

This metadata describes the compilation practices, sources and methodology in use in 2003. Please refer to the contact person below for details of any changes that may have been introduced by the country since that time.

Turkey:

Direct Investment Compilation Practices, Data Sources and Methodology

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Direct Investment in Turkey

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

Direct Investment Abroad

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

DIRECT INVESTMENT IN TURKEY

BALANCE OF PAYMENTS (“INWARD TRANSACTIONS”) DATA

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable monthly data are compiled by the Central Bank of the Republic of Turkey (CBRT) within the balance of payments framework on (a) the components of direct investment income: (i) income on equity (dividends and distributed branch profits), (ii) reinvested earnings, and (iii) income on debt (interest), and (b) the components of direct investment financial flows: (i) equity capital, and (ii) other capital. (Prior to 2003 data on income on debt (interest) were not compiled, and prior to 2002 data on other capital were not compiled.) With the exception of the data on income on debt (interest), these data are disseminated with a timeliness of 12 weeks after the end of the reference period on the CBRT website <http://www.tcmb.gov.tr> under the section for periodical publications (on the page for balance of payments statistics). Separately identifiable data on income on debt (interest) are not disseminated, and instead are included indistinguishably under Other Investment income in the balance of payments statistics. The data (monthly rather than quarterly) are also reported to the IMF for publication and annual data are reported to the OECD.

Revision Practices

The data are preliminary when first released. There is no predetermined revision cycle and the data are revised as needed to take account of revised source data, and the revised data are disseminated together with the preliminary data for the latest month. The data are considered to be final up to 18 months after their first release.

The revised status of the data is clearly identified in the disseminated data and the general public are informed of the reasons for major revisions through an announcement on the CBRT website. The historical data are revised as far back as possible in instances of major changes in methodology or data collection systems.

Differences in the revision practices between the data disseminated in the national publications and those reported to the IMF and OECD for publication can result in differences in the data, depending on the reporting dates to the international organizations.

Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data.

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF and the OECD for publication.

Data Collection Method

The data are collected on an individual transactions basis and the reporting requirements are compulsory.

Data Sources

The data for all components except reinvested earnings are compiled from an international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system, but not cash transactions made through the foreign bank accounts of enterprises, or noncash transactions. Press reports are used to cross-check the data. The data on reinvested earnings are compiled from information provided by resident enterprises to the banks for tax purposes, which is then provided by the banks to the CBRT. It is planned that in future the data on reinvested earnings will be estimates based on the results of an annual enterprise survey of resident direct investment enterprises.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF and the OECD for publication.

A business register of enterprises involved in direct investment is used to compile the inward direct investment transactions data. The register is maintained by the CBRT and is updated on an ongoing basis using information from (i) the ITRS's list of transactors, (ii) registers maintained by government licensing and regulatory authorities, (iii) the financial press, and (iv) voluntary direct investment surveys. Different business registers are used to compile each dataset, that is, the inward transactions data, the inward position data, the outward transactions data, and the outward position data.

Geographic Classification

Annual data showing breakdowns by country for the direct investment financial flows data are compiled by the CBRT. These data are not disseminated in the national publications but are available on request with a timeliness of 9 months after the end of the reference year, and are reported to the OECD for publication. The data cover 67 countries. Bilateral data are not used in the compilation of the data. Data showing breakdowns by country for the direct investment income data are not compiled.

The debtor/creditor principle is used as the basis for the geographic allocation of the data. The five countries with the largest amount of direct investment financial flows into Turkey during 2002 (ranked in descending order) were: Italy, the United States, the Netherlands, Germany, and Japan.

In addition to the data showing country breakdowns, monthly data are compiled by the CBRT showing breakdowns of the direct investment financial flows for the following regions/economic zones: (i) the EU15, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, and (vii) the OPEC countries. These data are disseminated monthly with a timeliness of 12 weeks after the end of the reference period on the CBRT website <http://www.tcmb.gov.tr> under the section for publications. These data are also reported to the OECD for publication. Data showing breakdowns by regions/economic zones for the direct investment income data are not compiled.

There are no differences in the data coverage, sources, etc. between the inward transactions data showing geographic breakdowns disseminated in the national publications and/or reported to the OECD, and the aggregate inward data on direct investment financial flows reported to the IMF for publication.

Industrial Classification

Monthly data showing breakdowns by industrial activity for direct investment financial flows are compiled by the CBRT and are disseminated monthly with a timeliness of 12 weeks after the end of the reference period on the CBRT website <http://www.tcmb.gov.tr> under the section for periodical publications (on the page for balance of payments statistics). The data showing breakdowns by industrial activity for the direct investment financial flows are also reported to the OECD for publication. The data reported to the OECD show a breakdown for 28 industrial activities, but those disseminated in the national publications show only the major sectors (agriculture, mining, manufacturing, and services). The classification used is NACE, Rev. 1, which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing breakdowns by industrial activity for the direct investment income data are not compiled.

The data on direct investment financial flows are classified on the basis of the industrial activity of the resident direct investment enterprises. The five industrial activities with the largest amount of direct investment financial flows into Turkey during 2002 (in descending order) were: (i) financial intermediation, (ii) trade and repairs, (iii) radio, television, and communication services, (iv) electricity, gas, and water, and (v) food products.

