TÜRKİYE

TRADE AGREEMENTS

The United States–Türkiye Trade and Investment Framework Agreement

The United States and Türkiye signed a Trade and Investment Framework Agreement on September 29, 1999. This Agreement is the primary mechanism for discussions of trade and investment issues between the United States and Türkiye.

IMPORT POLICIES

Tariffs and Taxes

Tariffs

Türkiye's average Most-Favored-Nation (MFN) applied tariff rate was 16 percent in 2023, up from 9. percent in 2019. Türkiye's average MFN applied tariff rate was 39 percent for agricultural products and 12. percent for non-agricultural products in 2023. Türkiye has bound 50.5 percent of its tariff lines in the World Trade Organization (WTO), with an average WTO bound tariff rate of 28 percent in 2023. Türkiye has taken advantage of substantial differences between its applied and WTO bound tariff rates to increase tariffs significantly across multiple sectors.

In accordance with its customs union agreement with the European Union (EU), Türkiye exempts from tariffs non-agricultural products imported from the EU. Türkiye also exempts from tariffs non-agricultural products imported from the European Free Trade Association (EFTA), trading partners with which Türkiye has a free trade agreement, or countries with which the EU has a free trade agreement. The Government of Türkiye estimates that the average duty rate for all imports from the EU and EFTA countries dropped from approximately 10 percent to zero percent due to the customs union and free trade agreements.

Under the customs union agreement with the EU, Türkiye applies the EU common external tariff (CET) to non-agricultural products imported from third countries, including the United States. Although the Government of Türkiye's customs legislation is a direct translation of EU legislation, there may be differences in how the legislation is implemented in Türkiye. Further, Türkiye has reserved some exempted categories for sensitive products, with tariffs on these items from non-EU or EFTA trading partners generally much higher than the CET.

Türkiye has imposed additional tariffs on many other products since December 2020, despite its use of the EU CET. In December 2023, Türkiye imposed new tariffs of between 2 percent and 30 percent for more than 4,000 products, while eliminating previous additional tariffs on ships and floating vehicles, books/newspapers, ready-made goods and articles made of cork. Türkiye does not apply these additional tariffs to imports originating in the EU, the EFTA countries, countries with which the EU maintains free trade agreements or other countries with which it has preferential trade agreements.

On May 1, 2023, Türkiye increased tariffs on certain flat steel products to protect Turkish steel producers and encourage local production following Türkiye's 2023 earthquakes, which disrupted domestic steel production. The tariff on unalloyed hot-rolled sheet increased to 15 percent, and the tariff on alloyed hot-rolled sheet increased to 13 percent. The tariff on plate products increased from 9 percent, 10 percent, and

15 percent, respectively, to between 15 percent to 20 percent. The tariff on unalloyed cold-rolled sheet increased to 17 percent.

In June 2018, Türkiye imposed additional duties on multiple U.S. exports in retaliation for the March 2018 decision of the United States to impose tariffs on imports of Turkish steel and aluminum articles under Section 232 of the Trade Expansion Act of 1962, as amended. The retaliatory duties were levied on select goods of U.S. origin under 22 four- or six-digit Harmonized System headings or subheadings covering 479 products, including an additional 35 percent tariff on passenger cars, a 40 percent tariff on distilled spirits, a 30 percent tariff on skin care and make-up materials, a 20 percent tariff on rice, a 15 percent tariff on wood products, and a 5 percent tariff on certain nuts. Following the August 2018 increase in U.S. duties on steel products from Türkiye, Türkiye increased the level of additional duties on U.S. products. In May 2019, after the United States reduced its duties on steel products from Türkiye to the levels in effect prior to August 2018, Türkiye reduced the level of additional duties on U.S. products to the rates in effect prior to August 2018. In December 2023, a WTO panel found that Türkiye's retaliatory duties breached WTO rules and that the U.S. Section 232 measures were taken pursuant to the essential security exception under the GATT 1994. On January 26, 2024, Türkiye appealed the panel report. As of December 31, 2024, no division of the Appellate Body could be established to hear the appeal. Türkiye's additional duties remain in effect.

