

Turkey and Austria: A Fruitful Level of Business Relations

Turkey and Austria have a historically tumultuous relationship that recently became economically fruitful. Remarkably, the trade volume surpassed 2.5 billion US dollars and exports from Austria to Turkey reached 1.735.868.000 US dollars.

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Another impressive development was that Austria managed to become the biggest direct investor in Turkey in 2010 with 1.8 billion US dollars.

With its geopolitical importance and bridge position between West and East, Turkey has always been an attractive point of business. In recent years, Turkey gained a stronghold position with its growing economy. Its dynamism can be attributed to its population of 74 million people, with a median age of 29.7, which offers a qualified young labor market with low costs. Despite the economic crisis, Turkey's growth rate reached 9.6 per cent in the first three quarters of 2011 because of high private consumption in the construction, trade and communication sectors.

Further, since beginning a trend of privatization in 1985, ongoing large-scale privatizations of motorways and petroleum companies create an attractive environment for foreign capital.

SECURE INVESTMENT ENVIRONMENT

Most importantly, Turkey now provides a secure investment environment for foreigners. The crucial change came with the adoption of the Foreign Direct Investment Law in 2003. The act aimed to change the screening and approval system to a notification-based system to protect the rights of foreign investors. This led to equal treatment of foreign investors and abandonment of all approval procedures which were previously necessary. Turkish citizens living abroad are now also consid-

ered foreign investors. Foreign direct investors are now free to transfer profit and share transfer to other countries, and the dangers of expropriation and nationalization were eliminated. Arbitration is now provided in the event of the investment conflict. The legal background concerning trade and investment relations between Turkey and Austria progressed remarkably. Turkey's membership to the Customs Union is an advantage for both countries, and they share several bilateral agreements. The first agreement to avoid double taxation was signed in 1970 and revised in 2008, and ultimately became effective in 2010. Turkey also signed the Bilateral Investment Agreement with Austria in 1988, in which both countries aiming to protect Austrian and Turkish investors in both countries and promote mutual investment.

AUSTRIAN DIRECT INVESTMENT

Such developments in legislation and in the economy attracted Austrian investors. In 2000, Austria had only 34 million US dollars of direct investment in Turkey. By 2010, this amount jumped to 1.798 billion US dollars, which constituted 20.3 per cent of Austria's foreign direct investment. In the first three quarters of 2011, Austria's direct investment to Turkey reached 2.122 million US

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dollars and Austria had 19 per cent of all foreign direct investment to Turkey.

OMV's interest is one of the highlights of Austrian investment in Turkey. The entry of their energy company into the Turkish market began by first overtaking the shares of Petrol Ofisi, a Turkish gas company, in 2006. OMV increased its shares to 97 per cent by the year 2010. In an interview with Turkish newspaper Milliyet, former OMV CEO Wolfgang Rutenstorfer explains the reason for investment by the expectation that Turkey's demand will surpass that of Central-Eastern and South-Eastern Europe by 2015.

Austria's economic interest in Turkey has had an overall positive influence on their relations. Associations such as ÖTZ (Österreichisch-Türkische Zusammenarbeit) intend to increase the sensibility of Austrians to Turkey. Turkish president Abdullah Gül visited Austria twice in 2011 by invitation of President Fischer. These were the first presidential-level visits in 13 years. Hopefully, this cooperation will continue to increase mutual understanding between the two nations. ❁

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