Monthly data are compiled by the CBRT for the direct investment financial flows data showing a breakdown by both industrial activity and main partner country. These data are disseminated monthly with a timeliness of 12 weeks after the end of the reference period on the CBRT website specified above. The data (annual rather than monthly) are also reported to the OECD. The five highest ranking partner countries during 2002 (ranked in descending order) for which breakdowns by industrial activity are disseminated were: Italy, the United States, the Netherlands, Germany, and Japan.

In addition, monthly data are compiled by the CBRT for the direct investment financial flows data showing a breakdown by both industrial activity and region/economic zone. These data are disseminated monthly with a timeliness of 12 weeks after the end of the reference period on the CBRT website specified above. The data (annual rather than monthly) are also reported to the OECD.

There are no differences in the data coverage, sources, etc. between the inward transactions data showing industrial activity breakdowns disseminated in the national publications and reported to the OECD, and the aggregate inward data on direct investment financial flows reported to the IMF for publication.

B. Methodology

Definition of Direct Investment Enterprises in Turkey

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Turkey is 10 percent ownership by a nonresident investor. (Prior to June 2003, all enterprises with some nonresident ownership, irrespective of the percentage of ownership by nonresidents, were defined as being direct investment enterprises in Turkey.) In accordance with the international standards, enterprises in which the nonresident direct investor owns 10 percent or more but does not have an effective voice in management are included in the data. Contrary to the international standards, enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management, as evidenced by representation on the Board of Directors, and/or participation in policy making, are included in the data. In accordance with the international standards, the 10 percent ownership is based on the ownership of each individual nonresident investor or group of related nonresident investors, rather than being calculated by combining the holdings of all nonresident investors in a specific enterprise or from a specific country. No value threshold is used to identify resident direct investment enterprises. Unincorporated enterprises are treated differently from incorporated enterprises, in that nonresidents (with some exceptions) are not permitted to establish unincorporated enterprises in Turkey, with the result that the data do not cover unincorporated enterprises.

Treatment of Indirectly Owned Direct Investment Enterprises

The "Fully Consolidated System" (FCS) recommended in the international standards is not applied. Specifically, (i) the direct investment earnings data do not include the relevant share of all indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data do not include all equity and other capital transactions made directly between resident enterprises of a related group as defined in the FCS and nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in Turkey are required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, and (ii) identify all transactions with the parent company. (Prior to 2003 enterprises in Turkey were not required by law to produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic.)

Measurement of Direct Investment Earnings

Contrary to the international standards, the "Current Operating Performance Concept" (COPC) is not fully used to calculate direct investment earnings. In accordance with the COPC, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, (ii) unrealized capital gains and losses, and unrealized exchange rate gains and losses are excluded, and (iii) interest receivable/payable is included. Contrary to the COPC, (i) realized capital gains and losses, write-offs, and realized exchange rate gains and losses are not excluded, and (ii) debt repayments receivable/payable are not excluded.

Treatment of Income on Equity (Dividends and Distributed Branch Profits)

The data on dividends and distributed branch profits cover incorporated enterprises, but not unincorporated enterprises. Contrary to the international standards, (i) dividends and distributed branch profits are recorded net, rather than gross, of any withholding taxes, and (ii) dividends and distributed branch profits are recorded on the date they are paid, rather than the date they are declared payable. In accordance with the international standards, (i) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks.

Treatment of Reinvested Earnings and Undistributed Branch Profits

The data on reinvested earnings and undistributed branch profits cover incorporated enterprises but not unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings and undistributed branch profits are recorded in the period in which they are earned, (ii) the data include reinvested earnings and undistributed branch profits between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks. (Prior to 2003, reinvested earnings and undistributed branch profits were not recorded in the period in which they are earned, but when the enterprises applied for registration of an increase in the capital of the enterprise.) Contrary to the international standards, when a direct investment enterprise makes a net loss, that net loss is not recorded as negative reinvested earnings.

Treatment of Income on Debt (Interest)

The data on income on debt (interest) cover incorporated enterprises, but not unincorporated enterprises. The data include interest on long-term loans only. The data do not cover interest on, (i) short-term loans, (ii) bonds and money market instruments, (iii) trade credits, and (iv) financial leases. In accordance with the international standards, the data exclude interest on (i) financial derivatives, and (ii) interest on deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. In accordance with the international standards, (i) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, the data are recorded on a paid basis, rather than on an accrual basis.

Treatment of Equity Capital

The equity capital transactions data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference [preferred] shares, and (iv) other non-voting stocks (shares). The data do not cover noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, (i) the data include equity transactions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

Treatment of Other Capital

The other capital transactions data cover long-term loans. The data do not cover (i) short-term loans, (ii) bonds and money market instruments, (iii) trade credits, and (iv) financial leases. The data do not cover non-participating preference [preferred] shares. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. Contrary to the international standards, (i) the data do not include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries, and (ii) the data do not include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises. In accordance with the international standards, there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

Instances when a loan/debt guarantee provided by a direct investor or related direct investment enterprise is invoked following default by a direct investment enterprise cannot be identified from the present data sources.

