

The Turkish Perspective

FOURTH QUARTER 2010 ISSUE 1

ECONOMY | BUSINESS | FOREIGN TRADE | ANALYSIS

BRIEFING

Istanbul: The new capital of fashion

SPECIAL REPORT

Olive oil's fairy tale

BRANDS

AKSA: A global leader from Turkey

EXCLUSIVE INTERVIEW

Turkey from World Bank Vice President's perspective

THE COUNTRY OF COUNTLESS OPPORTUNITIES

An Interview With The Prime Minister Recep Tayyip Erdoğan On Making A Country The Centre of Its Region





**TURKISH EXPORTERS ASSEMBLY IS WORKING
TO INCREASE THE EXPORT POTENTIAL OF
TURKEY**



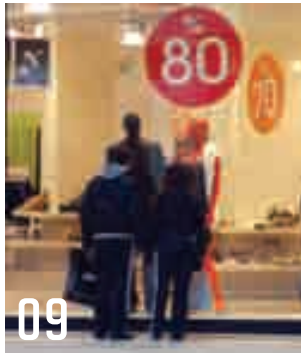
TURKISH EXPORTERS ASSEMBLY

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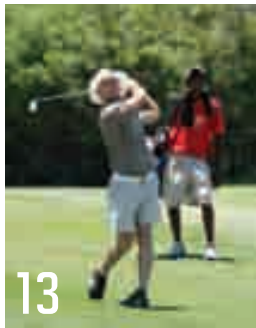
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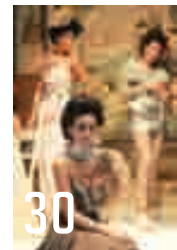
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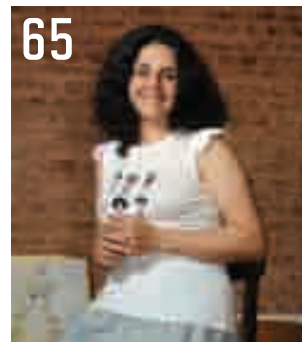
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Editorial



MEHMET BÜYÜKEKŞİ
PRESIDENT (TIM)

TURKEY: A RISING STAR WITH COMPETITIVE EXPORTING INDUSTRIES

Political stability and a sound macroeconomic strategy have integrated the Turkish economy into the globalized world and a major FDI recipient

TURKEY IS 17TH LARGEST ECONOMY of the world and the 6th in Europe. Turkey has a unique geo-strategic position, a bridge to Europe from Asia and Middle East. It has a dynamic and competitive economy, well-trained work force and specialized industrial sectors.

Exports have been the main engine of Turkish economy. Turkish Exporters Assembly (TIM) represent the export part of the Turkish economy. As an umbrella organization of exporters associations, we have 48,500 active members who are pioneers of competitive Turkish sectors and work globally. With The Turkish Perspective, we want to share dynamics of Turkish exporting sectors with decision makers.

Political stability and a sound macroeconomic strategy have integrated the Turkish economy into the globalized world, while transforming the country into one of the major recipients of FDI in its region.

Turkey has been implementing serious structural reforms. The main objectives of these reforms are to increase the role of the private sector in the Turkish economy, to enhance the efficiency and



resiliency of the financial sector, and to place the social security system on a more solid foundation.

These reforms transformed the macroeconomic fundamentals of the country in a very effective way which can easily be seen in the post-crisis recovery performance when compared to the other emerging and developed countries, especially to the West.

Turkey has attracted more than 90 billion dollars of foreign direct investments since 2001. Why have foreign investments poured to Turkey in the recent years? The answer for this question lies in its potential. Since Turkey has a large and growing domestic market with a population above 72 million and a nature and dynamic private sector, it has a lot of advantages which provides so many opportunities for investment. Turkey has gained a leading role in its region thanks to the liberal and secure investment environment, supply of high quality and cost-effective labor force, customs union with EU countries, developed infrastructure and institutionalized economy.

When foreign trade figures of Turkey in recent years are observed, it is seen that Turkey's exports have made a great progress especially in the last decade. Turkey's 25-billion-dollars exports in the beginning of 2000's rose to 102 billion dollars in 2009, the year that the global financial crisis reached its peak.

Targeting to enhance its role in world trade, Turkey is now concentrating on long term strategies which will help to carry it to a more substantial situation against its rivals.

Turkey is planning to have 500 billion dollars of exports volume and to become the 10th largest economy in 2023 which will be 100th anniversary of the foundation of The Republic of Turkey. We also want to double our share in world goods trades.

Turkey will continue its growth in exports and economy. With a larger and more competitive economy it will contribute to stability and welfare of its region. Turkey's enhancing global role is a direct result of its expanding economy which is looking for a prosperous future for all in a peaceful region.



Over 23,000 international companies have already invested in Turkey. How about you?



GE Healthcare



Indesit Company

MANGO

Microsoft

ORACLE

TOYOTA



INVEST IN TURKEY

- A population of 73 million, half of which is under the age of 28.8
- 60% of the population is under the age of 35
- Approximately 450,000 students graduated from around 150 universities and other higher education institutions in 2009
- Over 25 million young, well-educated and motivated labor force
- Highly competitive investment conditions
- A country that offers 100% and more tax deductions on R&D expenditures
- Access to Europe, Caucasus, Central Asia, the Middle East and North Africa
- 16th largest economy of the world and the 6th largest economy as compared to the EU countries in 2009 (IMF-WEO)
- 15th most attractive FDI destination for 2008-2010 (UNCTAD World Investment Prospects Survey)
- Average annual real GDP growth of 6% between 2003 and 2008

REPUBLIC OF TURKEY PRIME MINISTRY
INVESTMENT SUPPORT AND
PROMOTION AGENCY



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First

EU NEGOTIATIONS, EXPORTS, MEETINGS, PARTNERSHIPS, TOURISM, BANKING, ELECTRONIC, SCIENCE, MARKETING...



Life has been brought to a standstill due to floods and monsoon rains in Pakistan

Over A Trillion Liras Of Aid From TIM To PAKISTAN

An aid campaign through SMS messages helped to raise an amount more than expected

Many philanthropists, volunteers, and organizations in Turkey took to action in order to provide aid to Pakistan, where life has been brought to a standstill due to floods and monsoon rains which have caused over two thousand deaths and have affected over 40 million people. The Turkish Exporters Assembly (TIM) is also among the organizations that have pledged to help Pakistan, which

Turkey has described as a friendly sister country. TIM President Mehmet Büyükekşi, who has begun a serious campaign, stated that at least 1 trillion liras of aid is necessary and said "As TIM, we had collaborated with the Red Crescent during the South Asian earthquake of 2005 in organizing an aid campaign, and ensured that the aid gathered within the scope of the campaign

was sent to the victims of the disaster. This time, we are organizing an aid campaign for Pakistan with the Red Crescent once again, which our Assembly, the Exporters' Unions, and exporters will be contributing to."

Büyükekşi, who stated that they have given half of the total donation they have made to the Mevlana Houses, said "We began this campaign by making a donation of 1

million TL as TIM and the exporters' unions. While contributing to the Mevlana Houses project with 150 houses through 500 thousand liras of the donation we made, the other 500 thousand will be used to contribute 200 tons of food aid consisting of rice, beans, flour, pasta, sugar, salt, and bulgur (cracked wheat)."

TIM President Büyükekşi, who stated that the aid gathered

so far has exceeded 1 trillion liras, also underlined the point that it is possible to join the aid campaign through SMS messages as well, and said "Each message sent to 2868 from any operator with the text 'TIMPAK' meant 5 liras of aid to the region. We sent messages to all our members inviting them to join the campaign. We also published account numbers on our website constantly."

EUROPEAN UNION

TİM GIVES ITS FULL SUPPORT TO BAĞIŞ IN EU NEGOTIATIONS

The newly opened chapter of negotiations will bring food safety and EU compliance up to the highest standards



The start of negotiations between Turkey and the EU on food safety, veterinary and phytosanitary policy was seen as a positive development by the Turkish Exporters' Assembly and was considered a very important step with regard to how far negotiations have went.

Despite Turkey's best efforts, the inability to receive the desired results from negotiations concerning 18 of the chapters due to reasons given by the EU or some of its member countries puts a damper on the negotiations process. In spite of this, headway has been made in the negotiations process as a result of the efforts of Chief Negotiator Egemen Bağış, which TIM has welcomed as being quite positive.

TİM President Mehmet Büyükekşi stated that they commend the efforts shown during the process and said "As TİM, we support our Chief Negotiator's efforts in this difficult process. In order to carry the subject to the agenda of the exporter, we organized a joint meeting with very broad participation at TİM, which was joined by Chief Negotiator Egemen Bağış and Zafer Çağlayan, The State Minister in charge of trade. In addition, we went with Zafer Çağlayan to Brussels, where we expressed the problems we have due to the Customs Union as well as showing our support for the negotiations process."



Egemen Bağış has been attending as Chief Negotiator since January 2009

The newly opened chapter of negotiations will bring food safety and EU compliance in our country up to the highest standards while also making important contributions to the resolution of issues in the export of agricultural products.

FOOD SAFETY IS FUNDAMENTAL

The primary aim of the negotiations process is to preserve human health as best as possible in the process undergone by all food "from the farm to the table" by starting at agriculture and animal husbandry, taking measures for the benefit of health and safety at all stages that food products go through from production to transit, storage, sale, and consumption, and to actively implement the required regulations while informing the consumer and allowing them to participate in the process.

WILL EU COMPLIANCE END OFF-THE-RECORD AGRICULTURE?

Only 7 percent of the businesses in the field, which number over 5,000 and the vast majority of which consist of small-to-medium size businesses, comply with EU standards. As Turkey increases compliance to EU regulations in the field of good safety, under-the-counter/off-the-record food production will continually decrease as businesses

which cannot comply with standards are shut down.

EU compliance will not only require that production in Turkey complies with standards, it will also require the same of agricultural products, raw materials for food products, and food products imported to Turkey.

All of these developments will provide for the preservation of the consumer's health and safety to the highest degree while also increasing the consumer's awareness; in addition, under the condition that they make serious investments in the sector, it will do away with the unfair competition faced by companies which operate in accordance to international standards.

With a 20 percent share in industrial production, the food sector is one of Turkey's most important sectors. For it to adopt and apply the EU food safety regulations will bolster the international image of Turkish food products in the international market and also contribute to the development of exports.

7%

NUMBER OF EU-COMPLIANT BUSINESSES

5000

NUMBER OF BUSINESSES OPERATING IN THE AGRICULTURE SECTOR

CENTRAL BANK



CENTRAL BANK GOVERNOR MEETS EXPORTERS

TIM President Mehmet Büyükekşi invited Durmuş Yılmaz, the Governor of the Central Bank, to TIM in order to express the problems experienced by exporters as they met with the presidents of the exporters' unions and their deputies at the Expanded Presidents Assembly meeting. The problems and requests of exporters were evaluated at the meeting as comments on the subject were provided by Yılmaz.

AWARDS

GOLDEN WEB TO TURKISH AIRLINES

www.thy.com, the official web site of Turkish Airlines has won The Golden Spider Web Award as the best corporate web site. Web sites were evaluated by a jury board with 52 members by taking into account the design, content, navigation and many other factors.

EXPORT STRATEGY

Positive Developments In The Market

Record increase in exports to the United States as well as Russia in August



Extremely pleasing developments occurred in August in the markets where the most exports are made. In August, Turkey's exports to Germany increased by 16 percent, to the United Kingdom by 20 percent, to Italy by 9 percent, and to the Netherlands by 12 percent.

However, the real surprise in August occurred in markets in neighboring and regional countries. An increase of 34 percent was observed

Diversifying strategy in exports has begun to give its fruits by August. Turkey has increased its exports to China, the biggest exporter in the world by 26 percent in August

in monthly exports to Iraq, as well as increases of 55 percent to Russia, 33 percent to the United Arab Emirates, 8 percent to Saudi Arabia, 53 percent to Iran, and 26 percent to Israel.

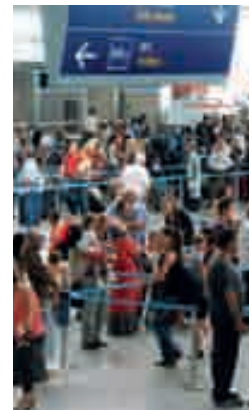
In addition, there are also significant increases in exports to distant markets. While Turkey's monthly exports to the US showed an increase of 72 percent, exports to China and Brazil increased by 26 and 18 percent respectively.

AIRLINES

RECORD INCREASE IN PASSENGERS

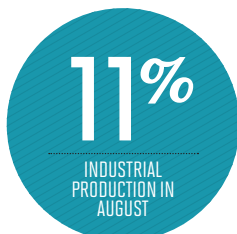
Turkish Airlines increases the number of its passengers about 18 percent in 2010

While expanding its fleet, Turkish Airlines also renews its planes. And takes the fruits of this twin-strategy immediately. The company has achieved a rise about 18,7 percent by increasing the number of passengers in domestic lines to 10 million 342 thousand 205 in January-September 2010. It was 8 million 712 thousand 537 in the same period last year. Number of passengers in international lines has also risen 17 percent since January-September 2009. So the total rise has reached up to 17.8 percent in the first nine months of 2010 with 21.9 million people flying by Turkish Airlines from 18.6 million last year.



INDUSTRIAL PRODUCTION

Industrial Production Index has reached up to 115 points with a hike of 11 percent in August 2010. This figure represents an increase well above the market expectations which were about 7 or 8 percent. It also has an increasing effect on the industrial production and growth projections concerning the 3rd quarter of 2010. Markets has responded by revising their expectations for the relevant term.



TRADE DEFICIT

TRADE IMBALANCE
PASSES OFF

Over the first seven months of 2010 the ratio of exports to imports has declined

Turkey is showing signs of exiting the crisis with stronger figures each passing day. Especially as unemployment figures fell below 10.5 percent, export figures start to assume much greater significance. Although the export figures announced for evaluation at the press conference organized by Mehmet Büyükekşi, President of the Turkish Exporters' Assem-

in imports is cause for apprehension.

Stating that this increase has shattered certain ideas, TIM President Büyükekşi said "There is an idea floating around which claims that exports in Turkey are bound to imports. It is clearly seen from these figures that this is not so. While exports increased by 13.4 percent over the first 7 months, imports increased by 32.1 percent,



bly, were welcomed as being positive in the general sense, President Büyükekşi also expressed anxiety over certain subjects.

Büyükekşi, who stated that Turkish exports gained impetus in the month of August in particular, is pleased that the monthly increase in exports has returned to the double digits. While the 6 percent increase in exports as of July is particularly pleasing, the 24.6 percent increase

which means that it is not possible to establish a direct connection between exports and imports. Meanwhile, according to the figures of the first 7 months of the year, our foreign trade deficit is rapidly growing. Over the first 7 months, our foreign trade deficit grew by 90 percent, reaching 35 billion dollars. And the ratio of exports to imports has gone down to 65 percent from 76 percent."



IRON & STEEL

IRON & STEEL EXPORTS SHINE

By turning recent developments in the region into an edge, the Turkish iron & steel sector has succeeded in attaining high growth rates

Based on its performance between 2002 and 2008, manufacturing in Turkey grew at a rate of 54 percent, whereas this figure was at 33 percent in the world at large during this period. The sector is following a flexible exports strategy and is rapidly directing its exports away from regions where demand has shrunk to areas where demand is perking up. The Turkish iron & steel sector made \$8 mil-

lion worth of exports last year, which places it at number seven among the world's countries in terms of steel exports. The large increase in demand which has occurred in connection with the growth of China has been a driving force for the sector.

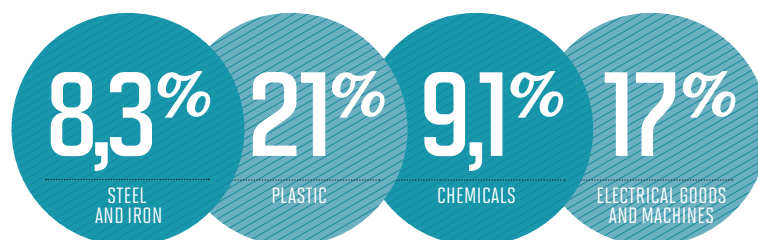
Automotive exports have also continued to accelerate, particularly increasing the potential for the iron & steel sector with it, so much so that each new agreement comes

with a significant rise in exports. The sector exports 70 percent of its product and also manages to hold on in the traditional big markets.

High company standards, investments made in advanced technology, and proximity to growing markets are among the sector's leading trump cards. As a result of the great mergers around the world, it is also expected that the merger process will be speeding up in Turkey as well.

EXPORTERS SPURT

Exporters associations including plastic and chemicals have announced increases in their exports in the first nine months of 2010





COUNTRY PROFILE

TURKISH ECONOMY CONTINUES TO GROW

The growth announced for the first half of 2010 is above the expectations

Following the announcement of data for the second quarter of 2010 by the Turkish Statistical Institute (TÜİK), the positive vibe that has been prevalent in the economy grew even stronger. In particular, the relationship created between export figures and growth in the sectors allowed exporters to carve out a slice of this growth for themselves.

Stating that growth had exceeded expectations in his announcement, TIM President Mehmet Büyükekşi said “The 10.3 percent growth of the Turkish economy in the second quarter of 2010 was above market expectations, but it came as no surprise to the exporter. The performance of exports in the same period is also quite bright. According to TÜİK’s data, Turkey’s exports rose by 23.9 percent in the second quarter. When compared to 6.3 percent in the first quarter, there has been a significant surge in exports. This has contributed to growth. From one point of view, it can be said that the double-

The 10.3 percent growth of the Turkish economy in the second quarter of 2010 was above market expectations, but it came as no surprise to the exporter

digit increase in exports brought double-digit growth.”

TURKEY’S GROWTH PERFORMANCE

That the economy of Turkey has shown significantly better growth performance when compared to developed or developing countries which are members of the OECD differentiates it among other countries in a positive sense. Regarding the subject, President Büyükekşi says “The constitution of the growth figures is as important as the figures themselves. The share of private consumption in the gross national product in calculations based on the expenditures method declined from 73.1 percent to 70.5 percent from the first quarter, while the public’s share remained static as 10.1 percent and the share of investments increased from 21.7 percent to 23.9. We see this as a healthy development. The increase of 36.8 percent in investments in private sector machinery and equipment is also a positive development for industrial production and growth in the upcoming period.”

UNEMPLOYMENT IS ON DECLINE

The bright outlook in the Turkish economy also reflects on unemployment. The increase in employment, which has most recently been confirmed by TÜİK’s data, has been cause for many a smile. In

his evaluation of the employment figures for June announced by TÜİK, TIM President Mehmet Büyükekşi said “The Turkish economy is performing extremely well. Our exports are increasing by the double digits, and our economy is growing by the double digits. The reflection of this on employment is also positive.”

Büyükekşi, who emphasized that they have already shared their beliefs that exports would create employment in Exporter Opinion Polls in the past, said “The developments which have emerged confirm and please us. Just as TÜİK’s data put forth, 1,541 million people were given job placements in Turkey within a year. Another extremely important development is that the industrial sector has created 563,000 new jobs within the past year.”

TÜİK had announced that unemployment was at 13 percent. The most recently announced figure of 10.5 percent also feeds the idea that the Turkish economy has managed to create more jobs than the number of individuals in its workforce.

When comparing figures belonging to the year 2010 with the same months of 2009 and 2008, the Turkish economy has succeeded in employing 1.377 million more people than what was announced in June 2008 as the total employment figure, which was 22.111 million.



CHEMICALS

GREAT POTENTIAL IN CHEMICALS EXPORTS

The Turkish chemicals sector carries great potential which is capable of increasing its export volume of \$9.7 billion to much higher levels.

The chemical sector expects the domestic market to have grown by 7 percent in 2010. Structural chemicals and consumer chemicals are an important factor in this estimate. According to a report by Infomag Magazine, there has also been an increase in EU imports of around 45 percent, which increases the sector's exports potential. China and India have also entered the market with inexpensive raw materials, which further contributes to global competition in the sector. Turkey's greatest advantage in the area is that there is a trend toward branding and products with high added value.

EXPORT

THE CLIFFHANGER

While automotive market grows by 11 percent in 9 months, apparel industry is the flagship in exports

The automotive sector, which makes the most exports on a yearly basis, had a very good month in August. Automotive exports had declined by 6 percent in July. In August, the

sector's exports rose by 5 percent. The sector which makes the second most exports per annum is ready-to-wear clothing and apparel. The sector's exports increased by 7.4 percent in August

and by 12 percent in the first 8 months of the year. The numbers took a rather interesting turn this month. In August, the exports of the ready-to-wear clothing and apparel sector left the automotive sector in the dust. In other words, the ready-to-wear and apparel sector topped the export charts for the month of August.

The chemical materials sector is also having quite a successful year. The sector's exports increased by 35 percent in the first 8 months of the year. In August, they increased by a rate of 26 percent.



FOOD

Food Exports May Go Critical

As companies in the sector become more informed and with the increase in products with high added value, a boom might soon occur in the food sector

In addition to the needs of the domestic market, the food sector in Turkey has now started to pay attention to international demands as well. As in all other sectors, geographic location is a significant advantage for this sector. Therefore, the sector may become



an important base with regard to foreign direct investments in emerging markets such as the Middle East and Africa. Such examples are appearing in the sector already. The know-how that is being acquired concerning food safety may also help the sector leap forward.

AVIATION

TO BE A GIANT WITH GIANT AIRCRAFTS

Turkish Airlines passes on a new milestone with the Boeing 777-300ER it added in its fleet. The company which will own five 777-300ERs this year and 7 until August 2011 is lifting up its capacity and strength in the international area with this step. These new planes give Turkish Airlines the opportunity of non-stop long-distance flights. So it will be able to fly to new destinations such as America and Asia where the potential of passengers is high. Dolmabahçe plane which took off in October for the first time, will be flying to Washington DC by November and flights to new destinations in Asia like China will start in late 2010.

AID

AID TO PAKISTAN FROM TURKISH AIRLINES

The Turkish Airlines Pakistan Office made a call for aid at the iftar dinner (breaking of fast) it gave in Pakistan, which has experienced a flood disaster. Turkish Airlines Pakistan Manager Utku Yazan stated that tons of aid had arrived from Turkey with Turkish Airlines' cargo planes. Rafiq Bukhari, agency owner, said "We will never forget how our brothers have helped us."