Türkiye continues to maintain high tariff rates on many imported food and agricultural products, though the customs union with the EU and various free-trade agreements provide duty-free access for many of Türkiye's largest trading partners. Agricultural trade is subject to tariff quotas, and certain agricultural goods remain protected by steep tariffs. The average tariff on fresh fruit imports is 39.3 percent, with a maximum WTO bound duty of 146 percent. Tariffs on imported chicken and chicken products are 65 percent and 121 percent, respectively. However, since late 2020, Türkiye has eliminated high tariffs on certain agricultural bulk commodities such as wheat, corn, barley and sunflower seed oil in order to address major food inflation and commodity cost increases. In addition, Türkiye's investment incentive programs provide for duty and tax concessions on imports commonly used by exporters. A "suspension list" enables manufacturers to import certain raw materials and intermediary inputs at low or duty-exempt rates.

As with other agricultural products, the government intervenes in the market for sunflower seeds and derivative products to stabilize domestic supplies and prices. These interventions typically come as changes to tariffs or the introduction of tariff quotas. In general, the government aims to keeps tariffs high for these products during the harvest season to protect domestic farmers. Depending on the market situation, the government may decide to temporarily relax import duties after the harvest. For example, in August 2024, by way of Presidential Decree, Türkiye announced a lower-duty quota of 1.0 metric tons (MT) for sunflower seed or sunflower oil equivalent between January and April of 2025. The within quota import tariff is 8 percent for sunflower seed and 20 percent for sunflower oil, while the MFN rates are 27 percent and 36 percent, respectively.

In November 2023, Türkiye increased tariffs for walnuts and almonds from all origins to 15 percent. This tariff is in addition to the 10 percent retaliatory tariff on U.S.-originated walnuts and almonds. The "Additional Financial Liability" (AFL), an additional tax paid by the importer, also increased for multiple products on November 1, 2023. The AFL for in-shell walnuts increased to $416 per MT; for shelled walnuts the AFL increased to $1,099 per MT; for in-shell almonds the AFL increased to $580 per MT; and the AFL for shelled almonds increased to $942 per MT. Türkiye has insisted that the AFL is not a separate charge, but rather part of the MFN applied tariff rate. The United States continues to engage on this issue to understand the administration of the tariff for applicable agricultural products. U.S. stakeholders remain concerned about the complex and non-transparent structure of the AFL and the general level of duty imposed by Türkiye, reducing predictability and impeding trade.

In May 2023, the Turkish Government implemented a 130 percent tariff on grains aimed at protecting the local agricultural industry. The tariff on chickpeas and lentils increased to 19.3 percent in July 2023, and the tariff on milled rice increased to 45 percent in September 2023. These tariffs on staple commodities have helped maintain the high domestic cost of food products and persistently high food inflation in Türkiye.

Taxes

Türkiye imposes a value-added tax (VAT) on most imported and domestic goods and services. The importer is responsible for paying the VAT. Türkiye calculates its VAT on a cost insurance freight (CIF) basis plus duty rate and any other applicable charges levied before the goods clear customs. VAT for most agricultural products ranges from 1 percent to 10 percent but may be as high as 20 percent for certain processed products. Capital goods, some raw materials, imports by government agencies and state-owned enterprises, and products for investments with incentive certificates are exempt from import fees.

Türkiye maintains an excise duty known as a Special Consumption Tax (OTV) that is levied at one stage of the consumption process for luxury products, certain beverages, petroleum products, natural gas, automobiles and other vehicles, as outlined in four lists annexed to Law No. 4760. Together, VAT and the OTV provide over half of the government's revenue. In principle, Türkiye's VAT and OTV make no distinction between imported and domestically produced goods. However, the OTV on alcoholic beverages varies considerably depending on the type of product, and Türkiye taxes all alcohol at an extremely high rate, with regular review for possible increases every six months. Overall, the tax system has the potential to favor the consumption of some products relative to others. Other products impacted by the OTV include petroleum products, motor vehicles, aircraft, vessels, and durable consumer goods.