Treatment of Reverse Investment

Transactions involving reverse investment are not treated in accordance with the international standards in all instances.

Assuming that the direct investment enterprise is a resident of Turkey and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity transactions are recorded as "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises" and loan transactions are recorded as "Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of Turkey and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity transactions are recorded as "Portfolio Investment: Increase in Assets: Equity Securities", rather than as "Direct Investment in Turkey: Equity Capital: Increase in Claims on Direct Investors", and loan transactions are recorded as "Other Investment: Increase in Assets: Loans", rather than as "Direct Investment in Turkey: Other Capital: Increase in Claims on Direct Investors" .

Treatment of Quasi-corporations

Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation in Turkey by nonresidents of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs, as these activities cannot be identified from the present data sources.

Treatment of Offshore Enterprises

Not applicable. There are no offshore enterprises established in Turkey by nonresidents at present.

Treatment of Special Purpose Entities (SPEs)

Not applicable. There are no SPEs established in Turkey by nonresidents at present.

Treatment of Land and Buildings

In accordance with the international standards, the equity capital data include purchases and sales of land and buildings in Turkey by nonresident enterprises and nonresident individuals. Land and buildings purchased in Turkey by nonresident enterprises and nonresident individuals on long-term leases are not included.

Treatment of Natural Resources Exploration

In accordance with the international standards, expenditure related to natural resources exploration in Turkey by nonresidents is included in the equity capital data. Contrary to the international standards, expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, as this information is not available from the present data sources. In accordance with the international standards, in instances of the shutdown of a direct investment enterprise established in Turkey by nonresidents for natural resource exploration, no transactions are shown in the balance of payments statistics.

Exchange Rate Conversion

All transactions are converted to the unit of account at the exchange rate prevailing on the day of the transaction.

DIRECT INVESTMENT IN TURKEY

INTERNATIONAL INVESTMENT POSITION LIABILITIES (“INWARD POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable annual (calendar year) data are compiled by the Central Bank of the Republic of Turkey (CBRT) within the international investment position (IIP) framework on equity capital and reinvested earnings, and separately identifiable quarterly data are compiled by the CBRT within the international investment position (IIP) framework on other capital. (Prior to 2002, data on other capital were not compiled.) These data are disseminated with a timeliness of 6 months after the end of the reference period on the following CBRT website <http://www.tcmb.gov.tr/die/rc/rciipdata.pdf>. The data are also reported to the IMF and the OECD for publication.

Revision Practices

The data are preliminary when first released. The data for the previous year are revised during the second half of the current year to take account of additional survey responses and information on external debt, and are disseminated together with the preliminary data for the latest period. The data are considered to be final 18 months after their first release, but revisions can also be made for earlier years if necessary.

The revised status of the data is clearly identified in the disseminated data and the general public are informed of the reasons for major revisions through footnotes to the data. The historical data are revised as far back as possible in instances of major changes in methodology or data collection systems.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data.

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF and the OECD for publication.

Data Collection Method

The data are collected using a mixture of data collected on an individual transactions basis (the debt register) and data collected on an aggregate basis (enterprise surveys). The reporting requirements are compulsory for the debt register, and voluntary for the enterprise surveys.

Data Sources

The data for equity capital and reinvested earnings components are compiled from annual enterprise surveys of resident enterprises. The data on other capital are compiled from information obtained from debt registers. The perpetual inventory method (a method for deriving position data from transactions data) is not used for the compilation of the data.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF and the OECD for publication.

A business register of enterprises involved in direct investment is used to compile the inward direct investment position data. The register is maintained by the CBRT and is updated on an ongoing basis using information from (i) the ITRS's list of transactors, (ii) registers maintained by government licensing and regulatory authorities, (iii) the financial press, and (iv) voluntary direct investment surveys. Different business registers are used to compile each dataset, that is, the inward transactions data, the inward position data, the outward transactions data, and the outward position data.

Geographic Classification

Annual data showing breakdowns by country for the inward direct investment position data are compiled by the CBRT. The data are not disseminated in the national publications, but are available on request with a timeliness of 6 months after the end of the reference period, and are reported to the OECD for publication. The data cover 67 countries. Bilateral data are not used in the compilation of the data.

In accordance with the international standards, the data are compiled on an "immediate country" basis. The five countries with the largest amount of direct investment in Turkey as at the end of 2002 (ranked in descending order) were: the Netherlands, the United Kingdom, Italy, Germany, and the United States.

In addition to the data showing country breakdowns, annual data are compiled by the CBRT showing breakdowns of the inward direct investment position data for the following regions/economic zones: (i) the EU15, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, and (vii) the OPEC countries. These data are not disseminated in the national publications, but are available on request with a timeliness of 6 months after the end of the reference period, and are reported to the OECD for publication.

There are no differences in the data coverage, sources, etc. between the inward position data showing geographic breakdowns made available on request and reported to the OECD, and the aggregate inward position data reported to the IMF for publication.

Industrial Classification

Annual data showing breakdowns by industrial activity are compiled by the CBRT for the inward direct investment position data. These data are not disseminated, but are available on request with a timeliness of 6 months after the end of the reference period, and are also reported to the OECD for publication. The data show a breakdown for 18 industrial activities, and the classification used is NACE, Rev. 1, which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC).