Panorama



BY MEHMET ALTAN

THE KEYSTONE OF GLOBALIZATION

Turkey is necessarily an important stop for anyone who has internalized globalization



FIVE OR SIX YEARS AGO, I was a speaker at a meeting where whether Turkey was European or not was debated, which was organized by the European Parliament and was also joined by Anthony Giddens.

Actually, I think I had said that the EU does not pay that much heed to the “zeitgeist” that we are all subject to... For instance, how European are young people in the EU today in comparison to those of yesterday?

When I was studying at a French school, Anatole France – as an author who had become classicized – was found in all school-books through his excerpts. And I thought that he would be there as long as the world stood. Yet when my son was going to the French school, Anatole France had vanished into thin air...

Nowadays, culture is created not by nation states, but by the globalization which makes up the zeitgeist... We are all becoming a bit more universal. If we assume that culture is static, how right is it to debate this age of speed? If we accept that the era is changing, we realize that the old cannot plod along with full weight either. Here, everyone changes together; and that which is

static is almost nowhere to be found... As the indubitable effects of globalization rage on, is it possible for any of us to make a static analysis?

The modernization of the mode of production is, unlike in the past, also modernizing the entire globe. We can clearly observe this in the case of Turkey. With additional thanks to the great help of the Customs Union, which has been connecting us to the world and to globalization in a faster, umbilical fashion, there is an energy that is being supplied to Turkey’s industrial structure which produces the fundamental dynamic of change...

Furthermore, the Customs Union is not only transforming the structure of industry in a way that it can compete with the rest of the world, it is driving growth in Turkey, which had grown by 41 percent since its inclusion in the Customs Union in 1987 to 1996 and by 59.8 percent between 1996 and 2008... Meanwhile, the most valuable proof of the transformation in industry is hidden in the fact that 53 percent of total exports are made by Anatolia...

For Turkey, which targets 115 billion dollars of exports in 2010 and 500 billion in the centennial of the Republic, to improve its

collective well-being and to move toward ever greater targets, concentrating on high technology, high added value fields assumes greater importance. Turkey is currently the world's 17th largest economy, and for it to go up even higher on this list, it is crucial that it adopts this approach.

This is directly correlated with the global state of affairs...

As I was recently shuffling through some rather old newspapers and magazine clippings, I chanced upon an article in The Wall Street Journal with the headline "Labor now 'Out', Capital 'In' in Europe..." Then, in BusinessWeek Magazine, I encountered a study which stated that wages in America had hit rock bottom. "Labor," which had become the "most sacred of values" during the Industrial Revolution and was in unlimited demand, was constantly losing ground in the face of "wealth" in the new era.

In order to better understand what this "means," one must return to the "definitions of capitalism" in "Head to Head" by Lester Thurow, one of America's leading economists. Thurow writes: "The economic competition between communism and capitalism is over, but another competition between two different forms of capitalism is already under way.

Using a distinction first made by George C. Lodge, a Harvard Business School professor, the individualistic Anglo-Saxon British-American form of capitalism is going to face off against the communitarian German and Japanese variants of capitalism."

Thurow then defines "individualistic capitalism" and "communitarian capitalism" with examples: "America and Britain trumpet individualistic values: the brilliant entrepreneur, Nobel Prize winners, large wage differentials, individual responsibility for skills, easy to fire and easy to quit, profit maximization, and hostile mergers and takeovers—their hero is the Lone Ranger.

In contrast, Germany and Japan trumpet communitarian values: business groups, social responsibility for skills, teamwork, firm loyalty, industry strategies, and active industrial policies that promote growth. Anglo-Saxon firms are profit maximizers; Japanese business firms play a game that might better be known as "strategic conquest." Americans believe in "consumer economics"; the Japanese believe in "producer economics."

Apparently, the first of these two models is becoming the victor...

Returning to The Wall Street Journal, they ascribe this to three reasons:

- 1 – The increase of international competition,
- 2 – The drastic reduction of the government's role in the economy,
- 3 – The need of individual investors to compensate for the constriction of the web of social security.

This new approach had pushed "exchanges" and "stocks" to the very forefront, and as companies grew into more dynamic and aggressive structures, profits – and, consequently, "stock" prices – rose rapidly... As the number of companies who have had themselves "listed on the stock market" increases day by day, the "stock" becomes the absolute measure of economic success.

The constant shrinking of companies, which they do in order to be more nimble and better adapt to new technologies, and the inevitable consequences of competition lead to the downsizing of these companies as well as mass layoffs. That Europeans are

trying to ensure their own security in the face of rising unemployment developments which have shattered their well-established "belief in retirement and social rights" is what is drawing the picture of the new world.

What lies at the foundation of these is that capital is, just as it had during the "Industrial Revolution," playing a "transformative" role. That same capital must shatter the patterns created, again, by the Industrial Revolution. The rapid development of technology is progressing toward the point where labor will no longer be needed.... The difficulties of "globalization" appear right here. The probability that "scenes of humanity" which had appeared in the Industrial Era and which resemble the novels of Charles Dickens will re-emerge is rising. Millions of people who are having trouble

acclimatizing to the world of computers and in absorbing the rules of the Information Age are left alone with the threat of falling on hard times... The coming age is a new age which is much more beautiful, lasting, and deep than the Industrial Revolution. But how the "trials of life" will be overcome during the transition is not very clear.

They must both be assessed together.

From another angle, the decline of labor and the propulsion of capital to the forefront show that "wage slavery" is also coming to an end.

But the daily anxiety of the person who will lose their job between today and tomorrow

comes before anything else at that point. Besides, capital is also losing its importance now in the "Information Age," and "information" alone is replacing all other factors in production... Developed countries have come full circle to lean on the educational revolution once more, as if by unanimous agreement, which is aimed toward preparing people who were formed according to old patterns to the "Information Age" of today.

And the world progresses onward – paying its societal bills in the process – toward becoming a freer and richer world...

Anyway...

Let's return to the role and position of Turkey in this new world.

When we look at the situation within the context of the integration of a Muslim-Democrat Islamic sphere into the Post-Industrial world, the "Information Society", and the developments sprouting up through Turkey.... Will we accept these developments and change, or will we reject them and rapidly age due to pining for the past? Will we accept a chaotic and energetic new force as an injection of youth for ourselves or not?

With its developing democracy, construction of a synthesized "Muslim-Democrat" identity, growing economy, and exporters' identity, Turkey is one of the keystones of the new and global world which is being shaped by many different cultures.

This is why, as I was giving some historical perspective, I brought up the great transformation in foreign trade after the Customs Union... That data quantifiably confirms this determination too.

In any case, this is why Turkey is necessarily an important stop for anyone who has internalized globalization....

One who wants to understand Turkey, which has not yet been able to kineticize all of its energy but is progressing toward that point, and therefore whose prospects today are better than those of yesterday and whose prospects tomorrow will be better than those of today, must assess it based on its role in this context...

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Briefing

INNOVATION, AIRLINES, AUTOMOTIVE, APPAREL, HAUTE COUTURE, BRANDING, BIOTECHNOLOGY...



TOURISM

Turkish Golf
Federation aims to
reach 10,000 licensed
golfers by 2012

Golf's Youthful And Dynamic Destination: **TURKEY**

The income Turkey derives from golf tourism is continually rising

BY AYŞEGÜL SAKARYA BY APO İÇDAĞ

TIGER WOODS' annual income is approximately 100 million dollars with sponsorships. With this income, Woods is the world's top earning golfer, and he has not let this title slip to anybody else for approximately nine years. Golf, one of the world's oldest sports, is what allows Woods to surpass even soccer players in being the world's top earning athlete. It is thought

that its history stretches back to China in the 1300s. We owe its current form as a sport and its proliferation throughout the world to Scottish and English aristocrats. The sport now attracts the most interest in the USA. It is estimated that golf has created a market of over 200 billion dollars in the US.

Though it is yet a young sport in Turkey, it is rapidly

growing. Turkey's first golf club was the Constantinople Golf Club – the Istanbul Golf Club by its current name – which was established in 1895. Golf started to become more widespread at the beginning of the 1990s when the Klassis Golf & Country Club entered service, which was followed by the establishment of the Kemer Golf & Country Club and the construction of vari-

ous golf courses in Antalya's Belek area. By the time the Turkish Golf Federation was founded in 1996, the number of licensed golfers reached the 5,000s. "Our goal is to reach ten thousand licensed golfers by the year 2012", says Turkish Golf Federation President Ahmet Ağaoğlu. Compared to the rest of the world, these figures are still quite small. However, recent developments give



positive hints on the future of the sport of golf. Belek, Antalya – the center of golf in Turkey – was chosen Europe's best golf destination in 2008 by the International Association of Golf Tour Operators. Lately, Turkey has started to host many international organizations. In fact, the International Golf Association chose Belek as the venue for the 2012 World Amateur Golf Championships.

These developments have also reflected very positively on figures. In 2009, 100,000 golf tourists visited Turkey, compared to 75,000 in 2008. In 2010, it is expected that this number will reach 115,000. "It is expected that golf tourism will reach a size of 150 million euros in 2010", says Koray Yetik, President of the Turkish Tourism Investors Association, adding: "Spain's income from golf tourism is around 5 billion dollars annually. Turkey also has significant potential. It's important to make use of this."

GOLF TOURISTS LIKE SPENDING MONEY

That the average golf tourist will spend 4-5 times the amount of a regular tourist ought to be enough to explain

the importance of golf in terms of tourism. Golfing tourists spend approximately 150 – 180 euros daily during short stays, while they spend an average of 250 euros daily on stays longer than seven days. Belek, the capital of golf tourism in Turkey, received 130,230,914 euros of income from 100,000 golfers in 2009. Belek's constantly increasing significance is also apparent

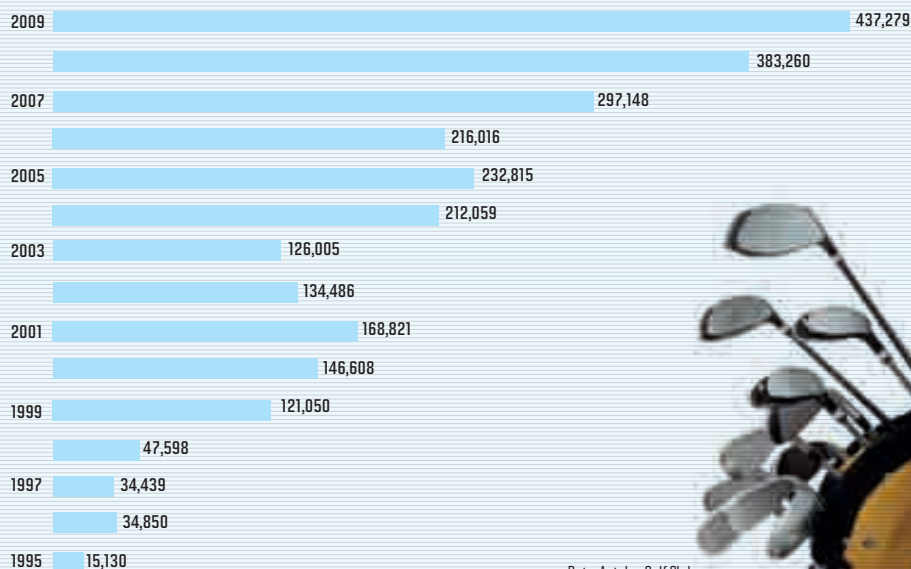
in the studies that have been conducted. Antalya Golf Club General Manager Uğur Budak says "According to the results of a survey conducted in 21 European countries by 80 agencies registered with the International Association of Golf Tour Operators (IATGO), Turkey, Portugal, and Spain will be important golfing destinations in the upcoming years."

115,000 golf tourists are expected to visit Turkey in 2010 compared to 75,000 in 2008

Many factors such as climate, quality of the golf courses, package prices, transportation options, and accommodation facilities make Belek an attractive destination. "The prices of the golfing facilities in Belek are at a level which can compete with golfing facilities around the world" says Ahmet Ağaoğlu, adding: "As for our facilities, they are incomparably good." The rates at golf courses in Europe, the Middle East, and Africa are between 30 and 121 euros. The United Arab Emirates is the most expensive country in these three regions, while South Africa is the cheapest. Turkey is tied for second place with Portugal behind the United Arab Emirates, at an average price of 78 euros per round. The European, Middle Eastern, and African market, which Turkey belongs to, received 6.533 billion euros of income

ROUNDS OF GOLF PLAYED IN ANTALYA'S BELEK REGION BY YEAR

Belek is constantly alluring golf tourists and the number of games played in the region have significantly folded since 1995.



Data: Antalya Golf Club

from golf tourism in the year 2009. The Belek region's slice of the pie is 2.37 per cent. Another important factor in Belek's popularity is that there are 17 courses in the region. "Golfers want to work on more than one course. Belek is an important spot in this regard," says Koray Yetik, and adds: "There are also investments being planned in Bodrum and Dalaman. However, it's not possible to draw golfers to the area with one or two courses. It must be planned well." Additionally, the Golf Federation plans to construct an 18-hole course and camping center with the support of the General Directorate of Youth and Sports. According to the announcements that have been made, Kastamonu has been chosen to be the center of the course.

Investments in countries where golf is developed also continue non-stop. Four hundred new courses are constructed in North America each year. By 2030, it is forecast that 1,000 new courses will be opened in China. There are also several new projects in countries such as Cuba, the Czech Republic, Croatia, Portugal, and Spain. Meanwhile, Belek's capacity has been fully met. As of yet, there are no advances on the project efforts undertaken for five courses in the Pamucak region. Uğur Budak says that investments must be sped

up in order to compete with other countries.

GOLF REACHES THE MASSES

Prejudices against golf as being an aristocratic sport seem to be slowly breaking down. Professional managers make up 39 per cent of the occupational groups which choose Belek, while another 15 per cent consists of mid-level employees. The remaining 46 per cent is divided among the working class at 24 per cent, the retired at 16 per cent, and other occupations at 6 per cent.

One topic of high importance to the Turkish Golf Federation, which has taken significant steps for the development of golf in Turkey, is raising players. The federation, which underwent a restructuring and switched over a pool system in order to address this situation, has shifted 30 per cent of its budget to education and infrastructure thanks to the new system. "Before, we used to use the club as a source of players, and spent the budget we set aside for infrastructure there. However, we abolished this system last year, and started a practice which all clubs can

2009-2010 GOLF TOURISM INCOME IN BELEK REGION

Total reverse from golf tourism has folded in two years in Belek.

	2009	2010 (Estimated)	Total
Number of Games	437,000	502,000	939,000
Number of Players	100,000	115,000	215,000
Game Revenues	33,002,240	36,905,000	71,907,240
Accommodation Revenues	54,020,000	41,296,500	75,316,500
Other Revenues	63,208,674	75,389,410	138,598,084
Total	130,230,914	155,590,910	285,821,824

Data : Undersecretariat of the Prime Ministry for Foreign Trade

be a part of," says Kadir Aydın, the Turkish Golf Federation board member responsible for education and infrastructure, and continues: "From now on, clubs will receive shares from the pool according to the success of their infrastructure programs." The latest directive by the General Directorate of Youth and Sports also asks federations to support clubs' infrastructure programs. Kadir Aydın draws attention to the fact that they can allocate over 30 per cent of the budget to education and infrastructure with newly established sources, and adds: "The primary aim of restructuring is to prepare as best as possible for the 2012 World Amateur

Team Championships."

One of the greatest complaints of golf enthusiasts is the lack of direct flights. Criticism suggesting that tourists are going to rival countries due to the inadequacy of flights is a frequent staple of the headlines. Ahmet Ağaoğlu says that Antalya's Belek region carries highly significant potential, and continues: "Direct flights are very important for the realization of this potential." The point which golf tourism in Turkey has reached in a short period cannot be trivialized. As this growth gains speed, golf may make a significant contribution to the Turkish economy in the long term.

30 percent of the budget of Turkish Golf Federation will be allocated to education and infrastructure in the scope of the newly established pool system





Zafer Çağlayan: "We will come one step closer to our vision of raising ten global brands in our country by 2023"

EXCLUSIVE INTERVIEW

Ten Global Brands in Ten Years? Why Not?

Zafer Çağlayan, The State Minister in charge of foreign trade tells about his tactics of being a global brand to Turkish companies

BY CEYHAN AKSOY

Undoubtedly, the amount of foreign currency recorded as input to the country is the most important parameter of Turkey's continually increasing export value. However, one of the matters concerning exports which is not often brought up is that of the market equivalents of the products which make up the competition. In this case, it all comes down to the strength and quality of the international or global brands at hand. We spoke

with Zafer Çağlayan, the State Minister in charge of Foreign Trade and the most important champion of Turkish exports, on the TURQUALITY® concept – the subject of much discussion lately – as well as on branding and quality.

How do you view Turkey's development concerning branding?

As you know, during the process of opening up to the outside in the 80s, Turkey joined the global economy primarily

as a subcontractor. With its strong workforce, Turkey developed its manufacturing infrastructure in subcontracting in the labor-intensive textile sector, and this structure also contributed to other industries until the mid-90s or so. But as of the mid-90s, the strong manufacturing infrastructure was no longer a sufficient condition for global competitive superiority, and entering the competition with products that have high added value became a requirement.

And this is where the concept of value gains importance. R&D, design, and branding are the most important factors in supplying a product with added value. Unfortunately, the share of R&D investments in our country in the gross domestic product is still at rather low levels. On the other hand, a very hopeful trend of improvement is being observed in our country in terms of branding and design. Design is what creates awareness in the producer and consumer. The value added by design to the product is the brand. It is quite improbable that a player unable to enter the market with its own brand could survive in the conditions of current global competition.

Here is where the country's image comes into play. Countries themselves are also brands, really. Brands created by a country whose

A very hopeful trend of improvement is being observed in our country in terms of branding and design

image is well-perceived enter the global competition with a 1-0 advantage. So much so that while the perception of a country as a brand carries an individual brand to the highest level, it is also what feeds the growth of individual brands.

In this regard, bolstering the image of Turkish products in the international arena is an important element of foreign trade policy. TURQUALITY® is a program designed with this perspective in mind, with a vision to raise "ten global brands in ten years." While supporting the promotion of industries abroad in this scope on one hand, it also aims for the creation of Turkish brands which possess competitive superiority on the other. Thus, Turkish brands which possess competitive superiority will bolster the country's image, which in elevated form will return to feeding Turkish brands.

A vision which foresees "ten global brands in ten years" has been set as a target for TURQUALITY®. How do you define these targets?

First of all, everything starts by imagining. Every person, government, and country draws its own borders through the power of imagination. However, this does not mean a break with the realities of the rational world. We first imagined "ten global brands in ten years," and then set it as a vision for ourselves in order to realize it. That we see the brands which are within the scope of our support in centers such as New York, Paris, Milan, and Moscow proves that this vision is not merely fantasy. The returns we receive from our companies and the interest shown toward TURQUALITY® from the industry also show that we are on the right path.

We know that you support the branding aspect of the business through the TURQUALITY® program. How about the design aspect? Do you have any projects concerning design?

Of course there are. For instance, we have "Design Support," with which we directly support design and designers. We cover the expenses of designing firms and design offices such as promotion,

of which was organized in 2008. Applications which consist of designs that were released to market three years ago at most, which we have been receiving since October 21, 2010, will be assessed on a sectorial basis, after which they will be given the "Good Design" and "Superior Design" awards. Designs which receive awards will gain the right to use the "Design Turkey" logo on their



rent, and consultancy within the scope of support.

In addition to this, we also have the "Design Turkey Industrial Design Awards," which is the most comprehensive design awards system in Turkey. This year we are organizing the second "Design Turkey Industrial Design Awards," the first

products. Besides product designs, designs that are yet to be released are also assessed within the "Conceptual Design" theme set each year. "Humane Design" is conceptual design theme of the 2010 "Design Turkey Industrial Design Awards" The intense number of applications from designers and producers

bolsters our expectation that this project of ours will also provide positive contributions to our country.

Supporting the country image is a subject which must be tackled using an all-encompassing point of view. Italian cuisine has had as much of an effect as Italian design in the formation of Italy's image. We envision that we will support the national image through an all-encompassing approach to branding which integrates design, the designer, and the gastronomical sector, and shall realize our work and efforts through this view.

It is believed that you will raise the period of support for brands in the TURQUALITY® program from five years to ten. What's the latest situation regarding this subject?

As a result of our work, we decided that five years is not a sufficient period for supporting branding activities at optimal levels. Furthermore, the global crisis which showed its effects as of the end of 2008 negatively affected investments around the world. We didn't find it right to cut off support at a point when investments were starting to show returns and began efforts toward extending support for companies shown to have performed over a certain level by five more years. We already have a performance model by which we have determined the performance of our brands. We foresee that our brands which have been shown to exceed a certain level in this model will be supported for a period of an additional five years. Thus, we think that we will come one step closer to our vision of raising ten world brands in our country by 2023.

BRANDING

The Driving Force Of Exports

Companies have received 153 million TL of financial support so far within the scope of the TURQUALITY® project

BY AYŞEGÜL SAKARYA

SIX YEARS HAVE passed since the meeting at Lütüfi Kırdar Convention & Exhibition Center where Kürşat Tüzmen, former state minister in charge of foreign trade introduced the TURQUALITY® project. Devised with intention to create “10 global brands in 10 years”, TURQUALITY®, the world’s first government-supported brand development program, has directly or indirectly given companies included in the program 153 million TL of financial support since its inception. Several companies have signed off on important export successes thanks to the program’s financial support as well as know-how counseling on administrative knowledge accumulation and enterprise organization, which encompasses all processes from manufacturing to marketing and after-sales service.

Companies are being supported in two different scopes – known as TURQUALITY® and the Brand Program – as part of the project, which has been continually expanding since the day it began its activities. Today, 75 brands are receiving support from TURQUALITY® and 42 brands from the Brand Program, representing a total of 13 sectors. Vakko, Doğtaş, Efes, Ülker, Jimmy Key, and Koton are just a few of the well-known companies participating in the project. The performance of some of the brands after



One of the most important reasons behind TURQUALITY®'s success is that it is very broad in scope

joining the program is quite striking. Koton is one of the project’s success stories. In the period between late 2006, when it joined the TURQUALITY® program, and late 2009, the company’s revenues increased by 193 percent. Its goal for the end of 2010 is to raise this figure to 237 percent. The company, whose revenues abroad increased by 199 percent over the past three years, expects to grow by 263 percent by the end of 2010. By the end of the year, the company will open seven stores in six countries in addition to its existing 67 stores in 24 countries. Thus,

by the end of the year, the company – which will open two of its stores in Egypt and Sarajevo, which it is entering for the first time – will have 74 stores in 26 countries. “The support provided within the TURQUALITY® framework provided ease, particularly in different markets and positioning in competitive conditions” says Koton’s CEO, Yılmaz Yılmaz, adding “Experiences received through different markets have a positive effect on the nature of a company’s products, its marketing channels, its IT infra-

structure, and on the development of its corporate identity. We believe that TURQUALITY® which was created with the aim of cultivating world brands in Turkey, will reach its goal as a result of its development and continuation”.

