,3	15	22,3

ECONOMY		Starting a Business RANK	Procedures	Time	Cost	Paid-in Min. Capital
1	Ireland	13	4	13	0.4	0.0
2	United Kingdom	19	6	13	0.7	0.0
3	France	25	5	7	0.9	0.0
4	Portugal	26	5	5	2.3	0.0
5	Slovenia	28	2	6	0.0	43.6
6	Denmark	31	4	6	0.0	25.0
7	Cyprus	33	6	8	13.1	0.0
8	Belgium	36	3	4	5.2	18.9
9	Finland	39	3	14	1.0	7.3
10	Hungary	39	4	4	7.6	9.7
11	Estonia	44	5	7	1.8	24.4
12	Sweden	46	3	15	0.6	14.0
13	Bulgaria	49	4	18	1.5	0.0
14	Latvia	51	4	16	2.6	0.0
15	Romania	63	6	14	3.0	0.8
16	Slovak Republic	76	6	18	1.8	20.9
17	Italy	77	6	6	18.2	9.9
18	Netherlands	79	6	8	5.5	50.4
19	Luxembourg	81	6	19	1.9	21.2
20	Germany	98	9	15	4.6	0.0
21	Lithuania	101	6	22	2.8	35.7
22	Poland	126	6	32	17.3	14.0
23	Spain	133	10	28	4.7	13.2
24	Austria	134	8	28	5.2	52.0
25	Greece	135	10	10	20.1	22.8
26	Czech Republic	138	9	20	8.4	30.7
27	Malta	x	x	x	x	x

**Table 37: Ease of Starting a Business: EU27**

**Table 38: Ease of Dealing with Construction Permits: EU27**

<b>ECONOMY</b>		<b>Dealing with Construction Permits Rank</b>	<b>Procedures</b>	<b>Time</b>	<b>Cost</b>
1	Denmark	10	5	67	59.1
2	Germany	15	9	97	49.7
3	United Kingdom	22	9	99	63.8
4	Sweden	23	7	116	81.6
5	Ireland	27	10	141	33.1
6	France	30	10	184	13.6
7	Luxembourg	33	12	157	19.5
8	Spain	38	8	182	51.8
9	Greece	41	14	169	3.4
10	Finland	45	16	66	66.6
11	Lithuania	47	15	142	25.5
12	Slovak Republic	50	11	286	7.2
13	Belgium	51	12	169	53.6
14	Hungary	55	29	102	5.8
15	Czech Republic	68	33	120	10.9
16	Austria	76	13	194	60.8
17	Cyprus	78	9	677	47.5
18	Slovenia	81	13	199	64.9
19	Estonia	89	13	148	278.6
20	Italy	96	11	258	138.1
21	Portugal	97	14	255	47.2
22	Netherlands	99	15	176	107.8
23	Latvia	112	23	205	21.0
24	Romania	123	16	287	73.0
25	Bulgaria	128	23	120	317.0
26	Poland	160	30	301	53.6
27	Malta	x	x	x	x



ECONOMY		Getting Electricity Rank	Procedures	Time	Cost
1	Germany	2	3	17	49.9
2	Sweden	8	3	52	20.7
3	Denmark	13	4	38	120.6
4	Austria	21	5	23	110.8
5	Finland	25	5	53	31.7
6	Slovenia	27	5	177	242.2
7	Portugal	34	5	64	54.6
8	Estonia	48	4	111	222.5
9	United Kingdom	60	5	109	72.3
10	France	62	5	123	40.2
11	Luxembourg	63	5	120	58.8
12	Poland	64	4	143	209.3
13	Netherlands	67	5	143	30.7
14	Spain	69	5	101	231.9
15	Greece	77	6	77	59.2
16	Lithuania	81	5	148	63.3
17	Latvia	84	5	108	439.1
18	Belgium	87	6	88	95.3
19	Ireland	90	5	205	91.1
20	Cyprus	96	5	247	95.3
21	Slovak Republic	102	5	177	242.2
22	Hungary	103	5	252	120.3
23	Italy	109	5	192	327.2
24	Bulgaria	133	6	130	366.6
25	Czech Republic	148	6	279	186.2
26	Romania	165	7	223	556.9
27	Malta	x	x	x	x