Türkiye imposed new OTV rates on electric vehicles (EVs) on November 18, 2023. As with the OTV rates for internal combustion vehicles, the tax rate is determined through a combination of the vehicle's engine size and sale price. EVs with engine power below 160 kilowatts (kW) face a 10 percent OTV rate if their sale price is less than 1,450,000 Turkish lira (TL) (approximately $44,073), and 40 percent if their sale price exceeds 1,450,000 TL. EVs with engine power above 160 kW face a 50 percent OTV rate if their sale price is below 1,350,000 TL (approximately $41,033) and a 60 percent OTV rate if their sales price exceeds 1,350,000 TL (approximately $41,033). Türkiye's domestically produced TOGG is one of the few EVs that would qualify for the lowest tax threshold. Published on July 26, 2024, a reduction was introduced for plug-in hybrid cars. The changes in OTV affected vehicles in the 87.03 passenger category. Rates were set as follows: engine volume less than 1600 cm^3 and OTV base less than 1,350,000 TL, OTV rate reduced from 45 percent to 30 percent; engine volume less 1600 cm^3 and OTV base more than 1,350,000 TL, OTV rate was 60 percent; engine volume 1600-1800 cm^3 and OTV base less than 1,350,000 TL, OTV rate reduced from 80 percent to 70 percent.

Non-Tariff Barriers

Imports are subject to certain border measures in Türkiye, including outright prohibitions, licensing, controls, and restrictions. Several categories of goods require import licenses subject to change based on market conditions.

Import Bans

Since 2015, Türkiye has banned the importation of nearly all refurbished parts, which affects products in several sectors, including computer equipment and medical devices. Türkiye also requires that construction equipment, tractors, and agricultural equipment be imported during the year in which individual units are manufactured, effectively limiting the volume of U.S. exports of such equipment to Türkiye, given the long lead times associated with these types of orders.

Türkiye stopped all exports to and imports from Israel as of May 2, 2024, citing "worsening humanitarian tragedy" in the Palestinian territories. The United States has cautioned U.S. persons to be alert to the receipt of any requests to refrain from trade to or from Israel or to provide certification that the goods are not of Israeli origin or do not contain Israeli-origin components or materials.

On June 6, 2024, owing to oversupplies of wheat stocks inside the country, Türkiye announced a ban on wheat imports under the Inward Processing Regime. It also liberalized exports of milling wheat, durum wheat, and barley. However, in October 2024, the Turkish Government partially lifted the ban on wheat imports, allowing industry to source up to 15 percent of their wheat externally, with the remaining 85 percent required to be sourced from the Turkish Grain Board (TMO). As of December 31, 2024, Türkiye had not provided additional information as to when it intends to lift the ban.

Import Licensing

Türkiye requires import licenses for some agricultural products and for various products that need after-sales service, such as photocopiers, advanced data processing equipment, and diesel generators. U.S. firms complain that a lack of transparency in Türkiye's import licensing system results in costly delays and demurrage charges.

Customs Barriers and Trade Facilitation

Companies indicate that Turkish documentation requirements for many imports are onerous, inconsistent, and non-transparent, often resulting in delayed shipments at Turkish ports. U.S. exporters of certain industrial goods and food products such as rice, dried beans, pulses, sunflower seeds, wheat, and walnuts, have reported concerns regarding decisions by Turkish customs authorities on the valuation of selected products. Further, the Ministry of Trade periodically requires tracking and monitoring of certain imports, which includes an onerous registration process that must be completed annually, with limited guidance for exporters throughout the registration process. The Ministry of Trade's mandatory foreign exporter registration process covers 31 agricultural commodities including almonds, walnuts, peanuts, peanut butter, tea, garlic, bananas, fresh peppers, flaxseed, rapeseed, and sunflower seed products.

TECHNICAL BARRIERS TO TRADE / SANITARY AND PHYTOSANITARY BARRIERS

Technical Barriers to Trade

Food and Feed Products – Traceability Requirements

Türkiye's 2010 Biosafety Law mandates traceability procedures for movement of animal feed products produced using agricultural biotechnology, including a requirement that each supply-chain entity maintains traceability records for 20 years. Those that have not kept such records have been prosecuted by Turkish authorities for both criminal and civil violations.