Jimmy Key, one of Sun Holding’s brands which has been included in the TURQUALITY® program about four years ago, is another brand that has made successful steps. The company, which was emboldened enter the Ukrainian market by the program, increased its sales by 300 percent. “We also make use of their design and promotion support” says Sun Holding CEO Şükri Ünlütürk, and continues with “I am of the belief that this is a thoroughly well-thought out, well-run program which has gained great importance among our country’s brands.”

Ali Saydam who is a brand and communication specialist, believes that the brand behind Turkey must also be developed for the project, which clears the path for companies to start exporting, to be even more successful, adding “TURQUALITY® is a project established with very good intentions. For the project to achieve success in the full meaning of the world is directly related to the method of the brand of Turkey. This is why a project which would provide for the development of the Turkish brand might be run alongside TURQUALITY®”.

One of the most important reasons behind TURQUALITY®’s success is that it is very broad in scope. Besides acting as a financial resource to companies, TURQUALITY® also supports them by offering counseling on strategy, operations, organization, and technology to help them create global brands. In addition, human resources are strengthened by giving training directed toward the administrative units of participating companies. “We believe that the project is one of the most beneficial projects that is being developed for our exports” says Elif Çoban, manager of Şölen Chocolate – which joined the TURQUALITY® program approximately three years ago – adding “The program supported our self-development in many subjects from marketing to patent, branding rights, and human resources”. The aim for TURQUALITY® companies in 2010 is to increase exports by 10 percent. The success of TURQUALITY®, which began with a mission to increase Turkey’s exports by developing global brands and strengthening the image of Turkey’s products and prestige with the brands that are developed, clearly indicates that it will have no difficulty in reaching its stated goals.



BIOTECHNOLOGY

ALVIMEDICA IS READY TO ROLL

Despite having been established in a very short time, Alvimedica has made great leaps toward competing in biotechnology. The real aim, however, is to create a large sector

BY SEZAI SARAC BY SEREF YILMAZ

THE RAPID RISE of biotechnology firm Alvimedica may open the door for Turkey's becoming a manufacturing center in the field. The company, which completed construction of its production facilities in a very short time and was established using only 25 million dollars of a 1 billion dollar investment fund, is already able to compete against the big players of the world in the field of interventional cardiology. The secret is all in R&D.

The company made headlines when it bought the American company In-Vivo in 2009. The products it developed as a result of subse-

quent studies and its renewed product portfolio placed the company in an advantageous position against its competitors. For instance, Alvimedica reduced costs and production time by using carbon coating – rather than Teflon as in the rest of the world – to eliminate friction in catheters used for angioplasties, reducing the production time from a total of 15 minutes per unit to just 4. There are currently 14 separate projects occupying Alvimedica's agenda. A cannule which self-lubricates on contact with blood, a drug-eluting stent called Coracto, and heart valves are among the company's innovative products.

COMPETING ON PRICE

Although Alvimedica's production facilities were brought on-line after seven short months, they possess Europe's largest germ-free production environment. Dr. Cem Bozkurt, CEO of Alvimedica, says "Europeans in particular said that we could make better production facilities than they. In addition, whatever the world's four large giants in this field have, we produce the same here," and adds "Our true claim to fame is that we produce at a higher quality they do. And we are not in the worry of producing for cheap like China or India. We will produce at a higher quality, and if they would like to spar on the price we will compete there as well."

Alvimedica is currently the only example of its kind in Turkey, but it is also another of the company's aims to pioneer the birth of such a sector in Turkey. The company has already taken initiative in order to create a large "valley of health" in Çatalca on the outskirts of Istanbul. This initiative is also being supported by Turkish scientists who have earned respect in the world and have signed off on important projects and discoveries. Now, conferences are being given, universities are being met with for R&D cooperation, and ways of opening the doors of Turkey to important minds in this area who have migrated abroad are being sought. The valley is slated to be constructed on an allotted area of 400 thousand square meters in Çatalca, and will serve as a base for invest-

ments which will be made in Turkey in this field.

With its new advantages, Turkey may soon dominate the agenda of this sector, which has already reached a certain level of development in the rest of the world. The greatest investments in this field have been in the USA and Western Europe. However, the sector's labor-intensive nature and the high costs of labor have shifted investment toward Ireland. Currently, 190 companies in this field have established themselves in Ireland. But Ireland, which has accepted 600 thousand immigrants for the advancement of the sector, has lost its labor advantage due to the increasing demands of workers. Cem Bozkurt says "Investors over there are now seriously

thinking about shifting their facilities to other countries." Investments made in this area in China and India have not been fruitful due to various crises and disasters.

Incentives provided by Turkey in the areas of pharmaceuticals and medical

equipment are sure to open the way for new investments. If university-industry cooperation flourishes, the region's wide array of advantages – from transport to workforce – may be enough to make this dream a reality. CEO Bozkurt says "We began this business two years ago, deciding to have a world-class company in the field of health emerge from Turkey. And when we first started, the entire sector simply laughed at us." But a 1 billion dollar fund and government incentives may make it so that new investors will have the final word.

Alvimedica is ready to compete against the big players of the world in the field of interventional cardiology



DESIGN

A Hakan Gürsu Innovation:

BRANDING AND DESIGN

Dr. Hakan Gürsu is pushing through a silent revolution internationally. With the Green Dot and International Design Awards he won recently, he attracted the attention of the Turkish public



BY BAHAR YILMAZ



BY AHMET BİLAL ARSLAN

BRANDING AND Innovation contests, where brand concepts are developed and displayed, are now considered as a part of the popular sphere. So, where is Turkey in this development, and how cognizant of this situation is it? Are there functional facets of this development?

In recent times, in international markets where competition is constantly on the rise, it's easy to say that contests have become a "commercial" entity which are followed and whose results are closely watched by all actors in the "culture of contests". Watched by millions, the number

of these "branding" contests – the stuff of dreams, where only the best compete – is continually increasing. Though the chosen things are, in order, the product, the producer, and – more recently – the designer, the process is slowly being transformed into a silent war on brands – the brand is what prevails at the end of the day.

Drawing attention to the hidden intentions behind brand interest in design contests, Hakan Gürsu says "The presence of a "winning product", approved and certified by the authorities, and the "quality" of the product

Dr. Hakan Gürsu started designing the device, which allows forest fires to be extinguished without water, during fires in Turkey and Greece



now leads to the emergence of a great force which is under great demand by large masses and which carries a great payoff for its owners. As a new order is being assembled with the realization of the likely commercial results of the distinctiveness and recognizability of a product that has been approved, selected, praised and blessed, the system of selecting a “good product” has taken its seat within the new global order.”

DESIGNS GROUNDED IN REALITY

Besides just how Dr. Hakan Gürsu won so many awards

in the international arena, the question of how he created the award-winning designs is also of interest. The driving force behind his designs is actually functionality and a solid grounding in reality. In other words, for humankind to look toward solutions and designs to overcome the problems it faces. Gürsu explains his approach to the subject as such: “The subject I especially pay attention to is: What are the world’s problems? What is being spoken about in the world? We draw out a route for our designs by using this approach.” While addressing these considerations in his approach, Gürsu also closely follows designs or solutions which make life easier for humankind or which solves its problems. The solutions which Gürsu brings forward for situations he has found to be problematic, allows him to achieve success in an international field and have brought him widespread admiration and following among the masses. Gürsu points to his new award-winning design Fire Knight as an example. He started designing the device, which allows forest fires to be extinguished without water, during fires in Turkey and Greece.

DESIGNNOBIS: A DESIGN AND INNOVATION FACTORY

Before providing information on Designnobis, the design and innovation factory which he founded, Hakan Gürsu adds: “Once a new product is presented to the market, it must not be forgotten that it is subject to evaluation within the slice of time that it is put under the protection of the manufacturing brand’s umbrella. In other words, we’re talking about a periodic selection and evaluation

process which hundreds of new products must go through, which encompasses product launches on a global scale and PR activities as well as grading in dozens of groups”. Leaving behind the branding and commercial aspects which Hakan Gürsu has drawn attention to, we take a look at Designnobis’ basic structure. Hakan Gürsu states that Designnobis was founded by him and five other people. Two people from the founding team are still on board. Those who have left did so due to military service or to receive education abroad. However, the team didn’t stay stuck where it was, and the remaining two people were joined by an additional 13. Gürsu emphasizes that they are in great demand – adding that there has, in fact, been demand from all over the world. Gürsu, who mentions that two people from Korea will join the team for internship this summer, predicts that the Designnobis

team will grow to 50 people over the summer.

Hakan Gürsu did the unattainable for Turkey by winning five Green Dot and four IDA awards internationally over the past three years, acting as a beacon of hope and a precedent for those who will follow him. One must pay attention to just how seriously these contests are being Turkey just as much as where contests in the world at large are headed, without neglecting the inherent value of design and innovation, of course.

Hakan Gürsu did the unattainable for Turkey by winning five Green Dot and four IDA awards internationally over the past three years, acting as a beacon of hope and a precedent for those who will follow him



AIRLINES

Twin-Aisled Strategy

Turkish Airlines aims to transform Istanbul into a transit center

BY TOLGAHAN OZKAN  TURKISH AIRLINES ARCHIVE

IT IS ESTIMATED that the world's aviation industry lost approximately 5 billion dollars in 2008 and 2009 due to the global economic crisis. Many airline companies, which are trying to increase their competitive ability by cutting costs, are in search of partnerships. The sector is going through a time of transformation – it seems that mergers and buyouts

will be par for course for the next few years.

As airline companies work to cut their expenditures and increase their ability to compete, Turkish airline companies want a larger slice of world passenger traffic and are putting their efforts toward turning Istanbul into an international transit center.

Turkish Airlines, which has drawn attention to itself by its sponsorship agreements and investment strategy and has dazzled foreign investors with its profitability, became one of Turkey's fastest growing companies with the participation of the foreign sector in 2006. Its sponsorship

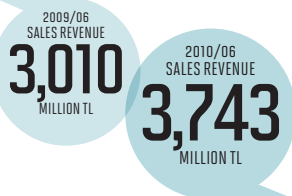
of the world's most distinguished soccer teams as well as the World Basketball Championships appears to be a part of the company's strategy to branch out to new markets.

The company, which is the anchor of the Turkish aviation sector, adopted an aggressive growth strategy at a time when the crisis shook the world's giant airlines to their very core. In following this strategy, the company raised its number of destinations to 38 domestically and 127 internationally, and is setting its sights toward twin-aisled airliners.

However, this daring strategy does come with certain

sacrifices. Turkish Airlines has conceded to a slowdown in profits in the second quarter of last year, which is when it began aircraft procurement. But analysts characterize this as a process of maturation. The company, which set a gross revenue target of 6 billion dollars for the end of 2010, has announced that it has been able to turn a profit of 10 percent of these revenues. Temel Kotil, CEO of Turkish Airlines, says "5 percent of this profit goes to foreign investors; half of the money stays in Turkey. Turkey will earn a net amount of 3 million dollars this year."

Turkish Airlines increased the size of its fleet to 134



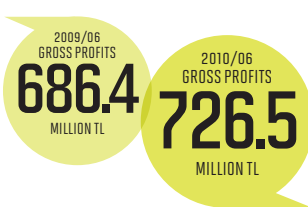


in 2010, and aims to have carried a total of 31 million passengers by the end of the year. The company had posted a loss of 53.2 million liras in the second quarter of last year. The sales revenue of the company, whose revenues are largely in Euros, rose to 2.08 billion liras in the second quarter, increasing by 20.6 percent. The rise in oil prices and the negative effects of the Euro/dollar parity were considered to be the most important reasons for the loss in profitability in the second quarter of 2009. According to analysts, this loss occurred because the increase in oil prices was not reflected on the

company's sales prices.

But this period did not last long. Turkish Airlines' net profit was 278.3 million liras in the first half of the current year, while its sales revenues reached 3.74 billion liras. Meanwhile, its EBITDA (earnings before interest, taxes, depreciation, and amortization) was 8 percent in the first half of the year, having dropped from 12 percent in the same quarter of last year. Its net profit margin was 7 percent according to the data on Turkish Airlines' operations report, a figure which was 3 percent at the same time last year. The company's statement indicated that the 64 percent increase in fuel expen-

ditures due to rising fuel prices negatively affected operating profits, which dropped by 36 percent to 115 million liras. As stated in the company's operations report, its fuel expenditures were 655.3 million dollars in the first half of the year. Hamdi Topçu, Chairman of the Board of Turkish Airlines, indicated that operating profits – which dropped 36 percent in the consolidated financial statements of the first half of 2010 – will pick up in the second half of the year, and says “There is a decrease in our operating profits, but we believe there will be an increase in the second half. Competition rages on in Europe.



This has affected ticket prices. So we have sacrificed some of our profits in this competition. This is seen in our flights in the European region. But we will make that up in the second half”, adding “The increase in fuel prices has also had an effect. But we are trying to make up for it with our productivity strategy. The world has exited a crisis. We can say that its effects on Turkey were few. I expect growth to be abo-



ve the estimates in the upcoming period.”

Turkish Airlines’ number of passengers is increasing, and airplanes are filling up. In the first six months of the year, the number of passengers carried by the company increased by 19 percent to 13.4 million, and its fullness rates went up to 72.1 percent – an increase of 4.1 percent.

VERY ATTRACTIVE

The increase in passenger numbers and fullness rates seems to be an indicator that this growth is based on a solid foundation, which increases the company’s attractiveness in investors’ eyes. Pointing out that they have received proposals regarding partnership from twelve foreign airline companies so far, Hamdi Topçu says “We have put all

the offers on the table and are evaluating them. Currently, there are two companies with which we have made progress in talks. We have made progress in talks concerning investments in two companies from Tanzania and Russia,” adding “We want to purchase the majority share in companies. And all the companies we have spoken to want to give their management to us. And, with a 50 percent share, we are required to take responsibility for management. International funding companies say they will partner up with us and provide financing support.”

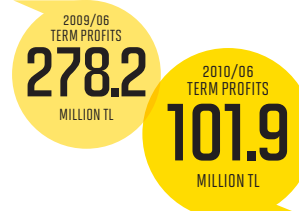
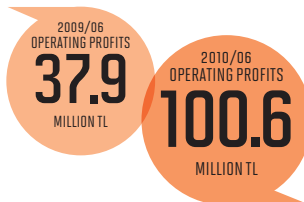
Whether investors who own shares in Turkish Airlines see sponsorship agreements as an element which reduces profitability or as a pillar which bolsters the company image is anybody’s guess, but it looks like Turkish Airlines will continue to gather praise so long as it strengthens its financial results and makes growth sustainable. Turkish Airlines, which is in preparations for a launch abroad in the month of September in addition to its sponsorship of the Barce-

The increase in passenger numbers and fullness rates seems to be an indicator that this growth is based on a solid foundation

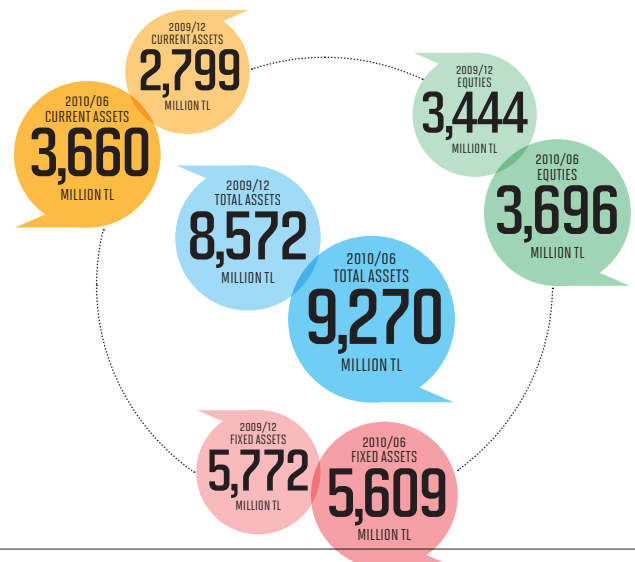
nament, which is one of the most important events of the Far East. Many famous tennis players will be joining the tournament between September 25th and October 3rd, including Rafael Nadal, the world’s top player.

Perhaps thousands of tennis aficionados who want to follow the tournament might choose to fly to the Far East through Istanbul. That is when Turkish Airlines can start to enjoy its new double-aisled aircraft and increased fullness rate. “Turkish Airlines is on its way to applying Emirates Airlines’s strategy of presenting Dubai as a center of transportation to Istanbul”, says Belma Öztürk-kal of Finans Akademi in her analysis of Turkish Airlines on Finansonline, adding: “The plan to integrate new destinations will show how successfully this strategy will run in the long term.”

Encouraging the preference of domestically-produced vehicles in public fleets is among the precautions on the agenda



lona and Manchester United soccer teams, has also signed a sponsorship agreement of five years for Euroleague Basketball. Turkish Airlines made its latest move in tennis, having agreed to sponsor the Thailand Open Tennis Tour-





AUTOMOTIVE

DRAWING OUT BURSA'S PLANS FOR 2023

Automotive exporters are planning for 2023 with great hopes

BY OSMAN KURT BY GÜRCAN ÖZTÜRK

WHEN ASKED WHAT Bursa is famous for, you might think of the Ulu Mosque, candied chestnuts, or Iskender kebab. But did you know that the city's primary activities are in the automotive industry? In fact, many people don't really know that Bursa and its surrounding cities are world-class players in the automotive industry, despite the fact that Turkey is number one among European Union

countries in the production of light commercial vehicles and is number two in the production of buses. Orhan Sabuncu, President of the Automotive Industry Exporters Association (OIB), states that Turkey is the seventh largest manufacturer among EU countries. Mustafa Bayraktar, President of the Automotive Distributors Association (ODD), had said "Our previous Minister of Finance, Kemal Unakitan,

told us in a meeting that we were his biggest partners" in a written announcement he made on the ODD's page. When looking at the automotive sector's export figures, it really is Turkey's largest exports area. Therefore, for the sector to maintain this consistency, it must plan for the future now.

Many associations are preparing various strategic documents to address this situation. The Ministry of Industry and Commerce has been working on the Automotive Sector Strategy Document for some time now. And the ministry is not acting alone. All players in the sector are preparing road maps in this direction. One of these players is the Turkish Exporters Assembly (TIM). A road map is being prepared with the cooperation of 24 sectors in order to meet the 500 billion dollar export target which was placed by the government for 2023, the centennial of the Turkish Republic.

A ROAD MAP WITH HARVARD

TIM's commitment to the subject is made clear by the team that has been assigned to the project. The 2023 road map is being prepared by Harvard University Professor Robert Kaplan and his crew, along with visionary representatives from 24 sectors. It is expected that the plan will be completed within one month. The study, which will be shared with the president, prime minister, and the general secretaries of the opposition parties, is intended to become government policy on its completion.

Naturally, one of the most important sectors in this study, which Robert Kaplan and his crew have also participated in, is the automotive sector. Particularly when considering its effects on employment, automotive is a sector that cannot be overlooked. Mehmet Arif Özer, President of the Bursa Businessmen's Association (BUSIAD) "Countries which have no

industrial activity experience difficulties. We see this in the cases of Greece, Portugal, and Spain. For this reason, establishing an industrial strategy in order to ensure the longevity, development, and viability of the automotive industry in our country is a very important step.”

TIM has been working on the 2023 Automotive Sector Export Strategy since 2009. Though the project has not yet been finalized, its goals are being defined. The aim of the strategy will be to reach a manufacturing target of 4 million vehicles. Considering that the sector closed off last year with 844,466 manufactured units according to the figures of the Automotive Industrialists Association (OSD), it becomes clear just how great

has possessed a structure which placed more weight on European markets. But when the effects of the most recent financial crisis were felt in European markets, the automotive industry saw the necessity for branching out into different markets as well. The European continent is the Turkish automotive industry's main exports market. Tofaş CEO Ali Pandır says “When we look at crisis exit strategies devised by various analysts, we see that no great developments are to be expected in the European automotive markets following the crisis, and that growth in automotive from now on will come from BRIC countries, particularly those in Asia”, but also adds: “Because the possibility and potential for

est economies will be in the East. We must take our place in these markets with the steps we take now.” The meetings have not been limited to the above. The OIB, which conducted studies in Moscow and Samara in March, has also signed off on a partnership with the Russians. That Russia became Europe's largest market in 2008, leaving Germany behind if only for a short time, is enough to clearly exhibit the market's potential.

AN ELECTRIC CHANGE

Meanwhile, plans regarding the future of automotive cannot be limited to potential markets and targets. The sector must take its precautions regarding new trends in automotive now. A serious technological change is expected in the vehicles that are being produced. The silent roar of electric vehicles is becoming louder by the day. Within the next ten years, it is estimated that one out of every five vehicle sold in Europe will be electric. Turkey, which missed out on internal combustion engine technology due to a late start, does not want to stay behind in the race for electric vehicles. In 2011, Renault will start producing electric vehicles in Turkey. But the aim here is somewhat loftier. In an announcement made to the press, Minister of Industry and Trade Nihat Erdoğan said “Our real concern is whether our companies will produce electric vehicles of their own designs or not. For them to be produced by the people of our country bears much more significance than for them to be produced in our country.” It is hoped that Turkey, which is one of the world's most important automobile manufacturers, will also be able to carry its weight in the area of

TARGETS FOR 2023

The aims of the Automotive Sector Export Strategy for 2023 are quite lofty

4 MILLION

Target for units manufactured

3 MILLION

Target for units exported

75 BILLION DOLLARS

Target for export revenues

design. New incentives are being planned in order to ensure the development of original technology and design-based manufacturing in this area. The lack of test centers leads the list of barriers which stand before the development of new designs. To overcome this problem, test centers will be established for design verification and stress-testing, road trials, crash testing facilities, and wind tunnels. Nihat Erdoğan says “I would like to announce that we have started working on this subject now and have begun meeting with the Ministry of the Environment and Forests for the allotment of land.” Encouraging the preference of domestically-produced vehicles in public fleets is also among the precautions on the agenda.