**Table 39 : Ease of Getting Electricity : EU27**

ECONOMY		Registering Property Rank	Procedures	Time	Cost
1	Lithuania	7	3	3	0.8
2	Slovak Republic	10	3	17	0.0
3	Denmark	11	3	16	0.6
4	Estonia	13	3	18	0.4
5	Sweden	19	1	7	4.3
6	Finland	25	3	14	4.0
7	Portugal	31	1	1	7.3
8	Latvia	32	5	18	2.0
9	Czech Republic	34	4	25	3.0
10	Austria	35	3	21	4.6
11	Hungary	43	4	17	5.0
12	Netherlands	48	5	7	6.1
13	Spain	56	5	13	7.1
14	Bulgaria	66	8	15	3.0
15	United Kingdom	68	6	29	4.7
16	Romania	70	8	26	1.2
17	Germany	77	5	40	5.2
18	Slovenia	79	5	110	2.0
19	Ireland	81	5	38	6.5
20	Italy	84	7	27	4.5
21	Poland	89	6	152	0.4
22	Cyprus	123	6	42	10.3
23	Luxembourg	134	8	29	10.1
24	France	149	8	59	6.1
25	Greece	150	11	18	12.0
26	Belgium	174	8	64	12.7
27	Malta	x	x	x	x

**Table 40: Ease of Registering Property: EU27**

ECONOMY		Getting Credit Rank	Strength of legal rights index (0-10)	Depth of Credit Information Index (0-6)	Public Registry Coverage (%of adults)	Private Bureau Coverage (%of adults)
1	United Kingdom	1	10	6	0.0	100.0
2	Latvia	4	10	5	59.7	0.0
3	Bulgaria	8	8	6	52.8	28.8
4	Ireland	8	9	5	0.0	100.0
5	Poland	8	9	5	0.0	74.8
6	Romania	8	9	5	15.2	42.0
7	Austria	24	7	6	1.7	51.6
8	Denmark	24	9	4	0.0	7.3
9	Germany	24	7	6	1.3	100.0
10	Slovak Republic	24	9	4	2.6	56.1
11	Estonia	40	7	5	0.0	33.1
12	Finland	40	8	4	0.0	20.5
13	Belgium	48	7	4	72.6	0.0
14	Czech Republic	48	6	5	6.1	95.7
15	France	48	7	4	43.3	0.0
16	Hungary	48	7	4	0.0	16.1
17	Lithuania	48	5	6	15.0	75.6
18	Netherlands	48	6	5	0.0	83.2
19	Spain	48	6	5	54.7	11.4
20	Sweden	48	7	4	0.0	100.0
21	Cyprus	78	9	0	0.0	0.0
22	Greece	78	4	5	0.0	82.4
23	Italy	98	3	5	23.0	100.0
24	Slovenia	98	4	4	3.3	100.0
25	Portugal	126	3	4	86.2	21.5
26	Luxembourg	150	6	0	0.0	0.0
27	Malta	x	x	x	x	x