Pharmaceuticals – ood Manufacturing Practices Certification

Türkiye's amended Regulation on the Pricing of Medicinal Products for Human Use, which took effect in March 2010, requires foreign pharmaceutical producers to secure a Good Manufacturing Practices (GMP) certificate based on a manufacturing plant inspection by Turkish Ministry of Health (MOH) officials before their products will be authorized for sale in Türkiye. The amended measure requires that Turkish authorities themselves perform the inspections, rather than the previous practice of allowing inspections by authorities from the exporting country, such as the U.S. Food and Drug Administration of the U.S. Department of Health and Human Services or the European Medicines Agency, and has led to severe delays in obtaining GMP certifications for many pharmaceutical products. An MOH inspection backlog has prolonged the already lengthy processes for granting final approvals for pharmaceutical products to be sold on the Turkish market.

Since 2016, following repeated U.S. requests to Türkiye that it accelerate approvals, the MOH has authorized parallel (rather than sequential) submissions of GMP inspection and marketing approval applications for MOH-designated "Priority One" (*i.e.*, highly innovative and/or lifesaving) pharmaceutical products imported from U.S. and EU firms. While a positive step, as of December 31, 2024 the MOH had not uniformly applied this approach to all pharmaceutical product applications. As a result, U.S. stakeholders continue to report that GMP inspection-related delays have effectively closed the Turkish market to certain new drugs.

<u>Sanitary and Phytosanitary Barriers</u>

Food Safety Standards

Türkiye's national food safety laws do not appear to be based on science-based decision-making or aligned with international standards. The Ministry of Agriculture and Forestry closely follows a pesticide reduction schedule similar to the EU.

The importation of live animals, certain animal-sourced products, and certain plant materials requires a Control Certificate that grants permission for import of the product, obtained from the Ministry only after the importer submits an application and provides documents related to the product. The issuance of this certificate is not automatic and has presented challenges for U.S. exports of live cattle, meat products, hides, and animal genetics upon arrival at Turkish ports.

Plant Health

Türkiye rejects imports of U.S. unmilled rice (rough or paddy) if white tip nematodes are detected. Türkiye considers the white tip nematode to be a quarantine pest, even though it is widespread in Türkiye. Due to the risk of nematode detection upon arrival and Türkiye's rejection of any available post-entry mitigation, southern U.S. rice exporters have stopped shipping to Türkiye. The United States continues to engage Türkiye on this phytosanitary issue at a technical level and points out that the pathogen is widespread in Türkiye.

Animal Health

Although it implements regionalization within its own territory, Türkiye does not provide for regionalization at the county level with the United States. Türkiye has banned all imports of poultry meat and processed poultry from the United States. Additionally, the transit of poultry from HPAI-affected U.S. states is banned unless the product is heat treated. As Türkiye had been an important transit point for U.S. poultry shipped to the broader Middle East region, this policy has inhibited U.S. exports of animals and animal products. The United States has and continues to raise this issue extensively with Türkiye. However, Türkiye refuses to alter their interpretation of regionalization.

Türkiye requires certificates for dairy product imports to be signed by a federally accredited veterinarian. In 2018, U.S. and Turkish officials agreed that Türkiye would accept certificates for a limited number of dairy products signed by inspectors from the U.S. Department of Agriculture (USDA) Agricultural Marketing Service. However, U.S. exports of other dairy products not covered by these certificates are not allowed by Türkiye, despite commercial demand.

In April 2024, the Government of Türkiye imposed a ban on the importation of live cattle from the United States following confirmation of the H5N1 virus in some U.S. cattle herds. The USDA has been forthcoming and open about the spread of the virus, epidemiology, and successful mitigation measures the United States has put in place. Nevertheless, Türkiye maintains its ban, seemingly without a scientific basis or risk-based rationale. The U.S. Government continues to engage with the Ministry of Agriculture and Forestry on this issue and has offered several options to ensure exports to Türkiye are free from the health-related challenges. However, without any written scientific justification for their position, the Ministry continues to seek unnecessary and unreasonable assurances from USDA, contrary to the recommendations of the World Organization for Animal Health (WOAH).