Meanwhile, stimulating the domestic market is also an important issue. According to a study by ODD, if the income of people who live in Turkey does not increase by 7 or 8 percent per annum, it seems unlikely that the automotive market will progress beyond its current position. It is hoped that the target of one million units or more will be reached with tax arrangements and by withdrawing vehicles which have reached the end of lives from traffic. When all these have occurred, Bursa and the surrounding area may start to be known as the region's Detroit rather than for its Iskender kebab.

Turkey, which missed out on internal combustion engine technology due to a late start, does not want to stay behind in the race for electric vehicles

the targets are. Of course, it must be said that there was a regression in automotive manufacturing for the first time in a long while last year. The sector's manufacturing figures were actually above one million or so. The aim is for 3 million of the manufacturing target of 4 million to be exported. Meanwhile, the targeted export revenues are 75 billion dollars. A road map, change agenda, critical success levels, and target markets are being determined to address the subject.

JUST THE EU WILL NOT SUFFICE

New markets play a particularly important role within these growth targets. So far, the Turkish automotive sector

exports to BRIC countries is very low, our new explorations are particularly focused on Middle Eastern countries, which are the closest to our own region.” Ali Pandır is not the only one who holds this view. The OIB and the Transport Vehicles Auxiliary Industry Association (TAY-SAD) has also been speeding up its meetings regarding markets in different countries. The OIB recently met with two automotive delegations which represent many brands from Iran and India in June, and talked about increasing exports to these two countries as well as increasing mutual cooperation. Orhan Sabuncu says “The economy is now shifting toward the East, and in the 2020s, the world's larg-

STRATEGY

Planning A Route For AUTOMOTIVE

All of the actors in the industry are eagerly awaiting the implementation of the Automotive Strategy Document

BY OSMAN KURT

WITH ITS EXPORT figures, share in employment, and tax contributions, the automotive sector is among Turkey's most important sectors. "Our previous Minister of Finance, Kemal Unakitan, told us in a meeting that we were his biggest partners" says Mustafa Bayraktar, President of the Automotive Distributors Association (ODD), in a written release on ODD's official web page. Likewise, the automotive industry was named as one of the 12 largest and strategically significant sectors in the latest incentives package. But it's a good idea to stay poised – the difficulties experienced by the textile sector, which is at the forefront of Turkey's most important sectors, can serve as a lesson to other growing fields. The future of automotive must be planned out in order to avoid the difficulties which have affected the textile sector. With this in mind, the Ministry of Industry and Commerce has been working on the Automotive Sector Strategy Document for some time. Representatives from the world of business, including umbrella organizations such as the Turkish Assembly of Exporters (TIM), the Turkish Industrialists' and Businessmen's Association (TÜSIAD), the Independent Industrialists' and Businessmen's Association (MÜSIAD), and the Union of Chambers and Commodity Exchanges of Turkey (TOBB), met in the month of April to discuss



the details of the strategy. As the representatives shared their views on the plan, all sides showed great enthusiasm toward performing their duties to the Ministry's efforts.

The strategy document addresses the issue of where the sector needs to be heading in the long term and what kind of production model it should pursue. In order to build up the domestic market to this end, the document gives consideration to several subjects such as increasing production to the level of 2 million and participating in the shift toward electric vehicles.

Automotive Strategy Document is of vital importance to the industry. There is a serious global transformation under way in the automotive field. For

instance, by 2015, it is predicted that over half of automotive manufacturing will take place in Asia. With this in mind, the document contains plans for what could be done for Bursa, Adapazarı, and Kocaeli to be a part of this transformation and to become the Detroit of Asia. Together with this shift in the centers of manufacturing, there are also serious change in vehicle technology that are being seen. The buzz around electric

Encouraging the preference of domestically-produced vehicles in public fleets is among the precautions on the agenda

vehicles gets louder each day. Within the next ten years, it is predicted that one out of every five vehicles sold in Europe will be electric. Turkey, which has missed the boat on combustion engine technology due to being a latecomer, does not want to stay behind in the electric vehicle race. In 2011, Renault will start manufacturing electric vehicles in Turkey. The goal is quite lofty: Minister of Industry and Commerce Nihat Ergün says "Our main concern is whether our companies will produce electric vehicles of their own design or not. For them to be produced by the people of our country carries greater significance than for them to be produced in our country". It is now aimed for Turkey, which is among the world's most important producers of automobiles, to have more of a say in design as well. To this end, new incentive mechanisms are being drawn up to spur the development of original technologies and design-based production. The absence of testing centers for designs is among the greatest barriers before the development of new designs. To overcome this problem, test centers will be established for design verification and stress-testing, road trials, crash testing, and wind tunnels. Nihat Ergün says "I would like to announce that we have started our work on this subject and have initiated meetings with the Ministry of Environment and Forests to allot land for the project". Encouraging the preference of domestically-produced vehicles in public fleets is also among the precautions on the agenda. There is an end in sight in the strategy that has so excited the sector. When the work is completed, the document will be revised with representatives of the automotive sector one more time and will be presented in its final form to the Economic Coordination Committee.



TEXTILE

LOCOMOTIVE BEGINS ITS VOYAGE

The textile sector, which went through difficult times before and after the crisis, is about to be Turkey's locomotive sector once more



BY NESRİN AKKAŞ



BY GÜRCAN ÖZTÜRK

THE BEGINNING of the crisis that Turkey has had in textiles actually occurred far before the global crisis," says Istanbul Textile and Raw Material Exporters Union (ITHIB) President İsmail Gülle. What this sentence is trying to explain is really quite a simple matter. Turkey, one of the world's most important textile producers, has had a new competitor as of the year 2005 which is capable of extremely rapid production. The great change in manufacturing and trade that affected the world particularly once China became a member of the World Trade

Organization on January 1st, 2005, has perhaps had more effect on Turkey than any other party. Turkey now had to be on guard, especially in the textile sector. Many believed that the textile sector, locomotive of the past, was having difficulty even staying afloat. When the sector – having been greatly weakened in comparison to the past – was faced with the global crisis, companies whose exports had dropped started to shut their doors one by one, and the sector which had once carried the bulk of employment became unable to fulfill this responsibility.

However, with the internal

crisis it has had to endure in the past, the textile sector's deep roots were sufficient for it to resist a global crisis. In time, textiles – Turkey's locomotive sector – knew what it needed to take from its previous experiences.

In 2010, business started to slowly get back on track for the sector, which had experienced important losses in its exports in the global crisis. As various campaigns breathed life into domestic markets, vacancies left by the sector in the Far East were filled through exports as they expedited their efforts to create alternative markets.

These efforts started to bear results within a short time, and good news has been coming from the sector since the beginning of 2010. After a long hiatus, the sector's exports leaped up by 29 percent to 477.5 million TL in February. Later, in June 2010, the export ratio – which was 687 thousand TL in June 2009 – increased to 834 thousand TL, a change of 21 percent. Just as the ready-to-wear sector, the textile sector is trying to shake off the harrowing effects of 2009, but it still needs more time to regain what it had in 2008.

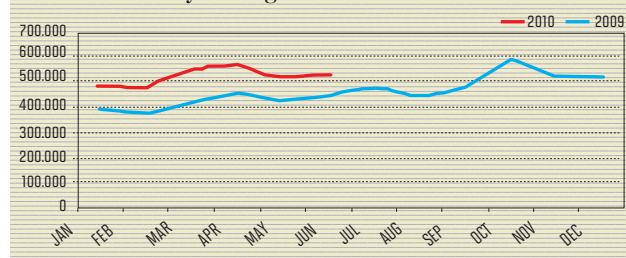
Cem Negrin, President of the Turkish Clothing Industrialists Association, emphasizes that it is quite difficult to get back to figures seen in 2008 within two years. "The signals of a new crisis are still being

spoken of in the world. As long as these are being discussed, it does not seem very likely that the textile sector, which is affected directly by all developments, will reach the levels achieved in 2008," he says, but adds that "When looking at the global textile and ready-to-wear trade, we see that the winds are blowing in the favor of Turkey, which got through 2009 with great difficulty. As a result, export figures have gained serious momentum and have started to increase. Last year, tens of thousands of our employees lost their jobs as thousands of our businesses shut down. But Turkey is having a lucky streak. By the end of 2010, its textile exports may exceed 6 billion dollars. We do have the right climate for this."

As Cem Negrin said, the textile sector is on the verge of a comeback and it possesses the right climate for one. Despite all the blows it has endured, the sector is still the European Union's largest supplier after China and is the fourth largest in the world at large. In spite of all the hemorrhaging, it still supports 25 percent of the total workforce in Turkey. If the Turkish textile sector – which has also begun to make a name in its region each passing year in the fields of fashion and design – is not faced by a new wave of crises, it is the strongest candidate for becoming Turkey's locomotive sector once more.

EXPORT OF TEXTILES AND RAW MATERIALS (x\$1,000)

2010 exports in the industry follow a steady way above last year's figures





APPAREL

PROMISING PROSPECTS FOR *Prêt-À-Porter*

The Ready-to-Wear and Apparel sector was among those most deeply affected by the global crisis, but it is well on its way toward a speedy recovery

BY NESRİN AKKAŞ BY GÜRCAN ÖZTÜRK

IF ONE WERE TO ask who was affected the most in Turkey by the crisis which took the world by force in 2008, one of the highest members of the list given in response would undoubtedly be the ready-to-wear and apparel sector. In addition to being the sector most affected by the crisis in Turkey, the ready-to-wear and apparel sector is also one of the country's most powerful, which may be how

it has managed to leave these difficult days behind in such a short time. According to the Turkish Exporters Assembly figures, the ready-to-wear and apparel sector showed an increase of around 15.7 percent on the dollar in 2010 as compared to the January-March period in 2009. These figures are the greatest indicator of the sector's revival, and studies made by private research firms affirm this claim. The

results of a study conducted by Nielsen for the Turkish Association of Shopping Centers & Retailers indicate that the ready-to-wear retail preserves leading position in revenue growth as it grows at 31 percent per annum. The ready-to-wear sector has an important share in the retail sector's yearly revenue growth as well. The data in the study also shows that the ready-to-wear sector makes important contributions to employment. Over the past year, the sector has recorded an increase in employment of around 10 percent.

All this information seems to bode quite well for the ready-to-wear clothing sector, which shut the books on 2008 and 2009 with great difficulty. The painful realities which gripped all sectors in the aftermath of the global economic crisis were also an issue for the ready-to-wear and apparel sector. The textile firms which shut their doors one by one in 2008 illustrate full extent of the casualties of this dire situation. Textile producers, who had made up to 1.5 million dollars of exports per month before the exports, shut down in droves, consequently affecting export figures which dove sharply down to 960 million dollars per month. Data released by the Ministry of Industry and Commerce indicates that 595

The ready-to-wear and apparel sector, which had waited the year 2010 with great hope after the crisis, as finally met expectations. According to 2010's figures, the sector has managed to shake off the effects of the global crisis

textile businesses had shut their doors in 2008. Thankfully, these grave conditions now only remain as ugly memories for the sector as positive results are being announced back-to-back. And sector representatives are saying that they are feeling the effects of this positive atmosphere through activity in sales and exports. According to Şükrü Ünlütürk, Chairman of the Board of Sun Holding, the figures are quite promising indeed, having started to rise since the beginning of 2010. Ünlütürk, who ascribes this increase to the positive effect of the foreign exchange rate on exporters, says "We have had a propitious six months. The increase in the first quarter was especially a great relief for all of us."

Another figure which supports this rosy outlook is that the capacity utilization rate in the ready-to-wear and apparel industry rose by 10 percent to 72.6 percent according to the "Manufacturing Industry Capacity Utilization Rate" information released by the Central Bank of the Turkish Republic. And Ünlütürk's remarks bolster the straightforward truth of the figures. Ünlütürk draws attention to the fact that it is not possible to find second-hand machines in 2010 and that all second-hand machines belonging to firms which had closed their shutters have been brought back into use, perhaps by others.

Though recent changes in the foreign exchange rate and parity may worry sector representatives, 2010 came as a great relief to the sector after 2009 thanks to the measures that were taken, and it has been a year full of hope just as expected. But in order for the sector's performance to reach desired levels, it seems we shall have to wait for 2012.



FASHION DESIGN

A Success Story: IFW

Istanbul, a latecomer to the Fashion Weeks – the world's fashion spectacle – aims to solidify its position in the world of fashion

BY NESRİN AKKAS BY CEVAHİR BUĞU

WILLING TO BE A partner in French domination over fashion, America made its first stab in the area by organizing a fashion week. Thus, New York snatched the title of the first metropolis to etch the "Fashion Week" trend on fashion history from other cities which are important to the world of fashion. The event, which was met with great interest in New York, had resounding effects in the country as well as in the world at large. Naturally, there was more to come. Fashion weeks were organized in London, Milan, and then in Paris, which briefly had its laurels snatched by New York. Now, over forty countries organize events in their foremost cities under the Fashion Week title. But Istanbul is different. It is a European capital. And it's among the up-and-coming repre-

sentatives of its league. While it might be a little late to use the phrase up-and-coming for the fashion week, the third of which will take place in August 2010, Istanbul has a long road ahead of it next to cities which have been doing this for years such as New York, Milan, and Paris. However, Istanbul has been able to quickly integrate itself in the world scene thanks to the significant manufacturing base in Turkey as well as a number of fairly important and famous designers who take this business seriously.

Istanbul Fashion Week is a tangible step toward the textile sector's goal to becoming one of the world's five centers of fashion by 2023

The first Istanbul Fashion Days, which were organized in 2009, became Istanbul Fashion Week the next time around. Famed designer and Fashion Designers Association member Özlem Süer says "That such an important activity is even under the name of "week" is an indicator that it is progressing, more or less, on the right path". What did the fashion week, each of which has been more successful than the past, contribute to the Turkish textile and design sectors? Before answering this question, perhaps a look at the reasons which Turkey is included in such an important process is necessary.

FROM SUBCONTRACTING TO THE BRAND

When looking at designers and companies which have managed to be a brand

IFW gave many young designers the chance to promote their collections

all over the world and at countries at a whole, almost everyone agrees that all of them were great producers in the past. Designer and Fashion Designers Association President Bahar Korçan emphasizes the point that the brands in Turkey are somewhat impatient when considering this fact: "This is a reality that must be accepted. Louis Vuitton, the world's most important brand, is 158 years old; meanwhile, only 20 years have passed since our star started shining in the textile sector. We are far too new in this sector, but we are very strong".

As Bahar Korçan indicates, Turkey has a longstanding tradition in and experience with subcontracting, which it knows well and is successful in. This past and experience is surely at the heart of Turkey's successful textile sector. But with the shifting balance due to the global crisis, competition is continually heating up. Istanbul Textile and Apparel Exporters Association (İHKİB) President Hikmet Tanrıverdi underlines the point that "Turkey must preserve its competitive ability especially with respect to large-scale production jobs. Today Turkey is competing on large-scale manufacturing with countries such as China and Egypt".

United Brands Association President and Koton CEO Yılmaz Yılmaz is of the same opinion with Hikmet Tanrıverdi that Turkey can not be another India or China after this point, and he believes that it doesn't need to. Yılmaz, who indicates that Turkey is experiencing a massive sea change in the ready-to-wear, textile, and fashion retail sectors, says "In the past, we wanted products

abroad to bear the label 'Made in Turkey'; now, we desire the sale of Turkish brands. And this is the right target for Turkey". Meanwhile, Hikmet Tanrıverdi, spokesman of the ready-to-wear and fashion sectors, explains that they have determined their goals as a sector. Turkey's Istanbul-oriented goal for 2023 is to be among the top five fashion centers of the world.

WE'RE REALLY INTO THIS BUSINESS!

The "Istanbul Fashion Week" event is one of the tangible steps taken by the sector to achieve this goal. On the Istanbul Fashion Week which they began two terms ago, Hikmet Tanrıverdi starts explaining by saying "We're really into this business", and confesses: "Actually, we're a bit late".

Designer Bahar Korçan adds "As the representatives of the sector in a country as strong in manufacturing as

Turkey, it would be completely unacceptable if we didn't do this".

While the event is often considered late, with the masses affected by it and the interest of the world press, it soon managed to make itself felt in the world of fashion. An army of reporters, buyers, and an important crowd of visitors from Russia flocked to the event at Santral Istanbul in February 2010.

These visitor figures are not just an indication of how closely the event is being followed; it is also an important opportunity for young and talented new designers to meet and interact with global customers.

For instance, Bahar Korçan is about to begin significant collaboration as of 2011 with Brazilian contacts which solidified at Istanbul Fashion Week. Many other designers also initiated important contacts abroad following



shows where their works were displayed.

Istanbul Fashion Week is not just a setting for international cooperation. There are also important steps being taken toward brand-designer collaboration in Turkey which have been expected to solidify for a long time. The Koton and Hakan relationship is among those which command the most attention. Several highly significant developments took place in the Koton-Hakan Yıldırım relationship following their show at the most recent Fashion Week. Koton

CEO Yilmaz Yilmaz states that working with successful designers firstly improves the quality of service offered to customers, while underlining the point that it is also quite valuable for the brand's marketing. Yilmaz, who touches on the idea that the only aspect which irks brands is that the cost is rather high, adds that this expense is resolved in the medium term.

THE NEW FASHION WEEK IS MORE DARING

Just about everyone else is of the same mind. The sector learns what should and shouldn't be done in this event through trial and error. However, it manages to quickly adopt what it learns. The second Fashion Week arranged recently was also a guide for what needs to be done better at the next iteration. Hikmet Tanrıverdi also seems quite decisive about the subject of attracting celebrities to the event for it to achieve better recognition throughout the world. The event committee, which brought renowned actress Meg Ryan to Istanbul Fashion week last year, will be bringing a yet-unannounced top model and a famous designer to Turkey this year. As the Istanbul Fashion Week – which designers will unveil in the summer of 2011 – is still in the planning stage, there is little information being divulged about the details of the events; likewise, designers are also remaining mum on their shows. The Istanbul Fashion Week, which is described as "a new born baby", rapidly continues its growth each season. There's no doubt that Istanbul will be one of the world's fashion centers in 2023. Besides, it seems to have already become an alternative for the world of fashion.

IFW THROUGH THE DESIGNERS' EYES

Turkey's most important designers are quite hopeful for Istanbul Fashion Week and await each Fashion Week with great enthusiasm



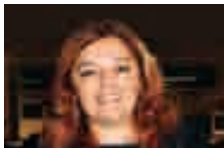
BAHAR KORÇAN

Fashion Week is an event that I have believed in from the very start. I believe that it has started some important things. While our companies and brands have naturally enjoyed a positive effect, at its essence it's an effort we have undertaken for our country. Turkey is just so ready for this. It was illogical not to carry this over to a platform. This was our debt to the country.



İDİL TARZI

For a fashion sector and fashion-related trade to exist in a country, I am of the mind that that country must have a fashion week. Since 1995, I have been going to expositions abroad for selling and marketing the design collections that bear my own name, because there isn't a fashion trade at international standards in our country. There are many other designers like me. As Istanbul Fashion Week will give local designers the chance to sell and market their collections in the country that they live in, I think it is quite important.



ÖZLEM SÜER

The journey which began with Istanbul Fashion Days will take place in the month of August under the "Week" umbrella for the second time. That such an important activity is even under the name of "week" is an indicator that it is progressing, more or less, on the right path. It's a very special meeting for announcing to the whole world just how much progress has been made in the name of design in a city where so many exciting developments are taking place and which has already proved its mettle in production.



HATİCE GÖKÇE

Istanbul Fashion week serves a transforming perception of fashion, which creates a new identity. A form is developed. A new form of expression is created. Thanks to Istanbul Fashion Week, the fashion market will now be taken much more seriously, and it also creates a base for the establishment of a set of criteria based on measurable values. I can't imagine this event in any other city than Istanbul. Turkish designers who have shown resilience will attain the successes they desire and find the appreciation they deserve.



THE COUNTRY OF COUNTLESS OPPORTUNITIES

Recep Tayyip Erdoğan, The Prime Minister of the Republic of Turkey believes in the potential of Turkey and says that it is a country which possesses the most powerful means within its region

BY BAHAR YILMAZ

Turkey, one of the rising stars of the world, is not only interested in shining for itself, but also being an example to other countries with its constructive relations with its neighbors as well as all other countries. Turkey, 17th largest economy of the world and 6th largest European economy, has become more effective in economic terms day by day with its considerable economic steps. It makes many massive investments from the construction of nuclear plants to the paving transportation tubes under the sea, which had all not been even conceived before. Turkey, in which income per capita now exceeds \$ 10.000, is also very good in overcoming the negative effects of the latest global burst. In the light of such successful attempts, Turkey is seen as a rising star by the foreign direct investors.

Despite all these positive trends, Turkey has some handicaps, which is quite normal. We met Recep Tayyip Erdoğan, Prime Minister of the Republic of Turkey and biggest architect of the latest positive developments in Turkey, and we asked him what he most wondered about Turkey and what he envisions for the future of Turkey.

What kind of position is being targeted by Turkey, which is the 17th largest economy of the world and the 6th largest of Europe, over the next five years? Are you considering a new economic formula or strategic structure for this target?

According to the OECD, it is estimated that Turkey will exhibit the highest growth rate among 31 countries in 2010. In 2011, it is projected that Turkey will be the third fastest growing country among 31 countries, after Chile and South Korea. These are very pleasing expectations. I believe that Turkey will make its mark on the next few years with this dynamism, and will make a name for itself in the whole world. We have many reasons to look at the future with hope. It should be enough to look at where our country has come in just the past 7 years. Between 2002 and 2008, our economy has achieved a very significant average growth rate of 5.9 per cent. The Turkish economy, which came to the brink of disaster in 2002, has become the world's 17th largest economy in a very short time with the dynamic performance of its growth.

The 17th largest economy, while it was previously the 26th largest economy... This development indicates a very significant acceleration. The distance we have covered in such a short time is a result of Turkey's capacity.