The data are classified on the basis of the industrial activity of the resident direct investment enterprises. The five industrial activities with the largest amount of direct investment in Turkey as at the end of 2003 (in descending order) were: (i) food products, (ii) telecommunications, (iii) radio, television, and communication services, (iv) financial intermediation, and (v) trade and repairs.

Annual data are compiled by the CBRT showing a breakdown for the inward position data by both industrial activity and main partner country. These data are not disseminated, but are available on request with a timeliness of 6 months after the end of the reference period, and are also reported to the OECD for publication. The five highest ranking partner countries as at the end of 2003 (ranked in descending order) for which breakdowns by industrial activity are disseminated were: the United States, Romania, the Netherlands, Germany, and Switzerland.

In addition, annual data are compiled by the CBRT for the inward direct investment position data showing a breakdown by both industrial activity and region/economic zone. These data are not disseminated, but are available on request with a timeliness of 6 months after the end of the reference period, and are also reported to the OECD for publication.

There are no differences in the data coverage, sources, etc. between the inward position data showing industrial activity breakdowns made available on request and reported to the OECD, and the aggregate inward position data reported to the IMF for publication.

B. Methodology

Definition of Direct Investment Enterprises in Turkey

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Turkey is 10 percent ownership by a nonresident investor. (Prior to June 2003, all enterprises with some nonresident ownership, irrespective of the percentage of ownership by nonresidents, were defined as being

direct investment enterprises in Turkey.) In accordance with the international standards, enterprises in which the nonresident direct investor owns 10 percent or more but does not have an effective voice in management are included in the data. Contrary to the international standards, enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management, as evidenced by representation on the Board of Directors, and/or participation in policy making, are included in the data. In accordance with the international standards, the 10 percent ownership is based on the ownership of each individual nonresident investor or group of related nonresident investors, rather than being calculated by combining the holdings of all nonresident investors in a specific enterprise or from a specific country. No value threshold is used to identify resident direct investment enterprises. Unincorporated enterprises are treated differently from incorporated enterprises, in that nonresidents (with some exceptions) are not permitted to establish unincorporated enterprises in Turkey, with the result that the data do not cover unincorporated enterprises.

Treatment of Indirectly Owned Direct Investment Enterprises

The “Fully Consolidated System” (FCS) recommended in the international standards is not applied. Specifically, the data do not include (i) the relevant share of the reinvested earnings of indirectly-owned direct investment enterprises, and (ii) all equity capital and other capital positions held directly by resident enterprises of a related group as defined in the FCS with nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these direct investors or enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in Turkey are required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, and (ii) identify all transactions with the parent company. (Prior to 2003 enterprises in Turkey were not required by law to produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic.)

Treatment of Equity Capital and Reinvested Earnings

The equity capital position data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference [preferred] shares, and (iv) other non-voting stocks (shares). The data do not cover noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, (i) the data include equity positions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

The reinvested earnings data cover incorporated enterprises but not unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings are recorded in the period in which they are earned, (ii) the data include reinvested earnings between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, when a direct investment enterprise makes a net loss, that net loss is not recorded as negative reinvested earnings. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment in Turkey.)

Treatment of Other Capital

The other capital position data cover long-term loans. The data do not cover (i) short-term loans, (ii) bonds and money market instruments, (iii) trade credits, and (iv) financial leases. The data do not cover non-participating preference [preferred] shares. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. Contrary to the international standards, (i) the data do not include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries, although the amounts involved are considered to be immaterial, and (ii) the data do not include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises. In accordance with the

international standards, there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

Instances when a loan/debt guarantee provided by a direct investor or related direct investment enterprise is invoked following default by a direct investment enterprise cannot be identified from the present data sources.

Treatment of Reverse Investment

Positions involving reverse investment are not treated in accordance with the international standards in all instances.

Assuming that the direct investment enterprise is a resident of Turkey and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity positions are recorded as "Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises" and loan positions are recorded as "Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of Turkey and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity positions are recorded as "Assets: Portfolio Investment: Equity Securities", rather than as "Liabilities: Direct Investment in Turkey: Equity Capital: Claims on Direct Investors", and loan positions are recorded as "Assets: Other Investment: Loans", rather than as "Liabilities: Direct Investment in Turkey: Other Capital: Claims on Direct Investors".

Treatment of Quasi-corporations

Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation in Turkey by nonresidents of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs, as these activities cannot be identified from the present data sources.

Treatment of Offshore Enterprises

Not applicable. There are no offshore enterprises established in Turkey by nonresidents at present.

Treatment of Special Purpose Entities (SPEs)

Not applicable. There are no SPEs established in Turkey by nonresidents at present.

Treatment of Land and Buildings

In accordance with the international standards, the equity capital data include ownership of land and buildings in Turkey by nonresident enterprises and nonresident individuals. Land and buildings owned in Turkey by nonresident enterprises and nonresident individuals on long-term leases are not included.