Agricultural Biotechnology

Although Türkiye notified the 2010 Biosafety Law to the WTO Committee on Sanitary and Phytosanitary Measures prior to its enactment, the Turkish Government has failed to notify any subsequent revisions to the law, its implementing regulations, or its various regulatory controls. U.S. agricultural biotechnology stakeholders have expressed reluctance to seek regulatory approvals in Türkiye for individual products due to onerous liability requirements imposed by the Biosafety Law, unclear assessment procedures required to receive approval, and concerns regarding the protection of applicants' confidential information.

The agricultural biotechnology oversight authority within the Turkish Government rests with the Ministry of Agriculture and Forestry, which assesses agricultural biotechnology products through both a Scientific Risk Assessment Committee and a Socio-Economic Assessment Committee under the Ministry's Agricultural Research and Policies Directorate General. The Ministry has approved no agricultural biotechnology products for human consumption and rejected several applications for animal feed use without providing scientific justification. As of December 31, 2024, only 36 products produced using agricultural biotechnology can be imported into Türkiye for animal feed use (15 soybean products and 21 corn products). Türkiye has maintained the total number of approved products at 36, without providing justification for that limit. Thirteen additional applications are outstanding, five of which have been pending since 2015, despite the law's official 270-day review timeline. Several Turkish agricultural associations that previously submitted applications for the approval of these products have declined to sponsor their renewals, citing the challenging and non-science-based review system.

Türkiye's delays in completing science-based reviews are especially burdensome considering its impractical low-level presence policy (LLP). The current zero-tolerance threshold is difficult to meet for food and feed imports. In general, if a shipment tests positive for any amount of unapproved agricultural biotechnology product or ingredient, the cargo is rejected and cannot be used for feed or food. However, there are two exceptions to this prohibition: 1) unapproved products pending biotechnology approval in Türkiye for feed use are allowed to be present in shipments up to a 0.1 percent threshold, and 2) shipments containing up to 0.9 percent presence of approved (but not declared) agricultural biotechnology products intended for feed use. Discriminatory testing requirements for U.S. food and feed imports can lead to entire shipments being rejected when trace amounts of unrelated products such as genetically-engineered soy or corn are found.

GOVERNMENT PROCUREMENT

Turkish Government contracting officials are authorized to issue tender documents that restrict foreign companies' participation and that provide price advantages of up to 15 percent (particularly for high technology products) to domestic suppliers. Although the Turkish procurement law requires government contracting agencies to consider best value pricing, the lowest-cost bids are selected in most tenders. In a scenario involving the procurement of highly technical goods or services, this may prevent consideration of bids from firms with the highest capacity and best abilities, including U.S. firms, (*i.e.*, those that provide a greater number of services, lower life cycle costs, and higher quality products).

Other features of the Turkish procurement system severely limit the ability of U.S. companies to participate in government tenders. Turkish procurement law mandates the use of model contracts, which make it difficult for U.S. companies to formulate proposals that are fully responsive to procuring agencies' requirements. In addition, foreign companies, including those with Turkish subsidiaries, have reported difficulties complying with onerous documentation requirements imposed by contracting agencies. Türkiye frequently issues regulations that exempt urgent projects and procurements from requirements of the Turkish Public Tender Law, allowing entities to conduct tenders or negotiations on an invitational basis. While these exempted tenders technically are open to foreign and domestic firms, in practice few of these have been awarded to foreign firms unless they were offering goods or services that were urgently needed and not available in Türkiye.

In the power generation sector, the Ministry of Energy and Natural Resources provides incentives to investors if they source most of their equipment from manufacturers located in Türkiye. The Ministry also conducts license tenders for procurements of power generation, including solar and wind power on the condition that the majority of the equipment and parts are newly produced in specialized manufacturing zones in Türkiye.