Turkey is the only country whose credit rating has gone up two ranks in spite of crisis conditions. This alone is enough to show how successful Turkey is in crisis management. We observe with great satisfaction that our economy has straightened out to a significant extent over time, and that a positive course has come to dominate the indicators. For instance, despite crisis conditions, Turkey continues the important process of recovery in terms of its debts. Con-

trary to claims that have been made, the increase in Turkey's debts over a seven year process has actually stayed at a very low level in comparison to the increase in its national product. According to the European Union Maastricht Criteria, the ratio of gross government debt to Gross Domestic Product must not exceed 60 per cent. We have brought this ratio, which was at around 74 per cent in 2002, down to the level of 39.5 per cent by the end of 2008. While the interest rate was 62.7 per cent in 2002, interest rates are seeing historic lows at 8 per cent this year. Looking at this whole table, we can comfortably say that Turkey has, today, achieved the best levels of its history considering the amount, ratio, and essence of its debts. As a consequence of our disciplined financial management, the ratio of interest expenditures to the Gross National Product has continued to drop in a controlled fashion since 2002. Our goal is to pull this ratio, which was 14.8 per cent in 2002, down to 5.5 per cent in 2010. Our most important target in particular is for Turkey to reach an important position in its region by continuing stable growth, and to foster co-operation which will ensure the growth of its neighbors along with itself. The targets we have placed within our axis of growth, which we have based off of our exports, actually provide an important clue about the kind of Turkey we are aiming for. That is to say, I believe that we will easily realize the 500 billion dollar export target that we have set for the year 2023, because Turkey already has the potential to achieve this. Increasing employment, strengthening the financial structure, developing added value sectors... All these goals are not independent of one another. Even the change we have experienced over the past eight years was once a dream. But now we see that Turkey has realized these. And it pos-



sesses the necessary strength to achieve much more and to step up to an active position in its region and the world. With the overtures we have realized in our foreign policy, one can travel across the whole region with no need for any kind of visa. This has had an important effect not only on service sectors such as



Prime Minister Recep Tayyip Erdoğan says that the government will be encouraging manufacturing, pharmaceuticals and aircraft as well as many other industries

economy and of humanity? What do you think Turkey needs to produce, in which areas in order to become a star?

As we all know, the whole world is going through one of its deepest and greatest financial crisis of its history today.

All countries, particularly those which are developed and those which are developing, have had to and are taking steps to spin the gears of their economies once more. Frankly, we are going through a period where global cooperation, collaborative thinking, and the creation of cooperative policies are at their most needed. Likewise, the primary item on the agendas of such organizations as the G-20 platform (which Turkey is also a member of), the IMF, the World Bank, and the OECD has been to bring the world economy out of this crisis immediately. The most essential principle that has been agreed upon among countries is that the world economy cannot exit this crisis on its own without supporting intervention by governments, or that this would take an unbearably long time. For this reason, countries have enacted policies and continue to take measures which support manufacturing, employment, and demand by their own means with their Central Bank policies as well as with public financing measures.

We have seen that just about all countries have cut interest rates in order to bolster demand and have supplied capital to financial institutions in distress. As it became clearly apparent that fiscal policy measures would not be enough on their own, governments put series of precautionary financial packages into action. As a result of these intense efforts, market fluctuations have been reduced, expectations have become positive again, and the rate of shrinkage in production and employment has slowed down. Of course, it will take time to reach the high increases in production which were ob-

served over the past few years. But it can now be said that the process has started to move toward a positive direction on a global scale as well.

The measures taken during the crisis has brought the financing of budget deficits and the maintenance of gross debts to near untenable levels. Many developed countries will be exiting this crisis with the highest budget deficits and gross government debt ratios that have ever been seen during peacetime. With this knowledge in mind, government started to plan for and draw out where from and how the public support given during the crisis will be recompensed in order to overcome anxieties over the ability to pay these debts. Inability to ensure financial continuity may, in time, cause economic and financial instability, increasing the fragility of the economies. The threat of inflation tops the list of likely problems. The high budget deficit and public debt can create pressure over price stability by triggering inflationary risks. Another worry is that the flexibility of the decisions that governments may take against likely shocks could become limited due to the broken financial structure. High gross public debt may also affect growth negatively in the long term by causing interest rates to increase and by creating the expectation that tax rates will increase.

What happened lately in countries which are members of the European Union – those in the Eurozone, at that – is a clear illustration of the dimensions that the problem can reach. In particular, countries with a high budget deficit and gross public debt, which wrestle with the extra expenses that high interest rates have brought while also dealing with the low rate of growth, are not able to exhibit the desired performance in increasing their tax revenues. Furthermore, countries whose financial outlook has been significantly damaged by the financial crisis will

tourism, but even on businessmen from the corporate world who make exports. This situation was once a dream.

What fields will Turkey, which exited the last crisis with the least harm, need to make contributions to in order to support the development of the world

also face financial pressures created by the aging population in the medium term. If action is not taken starting today, the rate of public debt to the gross domestic product will continue to increase over the next few decades. As the European Central Bank pointed out, if the structural budget deficit was dropped to one five thousandth of the gross domestic product, it will take more than twenty years for the Eurozone's debt ratio to return to pre-crisis levels. And this shows, as stated by

predictability have differentiated us from many countries in this crisis; as what Turkey will and will not do over the next three years is clear, there is no unpredictability to speak of.

Of course, taking these kinds of decisions to ensure financial balance is not so easy, politically speaking. But it must not be forgotten that to postpone these decisions and not to take steps to ensure the long-term country's financial sustainability would have very, very grave effects on the economy. We

peace and tranquility in our region are known to all of you.

Turkey is in a quickly developing and growing position in its region. What is it doing with this position to attract the developed manpower and the capital of its region? What stages does Turkey have to go through to become a center of attraction?

As a government, we are determined to take all measures which will increase growth and investments. As you know, we developed a new incentives system, and have collected the views of all the involved parties while doing so. We determined the requirements. The new incentives system will support investments which will increase our country's power to compete, raise its production potential, create lasting fields of employment, and will reduce regional developmental differences to the minimum. Our new incentives system will also support segmentation among sectors as well. We have divided our new incentives system into three groups, namely Grand Project Investments, the Regional and Sectorial Incentives System, and the General Incentives System.

The incentive devices we will use, which will be applied differently in the cases of regional and grand project investments, are:

Institutions tax or Income tax cuts; having the Treasury cover the employer's share in SSK (Social Security) premiums for a certain period, which is directed toward new employment; covering a portion of the interest of the credit to be used for investment in underdeveloped areas; the allotment of a place for investments within a framework of principles set on the basis of regional, sectorial, and grand projects; and VAT exemptions and customs tax waivers in the purchases of machinery.

We have determined twelve sectors for Grand Project investments which require high technology and capital, will increase our country's technological and R&D capacity, and will take our country to the next stage in terms of production structure. We will particularly be supporting large investments in Chemical Materials and Products Manufacturing and Refined Petroleum Products Manufacturing, where our foreign trade deficit is high. Meanwhile, Supply Services via



European Commission President Barroso, that "the public finance gains made in the twenty year period before the crisis have been lost due to the crisis."

At every step, we make our move without letting these painful experiences of the past slip our minds. For this reason, while everyone tended toward increased spending last year, we said "This is going the wrong way. The bill and burden of an increasing public deficit will be heavy. Now it's time to step on the brakes; let's straighten ourselves out", and narrowed the scope of tax cuts. Later, in the month of September, we ended public assistance. With our Medium Term Program, which we also announced in September, we explained how we will reduce our budget deficits, step by step, and how we will keep our public debt under control while doing so. We did not just announce this as a program or as a projection; we have also started to apply it in practice with the measures we have taken. This program – which we announced last year – and

should be able to understand how appropriate and well-aimed all of these decisions have been when looking at the problems faced by countries in the European Union and even the Eurozone nowadays.

Our primary goal is a Turkey which grows stably, shares its revenue more justly, possesses the ability to compete on a global level, has transformed into an information society, and has completed the compliance process for membership in the EU. A Turkey which has realized these goals will provide the greatest contribution to humankind. But there is another matter which is much more important; the land we live in has been longing for peace and tranquility for many years. This land must distance itself from the crises, distress, and wars it has experienced and rest. Then we shall see that this land that we live in will make a great overture. In this sense, Turkey can make a great overture to address the need for peace and tranquility. And it is... The undertakings we have recently embarked on to ensure

Transit Pipelines, which require a high investment in order for our country to become an energy corridor, will also be encouraged within the scope of Grand Projects. Motorized Land Vehicles Manufacturing is also an important sector for our country in terms of international competition. Particularly with the aim of manufacturing new models in our country and for it to continue its competitive position in the region, we will be supporting investment projects of at least 250 million TL in this sector within the scope of Grand Projects.

As you know, we have made significant improvements in the transportation infrastructure over the past few years. In this area, we give special importance to railroad transportation and port service investments. The Electronics Industry in

prises the second leg of our new incentives system, we aim to create a suitable environment for investment by reducing regional developmental differences and by bringing segmentation among sectors to the forefront.

We have taken the Nomenclature of Territorial Units for Statistics, which is also used by the European Union, as a basis in this area. Using the framework provided by this classification, we divided our provinces into four regions on the basis of their socio-economic development. Labor-intensive sectors such as agriculture and agriculture-based manufacturing industries, ready-made clothing, leather, plastics, rubber, and metal goods in the 3rd and 4th regions, which largely consist of our eastern and southeastern provinces, will be given

Our investors will pay institutions tax at rates of 10 per cent in the 1st region instead of 20 per cent, 8 per cent in the 2nd region, 4 per cent in the 3rd region, and 2 per cent in the 4th region from the profit that they will gain from their activities in their new investments. The period of being able to benefit from the reduced institutions tax rates will vary according to the region and size of the investment. Those who invest in less developed regions will be able to benefit from this opportunity for longer times. Those who invest will not pay the SSK employers' premium for the new employment they provide for 2 years in the 1st region, 3 years in the 2nd region, 5 years in the 3rd region, and 7 years in the 4th region. Our Treasury will cover 3 points of the 3rd region and 5 points

“With the Regional Incentives System, we aim to create a suitable environment for investment by reducing regional developmental differences and by bringing segmentation among sectors to the forefront”

our country is a strong industry with its experience and skilled workforce. We will encourage Grand Project investments to be developed for the manufacture of products which have higher added value. The health sector in our country is a sector which is continually developing and has great potential. We will support investments in pharmaceuticals and medical instruments with the aim of reducing our external dependence in this sector and in order to create a production center in our region. We will be encouraging investments in the manufacture of aircraft, which there is an existing foundation for in our country and which requires high technology, and the manufacture of machines of a certain size within the scope of grand projects. Finally, we have included mining sector investments, which require high technology and capital due to their nature, in order to activate our country's potential in this sector within the scope of grand investment projects as well. With the Regional Incentives System, which com-

incentives. In addition, tourism, health, and education investments in these regions will also be supported. In the 2nd region, sectors which are relatively more technologically intensive will be supported, particularly the machinery, smart multifunctional textiles, non-metallic mineral products, paper, food and drinks manufacturing sectors. Meanwhile, in the 1st region, investments will receive support largely in areas requiring advanced technology such as motorized land vehicles and auxiliary industries, electronics, pharmaceuticals, machinery manufacturing, and medicinal, delicate, or optical equipment manufacturing. Investments which do not fit in the scope of the sectors laid out in grand investments or in regions will be supported in the scope of the General Incentives system by a VAT exemption and customs tax waivers.

I would like to provide some brief information about how much we will contribute to investments with our new incentives system.

in the fourth region of the Turkish Lira credit interest used by those who invest in the third and fourth regions. These rates have been determined as 1 and 2 points respectively for credit of the foreign currency variety. The upper limits of credit will be 300 thousand TL for R&D and environmental investments, and 500 thousand TL in other investments. Grand project investments and investments determined on regional and sectorial bases will benefit from the allotment of an investment area. With the aim of reducing regional differences and increasing employment in the 3rd and 4th regions, we are offering a new opportunity to entrepreneurs who are involved in the textile, ready-to-wear clothing, leather, and leather products manufacturing sectors in the 1st and 2nd regions. In this area, the SSK employers' premium will be covered for 5 years by the Treasury for companies who move from the 1st and 2nd regions to the 3rd and 4th regions by the end of 2010, and an institutions tax rate of 5 per cent will

apply to these companies instead of 20 per cent, while moving costs will also be covered.

I find it beneficial to reiterate a certain point here:

We are enacting this incentives package with the aims of turning the crisis environment into an opportunity and increasing our competitive ability. Therefore, we aim to put investments which will benefit from this system in action as soon as possible. I would like to emphasize that only investments which have begun by the end of the year 2010 will benefit from the new investment incentive system.

You have taken important steps regarding Turkey catching up with modern democracies, particularly with the constitutional amendment package. But there are also decrees within the current Constitution concerning matters such as planning and forestry which have fallen behind in your vision of change. Isn't a new constitutional amendment package which also includes economic decrees on your agenda?

I do know that you too state that you are unhappy with the current constitution and that it needs to change in at every opportunity and in every platform. We have accepted all sorts of risks, and in the month of July, with the rights bestowed

upon us by our nation, we have realized the largest, most comprehensive change in the constitution in 28 years. We said "let's make another constitution." Unfortunately, we faced some obstacles. You have seen how the attempts we began before were blocked off. In fact, you saw how MPs were not sent to the voting cabins. Of course, these are unpleasant scenes which are not desired in democracies. I believe that our country will overcome these issues as well. Turkey needs a fully comprehensive civil constitution, and I believe that we will realize this constitution with the agreement of all segments of society. We have the willpower required for this. A constitution which provides not only economic decrees, but meets all needs and requirements of the age is our country's right.

What will Turkey's EU strategy be for the next five years in the light of the recent developments in the European Union and the Eurozone? Do you regard the EU's troubles as an opportunity for Turkey?

Despite the unjust attitudes we have faced in our relations with the European Union for time to time, we have always preserved the sincerity and determination of the very first day. By opening the 13th Chapter, Food Safety, Veterinary, and Phytosanitary Policy to negotiation, we have shown how

determined we are regarding the subject of EU membership. Now we await the same determination and seriousness from the member countries. Turkey's foreign policy is not one dimensional. We are trying to reach all corners of the world and to improve our relations with every country through heavy diplomatic traffic.

But the matter which is important to us here is this: we must regard the accession process as a period where the development of our country is accelerating and where a comprehensive renewal and reform process will be experienced, during which developmental differences will shrink within the country and in relation to EU averages. At the end of this process, a level of progress close to the EU's economic and social standards will also be achieved. One of the important matters here is that membership in the EU will create an important synergy in terms of the development of the Union and Turkey alike, for reasons such as our country's historical accumulation, economic potential, cultural wealth, young population make-up, and position as an energy terminal. As our country's potential for growth increases with the rise in direct foreign investments and activities in resource usage, the EU economies will be positively affected by Turkey joining the Union due to market expansion, a



Turkish Prime Minister Erdoğan: "I believe that Turkey will make its mark on the next few years with this dynamism and will make a name for itself in the whole world"

more competitive domestic market, and increases in production factors. This process will not only be beneficial from our perspective, but it will contribute to the welfare of both the Union and our country. The country's priorities and means must be taken into account during the process of complying with the *acquis communautaire*. We are prioritizing toward compliance, while also taking as a foundation an approach which accounts for the public's means for financing, the private sector's ability to compete, employment, regional development, the environment, and social balances. Of course, another matter is that we are creating the required administrative capacity for the effective enforcement of legal arrangements that have been made with the aim of compliance. We are also determining and addressing flaws in our implementation. Of course, an important matter here is that Turkey possesses a growing and strong economy. This situation is an advantage for the EU as well. We can develop our mutual points and benefits. This is an important point not only for Turkey, but also for the EU.

Unemployment appears to display the most negative performance among the macro indicators today. What is your estimate for unemployment after five years?

The economy of Turkey had grown at a rate of 7.4 per cent in 2000, the base year of the 8th plan, but shrunk at a rate of 9.5 per cent as a consequence of the crisis in 2001. In the post-crisis era, important steps have been taken toward macroeconomic stability thanks to tight financial and monetary policies which were applied decisively, ensuring high growth performance. Likewise, the GDP grew at a rate of 7.3 per cent on average per year in the 2002-2005 period. As a result, national income per capita, which was 4,130 dollars in 2000, rose to 7,021 dollars in 2005. While the realization of structural reforms and privatization strengthened the public's regulatory and supervisory role in the economy, the weight of the private sector in the economy has also been increased. As a result, with the additional contribution of the environment of trust which was created in the economy, economic growth was based on the private sector, and while private consumption increased by 6.8 per cent on average per year in the 2002-2005 period, private

Prime Minister Erdoğan met Bono before U2 concert in Istanbul in September and Bono gave him an iPod as a gift



investments increased at a rate of 19.7 per cent per year on average.

What does Turkey, with its human capital, physical infrastructure, and legal system, fundamentally offer to foreign investments?

Turkey is a country which possesses the most powerful means within its region. In addition, it also contains innumerable possibilities within. But the most important of these possibilities is that it is a central country. For instance, the area you can cover during a four hour flight from Istanbul today means a landscape which is easily accessible. Today, Istanbul is the most attractive area for many global firms and investments. Its skilled human resources, infrastructure open to development, and unlimited resources offer extremely attractive possibilities to foreign investors. Every gate and flight route our airlines open fill up in a very short time. This is no coincidence. It is proof that Turkey has become attractive both in its region and to the world. Besides being a result of the leaps we have made toward growth in order for Turkey to be so economically active, it is also a result of the might and devotion of the

Turkish people, who make exports to the four corners of the world. Due to its geographic position and developing structure, Turkey is a central country.

Another important factor in foreign investors choosing Turkey is that Turkey has been nominated to important roles in several areas. In particular, its leap toward growth in the financial and economic areas offers quite a few possibilities to the foreign investor. The decision we have made for Istanbul to be an international financial center has especially been met with satisfaction in many places; furthermore, it was seen as a necessity. We all follow the development of this subject together anyway. Meanwhile, visas have been uplifted as a result of the normalization of our relationships with our neighbors, which has increased trade as a result. That our communications infrastructure has been updated to suit the needs of the era has also provided an important advantage. These are chances which strengthen Turkey's importance and offer convenience to foreign investors.

I believe that the number of firms and people who invest in our country will increase unbelievably over the next five years.



WHEN DARKNESS FALLS, THE STARS SHINE BRIGHTER

Turkey, which has become an important economic power, stands out among its rivals with its export based growth performance.



BY SINAN KOPARAN



BY AHMET BİLAL ARSLAN

JUST A FEW MONTHS ago, the realization of the economic dysfunction of high-income European countries which are known for welfare and wealth sent Germany and France, the key players of the region, into shock. In the disappointment of having funded the misadventures of their Mediterranean brethren in the European Union, the two manufacturing giants proposed several precautions. German Prime Minister Angela Merkel emphasized the necessity of urgent financial precautions and the need to tighten the belts of countries needing rescue. The picture drawn by Germany was quite frightening. Merkel says that the region's common currency, the euro, could face collapse if the current crisis grows, adding that such a turn which would shake the EU down to its very foundations.

France, another of the region's most important countries, is not of the same mind as Germany on the precautions that ought to be taken. French President Nicolas Sarkozy draws attention to the idea that tightening the belt too much would further slow down the gears of the economy. The outcome of this debate between Angela Merkel and Nicolas Sarkozy interests Turkey just as much as any other European country as Turkey makes nearly half of its exports to Europe. The crisis exit strategy that will be followed by regional administrators will directly reflect on Turkey's growth rates.

TURKEY IS GROWING

At this point it can be said that Turkey has passed an important threshold. As the world still wrestles with the wreckage of the global crisis, Turkey is rapidly progressing on its way in the pack of developing countries. With a financial system which has managed to remain standing – and has even continued to grow – during the global crisis and a real sector which has started to spin its gears again at the very first chance, Turkey finds itself inching forward in the pack of developing countries each day. Predictions made in the negative atmosphere of the global crisis have had to be re-evaluated in the face of this rapid growth. The World Bank's Global Economic Expectations 2010 report indicated that Turkey was expected

to grow 6.3 percent in 2010, 4.2 percent in 2011, and 4.7 percent in 2012. Double-digit growth rates declared in September indicates that growth in 2010 will be higher than predicted. What underlies these figures, which several of the world's developed countries cannot even dream of achieving, is a Turkey which is capable of production and selling the fruits of production. But Turkey cannot afford to stop or slow down in this race for an instant. Gaining more market share in this period, a time when all developing countries are earnestly racing forward, translates directly to higher growth.

EFG Istanbul Lead Economist Baturalp Candemir says "Exports must absolutely be increased so as not to forfeit growth".

Undoubtedly, exports play a significant role in the predicted growth of 6.3 for Turkey, which shrank 4.7 percent in 2009. Of course, the effects of the recession the year before have strongly

EXPORTS PLAY A SIGNIFICANT ROLE IN THE PREDICTED GROWTH OF 6.3 FOR TURKEY, WHICH SHRANK 4.7 PERCENT IN 2009. OF COURSE, THE EFFECTS OF THE RECESSION THE YEAR BEFORE HAVE STRONGLY INFLUENCED PREDICTIONS FOR 2010. STILL, THE EXPECTATION OF GROWTH ALLOWS TURKEY TO STAND OUT EVEN AMONG OTHER DEVELOPING COUNTRIES

Industrial production in particular, having shown uninterrupted growth, indicates that Turkey is on the right path



influenced predictions for 2010. Still, the expectation of growth allows Turkey to stand out even among other developing countries. Industrial production in particular, having shown uninterrupted growth, indicates that Turkey is on the right path. According to the Turkish Statistical Institute's figures, the industrial production index in August 2010 increased 11 percent over the same period last year and 0.8 over June 2010.

The increase in industrial production means that Turkey is able to sell what it produces in domestic and foreign markets alike. According to The Turkish Exporters Assembly Turkey's exports in the first nine months which amounted 73.8 billion dollars in the same period last year, reached over 82.1 billion dollars with an increase of increase of 12.4 percent. And this increase did not just occur in 2010. Over the course of the past year, export figures surpassed 105.46 billion dollars.



Along with its growing economy and increasing production, Turkey, which has been gradually escaping the negative effects of the crisis, is also making headway in dealing with its greatest problem: unemployment. This problem, which Turkey has battled against for years, took on even gloomier proportions in the process of the crisis, now nearing two years. Unemployment figures reached 14 percent, but have started to show a reversal with the restructuring undergone by Turkey, particularly in industry. State Minister and Deputy Prime Minister Ali Babacan says "We have entered a period when more of our citizens will gain jobs as liveliness in industry, exports, and the services sector continues". The acceleration of activities to lift barriers before the creation of new jobs is directed toward overcoming the increase in unemployment figures in the aftermath of the crisis. The laws numbered 5084, 5350,

and 5615, which were enacted in 2004, 2005, and 2007 respectively, contribute to the process particularly by lightening the expenses faced by employers in providing jobs.