**Table 41: Ease of Getting Credit: EU27**

ECONOMY		Protecting Investors Rank	Extent of Disclosure Index (0-10)	Extent of Director Liability Index (0-10)	Ease of shareholder suits index (0-10)	Strength of investor protection index (0-10)
1	Ireland	5	10	6	9	8.3
2	United Kingdom	10	10	7	7	8.0
3	Belgium	17	8	6	7	7.0
4	Slovenia	24	3	9	8	6.7
5	Cyprus	29	8	4	7	6.3
6	Denmark	29	7	5	7	6.3
7	Sweden	29	8	4	7	6.3
8	Bulgaria	46	10	1	7	6.0
9	Poland	46	7	2	9	6.0
10	Portugal	46	6	5	7	6.0
11	Romania	46	9	5	4	6.0
12	Finland	65	6	4	7	5.7
13	Italy	65	7	4	6	5.7
14	Latvia	65	5	4	8	5.7
15	Lithuania	65	7	4	6	5.7
16	France	79	10	1	5	5.3
17	Czech Republic	97	2	5	8	5.0
18	Germany	97	5	5	5	5.0
19	Spain	97	5	6	4	5.0
20	Netherlands	111	4	4	6	4.7
21	Slovak Republic	111	3	4	7	4.7
22	Hungary	122	2	4	7	4.3
23	Luxembourg	122	6	4	3	4.3
24	Austria	133	3	5	4	4.0
25	Greece	155	1	4	5	3.3
26	Estonia	166	8	3	6	5.7
27	Malta	x	x	x	x	x

**Table 42: Ease of Protecting Investors: EU27**

ECONOMY		Paying taxes Rank	Payments (number per year)	Time (hours per year)	Profit tax (%)	Labour tax and contributions (%)	Other taxes (%)	Total tax rate (% profit)
1	Ireland	5	8	76	11.9	11.6	2.7	26.3
2	Denmark	14	10	135	20.1	3.6	3.8	27.5
3	Luxembourg	17	23	59	4.1	15.1	1.5	20.8
4	United Kingdom	24	8	110	23.1	11.0	3.2	37.3
5	Finland	28	8	93	13.7	24.2	1.2	39.0
6	Romania	32	113	222	10.4	31.8	2.2	44.4
7	Cyprus	37	27	149	9.1	11.8	2.2	23.1
8	Netherlands	43	9	127	20.9	18.1	1.5	40.5
9	Spain	48	8	187	1.2	36.7	0.7	38.7
10	Sweden	50	4	122	15.7	35.5	1.6	52.8
11	Estonia	51	8	85	8.0	39.4	11.2	58.6
12	France	58	7	132	8.2	51.7	5.7	65.7
13	Lithuania	62	11	175	5.7	35.1	3.1	43.9
14	Latvia	67	7	290	6.1	27.2	4.7	37.9
15	Bulgaria	69	17	500	4.9	19.2	4.1	28.1
16	Belgium	77	11	156	5.2	50.4	1.7	57.3
17	Portugal	78	8	275	15.1	26.8	1.5	43.3
18	Austria	82	14	170	15.0	34.8	3.4	53.1
19	Greece	83	10	224	13.4	31.7	1.4	46.4
20	Slovenia	87	22	260	14.1	18.2	2.4	34.7
21	Germany	89	12	221	19.0	21.8	5.9	46.7
22	Hungary	117	13	277	14.8	34.1	3.5	52.4
23	Czech Republic	119	8	557	7.5	38.4	3.2	49.1
24	Poland	128	29	296	17.4	23.6	2.6	43.6
25	Slovak Republic	130	31	231	7.2	39.6	2.0	48.8
26	Italy	134	15	285	22.8	43.4	2.2	68.5
27	Malta	x	x	x	x	x	x	x