Türkiye's Industrial Cooperation Program gives ministries the authority to impose commercial offset requirements in procurement contracts. A foreign company awarded a government procurement contract may be required to manufacture a share of the products or services with a local partner, and transfer technology in order to win a government contract. The Turkish government has imposed offsets in the defense, transportation, telecommunications, pharmaceuticals, aerospace, and energy sectors, among others. Turkish defense procurement policy mandates the inclusion of various commercial offset requirements in contracts that encourage domestic sourcing commitments by suppliers, including by requiring foreign suppliers to partner with local companies and transfer technology.

Since July 2019, the Turkish Government has prohibited public institutions and organizations from using cloud-computing services.

Türkiye is not a Party to the WTO Agreement on Government Procurement (GPA), but has been an observer to the WTO Committee on Government Procurement since June 1996.

INTELLECTUAL PROPERTY PROTECTION

Türkiye remained on the Watch List in the 2024 Special 301 Report due to deficiencies in its intellectual property (IP) regime that represent barriers to U.S. exports and investment.

U.S. industry sources report significant problems involving the export from and trans-shipment through Türkiye of counterfeit goods, as well as software piracy, piracy of printed works, and online piracy. These sources report that the enforcement process is hampered by poor coordination between judges, prosecutors, and police. IP enforcement additionally suffers from a lack of prioritization among government bodies to combat IP crimes. The Tahtakale market in Istanbul is listed in the 2024 Review of Notorious Markets for Counterfeiting and Piracy (Notorious Markets List) as a major transit hub for counterfeit goods coming from China into European and Middle Eastern markets.

Türkiye's 2016 Industrial Property Law consolidated in a single law the provisions for protecting trademarks, designs, utility models, patents and geographical indications, and improved the legal framework for technology commercialization and transfer. The United States encourages Türkiye to fully implement its obligations under the World Intellectual Property Organization (WIPO) Performances and Phonograms Treaty (WPPT) and WIPO Copyright Treaty (WCT), collectively known as the WIPO Internet Treaties, and develop effective mechanisms to address online piracy.

U.S. pharmaceutical companies continue to raise concerns that Türkiye does not adequately protect against the unfair commercial use as well as unauthorized disclosure of test or other data submitted to obtain marketing approval for pharmaceutical products. They have also reported concerns about the timing of resolving pharmaceutical patent disputes.

SERVICES BARRIERS

Audiovisual Services

Türkiye's 2019 Regulation on the Transmission of Radio, Television, and On-Demand Services on the Internet requires providers of Internet streaming services to establish a commercial presence in Türkiye and obtain a broadcasting license. The law also imposes substantial requirements for providers of streaming services to censor content and provide the government with data about their subscribers on request.

Financial Services

Türkiye's Law on Payments and Security Settlement Systems, Payment Services, and Electronic Money Institutions (E-Payment Law) requires information systems used by financial firms for keeping documents and records to be physically located within Türkiye. Many U.S. firms, which utilize a globally distributed network architecture, view these requirements as unworkable. The implementation of the E-Payment Law has led one prominent U.S. firm to suspend its operations in Türkiye.

Professional Services

Turkish citizenship is required to practice as an accountant, a certified public accountant, or a lawyer representing clients in Turkish courts.

ELECTRONIC COMMERCE / DIGITAL TRADE BARRIERS

Internet Services

The 2022 Law Amending Press Law and Certain Laws criminalizes publishing what the Turkish Government considers disinformation on social media and raises potential privacy concerns and risks for third-party social media companies. The law covers information and communication technology firms, with fines that could reach up to 3 percent of global revenue and throttling of bandwidth by up to 95 percent. As of December 2024, implementing regulations were still being drafted.