COVERING THE WHOLE COURT

The stability and continued increase of export figures are highly important to continuing the progress being made in industrial production and against unemployment. However, exactly how Europe will manage the crisis will have determinative effect on the ultimate outcome. If Europe opts to tighten its collective belt in the upcoming period, which seems fairly likely, there could be a significant reduction in the size of the market. But activities undertaken by the Turkish private sector and related institutions may overcome the effects of likely shrinkage in the European market on Turkey's

export figures. That over a billion people live at a distance of just four hours away by flight means there is a wider market that can be exploited. The lifting of visas for several neighboring countries has also had a positive effect on the economic liveliness. Moreover, Turkey has earned the authority to sell products and services in many corners of the world, not just in bordering countries. Former President of The Investment Support and Promotion Agency (ISPAT) Alpaslan Kormaz says "We used to make 60 percent of our exports to EU countries; this has now gone down to around 48 percent. Why? Because we found new markets. We are opening up to new markets. By finding new markets from Latin America to Asia and Africa, we have addressed the distribution of risk".

Meanwhile, as Turkey propels itself into the future, it also derives power from its internal dynamics. Particularly in the first chaos-ridden days of the crisis, which were ridden by chaos around the globe, efforts toward enlivened activity helped manufacturers remain standing during the coldest days of the winter. The support provided by domestic consumption has undoubtedly contributed to growth rates thus far. Bahçeşehir University Faculty of Economics Dean Prof. Dr. Taner Berksoy says "A reduction in demand will appear with the distress in Europe. It looks like this reduction will also encompass part of 2010. Therefore, growth based on internal demand may be more advantageous. Internal demand is becoming livelier in Turkey, which further animates the economy". In fact, most of the currently developing countries are keeping their economies alive and pumping by turning to domestic consumption. That growth is happening especially in densely-populated countries is an indicator of this. However, the longevity of growth which depends on internal demand is a contested topic, as the rising current account deficit and pressure of inflation may deem the long-term sustainability of such growth somewhat risky.

THE RISK-REDUCING RULE

However, if considered as a transitional process, growth based on domestic consumption will be of life-saving significance to Turkey and other developing countries for a short time. Preservation of economic balances is the key. Prudent limitation of administrative spending directed toward supporting growth is among the most important of these balances. With this issue in mind, Turkey has devised a fiscal rule as part of the Midterm Program. Deputy Prime Minister Ali Babacan says "With the Midterm Program we were a step ahead of Europe; with the fiscal rule we took five steps ahead" on the subject of the fiscal rule, which aims for budget deficit of 1 percent and growth of 5 percent.

The mere mention of the fiscal rule was enough to change Turkey's perception in the world. Credit rating agencies, which have kept Turkey's score below what it ought to be to this date, have been signaling that they might raise Turkey's score with the fiscal rule. For Turkey's move to really turn into an advantage, it is necessary for the fiscal rule to enter practice in its entirety. Murat Üçer, economic consultant for tax and auditing firm Deloitte and Turkey Data Monitor Managerial Partner, says "Turkey can make up for the situation in Europe by strengthening its own game plan. The fiscal rule is an especially important step in this sense. However, care must be taken in its implementation. Turkey might positively distinguish itself if it is made to look as if there is political will behind this. Therefore you need to create an aura of genuine belief in fiscal discipline and that it is applied down to the letter. The auditing institution's first report will be read with great excitement by analysts".

THE TCMB'S WISE STEPS

Another topic which has especially interested analysts following Turkey is the interest rate strategy that Turkey will take in the framework of a crisis exit policy. In fact, it's not only analysts who are following this strategy. The interest rate policies of the Central Bank (TCMB) carry great importance not just for investors, but also for manufacturers and exporters, not just for investors. The TCMB, which has been one of the quickest banks to respond to the crisis, reduced interest rates even further than what many economists expected and supported the government's move to stimulate domestic consumption. Undoubtedly the stability of foreign exchange rates and reassuring inflation data somewhat eased the TCMB's job. Fortis Lead Economist Haluk Büürümkeçi says "TCMB was among the banks which cut interest rates early on, which has been a good thing. But the environment also allowed banks to slash rates".

Now, it appears the environment is still suitable for keeping interest rates low. Inflation, which hit double digits in the earlier months of the year, returned to the single digits as of May. According to the Turkish Statistical Institute's figures, inflation in August showed an increase of 0.40 percent in the CPI, and an increase of 1.15 percent in the PPI. The foreign currency front has been rather stormy in the meantime. The loss of trust in the euro sparked by the Greek crisis has had the euro rapidly losing value against the dollar. Exporters are undoubtedly the most affected by this devaluation. From the beginning of January to mid-June, the TL gained 13.7 percent in value against the euro. Turkey's exports to the



10.3
PERCENT

Growth in GDP
in the first half of
2010

12.4
PERCENT

Increase in exports
by the third quarter
of 2010 over the
same period in
2009

\$83.8
BILLION

Exports from
Turkey by the
third quarter of
2009

\$82.1
BILLION

Exports from
Turkey by the
third quarter of
2010



INDUSTRIAL PRODUCTION IN PARTICULAR, HAVING SHOWN UNINTERRUPTED GROWTH, INDICATES THAT TURKEY IS ON THE RIGHT PATH. ACCORDING TO THE TURKISH STATISTICAL INSTITUTE'S FIGURES, THE INDUSTRIAL PRODUCTION INDEX IN AUGUST 2010 INCREASED 11 PERCENT OVER THE SAME PERIOD LAST YEAR AND 0.8 OVER MAY 2010

area continue to increase in spite of a more valuable lira. Among the proposed alternatives to overcome the TL's overvaluation against the euro and to support growth is to have the TCMB raise its daily foreign currency purchases from 30 million dollars to 200 million. In truth, however, these problems will only have effect for a limited time. As the euro continues to lose value, the current account balance of the region's countries will start to increase and the euro will gain in value again. This development, which will mean the TL losing value against the euro, may allow for a significant increase in exports to the area.

By turning to domestic consumption and increasing the variety of its target markets, Turkey is succeeding in making it through this process with as

little damage as possible. The performance displayed by Turkey during the crisis, having gained a position as an important economic power in its region within the current structure, will also make an important contribution to its post-crisis economic development thanks to the trustworthy image that has been cultivated. Quite a bit of data shows that developing countries will possess much livelier economies in the upcoming period. In a time when several Asian countries are returning to pre-crisis production capacity as the effects of the crisis have abated, it seems that Turkey is also about to reach the plateau at the top of the hill. While the crisis showed that several countries didn't stand on the solid economic foundations they appeared to, it also showed that many were more structurally sound than what was thought. The truth is that the weather around Turkey is clouding over; but as the sky darkens, Turkey is becoming more visible.

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POST-CRISIS PROJECTIONS

Analysts and academics think that Turkey will be among the fastest recovering countries after the global financial crisis.



TANER BERKSOY

Bahçeşehir University, Dean of Faculty of Economics

Some developing countries, mostly found in Asia but also including Turkey, will play a more active role in the process of exiting the crisis than developed countries.



BATURALP CANDEMİR

EFG Istanbul Lead Economist

A strong banking system and a better functioning economy in comparison to Eastern European markets makes Turkey stand out.



HALUK BÜRÜMCEKÇİ

Fortis Lead Economist

TCMB was among the first banks to reduce interest rates. And it was good that it did so. The environment also permitted these interventions. There were no difficulties with regard to foreign currency or inflation.



DIVERSIFYING EXPORTS, SUSTAINABLE GROWTH

Mehmet Büyükekşi, The President of Turkish Exporters Assembly shared his visions and predictions on exports, growth and macroeconomic policies with The Turkish Perspective

BY SİNAN KOPARAN BY CEVAHİR BUĞU

EXPORT FIGURES ARE VERY promising. Have the hard times been left behind?

As of the month of December there have been double-digit increases. The long-awaited growth is realized, particularly after the global finance crisis in 2009. Over the course of the crisis, world trade had dwindled down to 12.3 trillion from 16 trillion. Now a volume of around 13 trillion dollars is expected. In the first five months, we experienced growth of approximately 24 percent in exports. Exports are very important to Turkey. It has had important contributions to our growth over the past few years. We announced our export figures here as Tur-

key grew for 27 quarters consecutively. Exports are the engine of growth, of the utilization of capacity, and of industry. We said that exports would increase between 20 to 30 percent as of January 1st. And this is what we saw, more or less, during the first five months.

While many developed countries in the world are going through a rough time, Turkey is getting over this period more comfortably. What is the fundamental cause of this situation?

If we were to look at countries in Europe, there are very big problems; particularly in Greece, Portugal, the United Kingdom, and Italy. Turkey's situation

seems much better from outside. That our banks have a strong fiscal foundation, that everyone escaped unscathed from the crisis, and that no banks have required government assistance during this time show just how important our financial structure is. Meanwhile, in many European countries, the Maastricht criteria and budget discipline are not even in consideration. Turkey, however, possesses a structure highly suitable to these criteria at the moment. The Midterm Plan made by Turkey last year plays an important role in this area. Several credit agencies have raised Turkey's score. Of course, there have been negative developments; but these developments did not leave lasting scars.

The growth of exports is accelerating. However, Turkey still has an important problem in unemployment. Will the growth of exports contribute to solving this problem?

We have seen the rise in exports reflecting positively on employment figures. This is seen very clearly in the exporters opinion poll that we prepared. There are nearly 30 questions in this poll, and whether companies took on new employees over the past few months is among these questions. In the first period, half of our members answered this question with a "yes". In the next period, this figure was 25 percent, but a large amount of employees were hired in this period as well. And this shows us that the rise in exports reflects on employment. I hope that these increases will continue in the upcoming months. I also participated in the national employment strategy meeting on behalf of the Turkish Exporters Assembly. We believe that significant steps can be taken if the barriers before employment are lifted. Working hours are especially prominent on the agenda. No employer wants to have their employees work harder and pay them 50 percent higher wages. This is what is necessarily being done right now and new employees cannot be hired. The reason they can't be hired is severance payments. This issue is really a bleeding wound; it is also a great source of distress for employees. Many employees work for a short time under a contract and leave when the time is up. Unfortunately, those who perpetually work

like this have nothing to gain from it. By protecting rights gained thus far, the creation of a severance payment fund and by paying a set severance premium, it can be ensured that no worker's severance is snatched away. Thus employers can hire new workers instead of having their existing employees work harder and paying larger amounts.

Exports are slated to play an important role in Turkey's plans to grow in the upcoming term. What kind of road map are you drawing for this?

While our exports were at around 30 billion in 2001, they were 132 billion dollars in 2008, and are around 102 billion dollars today. There has been a 3.5-fold growth. This is a non-trivial amount. In 2023, which will be the hundredth year of our Republic's foundation, our aim is to make 500 billion dollars of exports. So we need to increase our exports on an average of 12.5 percent per annum. We are about to complete our efforts toward ensuring this. We will have a meeting to make a decision in the near future, after which we will present our decision to the Economic Coordination Committee, the Prime Minister, and the President. Our aim is to transform it into a governmental project. Eight ministries and the undersecretariates connected to them, public institutions and establishments, academics, non-governmental organizations, and the heads of our other unions are voluntarily participating in this project.

How can the economic difficulties being felt in the world, particularly in Europe, affect Turkey's export figures?

In 2008, we were making 54 percent of our exports to European countries. According to the 2009 figures, however, we made 48 percent of our exports to the European region. Meanwhile, we make 46 percent of [our exports] in dollars, and 6 percent of it in other currencies. We actually have two problems with trading in Europe. We sell products in the currency of the region's countries. When selling products at the beginning of the year, the dollar-Euro parity was at 1.41; now it is around 1.20. So when we sold a 100 Euro product at the beginning of the year, the exporter received 141 dollars. Selling the same product

now, however, they receive 120 dollars. That's a loss of 15 percent, and this loss comes out of the exporters' pockets. The second problem is a reduction in demand due to the crisis in the region. And the reduction in demand negatively affects exports. As demand sinks, pressure on pricing rises. If demand doesn't go down, you can increase the product's price and sell it. This is the quandary we are in with regard to exports. We are worried that it will reflect negatively on our exports as of the upcoming July.

What kind of strategy is Turkey following in order to mitigate the effects of the reduction in demand by Europe?

Exports have been diversifying. We have furthered our commercial relationships with nearby countries and our neighbors within the framework of our new strategy. As a result of the expansion to Africa, the share of the exports we make to the region within total exports went up from around 4 percent to 8 percent,

"We need to increase our exports on an average of 12.5 percent annually in order to reach 500 billion dollars in exports by 2023. We are about to complete our efforts toward ensuring this. Our aim is to transform it into a governmental project."

while the share of our exports to the Middle East went up from 14 percent to 18 percent. While our exports to Egypt increased by 100 percent, exports to countries such as Libya, Algeria, Iraq, Syria, and Turkmenistan increased between 60 and 30 percent. However, our exports still lost 22.5 percent of their value by the end of the year. We see now in hindsight that if our new strategy hadn't been enacted, our exports could have dropped much more. The "zero problems with neighbors" policy followed by our government has had an especially great effect. The lifting of visas for several countries in the aftermath of this policy has also had a positive effect.

Right now you can enter 51 countries without a visa.

Foreign currency rates have again entered a zone which makes exporters nervous. What kind of precautions do you have against the overvaluation of the TL?

The real problem before exporters is the exchange rate. The pressure on the rate over the past few years did create distress for exporters, but exports increased in spite of it. But continuing unease may prevent the growth of exports. Economists believe that world commerce will take until 2012 to reach 16 trillion dollars again. Because of this, we can't keep our expectations too high. Therefore we must place an anchor before the establishment. We thought that this anchor ought to be based on the return rate of exports over imports. The current account deficit appears very high in the figures published for the first four months. Moreover, we suggested the taxation of incoming hot money with a stoppage of 1 percent. We recommended the creation of an exchange rate stability fund. Other sources may also appear with this fund. In summary, we requested precautions which would allow exporters to defend themselves. There have not been any developments so far on the subject.

The Central Bank's (TCMB) monetary policy has a significant effect on the performance of exporters. What kind of policy do you expect from the TCMB?

The policies of the TCMB must be divided into two; in the last term, the TCMB only focused on price stability, increasing interest rates to reduce inflation, and applying a policy of high interest rates and low exchange rates. Before the crisis started, interest was at 16.5 percent. Then the TCMB was the fastest central bank to slash interest rates. We showed our support whenever the TCMB cut interest rates. It's very important that the TCMB keeps interest rates low in the upcoming period. We have made some recommendations to the TCMB. One of these is that the TCMB announces its end-of-year foreign currency purchasing target. Another one of our suggestions is for the treasury to take on debts in foreign currency.

Shattering Taboos:

MACHINE MANUFACTURERS

The machinery sector, which has proven itself capable of producing high-quality products and has made a name with its quality in the European market as well, aims to shatter negative perceptions of Turkish-made machines first in the domestic market and then abroad

BY F. EMRE YILMAZ BY GÖRCAN ÖZTÜRK



AN ADVERTISEMENT ON television... Those who see it and just about anyone who is more or less involved in the world of business and industry are wondering what brand such giants as Güler Sabancı, Mustafa Koç, Bülent Eczacıbaşı, Erdoğan Demirören, Abdulkadir Konukoğlu, and Cem Boyner could have come together for. Or is a new, massive brand being created with the collaboration of all these moguls? But, soon enough, it becomes apparent that the giant which the moguls in the advertisement said was operating “as smoothly as can be” is something else entirely. Turkish machines, which are used in 200 countries across the world under their own brands and which bear the mark “Made in Turkey”, are finally achieving the reputation they deserve with the support of industrialists. The Turkish machinery sector, which produces 5 percent of all machinery in European countries, is also announcing to domestic audiences that it is Europe’s sixth largest producer of machinery in terms of manufacturing value. Central Anatolia Machinery and Accessories Exporters Union President Adnan Dalgakıran – who also displayed his resolve in promoting the sector as he assumed the presidency of the Machinery Promotion Group – adds “The technology and R&D produced in our country is becoming more well-known throughout Turkey as well as the world thanks to the support of all segments in our country.”

The sector, which has

placed serious emphasis on promotion over the past two years in order to explain that 80 percent of imported machinery can be manufactured in Turkey, has also developed ideas to promote itself abroad. The “Machinery Manufacturing Industrial Sector” study prepared by the Istanbul Chamber of Commerce also draws attention to the fact that manufacturing industry has experienced mass migration over the past few years just as other sectors have. With countries such as China, India, and Brazil making headway in the sector and the rising costs of labor and environmental factors in developed areas such as the EU and US, there has been a marked shift in the manufacturing centers of the industry. There’s no reason Turkey shouldn’t be among the important players in the region either. Adnan Dalgakıran believes that we will encounter a global economic structure where the rift between developed-undeveloped countries will gradually disappear by the year 2026, and says that EU and domestic markets are no longer sufficient for Turkish industry, predicting that Turkey is on the threshold of a heady initiative which will shake up markets from Iran to Brazil: “Turkey’s role is continually increasing with respect to the economic expectations of all our neighbors from Greece to Syria, Russia, and Iran. While Iran aims to come eye to eye with the West and break the ice through Turkey, Greece is looking to Turkey to get out of its crisis and Russia is aiming to bring its infinite



energy resources and power through Turkey to the West as well. The uplifting of visas and increasing number of commercial relationships are the most tangible indications of this”.

TECHNOLOGY SHIFTS FROM THE WEST TO THE EAST

Dalgakıran’s words actually shine a light on the transformation Turkey is going through. The economic dimension of this transformation bears distinct significance and clarifies the strength of the machinery sector. The machinery sector, which possesses high added value, produces technology, and is an indicator of the level of development in a country, is poised as a locomotive sector which possesses

triggering power and which creates jobs. Durmazlar Machinery CEO Hüseyin Durmaz also indicates that Turkey is positioned at the front lines within the global economic order with regards to its machinery industry, explaining that technology is shifting from the West to the East and that the country which will benefit the most from this transition is, once again, Turkey. The machines made in Europe or Japan are also manufactured and sold by Turkish manufacturers. But Durmaz’s view is that the trend toward moving over to sensitive nanotechnology products in areas of advanced technology must not be neglected. Durmaz says “I see the machinery industry in Turkey as being very good and very advanced.”



Turkish machines, which are used in 200 countries across the world under their own brands and which bear the mark “Made in Turkey”, are finally achieving the reputation they deserve with the support of industrialists

THE SECTOR'S SLICE OF THE PIE

The share of manufacturing and production claimed by the machinery sector in Turkey is enough to shine a light on the sector's importance. The sector's share in added value to the manufacturing industry is approximately 20 percent higher than its share in production. While the machinery sector's share in manufacturing with regard to factored costs is around 4 percent, its share in gross domestic product is around 1 percent, demonstrating that it is an indispensable driving force of the economy. While the construction sector takes first place in gross fixed capital formation with a share 48.6 percent, the machinery manufacturing industry is second with 18.4 percent. When com-

Turkey aims to raise the 8 percent share held by its machinery industry in its total exports to 20 percent as in developed countries.

paring fields within manufacturing industry on the basis of added value per employee, the machinery manufacturing industry comes second after iron & steelworking. Apropos this point, according to Adnan Dalgakıran, the sector's added value ratio is above average for the manufacturing industries. The machinery sector displays solid performance with an average figure of 9 percent per annum over the past 22 years. It so happens that while the machinery manufacturing industry had a share of 4.4 percent in 1987 in terms of added value among manufacturing industries, this figure has risen to 6.8 percent in 2009. Turkish machinery exports, which could not exceed the 1 billion USD ceiling until 1998, displayed a tenfold increase between 1998-2008 and have reached 10 billion USD, growing at an average of 20 percent. Meanwhile, a noticeable reduction in the machinery manufacturing industry's foreign trade deficit has also been observed. According to the Istanbul Chamber of Industry's figures, the machinery manufacturing foreign trade deficit, which was 11.8 billion USD in 2008, fell to 8.3 billion in 2009.

Surely Turkey's performance might seem relatively negligible when compared to the world's largest manufacturers such as China, Germany, and Japan. But sector officials predict that these figures shall soon change and may even be reversed in accordance with the selected strategies. Turkey aims to raise the 8 percent share held by its machinery industry in its total exports

to 20 percent as in developed countries. A number of precautions have already been taken to clear the current account deficit in the sector. By now, the Turkish machinery sector has proved that it is capable of manufacturing at a level that would lead to factory closures in rival countries. Affirming this point, Dalgakıran states that Italy, the world leader in sheet metal processing machinery, has started to leave this field because of Turkey, and that pentaxial CNC machining centers are starting to be exported to the EU – the heart



NIHAT ERGÜN

Minister of Industry and Trade

“We must use locally-made machines”

Although Turkey is one of the world's most important machinery producers, by preferring to use machines produced abroad, we leave our manufacturers in a rough spot and cause our people to remain unemployed. For our country to be Eurasia's manufacturing and service base, for our export revenues to increase, and for our economic and social power to increase we must use locally-made machines. When there is a high-quality local option, choosing the foreign causes already-scarce money to go abroad and reduces investments. We should shape our actions according to reality, not image, and must change the entrenched idea that “imported products have quality”.

The secret to the success of global brands is that they are preferred and supported by their own informed customers. So if we prefer our own products and allow them to benefit from economies of scale, we will not just reduce imports, but will also increase exports.

of technology – to produce delicate parts for the aviation sector.

THE DOMESTIC MARKET GROWS

For now, the primary goal of the sector, which has shown itself to be capable of producing quality products and has made a name with its quality in Europe, is to expand the domestic market: imported machinery has a 69 percent share in the domestic market, while approximately 20 percent of the general foreign trade deficit in the same period is due to these imports. Incentives to use locally-made products are important steps toward reducing the current account deficit. This is why manufacturers are sending the message that locally produced equipment are well-made and solid despite any preconceived notions. Domestic production also affects employment. For instance, especially considering that up to 80 percent of the 238 billion dollars worth of machinery and parts imported by Turkey in 2008 are manufactured locally, thousands of people are losing out on job opportunities just because of these imports. Dalgakıran says “That 80 percent of the machinery and parts imported by our country are manufactured in Turkey must not be overlooked. Ensuring priority to local manufacturers in public procurement will be an important source of motivation and will increase our ability to compete”.