Treatment of Natural Resources Exploration

In accordance with the international standards, expenditure related to natural resources exploration in Turkey by nonresidents is included in the equity capital data. Contrary to the international standards, (i) expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, and (ii) in instances of the shutdown of a direct investment enterprise established in Turkey by nonresidents for natural resource exploration, an adjustment to reflect that shutdown is not made to the liabilities data on direct investment equity capital in the international investment position statistics, as this information is not available from the present data sources.

Valuation of Assets and Liabilities

Most of data on equity capital for listed enterprises are recorded at book values, which are the paid-up capital. However, some of the data on equity capital for listed enterprises are recorded at market values. Most of the data on equity capital for unlisted enterprises are recorded at book values, which are the paid-up capital. However, some are recorded at market values, which are based on recent transaction prices. However, the book value data are adjusted to market values by using the stock exchange "market value"/"book value" ratios for the different sectors.

The data on other capital are recorded at market values.

The book values used are those shown in the accounting records of the resident direct investment enterprises, rather than the nonresident direct investors.

Exchange Rate Conversion

All positions are converted to the unit of account at the exchange rate prevailing on the date to which the position data relate.

DIRECT INVESTMENT ABROAD

BALANCE OF PAYMENTS (“OUTWARD TRANSACTIONS”) DATA

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable monthly data are compiled by the Central Bank of the Republic of Turkey (CBRT) within the balance of payments framework on (a) two of the three components of direct investment income: (i) income on equity (dividends and distributed branch profits), and (ii) reinvested earnings, and (b) one of the two components of direct investment financial flows, namely, equity capital. (Prior to 2002, data on reinvested earnings were not compiled.) These data are disseminated with a timeliness of 12 weeks after the end of the reference period on the CBRT website <http://www.tcmb.gov.tr> under the section for periodical publications (on the page for balance of payments statistics). The data (monthly rather than quarterly) are also reported to the IMF for publication and annual data are reported to the OECD.

Separately identifiable data on (i) income on debt (interest), and (ii) other capital, are not compiled, and are instead classified under Other Investment income and Other Investment financial flows, respectively, in the balance of payments statistics.

Revision Practices

The data are preliminary when first released. There is no predetermined revision cycle and the data are revised as needed to take account of revised source data, and the revised data are disseminated together with the preliminary data for the latest month. The data are considered to be final up to 18 months after their first release.

The revised status of the data is clearly identified in the disseminated data and the general public are informed of the reasons for major revisions through an announcement on the CBRT website. The historical data are revised as far back as possible in instances of major changes in methodology or data collection systems.

Differences in the revision practices between the data disseminated in the national publications and those reported to the IMF and OECD for publication can result in differences in the data, depending on the reporting dates to the international organizations.

Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data.

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF and the OECD for publication.

Data Collection Method

The data are collected on an individual transactions basis and the reporting requirements are compulsory.

Data Sources

The data for all components except reinvested earnings are compiled from an international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system, but not cash transactions made through the foreign bank accounts of enterprises, or noncash transactions. Press reports are used to cross-check the data. The data on reinvested earnings are compiled from information provided by resident enterprises to the banks for tax purposes, which is then provided by the banks to the CBRT. It is planned that in future the data on reinvested earnings will be estimates based on the results of an annual enterprise survey of resident direct investors.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF and the OECD for publication.

A business register of enterprises involved in direct investment is used to compile the outward direct investment transactions data. The register is maintained by the CBRT and is updated on an ongoing basis using information from (i) the ITRS's list of transactors, (ii) registers maintained by government licensing and regulatory authorities, and (iii) the financial press. Different business registers are used to compile each dataset, that is, the outward transactions data, the outward position data, the inward transactions data, and the inward position data.

Geographic Classification

Annual data showing breakdowns by country for the direct investment financial flows data are compiled by the CBRT. These data are not disseminated in the national publications but are available on request with a timeliness of 9 months after the end of the reference year, and are reported to the OECD for publication. The data cover 67 countries. Bilateral data are not used in the compilation of the data. Data showing breakdowns by country for the direct investment income data are not compiled.

The debtor/creditor principle is used as the basis for the geographic allocation of the data. The five countries with the largest amount of direct investment financial flows from Turkey during 2002 (ranked in descending order) were: the United States, Romania, the Netherlands, Germany, and Switzerland.

In addition to the data showing country breakdowns, monthly data are compiled by the CBRT showing breakdowns of the direct investment financial flows for the following regions/economic zones: (i) the EU15, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, and (vii) the OPEC countries. These data are disseminated monthly with a timeliness of 12 weeks after the end of the reference period on the CBRT website <http://www.tcmb.gov.tr> under the section for publications. These data are also reported to the OECD for publication. Data showing breakdowns by regions/economic zones for the direct investment income data are not compiled.

There are no differences in the data coverage, sources, etc. between the outward transactions data showing geographic breakdowns disseminated in the national publications and/or reported to the OECD, and the aggregate outward data on direct investment financial flows reported to the IMF for publication.