**Table 43: Ease of Paying Taxes: EU27**

ECONOMY		Trading Across Borders Rank	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
1	Estonia	3	3	5	725	4	5	725
2	Finland	6	4	8	540	5	8	620
3	Denmark	7	4	5	744	3	5	744
4	Sweden	8	3	8	697	3	6	735
5	Germany	12	4	7	872	5	7	937
6	Netherlands	13	4	6	895	5	6	975
7	United Kingdom	13	4	7	950	4	6	1,05
8	Latvia	15	5	10	600	6	11	801
9	Cyprus	19	5	7	790	7	5	900
	Ireland	21	4	7	1,11	4	12	1,12
11	France	24	2	9	1,08	2	11	1,25
12	Austria	25	4	7	1,18	5	8	1,2
13	Portugal	26	4	16	685	5	15	899
14	Lithuania	28	6	9	870	6	9	980
15	Luxembourg	31	5	6	1,42	4	6	1,42
16	Belgium	36	4	8	1,43	5	8	1,6
17	Poland	46	5	17	1,05	5	16	1
	Slovenia	50	6	16	710	8	15	765
19	Spain	55	6	9	1,22	7	10	1,22
20	Italy	63	4	20	1,25	4	18	1,25
21	Czech Republic	70	4	17	1,06	7	20	1,17
22	Romania	72	5	12	1,49	6	13	1,5
23	Hungary	74	6	16	1,02	7	18	1,09
24	Bulgaria	91	5	21	1,55	6	17	1,67
25	Slovak Republic	95	6	17	1,56	7	17	1,54
26	Greece	108	5	20	1,15	6	25	1,27
27	Malta	x	x	x	x	x	x	x

**Table 44: Ease of Trading Across Borders: EU27**

ECONOMY		Enforcing Contracts Rank	Procedures (number)	Time (days)	Cost (%of claim)
1	Luxembourg	1	321	9.7	26
2	France	6	331	17.4	29
3	Germany	8	394	14.4	30
4	Austria	9	397	18.0	25
5	Finland	11	375	13.3	33
6	Lithuania	15	275	23.6	30
7	Latvia	17	369	23.1	27
8	Hungary	19	395	15.0	35
9	Belgium	20	505	17.7	26
10	United Kingdom	21	399	24.8	28
11	Portugal	22	547	13.0	31
12	Netherlands	28	514	23.9	26
13	Estonia	29	425	22.3	35
14	Denmark	32	410	23.3	35
15	Spain	54	515	17.2	39
16	Sweden	54	508	31.2	30
17	Romania	56	512	28.9	31
18	Slovenia	58	1,29	12.7	32
19	Ireland	62	650	26.9	21
20	Poland	68	830	12.0	37
21	Slovak Republic	71	565	30.0	32
22	Czech Republic	78	611	33.0	27
23	Bulgaria	87	564	23.8	39
24	Greece	90	819	14.4	39
25	Cyprus	105	735	16.4	43
26	Italy	158	1,21	29.9	41
27	Malta	x	x	x	x

**Table 45: Ease of Enforcing Contracts: EU27**

ECONOMY		Resolving Insolvency Rank	Time (years)	Cost (%of estate)	Recovery Rate(Cents on the dollar)
1	Finland	5	0.9	4	89.1
2	United Kingdo m	6	1.0	6	88.6
3	Netherla nds	7	1.1	4	87.7
4	Belgium	8	0.9	4	87.3
5	Denmar k	9	1.0	4	87.3
6	Ireland	10	0.4	9	86.9
7	Sweden	19	2.0	9	75.8
8	Spain	20	1.5	11	75.6
9	Austria	21	1.1	18	72.7
10	Portugal	22	2.0	9	70.9
11	Cyprus	23	1.5	15	70.8
12	Italy	30	1.8	22	61.1
13	Latvia	32	3.0	13	56.2
14	Czech Republic	33	3.2	17	56.0
15	Slovak Republic	35	4.0	18	54.3
16	Germany	36	1.2	8	53.8
17	Slovenia	39	2.0	4	51.1
18	Lithuani	40	1.5	7	50.9
19	France	46	1.9	9	45.8
20	Luxemb ourg	49	2.0	15	43.5
21	Greece	57	2.0	9	41.8
	Hungary	66	2.0	15	39.2
23	Estonia	72	3.0	9	36.9
24	Poland	87	3.0	15	31.5
25	Bulgaria	90	3.3	9	31.4
26	Romania	97	3.3	11	28.6
27	Malta	x	x	x	x

**Table 46: Ease of Resolving Insolvency: EU27**