That public institutions and local administrations are advised to purchase machinery used in investments undertaken on foreign credit from the creditor country also increases the difficulty of purchasing locally-made machinery. This situation



Turkish machinery exports, which could not exceed the 1 billion USD ceiling until 1998, displayed a ten-fold increase between 1998-2008 and have reached 10 billion USD, growing at an average of 20 percent

also needs a solution, a point directly addressed by Adnan Dalgakıran, who states that public investments must not be postponed – especially not in times of economic crisis – and should be expedited instead. The steps taken by Turkey's defense industry toward localization have frequently appeared on the agenda lately. From this perspective, the localization of the defense industry is also of significant concern to the machinery industry.

LOBBYING ACTIVITIES GAIN SPEED

Of course, the process is not just shaped by shifting perspectives, which is why the sector is also undertaking significant initiatives to bolster itself against its rivals in terms of foreign market promotion, e-commerce,

branding, service, distribution, and national image though its exporting abilities are sufficiently developed. Documentation and certification play a key role in this as do oft-emphasized “perceptions”. Lobbying is considered a vital step in gaining approval for these documents. Equivalent studies show Turkish made products are of the same level of quality as European products, while efforts to prevent the importation of products which fail to meet the standards under “Market Observation and Inspection” and to protect law-abiding manufacturers against unfair competition continue. Developed countries are exploiting standardization for protectionism, while nearly all countries are seeking their own standards in the machinery they import. Though goods may appear to be exchanged freely, the situation is not so in practice; this is why the sector has established a joint purchasing company with the purpose of reducing costs while also pursuing standardization efforts with the TURQUM quality project. Netmak Metal Machinery Industry Limited Co. owner Serol Acarkan says “We issued the TURQUM document. We will be lobbying for this document, which can be used in the struggle against illegitimate manufacturing and to ensure that the quality of the products is clearly understood”. Dizayn Machinery General Manager Necmettin Öztürk draws attention to the importance of Turkey correctly positioning itself in the development of the new world order. Öztürk points out that despite posting a 18 billion dollar foreign trade deficit in 2008, the machinery sector is Turkey's dynamo, adding: “The way for Turkey to distance itself from

WILL THE CURRENT ACCOUNT DEFICIT BE CLEARED?

Turkey posted a 13 billion foreign trade deficit in the machinery sector

Country	Exports billion USD	Imports billion USD	Balance billion USD
Germany	264	144	120
Japan	151	59	92
China	269	139	130
Turkey	10	23	-13

import substitution will arise as a result of the interventions that will be made on behalf of the machinery sector. The quality of the development process in Turkey is undoubtedly in direct correlation with the machinery sector's performance. From this perspective the sector occupies an important spot. The elimination of various structural and administrative deficiencies will increase the sector's performance, while important opportunities are also in sight for the sector in the upcoming period".

Another issue is financing. The machinery sector has naturally taken a hit due to the bottleneck affecting global finance. And the sector has taken note of the financing issue on the list of problems that need to be solved. On this point, Dalgakiran awaits a deep shift in practices for the banking system to operate more healthily and banking reform.

EXPORTS TO 200 COUNTRIES

In 2008, Turkey made exports to 200 countries. The world's machinery giants are also among these countries

Country	Exports percent	Country	Exports percent
Germany	15.5	Russia	4.5
UK	6.5	USA	4
France	6.3	Romania	3.2
Italy	5.1	Other	54.9

STRATEGIC SUPPORT!

Netmak Metal Machinery Industry Limited Co. owner Serol Acarkan emphasizes how important public strategic support will be to preserving the sector's inertia and says "It is necessary to compete at home before competing abroad; highly

significant steps are being taken to address this. The creation of R&D support is necessary for us to become a brand. The opportunity to benefit from long-term credit will be a great advantage when it comes to lifting the financial barriers before machinery manufacturers. Europeans sell products on 5 year credit, served by their own Eximbank. There's no scarcity of resources. Acting within the framework provided by these examples will mean great strides will be taken in a short time".

The R&D mentioned by Acarkan can be explored further under a different heading, as R&D is a completely different point altogether. According to the Istanbul Chamber of Commerce's studies, the machinery sector's share in total manufacturing industry R&D spending was at third place with 11.9 percent in 2007. It is notable that the sector's share in R&D spend-

ing is higher than its share in manufacturing or added value. Though the ration of R&D spending to GDP in Turkey might not be as high as that in developed countries such as Japan, the US, and EU countries, the sector places much more relative weight on quality, customer freedom, innovation, post sales support, and other factors to a greater extent than sectors. With respect to R&D efforts, which play a key role in innovation, the sector requires land allotments for advanced and semi-advanced manufacturing as well as special R&D support.

At this point it is necessary to add that a competitive, developed machine sector which produces high added value, works with a wide auxiliary industry, lowers investment costs, reduces external dependencies and the foreign trade deficit, and offers a good income to a skilled workforce is beneficial to the well-being of society.



ADNAN DALGAKIRAN

Central Anatolia Machinery and Accessories Exporters Union President

"Revision in banking is necessary!"

There need to be deep-reaching reforms in the banking system. I think it's more positive that companies are being given ratings. I find it positive because quicker elimination of the non-observed economy will speed up the system. Banks value a 10 million dollar factory at 3 million. This system needs to be knocked down. There needs to be long-term credit. A deep-reaching revision is required in the banking system. Bringing an end to Eximbank's status as a for-profit bank and to have it return to a banking system which supports exports is absolutely necessary.



SEROL ACARKAN

Netmak Metal Machinery Industry Limited Co. owner

"Support for R&D must increase"

The non-observed economy should be cut off and strategies must be determined wisely. Financing needs some easing up. Modern protectionism systems need to be brought like in European countries. This is how the sector can rise up, walk, and bring many things to Turkey. R&D support in Turkey is spread out in laughably small amounts. Sweden provides for 300 million Euro worth of R&D incentives each year. There are units engaging in manufacturing with advanced technologies in qualified industrial areas. R&D centers must be established right next to them. This can be done with good organization. These problems are caused.



CEMAL AYLA

Ayla Machinery General Manager

"Low exchange rates and high costs affect competition"

A well-supported machinery industry is in a very lucky position in a conjunctural sense. Because of this, it is the only alternative for the West which is in a nearer and more convenient spot between China and Europe with whom they can cooperate, a very important advantage indeed. Our disadvantages are low exchange rates and the high costs of manufacturing in Turkey, which affect our ability to compete. There are many other subjects which could be mentioned. But these are problems that can be solved by intelligent government policies.



NECMETTİN ÖZTÜRK

Dizayn Machinery General Manager

"Turkey's dynamo"

Despite posting a 18 billion dollar foreign trade deficit in 2008, the machinery sector is Turkey's dynamo; on the other hand, import substitution constitutes the foundation of a production structure. The way for Turkey to distance itself from import substitution will arise as a result of the interventions that will be made on behalf of the machinery sector. The quality of the development process in Turkey is undoubtedly directly related to the machinery sector's performance. From this perspective the sector occupies an important spot.



HÜSEYİN DURMAZ

Durmazlar Machinery CEO

"We must anticipate trends in technology"

As the Turkish machinery industry, we are now fairly ahead in the world. As you know, technology is shifting from the West to the East, and the country which benefits most from this transition is Turkey. Our manufacturers are successfully producing and selling machines that were once made only in Europe or Japan. However, we must anticipate trends in transitioning to highly advanced technologies incorporating delicate nanotechnology products. I see the machinery industry in Turkey as being very good and very advanced.



The Tale Of Olive Oil

Olive oil exporters have set course for the Far East

BY AYŞEGÜL SAKARYA

NO TREE HAS EVER BEEN considered so holy and has been loaded with so much meaning. The olive tree, which is also known as the undying tree or the tree of life in Mediterranean legends, has served – and continues to serve – people with its shade, fruit, and oil. The olive tree does not withhold its fruitfulness from Anatolia. Turkey is the fifth largest producer of olive oil in the world, after Spain, Italy, Greece, and Tunisia. Through exports, olive oil takes its thousands-of-years-old story from Anatolia to the whole wide world.

On average, 31,000 tons of exports have been made since November 2009, and the generated income has reached approximately 112 million dollars. An increase of 10 percent is expected by the end of the year. “There is a regression in our exports of three years when looking from a global perspective. Three years ago, we made 143 million dollars of income from exports of 43 thousand tons” says Metin Ölken, Joint President of the Olive and Olive Oil Promotion Committee, adding “The sector is having a hard time recovering from the drought of three years ago. In addition, due to the issue in the rate of exchange and issues in procuring raw materials in the internal market, our exports are not reaching the levels we desire.” He wants exporters, who are having difficulties competing in the international market due to high prices, to start practicing the Inward Processing Regime, or IPR. IPR is a system which allows for raw materials, half-finished products, and intermediate products to be exported after being processed in Turkey. Various measures are being taken to ensure that products brought to Turkey as part of IPR will not be used



Turkey is the fifth largest producer of olive oil in the world, after Spain, Italy, Greece, and Tunisia



domestically. “As production increases, the foreign trade regime must liberalize. One of the most important things in exporting is stability,” says Ali Nedim Güreli, Chairman of the Board of the Aegean Olive and Olive Oil Exporters Association, and adds “If IPR is given a chance, Turkey could

become the second largest country in olive oil exports.”

AIMING FOR THE FAR EAST

Spain and Italy are Turkey’s two most important competitors in olive oil exports, and both are producers in addition to being exporters. Turkey’s exports are based on the production and demand of these countries as well as activities in the foreign market, where they play a defining role. Besides being competitors, producing countries who are EU members are also a large market for Turkey. However, the customs tariffs imposed by the EU on olive oil make it nearly impossible to market Turkish olive oil in EU countries. The most established exports market is

the USA, which receives a 25 percent share of total exports. Besides the USA, Saudi Arabia, Japan, Canada, the UAE, and Australia were among the other important export markets last year.

Efforts are under way to branch out to new markets. In 2010, the sector made a move on Far Eastern markets such as Japan, Korea, China, and India. A procurement committee from China, Korea, and Japan will come at the beginning of November. Metin Ölken says “We want to increase our market share in Japan, which is around 5-6 percent, by fourfold”, and continues: “We aim for growth of at least fourfold in every market.”

There are also brands which have noticed and have made investments in the Far Eastern market earlier. For instance, the Keskinoglu Group, which entered the olive oil business with its Ravika brand, has been engaged in efforts directed toward the Far Eastern market for approximately three years. Keskin Keskinoglu, Member of the Board of Keskinoglu Group, says “There is increased movement in China, Thailand, and Korea these days. While we would send two or three containers of olive oil at the start, our monthly export has now gone up to four or five containers”, and adds “The Far Eastern market is very different from all the other markets of the world. One needs to have a long-term view of things for returns.”

Important steps have lately been taken in branding as well. Despite a shrinking exports market, the portion of branded exports within the total has increased. While only 20-25 percent of exports were branded up to three years ago, this figure has now

TURKEY'S OLIVE OIL EXPORTS

Year	Amount (kg)	Sum
2004	50,961,273	135,387,098
2005	93,957,230	305,347,322
2006	47,094,139	185,939,368
2007	43,934,743	143,323,199
2008	19,402,240	77,287,281
2009	31,667,886	100,854,960

Data: Undersecretariat of the Prime Ministry for Foreign Trade

WORLD OLIVE OIL EXPORTS (1000 TONS)

While global olive oil exports has fallen slightly in the crisis year in the other parts of the world, EU has managed to increase its exports steadily

Country	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
EU	324.5	330.5	310.5	351.0	357.0	373.5	385.0
Tunisia	209.0	98.0	115.5	175.0	130.0	110.0	110.0
Syria	28.0	36.0	35.0	40.0	20.0	15.0	30.0
Morocco	20.5	31.0	21.0	4.5	2.0	16.0	18.0
Argentina	5.5	12.5	16.0	15.0	18.5	15.5	13.0
Turkey	46.0	93.5	73.0	45.0	15.0	24.0	48.0
Others	24.0	32.0	32.5	31.5	20.0	27.0	28.0
Total	657.5	633.5	603.5	662.0	562.5	581.0	632.0

Data: International Olive Council (IOC)



gone up to around 50 percent. "Supporting measures which will incite branding and support of promotion efforts are very important", says Târiş Olive and Olive Oil Association Chairman Cahit Çetin, adding "What is important is to maintain markets where packaged exports are made and to be able to last in these placed. The aim should be to ensure that Turkish brands will gain lasting positions in foreign markets. And for this, there is a serious need for the government's support for promotion."

MORE TREES, HIGHER PRODUCTIVITY

Planting efforts over the past few years are giving exporters hope for the future. According to figures recorded in 2009, there are 150 million olive trees in Turkey. National Olive and Olive Oil Council President Mustafa Tan said that they aim to increase this figure to up to 200 million within the next five years in a statement he made to the papers. It is also expected that per-tree yields – which are around 30 kilograms in Europe and 15 in Turkey – will also increase thanks to these new trees. Yields are expected to reach between 40 and 50 kilograms. As

productivity goes up, it's also very important for exports and domestic consumption to rise as well. "At one point, most olive trees had been cut down. If consumption and income does not increase with the number of olive trees, the olive trees may be cut down again", says Zafer Özer, Honorary President of the Zeytindostu Association, adding "It's also very important to increase consumption in the domestic market. There is still a perception that olive oil is expensive." Though there may be an increase in the domestic market in Turkey compared to the past, per capita consumption is not at desired levels. "In comparable countries, this figure can go up to 8 kilos" says Metin Ölken.

Domestic market aside, there is significant potential in olive oil consumption in the world at large. Approximately 3 million tons of the world's approximately 100 million ton liquid oil consumption is made up of olive oil. "In the case that olive oil's share in consumption will increase by just 1 percent – which is a likely target – then a supply deficit of approximately 1 million tons will appear. And this shows that the increase in olive oil production will not cause a surplus of supply", says Cahit Çetin,

and adds "Turkey must take measures to establish its place and increase its share in this developing market now, and ought to make these national policies."

All players in the olive and olive oil sector are agreed on the matter that the premium given to producers must be increased. In European Union countries, the premium given to the producer is 2 liras or greater. In Turkey, however, it is around 30 kuruş. Metin Ölken says "The production premium should be a system which protects the producer against speculation in product prices. The premium

must be increased in order to create balance in the markets and for the stable procurement of goods. Thus, because the system would go on record, the government would have more to gain." Looking over the past 6 years, Turkey's total olive oil production is at around 115 thousand tons. The National Olive and Olive Oil Council aims to raise this figure to 750 thousand tons by 2014. In spite of its problems, the olive oil sector springs out of the soils of Anatolia with lofty goals, and will be sharing its thousands-of-years-old story of the olive and its oil with the entire world.







BEING A PARTNER ON THE PATH OF GROWTH

Philippe Le Houverou, Vice President of the World Bank evaluated the post-crisis global economy and the performance of Turkey for The Turkish Perspective

BY CİHAN DAĞ

BY ŞEREF YILMAZ

Could you evaluate the recent developments in global economy?

The world economy is continuing to recover from the global financial crisis, but the recovery is uncertain and volatile. We now forecast global growth in 2010 of 3.3 percent, but there are significant downside risks related to the Euro zone and the fiscal positions of several European high-income countries.

In line with the current developments globally, how would you evaluate Turkish economy?

Turkey is doing better than the global economy. GDP grew by 6% in the last quarter of 2009, and we currently estimate that it may grow at 6% or slightly faster in 2010.

The story of the recovery of the Turkish economy is one of good news. After the impact of the global financial

crisis and economic recession, capacity utilization in manufacturing and industrial production have been growing steadily month on month and are now coming back towards their pre-crisis levels. In the fourth quarter last year exports rose 6.4 percent on a year earlier, slightly faster than Turkey's GDP was growing—a good sign for Turkey. At the same time, Turkey's imports have also risen. So the current account deficit will be up this year (to perhaps 4 percent of GDP), and attracting foreign financing, especially foreign direct investment, will be critical to fund the deficit. Rising inflationary pressures and still high unemployment are the two key challenges. Many people, especially young people, are worried about jobs. Nonetheless, both families and firms are more confident in the future again.

Looking back over the last year, trends and prospects are clearly positive.

What would be the direct and indirect impacts of this crisis to Turkey? Can we say that the situation of Turkey is better than several euro zone countries as well as the newly joint economies such as Bulgaria and Romania?

There are significant downside risks related to the situation in Euro zone. And what is happening in Europe is likely to affect Turkey. The Euro zone accounts for about half of Turkish exports. And it also is the source of 76 percent of FDI flows into the country for the last three years.

Compared with several Euro zone economies, Turkey is indeed doing better in several areas. Turkey's public debt is about 45 percent of its GDP, which is an overall manageable level. The fiscal

deficit Turkey is targeting with its new Fiscal Rule is much lower than the deficit in almost every economy in the Euro zone. Also, Turkey is growing faster than most EU countries. Yet, this faster growth comes after a sharper decline than in most EU countries, and the people in Turkey still have much lower incomes than in the EU. Turkey must grow faster than the EU to catch up. And with good policies, I expect, Turkey will grow faster in the years to come.

Turkey is pursuing sustained rapid growth, and I am proud that the World Bank is a partner with the Turkish people and government in this pursuit—for example, with financing in support of policies to spur the recovery from the global economic crisis; with lines of credit in support of small and medium sized firms, which provide 80 percent of jobs in Turkey, as well as exports and clean energy investment; and with technical and analytic work that brings international best practices on key issues such as informality and the role of domestic savings.

You were in Turkey to attend the Investment Advisory Council meeting organized by the Turkish Government, how do you read the investment environment in Turkey after the global crisis?

Turkey has made remarkable progress on all fronts since 2001. Turkey's nimble recovery owes much to its strong macro and structural policies entering the crisis and there is no doubt in my mind that these policies are its biggest assets going forward. Having said this, the "new" normal in invest-



Philippe Le Houerou welcomes the government's plans to ease constraints on private employment agencies

ment flows and growth after the crisis all around the world is likely to be much different than the "old" normal before the crisis. Investors are likely to become more discriminating and policy makers will need to work harder to achieve the same outcomes.

As for Turkey, the basic ingredients to achieve inclusive growth and high investment flows have already been identified in earlier Investment Advisory Council (IAC) meetings – namely: (i) a supportive macroeconomic setting, (ii) good infrastructure and energy, and (iii) an enabling investment climate.

How does Turkey fare in each of these three areas critical for high and inclusive growth? Turkey has supportive macroeconomic policies. Its Medium-Term Fiscal Framework is sound in envisaging consolidation after the crisis. The implementation

of the planned fiscal rule will help further. Turkey has also made much progress on infrastructure (from transport to energy)—although more remains to be done. For example, the time needed to establish connections to electricity; water and telephones are among the lowest in the world in Turkey—less than 1 week compared to the 1 month average in the Emerging Europe and Central Asia region.

So, building on strong macroeconomic policies and progress in infrastructure and energy, the key challenge for Turkey is a strong investment climate—and, within this, in particular, effective regulation; the creation of jobs; and private R&D and innovation.

Could you elaborate a bit more on these, what could be done better in drawing

more foreign direct investment to the country?

The regulatory environment for business and investment has improved during the last several years. For example, in facilitating business registration, simplifying taxation, and streamlining customs procedures. Going forward, the government's determination to replace the current commercial code that dates from the 1950s with a new one in line with modern business practices will be crucial to increasing foreign direct investment—which will help reduce the time invested by company management in dealing with regulations ("time tax"). In addition, Turkey may follow the example of countries like the Netherlands and systematically review and simplify all business regulations and make them more predictable. These two

directions for further investment climate reform emerge from recent work of Turkey's Coordination Council for the Improvement of Investment Environment (YOIKK) in partnership with the Bank.

How can Turkey further strengthen its R&D capacity and innovation?

Research and development (R&D) and innovation will be critical to increasing FDI. I think the key would be adopting public policies to help increase private R&D spending. Private R&D investment remains very low at 0.3 percent of GDP. It's 1 percent in China, 1.6 percent in the OECD, and 2.5 percent in Finland. Private sector innovation, especially in small and young firms, is critical to achieve high growth through productivity improvements.

In particular, Turkey can take steps to facilitate the transformation of research and innovative ideas into actual commercial products. The United States, for example, adopted the Bayh-Dole Act in 1980. In essence, the Act assigned the ownership and management of the intellectual property created by publicly funded R&D to the universities where the research was conducted. As a result, patent commercialization increased ten times and contract research seven times. Similar policies have been adopted in many OECD countries.

Strengthening the protection of intellectual property rights is also important. Private investments supporting innovation will materialize only with adequate protection. Turkey has adopted a good legal framework in recent years, but the emphasis should now shift to its effective implementation.

On one of the most important challenges of Turkish economy—on the issue of unemployment—how could Turkey solve the structural problems?

Turkey's young and rapidly growing population is her biggest and most important asset and a great opportunity for future growth. It also poses the most important structural challenge for education and for jobs. Turkey isn't the only country with a structural unemployment issue. The key challenge is matching large numbers of young people entering the labor force with enough high quality jobs—and doing so consistently for many years.

What can be done? The Turkish government is work-

The government's de-termination to replace the current commercial code that dates from the 1950s with a new one in line with modern business practices will be crucial to increasing foreign direct investment

ing on a comprehensive employment strategy. Having worked with the government on the labor market and jobs over the last several years, we believe that this strategy offers a major opportunity to modernize the Turkish labor market.

One way is to make it easier for firms to hire new workers. Many young workers start out as part time or short term workers. Regulations in Turkey can make that difficult for employers. Making part-time and short-term work easy will

help young people, will help women, and will create more jobs. Therefore, we welcome the government's plans to ease constraints on private employment agencies.

Second, Turkey spends little on those who don't have jobs but makes it costly for firms to hire them. Better protecting unemployed people and at the same time making it less difficult for firms to adjust their workforce will also help create more jobs—and, equally important, it will help those vulnerable people who most need such help. In addition, it will help reduce informal employment—which is high in part because firms face high inflexible costs of formal employment.

Third, retraining workers and helping them find new jobs is important as well. The Bank has been working closely with the Government on these critical jobs and job skills issues. In this regard, we greatly welcome the initiative of ISKUR, in parallel with a dramatic expansion of job training programs, to evaluate their impact and continuously improve them over time. And in the long run, further improving the quality of education will be essential: education in skills needed for jobs in a modern market economy; education for all, girls and young women, boys and young men; and indeed education that starts when children are young, with more good childcare and pre-school education—an agenda that Turkey has embarked on, and which we in the World Bank strongly support.

Turkey now has a new anchor “The Fiscal Rule” for economy. Fiscal Rule is expected to start being implemented with the 2011

budget year. How do you evaluate this new anchor?