The Law on the Regulation of Broadcasts via the Internet and Prevention of Crimes Committed through Such Broadcasts gives the Ministry of Transport and Infrastructure Information and Communication Technologies Authority (BTK) the responsibility to enforce bans on Internet content deemed offensive by the Turkish courts. BTK has used its authority to block access to various Internet-based service suppliers, including U.S. suppliers. Most noticeably, Türkiye restricted access to a social media service provider in the days following the February 2023 earthquakes and pursued expanded limitations on the use and operation of social media services. As of July 2020, Law No. 5651 also requires social media platforms with more than one million daily visits from users in Türkiye to appoint a representative physically located within Türkiye and to rapidly respond to content removal requests. Social media platforms are also required to store user data in Türkiye. BTK issued a new decision in April 2023 updating these requirements, including affirming the requirements for local presence and the storage of user data in Türkiye. Penalties for noncompliance include escalating fines, blocking of advertisement, and restricting bandwidth.

Electronic Commerce Tax Regulations

Türkiye imposes additional taxes on certain online sales of imported goods. The "Decision on Amending Certain Provisions of the Customs Law No. 4458," effective August 21, 2024, significantly increased taxes on online purchases of many items from abroad in an effort to protect local industries, reduce imports, and improve the current account deficit. This Decision reduced the tax-free threshold for imported electronic commerce purchases from 150 euros (approximately $167) to 30 euros (approximately $33) and increased taxes to 30 percent for EU imports and 60 percent for non-EU imports, with an additional 20 percent on luxury and durable goods such as fur, jewelry, mobile phones, and household appliances.

International investors and electronic commerce businesses have raised concerns about the lack of prior consultation, a short transition period, and the logistical cost of compliance of these sharp increases in electronic commerce tax rates. As a result of the new taxes, one U.S.-based company suspended online sales in Türkiye, while other U.S. companies have raised concerns about the potential rise in counterfeit goods and impact on their brands' reputation. Loopholes and institutional weaknesses may hinder the effectiveness of these measures, potentially spurring an unregulated grey market. The additional taxes are expected to fuel inflation, increase counterfeit goods, and potentially reduce the presence of international delivery companies in Türkiye.

Digital Services Taxation

Since March 1, 2020, Türkiye has imposed a digital services tax (DST) of 7.5 percent on revenue generated from a broad range of digital services offered in Türkiye, including digital advertising, digital content sales, and digital platform services. The DST applies to companies that, during the previous calendar year, generated revenues from covered digital services of at least TRY 20 million (approximately $610,000) in Türkiye and at least €750 million (approximately $833,000,000) globally. Türkiye's President has the unilateral authority to adjust the tax rate (between 1 percent and up to 15 percent) and the revenue thresholds.

The United States and Türkiye are among the 137 jurisdictions to have joined the October 8, 2021, OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalization of the Economy, which called for all Parties to commit not to introduce DSTs in the future. In November 2021, under the prior Administration, the United States joined Türkiye in a joint statement on a transitional approach to Türkiye's DST during the interim period prior to implementation of Pillar 1 of the Two-Pillar Solution. According to the statement, DST liability that accrued to Türkiye during the transitional period prior to implementation of Pillar 1 would be creditable in defined circumstances against future corporate income tax liability due under Pillar 1. In return, the Section 301 trade action initiated in 2020 was not continued. The arrangement set out in the November joint statement was extended to June 30, 2024.

On January 20, 2025, the United States issued a White House Memorandum titled, "The Organization for Economic Co-Operation and Development (OECD) Global Tax Deal (Global Tax Deal)." The memorandum stated:

> The Secretary of the Treasury and the Permanent Representative of the United States to the OECD shall notify the OECD that any commitments made by the prior administration on behalf of the United States with respect to the Global Tax Deal have no force or effect within the United States absent an act by the Congress adopting the relevant provisions of the Global Tax Deal.

On January 22, 2025, appropriate representatives of the Treasury Department provided notice to the Director of the Centre of Tax Policy and Administration at the OECD. On January 24, 2025, the U.S. Permanent Delegation to the OECD provided similar notice to the Secretary General of the OECD.

INVESTMENT BARRIERS

While Türkiye is generally open to foreign investment, Turkish law limits foreign ownership of broadcasting companies to no greater than 50 percent, and a foreign investor may not own equity in more than two broadcasting companies. Foreign ownership of real estate is limited to 10 percent of the surface area of a district that is open to private ownership, and a foreign investor may not own more than 30 hectares (or 60 hectares with Presidential authorization).