Industrial Classification

Monthly data showing breakdowns by industrial activity for direct investment financial flows are compiled by the CBRT and are disseminated monthly with a timeliness of 12 weeks after the end of the reference period on the CBRT website <http://www.tcmb.gov.tr> under the section for periodical publications (on the page for balance of payments statistics). The data showing breakdowns by industrial activity for the direct investment financial flows are also reported to the OECD for publication. The data reported to the OECD show a breakdown for 28 industrial activities, but those disseminated in the national publications show only the major sectors (agriculture, mining, manufacturing, and services). The classification used is NACE, Rev. 1, which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing breakdowns by industrial activity for the direct investment income data are not compiled.

The data on direct investment financial flows are classified on the basis of the industrial activity of the resident direct investors. The five industrial activities with the largest amount of direct investment financial flows from Turkey during 2002 (in descending order) were: (i) trade and repairs, (ii) financial intermediation, (iii) mechanical products, (iv) food products, and (v) wood, publishing, and printing.

Monthly data are compiled by the CBRT for the direct investment financial flows data showing a breakdown by both industrial activity and main partner country. These data are disseminated monthly with a timeliness of 12 weeks after the end of the reference period on the CBRT website specified above. The data (annual rather than monthly) are also reported to the OECD. The five highest ranking partner countries during 2002 (ranked in descending order) for which breakdowns by industrial activity are disseminated were: the United States, Romania, the Netherlands, Germany, and Switzerland.

In addition, monthly data are compiled by the CBRT for the direct investment financial flows data showing a breakdown by both industrial activity and region/economic zone. These data are disseminated monthly with a timeliness of 12 weeks after the end of the reference period on the CBRT website specified above. The data (annual rather than monthly) are also reported to the OECD.

There are no differences in the data coverage, sources, etc. between the outward transactions data showing industrial activity breakdowns disseminated in the national publications and reported to the OECD, and the aggregate outward data on direct investment financial flows reported to the IMF for publication.

B. Methodology

Definition of Direct Investors

In accordance with the international standards, the basic criterion for defining resident direct investors is 10 percent ownership by a resident investor of an enterprise abroad. (Prior to June 2003, all residents with some ownership in a nonresident enterprise, irrespective of the percentage of ownership, were defined as being resident direct investors.) In accordance with the international standards, enterprises abroad in which the resident direct investor owns 10 percent or more but does not have an effective voice in management are included in the data. Contrary to the international standards, enterprises abroad in which the resident investor owns less than 10 percent but has an effective voice in management, as evidenced by representation on the Board of Directors, and/or participation in policy making, are also included. In accordance with the international standards, the 10 percent ownership is based on the ownership of each individual resident investor or group of related resident investors, rather than being calculated by combining the holdings of all resident investors in a specific enterprise abroad or in a specific country abroad. No value threshold is used to identify resident direct investors, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly Owned Direct Investment Enterprises

The "Fully Consolidated System" (FCS) recommended in the international standards is not applied. Specifically, (i) the direct investment earnings data do not include the relevant share of all indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data do not include all equity and other capital transactions made directly between resident enterprises of a related group as defined in the FCS and nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in Turkey are required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, and (ii) identify all transactions with the parent company. (Prior to 2003 enterprises in Turkey were not required by law to produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic.)

Measurement of Direct Investment Earnings

Contrary to the international standards, the "Current Operating Performance Concept" (COPC) is not fully used to calculate direct investment earnings. In accordance with the COPC, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, (ii) unrealized capital gains and losses, and unrealized exchange rate gains and losses are excluded, and (iii) interest receivable/payable is included. Contrary to the COPC, (i) realized capital gains and losses, write-offs, and realized exchange rate gains and losses are not excluded, and (ii) debt repayments receivable/payable are not excluded.

Treatment of Income on Equity (Dividends and Distributed Branch Profits)

The data on dividends and distributed branch profits cover incorporated enterprises, but not unincorporated enterprises. Contrary to the international standards, (i) dividends and distributed branch profits are recorded net, rather than gross, of any withholding taxes, and (ii) dividends and distributed branch profits are recorded on the date they are paid, rather than the date they are declared payable. In accordance with the international standards, (i) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks.

Treatment of Reinvested Earnings and Undistributed Branch Profits

The data on reinvested earnings and undistributed branch profits cover incorporated enterprises but not unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings and undistributed branch profits are recorded in the period in which they are earned, (ii) the data include reinvested earnings and undistributed branch profits between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, when a direct investment enterprise makes a net loss, that net loss is not recorded as negative reinvested earnings.

Treatment of Income on Debt (Interest)

Not applicable. Separately identifiable data on income on debt (interest) are not compiled, and are instead classified under Other Investment Income in the balance of payments statistics.

Treatment of Equity Capital

The equity capital transactions data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference [preferred] shares, and (iv) other non-voting stocks (shares). The data do not cover noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, (i) the data include equity transactions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

Treatment of Other Capital

Not applicable. Separately identifiable data on other capital, are not compiled, but are instead classified under Other Investment financial flows in the balance of payments statistics.

Treatment of Reverse Investment

Transactions involving reverse investment are not treated in accordance with the international standards in all instances.

Assuming that the direct investment enterprise is a resident of Turkey and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity transactions are recorded as "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises" and loan transactions are recorded as "Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of Turkey and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity transactions are recorded as "Portfolio Investment: Increase in Assets: Equity Securities", rather than as "Direct Investment in Turkey: Equity Capital: Increase in Claims on Direct Investors", and loan transactions are recorded as "Other Investment: Increase in Assets: Loans", rather than as "Direct Investment in Turkey: Other Capital: Increase in Claims on Direct Investors".

Treatment of Quasi-corporations

Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation abroad by residents of Turkey of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs, as these activities cannot be identified from the present data sources.

Treatment of Offshore Enterprises

In accordance with the international standards, activities of offshore enterprises established abroad by residents of Turkey are included in the direct investment data.

Treatment of Special Purpose Entities (SPEs)

In accordance with the international standards, (i) activities of SPEs established abroad by residents of Turkey are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of Turkey that have the primary purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital. (Data on other capital are not compiled.)

Treatment of Land and Buildings

In accordance with the international standards, the equity capital data include purchases and sales of land and buildings abroad by enterprises and individuals resident in Turkey. Land and buildings purchased abroad by enterprises and individuals resident in Turkey on long-term leases are not included.

Treatment of Natural Resources Exploration

In accordance with the international standards, expenditure related to natural resources exploration abroad by residents of Turkey is included in the equity capital data. Contrary to the international standards, expenditure on bonus payments made by residents of Turkey to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, as this information is not available from the present data sources. In accordance with the international standards, in instances of the shutdown of a direct investment enterprise established abroad by residents of Turkey for natural resource exploration, no transactions are shown in the balance of payments statistics.

Exchange Rate Conversion

All transactions are converted to the unit of account at the exchange rate prevailing on the day of the transaction.

DIRECT INVESTMENT ABROAD

INTERNATIONAL INVESTMENT POSITION ASSETS (“OUTWARD POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable annual (calendar year) data are compiled by the Central Bank of the Republic of Turkey (CBRT) within the international investment position (IIP) framework on equity capital and reinvested earnings. (Prior to the data for 2000, data on equity capital and reinvested earnings were not compiled.) These data are disseminated with a timeliness of 6 months after the end of the reference period on the following CBRT website <http://www.tcmb.gov.tr/die/rc/rciipdata.pdf>. The data are also reported to the IMF and the OECD for publication. Separately identifiable data on other capital are not compiled.

Revision Practices

The data are preliminary when first released. The data for the previous year are revised during the second half of the current year to take account of additional survey responses and information on external debt, and are disseminated together with the preliminary data for the latest period. The data are considered to be final 18 months after their first release, but revisions can also be made for earlier years if necessary.

The revised status of the data is clearly identified in the disseminated data and the general public are informed of the reasons for major revisions through footnotes to the data. The historical data are revised as far back as possible in instances of major changes in methodology or data collection systems.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data.

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF and the OECD for publication.

Data Collection Method

The data are collected using on an individual transactions basis. The reporting requirements are compulsory.

Data Sources

The data for all components are compiled from foreign exchange records provided by the Treasury. The perpetual inventory method (a method for deriving position data from transactions data) is used for the compilation of the data. No adjustments are made for price changes, exchange rate changes, or other nontransaction changes.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF and the OECD for publication.

A business register of enterprises involved in direct investment is used to compile the outward direct investment position data. The register is maintained by the Undersecretariat of the Treasury and is updated on an ongoing basis using information from (i) the ITRS's list of transactors, (ii) registers maintained by government licensing and regulatory authorities, and (iii) the financial press. Different business registers are used to compile each dataset, that is, the outward transactions data, the outward position data, the inward transactions data, and the inward position data.

Geographic Classification

Annual data showing breakdowns by country for the outward direct investment position data are compiled by the CBRT. The data are not disseminated in the national publications, but are available on request with a timeliness of 6 months after the end of the reference period, and are reported to the OECD for publication. The data cover 67 countries. Bilateral data are not used in the compilation of the data.

In accordance with the international standards, the data are compiled on an "immediate country" basis. The five countries/regions with the largest amount of direct investment from Turkey as at the end of 2002 (ranked in descending order) were: the Netherlands, the Middle East Countries, the United Kingdom, Germany, and Belgium/Luxembourg.

In addition to the data showing country breakdowns, annual data are compiled by the CBRT showing breakdowns of the outward direct investment position data for the following regions/economic zones: (i) the EU15, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, and (vii) the OPEC countries. These data are not disseminated in the national publications, but are available on request with a timeliness of 6 months after the end of the reference period, and are reported to the OECD for publication.

There are no differences in the data coverage, sources, etc. between the outward position data showing geographic breakdowns made available on request and reported to the OECD, and the aggregate outward position data reported to the IMF for publication.

Industrial Classification

Annual data showing breakdowns by industrial activity are compiled by the CBRT for the outward direct investment position data. These data are not disseminated, but are available on request with a timeliness of 6 months after the end of the reference period and are reported to the OECD for publication. The data show a breakdown for 18 industrial activities, and the classification used is NACE, Rev. 1, which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC).

The data are classified on the basis of the industrial activity of the nonresident direct investment enterprises. The five industrial activities with the largest amount of direct investment from Turkey as at the end of 2003 (in descending order) were: (i) financial intermediation, (ii) electricity, gas, and water, (iii) trade and repairs, (iv) telecommunications, and (v) hotels and restaurants.