Delayed or Rejected Mining Licenses

U.S. investors have experienced delays and resistance in renewing or obtaining new mining licenses. Additionally, local governors have stopped activities of U.S. investors even though a mining permit has been obtained.

SUBSIDIES

Agricultural Subsidies and Domestic Support

Although Türkiye has large agricultural support programs in place, including price supports and input subsidies, Türkiye is significantly overdue on submitting its required WTO notifications regarding agricultural domestic support and export subsidies. Türkiye's most recent domestic support notifications were submitted in 2020, covering the years 2014 to 2016, and raised concerns that Türkiye had exceeded its WTO commitments regarding trade-distorting domestic support in those years. Türkiye's most recent export subsidy notifications were submitted in 2019, covering the calendar years 2010 to 2013. Türkiye has yet to notify changes in export subsidy measures pursuant to the 2015 Nairobi Ministerial Decision on Export Competition (Nairobi Decision). The United States and several other WTO Members regularly raise concerns at the WTO about the accuracy, completeness, and timeliness of Türkiye's domestic support notifications, as well as the amount of Türkiye's domestic support.

U.S. exporters have expressed concerns about Türkiye's subsidies, inward processing program for wheat, and Türkiye's reimbursement of freight costs for certain exports. U.S. exporters report that they do not believe a monitoring system exists to ensure that the quality and characteristics of imported wheat are the same as the domestic wheat used in exported flour and wheat products. Such monitoring is an important component of an inward processing regime as described by the WTO Agreement on Subsidies and Countervailing Measures.

OTHER BARRIERS

Export Restrictions and Prohibitions

Türkiye bans exports of sunflower seed oil. Türkiye never notified this export ban to the WTO, despite requests from the United States and other WTO Members to do so.

Türkiye imposed a ban on olive oil exports, initially for three months starting on August 1, 2023, and extended the decision indefinitely on October 18, 2023. On June 1, 2024, Türkiye's Ministry of Commerce relaxed the ban on the export of bulk and barreled olive oil, allowing up to 50,000 tons of bulk and barreled olive oil to be exported until November 1, 2024.

On May 25, 2021, the Turkish Ministry of Trade published a communiqué requiring the registration of cotton exports. The registration requirement is intended to discourage organic cotton exports and promote the domestic use of organic cotton to make higher-value textile and apparel products for eventual export.

Restrictions on Reimbursement and Official Exchange Rate for Government Purchases

Since 2017, the Turkish Government has instituted a reimbursement regime for pharmaceutical products that substantially decreased reimbursements. U.S. pharmaceutical companies have raised concerns that they are unable to market next-generation drugs in Türkiye due to the government's maintenance of an artificially low official exchange rate for reimbursement for pharmaceutical products.

The Turkish Government maintains two lists totaling approximately 200 pharmaceuticals for which government reimbursement is denied unless the products are manufactured in Türkiye. Since government reimbursement covers most pharmaceutical products sold in Türkiye, U.S. firms have raised concerns that denying reimbursement has undermined their ability to market their products in Türkiye because they are not manufactured locally. The Turkish Government has previewed plans to "delist" three tranches of products, but has not specified a timeline nor taken any action to implement these further measures.

Delayed Reimbursement for Medical Devices and Pharmaceuticals

The lack of prompt payments by Turkish hospitals (ostensibly due to budgetary restraints) remains a concern for U.S. pharmaceutical and medical device companies.

The Turkish Government has tasked the State Procurement Institute (DMO) with the authority to open tenders to procure pharmaceuticals, as well as medical and laboratory disposables, for public hospitals. According to U.S. stakeholders, DMO has honored its commitment to make payments within 90 days, and delayed payments are no longer an issue with public hospitals. However, some stakeholders have reported that, as of December 31, 2024, university hospitals that make direct purchases from medical device manufacturers still had payments outstanding for over 12 months.