Annual data are compiled by the CBRT showing a breakdown of the outward position data by both industrial activity and main partner country. These data are not disseminated, but are available on request with a timeliness of 6 months after the end of the reference period and are reported to the OECD for publication. The five highest ranking partner countries/regions as at the end of 2002 (ranked in descending order) for which breakdowns by industrial activity are disseminated were: the Netherlands, the Middle Eastern countries, the United Kingdom, Germany, and Belgium/Luxembourg.

In addition, annual data are compiled by the CBRT for the outward direct investment position data showing a breakdown by both industrial activity and region/economic zone. These data are not disseminated, but are available on request with a timeliness of 6 months after the end of the reference period and are reported to the OECD for publication.

There are no differences in the data coverage, sources, etc. between the outward position data showing industrial activity breakdowns made available on request and reported to the OECD, and the aggregate outward position data reported to the IMF for publication.

B. Methodology

Definition of Direct Investors

In accordance with the international standards, the basic criterion for defining resident direct investors is 10 percent ownership by a resident investor of an enterprise abroad. (Prior to June 2003, all residents with some ownership in a nonresident enterprise, irrespective of the percentage of ownership, were defined as being

resident direct investors.) In accordance with the international standards, enterprises abroad in which the resident direct investor owns 10 percent or more but does not have an effective voice in management are included in the data. Contrary to the international standards, enterprises abroad in which the resident investor owns less than 10 percent but has an effective voice in management, as evidenced by representation on the Board of Directors, and/or participation in policy making, are also included. In accordance with the international standards, the 10 percent ownership is based on the ownership of each individual resident investor or group of related resident investors, rather than being calculated by combining the holdings of all resident investors in a specific enterprise abroad or in a specific country abroad. No value threshold is used to identify resident direct investors, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly Owned Direct Investment Enterprises

The "Fully Consolidated System" (FCS) recommended in the international standards is not applied. Specifically, the data do not include (i) the relevant share of the reinvested earnings of indirectly-owned direct investment enterprises, and (ii) all equity capital and other capital positions held directly by resident enterprises of a related group as defined in the FCS with nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these direct investors or enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in Turkey are required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, and (ii) identify all transactions with the parent company. (Prior to 2003 enterprises in Turkey were not required by law to produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic.)

Treatment of Equity Capital and Reinvested Earnings

The equity capital position data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference [preferred] shares, and (iv) other non-voting stocks (shares). The data do not cover noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, (i) the data include equity positions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

The reinvested earnings data cover incorporated enterprises but not unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings are recorded in the period in which they are earned, (ii) the data include reinvested earnings between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, when a direct investment enterprise makes a net loss, that net loss is not recorded as negative reinvested earnings. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment Abroad.)

Treatment of Other Capital

Not applicable. Separately identifiable data on other capital are not compiled.

Treatment of Reverse Investment

Positions involving reverse investment are not treated in accordance with the international standards in all instances.

Assuming that the direct investment enterprise is a resident of Turkey and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity positions are recorded as "Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises" and loan positions are recorded as "Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of Turkey and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity positions are recorded as "Assets: Portfolio Investment: Equity Securities", rather than as "Liabilities: Direct Investment in Turkey: Equity Capital: Claims on Direct Investors", and loan positions are recorded as "Assets: Other Investment: Loans", rather than as "Liabilities: Direct Investment in Turkey: Other Capital: Claims on Direct Investors" .

Treatment of Quasi-corporations

Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation abroad by residents of Turkey of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs, as these activities cannot be identified from the present data sources.

Treatment of Offshore Enterprises

In accordance with the international standards, activities of offshore enterprises established abroad by residents of Turkey are included in the direct investment data.

Treatment of Special Purpose Entities (SPEs)

In accordance with the international standards, (i) activities of SPEs established abroad by residents of Turkey are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of Turkey that have the primary purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital. (Data on other capital are not compiled.)

Treatment of Land and Buildings

In accordance with the international standards, the equity capital data include ownership of land and buildings abroad by enterprises and individuals resident in Turkey. Land and buildings owned abroad by enterprises and individuals resident in Turkey on long-term leases are not included.

Treatment of Natural Resources Exploration

In accordance with the international standards, expenditure related to natural resources exploration abroad by residents of Turkey is included in the equity capital data. Contrary to the international standards, (i) expenditure on bonus payments made by residents of Turkey to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, and (ii) in instances of the shutdown of a direct investment enterprise established abroad by residents of Turkey for natural resource exploration, an adjustment to reflect that shutdown is not made to the assets data on direct investment equity capital in the international investment position statistics, as this information is not available from the present data sources.

Valuation of Assets and Liabilities

The data on equity capital for the listed enterprises are recorded at book values, which are the paid-up capital. However, some of the data on equity capital for listed enterprises are listed at market values. The data on equity capital for the unlisted enterprises are recorded at book values, which are the paid-up capital.

Data on other capital are not compiled.

The book values used are those shown in the accounting records of the resident direct investors, rather than the nonresident direct investment enterprises.

Exchange Rate Conversion

All positions are converted to the unit of account at the exchange rate prevailing on the date to which the position data relate.