The Fiscal Rule is a very important step, and we support it. It is well designed. It sets an ambitious target for the deficit. And if implemented effectively, it will help bring the debt down to very manageable levels (less than 30 percent of GDP). Experience around the world shows that, having embarked on a good rule, strong implementation is the key. So building up a strong track record of implementation will be the important next step: a track record of clear links with the budget process, of clear, consistent, and transparent responses to possible deviations, of timely and transparent auditing by the Turkish Court of Accounts, and so on. Yet I would like to emphasize once more that the Fiscal Rule is an excellent step for Turkey at this time.

Would you have any closing words of wisdom for us?

Turkey can build on its success in achieving rapid growth before the crisis. That success was grounded in sound macroeconomic policies, progress in energy and infrastructure, and the implementation of structural reforms to establish an enabling investment climate. Accelerating these reforms – especially in the areas of the business regulatory framework, labor market, and facilitating private R&D and innovation – will be essential. We are convinced that this will help create wealth and jobs for the Turkish people, even in a more difficult and competitive world.

And while the Government of Turkey is trying to improve the living quality of its citizens, we as the World Bank Group are honored to be a partner with Turkey on this path of reform and growth.

Brands

JEWELLERY, CHEMICALS, FASHION DESIGNER, COMPUTING...



Sparkling Progress Of “BRIGHTNESS”

Jival and its umbrella company, Gessart, offer the consumer the fruits of a synergy borne of the combined know-how and experience of the four jewelry producers



BY CEYHAN AKSOY



BY ŞEREF YILMAZ

AT A TIME WHEN THE reserve value of gold has reminded the world of itself once again, Turkey's gold and jewelry brands have started to shine more brightly. These days, when gold commands up to 1,250 dollars, the sector silently continues in its growth. Some companies within the sector have managed to distinguish themselves among the others through prudent strategies. Just like Jival, which is one of Turkey's five largest gold and

jewelry brands. “Developing a brand is like trying to write in the snow”, says Jival's CEO, Naim Gençoğlu, adding: “So that it isn't erased when spring comes and the snow melts, we write our name on stone, not on snow”.

And on the signage of exactly 1700 retail locations... This means that Jival branded gold products are offered at about 5 percent of the gold retail locations in Turkey, which there are approximately 30 thousand

of in total. By comparison, Jival's playing field in the area of jewelry seems much more narrow. Jewelry under the Jival name is available at only 300 retail locations for the time being. But the game is really just starting – the goal set by Jival, which was established in 2007, was to reach the highest position among Turkey's gold brands in 2010. “But the crisis had us delay our plans and goals”, says Naim Gençoğlu, and continues: “Even if we're number five in the sector at the moment, we will be the leading brand in 2012.”

This doesn't actually seem like a long delay at all. In addition to the global financial crisis, the gold sector experienced a second crisis on a global scale. As gold prices started a trend of rapid increase, the reduction observed in end-user demand raised some eyebrows. Gençoğlu, who indicates that Turkey has also been affected

by this trend since mid-2008, underlines the point that 5 billion liras of gold were resold during the crisis, “But because gold is seen as such a valuable investment tool, we will witness a sharp rise in demand within the next two years”, he predicts.

Naim Gençoğlu does have a point. According to the Gold Demand Trends Report prepared by the World Gold Council (WGC), demand for gold rose to 18.4 in the first quarter of 2010, a 12 percent increase over the previous quarter. This means that the drop in demand, which has lasted three quarters, is actually a sign of deferred demand. The demand for gold in the first quarter of 2010 showed a relative increase of 24 percent compared to the first quarter of the previous year, 2009, which was equivalent to 992 million TRY. This is the also the highest quarterly value observed since 2005. Adding an 8,5 tons net retail investment demand to these figures, the demand for gold in the first quarter of 2010 rises to 26.9 tons – in total, a 30 percent increase since the same quarter last year.

In light of all this data, Jival is preparing to bring the goals it postponed to fruition. Jival, which also delayed its decision to participate in the TURQUALITY® Brand Support Program which it started meeting with in 2008, is going to accelerate its cooperation with Turquality and will reach out to the international market. “First, we had to solidify our position in the domestic market”

is how Naim Gençoğlu explains why he postponed his plan to open stores abroad, before he tells us what kind of path he has followed to make sure Jival isn't just a flash in the pan: "We are four friends who have had years of experience in the sector – each of us are pioneers in our own areas – and our friendship dates back at least to our presence in the industry,

tainability – and, of course, on innovation. Staying up-to-date with technology and changing consumer trends has an important place in the development of the brand. While determining the brand's aims and production concepts, the company also started a poll to ensure they stood on solid ground by evaluating consumer demands. The four producers

long-term strategy".

This a very deliberate, patient approach. But it has allowed the brand to reach its goals much sooner than it expected. "We achieved what some companies could not do in 15 years in 3.5 years" is how the experienced manager expresses his satisfaction with Jival's position and tells us how hopeful he is about



"So that it isn't erased when spring comes and the snow melts, we write out name on stone, not on snow" says Naim Gençoğlu



having continued for exactly 30 years". Gençoğlu is referring to Hakkı Sezer, Metin Sözer, and Tuncay Encür. These four old friends believe in the necessity of developing a brand by following global trends and created the Jival brand after a six month incubation period. "People said it wouldn't last longer than a year", says Gençoğlu, and adds: "But we had asked ourselves all the questions we might face later on and answered them. We had created our own constitution".

"Constitution" is perhaps the keyword behind the brand's growth. Because Jival's brand strategy is built not only on recognition, but also on discipline and sus-

actually continue manufacturing in their own, separate companies and fields. But Jival and its umbrella company, Gessart, offer the consumer the fruits of a synergy borne of the combined know-how and experience of the four producers. They also thoroughly evaluate the requests of retailers and create their product concepts and designs within these requirements. "As long as you can design, you can sell" says Gençoğlu and adds: "We worked with professional consultants. In fact, even though we have been in the sector for years, we received training in marketing from a respected university professor and developed a very

the future. While Turkey – which is the world's third largest importer of gold after China and India and the second largest exporter after Italy – did fall behind a few steps with the latest crisis, he knows that this situation will not persist. "Turkey has been industrializing in gold since 1983; we have manufacturers on a global scale since the 90s and we have accelerated the branding process since 2000" says Gençoğlu, and foresees a course of progress for the Jival brand – which means "brightness in Sanskrit – corresponding with that of the Turkish gold industry: "It's progressing very quickly and solidly."





GLOBAL GIANT IN TURKEY

AKSA, the largest acrylic fiber producer of the world under one roof, is aiming for world leadership in carbon fiber as well

BY CEYHAN AKSOY

IMAGINE A MATERIAL that is thinner than a strand of hair, yet is more resilient and much lighter than steel. If you were able to produce such a material, presumably it would just be a matter of time until you became a giant, supplying raw materials in all sorts of areas. That is, of course, if you had started to produce this material before AKSA had: AKSA is Turkey's first and largest manufacturer of this raw material, which is known as carbon fiber and is used in areas ranging from automotive to aircraft, sports, and energy. It is the ninth largest producer of the substance in the world. Regarding carbon fiber, AKSA Acrylic Chemical Industries Board Member and CEO Mustafa Yilmaz says that "it is the most strategic raw material of the 21st century," and explains: "Due to its

advanced mechanical properties, it is a sort of fiber which is starting to take the place of steel in several branches of industry today. Standard carbon fiber is three times stronger than steel and five times lighter. Combining high resilience, low density, and corrosion-resistant properties, carbon fiber is used in aviation, the aerospace industry, defense industry, industrial materials, and for structural support as well as in the automotive sector and for sports equipment." That the main ingredient necessary for the manufacture of carbon fiber is acrylic fiber and that the required know-how is not shared by the big players makes it rather difficult to enter this market. But thanks to the fact that it is among the world's most important manufacturers of acrylic fiber, AKSA has been able to make

Carbon fiber which is used in areas ranging from automotive to aircraft, sports, and energy is thinner than a hair strand and more resilient than steel.

quite a successful gambit with a strategic decision it took in 2006 – the volume of the global carbon fiber market' is over 40,000 tons and is expected to grow by 10 percent each year to reach a size of \$2.5 billion by 2014.

Of course, AKSA's aims as a company which produces raw materials for the composites sector are not just limited to producing carbon fiber and marketing it domestically and abroad. The company is currently the largest producer of acrylic fiber under one roof. Producing 308,000 tons of the material each year, its output makes up nearly 100 percent of acrylic fiber production in Turkey and 12.5 percent of global production. AKSA, which made its first export in 1997 to Italy, now possesses a customer portfolio consisting of nearly three hundred domestic and foreign industrial establishments in over fifty countries spanning five continents. Thus, AKSA, which was founded as a subsidiary of the Akkök Group in 1968, now bears the title of being a "world leader." The revenue received in 2009 by the company, whose capacity

Producing 308,000 tons of the material each year, AKSA's output makes up nearly 100 percent of acrylic fiber production in Turkey and 12.5 percent of global production.

utilization rate is 85 percent, was over \$585 million. The company's exports in 2009 were at \$231.8 million – so the share of exports in AKSA's 2009 revenues is nearly 40 percent.

AKSA's strategic approach – as outlined in their mission statement, which reads "AKSA's mission is to be first choice for the global acrylic-based textiles and technical fiber industries. AKSA aims to be a productive manufacturer, to work in harmony with the environment, and to use an innovative and customer-focused approach with its clients" – is to "gain a competitive advantage by investing in technology to be used to develop new fields and new products," says Mustafa Yilmaz. This is why the company created an R&D center in 2009 which combines the R&D activities of all departments under one roof. Of the \$85 million investment made toward R&D and manufacturing activities, the amount dedicated solely to carbon fiber R&D activities exceeds \$20 million. The company has much invested in the R&D center, which will be used to develop new products in order to gain new markets, to reduce expenses, and to increase productivity with regard to the strategies that have been set for the upcoming term. AKSA is also focused on increasing the share of specialty goods in its manufacturing output. The company aims to bring the share of specialty goods in total production, which is currently at 6 percent, to 11 percent within the scope of the five-year plan it laid out in 2007. The company has also set a deservedly modest target for carbon fiber: to reach the global share that it has in acrylic fiber in the area of carbon fiber as well.



BAHAR KORÇAN CARRIES ON HER WAY

The balance of forces which was upset by the crisis has forced Bahar Korçan to seek out new markets. Brazil will be Korçan's new and sole target for the upcoming year

BY NESRİN AKKAŞ

BY ŞEREF YILMAZ

EVERYTHING CHANGED for Bahar Korçan the instant she made a decision to resolve a dilemma she found herself in. One of her options was to go abroad to receive an education in design, the other was to continue working at a company in Turkey. Korçan opted for the latter, and the person who had the most effect on her taking this decision was none other than Vitali Hakko, whose doorstep she appeared at to show her drawings. "Vitali Hakko is a great teacher of life. He didn't let me use a pen at the factory for five years. I used to draw at home in the evenings. He sent me to the store for the first three months.

I worked as a salesclerk in order to observe the customer. Then he placed me in manufacturing. I folded fabric in the storage unit, I carried thread in the sewing department" is what she says about the years she worked with Vitali Hakko, though she doesn't forget to add "I believe that young people who want to become designers must go through this journey". It seems like a trifle after graduating from the school of Vakko, an expression of her own coinage. In 1992, the Bahar Korçan brand was born; on receiving first place in a design contest organized by the Istanbul Textile and Ready-to-Wear Clothing

Exporters Association, she started to gain recognition as a designer first in Turkey and then in the world at large. And with the "Natural" collection, which he describes as a personal first, she proved herself to the Turkish fashion industry as a promising name among young designers. The most crucial point of this collection was that it was, at the time, the first collection in the world to be made entirely using natural materials.

EVERYTHING STARTS AS "ONE"

Each of the collections that Bahar Korçan has created so far have had their own slogans.

Two years ago, Bahar Korçan decided to withdraw from all the markets she was involved in. Now she is concentrating much more heavily on Brazil.

Perhaps they can be thought to reflect, in essence, different facets of the Bahar Korçan brand's philosophy. When we ask Bahar Korçan what lies at the heart of this philosophy, we receive the reply "to be one". Furthermore, the story of the genesis of Korçan's philosophy is also highly interesting: "One day, I read an article in the newspaper. An orbital telescope took a picture of the birth of a tiny new universe 18 thousand light years away. I was deeply affected by this event. They captured it at the instant of explosion, you see. A lot of things started to take shape in my mind. All of our creation, development, death, turning into something new and so on, all these things are in a great cycle in this universe... So the idea of unity found in Kaballah, Rumi, and all other religions actually hit me with that piece of news". This idea of unity, or "being one", is what lies at the essence of the designs produced by Bahar Korçan, who boldly underlines the fact that she wants to add a sense of depth to something as fickle as fashion.

THE INDISPENSABLE FEATURES OF DESIGN

But to rely on the same philosophy doesn't mean treading water for Bahar Korçan. The Bahar Korçan brand, which bases each of its collections on a different slogan, knows how to continuously renew itself. Korçan likes to shape the brand's character by creating a rich variety of

textures in her designs. This is why it's possible to find shared characteristics in her collections, though each of them are different from one another.

The famous designer indicates that she derives great pleasure from creating new textures: "Turkey is a very rich country with regard to new materials and fabrics. Linen-silk blends, organza, and silk weaves have their place in just about all of my collections. I combine very different materials in my collections. Sometimes I use eight different fabrics at the same time in a dress. But the materials all complement each other. Nowadays I like to produce more fun, light-hearted designs. I'm taking things a little more easily in my designs."

The idea that there would be many 'Bahar Korçan Women' in the world seemed fantastic to me. Soon enough, however, I realized that the designs were getting out of control. The reins suddenly fell out of my grasp" says the young fashion designer, and adds: "But I wanted all the reins in my hand. I mean, I wanted to protect that whole thing, when I feel I can't protect it I am no longer myself. Then the products and designs start to suffer as well. So this experience made me realize that I didn't want to grow any further".

After this experience, Bahar Korçan slowly started to withdraw from the American and European markets. Korçan's conscious decision to downsize proved to be the best choice with the global crisis that arrived soon after.

will start opening their stores on the same street.

This isn't the only thing that Bahar Korçan wants to happen locally. Though she says she doesn't want to expand, she has set a target for herself. Bahar Korçan, who plans to open another store in Istanbul in the near future, explains why she wants to bring her total number of stores to three by opening one in Izmir as

The idea of unity, or "being one", is what lies at the essence of the designs produced by Bahar Korçan who boldly underlines the fact that she wants to add a sense of depth to something as fickle as fashion

their sales in the domestic market: "Turkish designers must first create their own market and sector in their own country and achieve good sales figures here. Otherwise, getting used to the conditions of competition abroad becomes much more difficult".

KORÇAN'S BRAZIL

Bahar Korçan's excitement about her new shop in Galata and the latest developments in the situation of the shops she will soon open grows even larger as her place in the world is being redefined as a result of the relationships she formed after her show at Istanbul Fashion Week 2010. Brazil – in particular, Sao Paulo – will be Korçan's new target as she sets off to discover new markets after 2.5 years. "There are a number of markets which appeared with the changing balance of the world after the global crisis. South Africa and Brazil, for instance. I did some research on those countries. We invited a crew from Brazil to this year's Istanbul Fashion Week. We're going to go there too. These contacts will be kept alive with solid business relationships. With the projects I'm thinking of starting in 2011, Brazil will be the only target of the Bahar Korçan brand in the upcoming season" says Korçan. She is quite excited about these new contacts: "First we will meet with the buyers. Then we're looking at taking orders for the showrooms".

Furthermore, she doesn't want these relationships to remain limited to herself. This is why she is striving to create an environment for the other members of the Fashion Designers Association and young designers to discover these markets at international events.



Linen-silk blends, organza, and silk weaves have their place in just about all of Korçan's collections

I WANT TO STAY SMALL!

The dream that Bahar Korçan told Vitali Hakko in his room years ago – "I will be a world brand in the future" – actually came true in a fairly short time. But just how much did this satisfy Bahar Korçan? "In the beginning, everything was great. I was constantly getting orders from America.

Though Bahar Korçan opted for a global hiatus which has gone on for about 2.5 years, she didn't interrupt her activities within Turkey. As the store which Bahar Korçan converted from a wood shop opens its doors, Serdar-ı Ekren Street – which has no other stores on it – will soon become the beating heart of fashion in Istanbul: many other designers

well as why she doesn't want to spread any further with the following: "The business cycle will be much more relaxed with three stores".

As somebody who has had experience abroad, Bahar Korçan indicates that she values domestic sales much more now and suggests that designers who want to set up shop abroad ought to first increase



The 35 percent increase in revenues is a natural result of Casper keeping abreast of technological advancements and of its tight relationship with Intel and other manufacturers of processors and components

Accomplishing The Difficult Task of Being A Brand

Casper has achieved what was said to be impossible and has become Turkey's best known computer brand

BY AHMET USTA BY CEVAHİR BUĞU

WHEN ALTAN ARAS Fakılı and his three friends founded a company named Yıldız Elektronik in 1991, their aim was always to be number one and to create Turkey's domestic computer brand; a goal everyone saw as a fantasy. On entering the new millennium, Yıldız Elektronik's personal computer brand Casper surpassed the company's name with its market recognition. Figures and studies available today show that they have long reached their goal over the 20 years that have passed since Fakılı and his friends took their first step.

According to the results of independent research firm Nielsen's "Brands 2009" study, Casper has succeeded

in becoming the top brand associated with computers. Casper has managed to raise its 29.2 percent recognition rate in 2008 to 34.6 percent in 2009. Casper's success is too significant to be trivialized, as the brand which follows it appears to have only 7.9 percent recognition.

Casper's brand recognition success is part of a prudent market strategy which has been carried out for nearly 20 years, especially considering that Casper has successfully managed to ride out the domestic crisis in 2001 and the global crisis in 2009. It was strongly expected that the information technology market would shrink following the global economic crisis

that took place in 2009. Due to this expectation, companies reduced their figures in product planning. This situation led to a product shortage in the market during the first quarter. But a growth of three percent was recorded in the market during the past six months, thanks to the energizing effect of VAT cuts. In that same period, Casper grew 26.5 percent on a unit basis with the sale of 341,562 PCs. Casper founder Altan Aras Fakılı explains the reasons for their success: "By taking some precautions at the end of 2008, we didn't weigh down our business partners with dollar-based debt. We enacted flat-rate campaigns and price cuts". Casper's revenue, which was over 250 million liras in 2008, has exceeded 340 million liras in 2009. This 35 percent increase is a natural result of Casper keeping abreast of technological advancements and of its tight relationship with Intel and other manufacturers of processors and components. This relationship was strengthened by Intel granting Casper the



Altan Aras Fakılı and three of his friends founded the company in 1991 aiming to create Turkey's biggest computer brand

"Company With Largest Retail Market Share In Turkey" award at the Intel Solutions Summit 2010.

Despite being Turkey's most recognized brand, various studies show that it is considered foreign. On this point, Fakılı says "To change this perception we have always emphasized the slogan 'Turkey's prestige' in all of our advertising work, and will continue to emphasize it", adding "We are seeing the advantages of being a Turkish brand more than its disadvantages". According to Fakılı, while Turkey has lower percentages when compared to other countries in terms of PC penetration, the market bears a significant potential for growth. That the sector grew by 3 percent and that Casper grew by 26.5 percent is a clear indicator of this potential.

Charlotte Anne Lamprecht, who was appointed CEO in 2009, also has a large role in Casper's ongoing success. Having filled various managerial positions at Intel for 24 years, Lamprecht's experience is of great significance to Casper's push to start exports in the next quarter. Lamprecht says "A number of developments took place at the end of 2009 which excited us. We have started exporting to neighboring countries such as Azerbaijan, Nakhichevan, Georgia, and Bosnia-Herzegovina. Besides these countries, we also aim to enter countries in the Middle East, Africa, and the Balkans", underlining the point that their sales target for 2010 is half a million PCs.

There's no reason for Casper not to be successful in the international arena in the upcoming years, having coolly shot down those who said "you're striving for something impossible" with the success it has achieved at home.

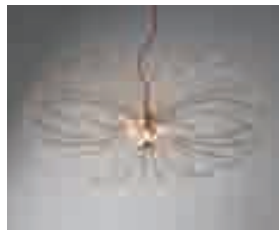
Agenda

FAIRS, EXHIBITIONS, SUMMITS, MEETINGS IN THE NEXT THREE QUARTER



DESIGN TURKEY

Design Turkey Industrial Design Awards, which is a design evaluation system organized within the TURQUALITY® Program and by the cooperation of the Undersecretariat of Foreign Trade (DTM), Turkish Exporters' Assembly (TIM) and the Industrial Designers Society of Turkey (ETMK) with the purpose of awarding the best design that oversees the requirements of the users in Turkey, and brings added value and competitive superiority to the product both in terms of its exportation and the national market it belongs to will find their owners by December 2010. The jury evaluation and the display of the applications that are evaluated in two categories as Product Design Awards and Conceptual Design Awards will be carried out in December.



29 OCTOBER - 7 NOVEMBER

Istanbul 2010 ECOC Agency at the 29th TÜYAP Book Fair

Tüyap Fair and Congress Center

Istanbul 2010 European Capital of Culture Agency will take its place at the 29th TÜYAP Book Fair held between 30 October and 7 November. Along with past and future events of the Agency, books published by the Agency will be introduced in the International Hall and the Third Hall.

The fair is open for visits from 30 October to 6 November between 11 am and 8 pm, and on Sunday, November 7 between 11 am and 7pm.

3 NOVEMBER - 7 NOVEMBER

Within the scope of the "7 Regions to 7 Hills", Istanbul 2010 ECOC Agency presents: 7EDI

Harbiye Muhsin Ertugrul Stage

7EDI, the last one of the seven demonstrations prepared for Istanbul within the scope of the "7 Regions to 7 Hills" project that is developed by Istanbul 2010 European Capital of Culture Agency Theatre and Performing Arts Directorate and prepared by the Shaman Dance Theatre, meets with the audience. The show inspired by the spaces and themes such as The Bosphorus, The Grand Bazaar, Seagulls, The Maiden's Tower, The Topkapi Palace, The Selimiye and The Galata, will be staged on 3-4-5-6 November, 2010.

29 OCTOBER - 7 NOVEMBER

AUTOSHOW 2010

International Automotive Fair
Istanbul Fair Center

AutoShow 2010, a fair that auto fans are waiting for curiously, will be held in the Istanbul Fair Center between October 29 and November 7, 2010.

4 NOVEMBER - 6 NOVEMBER

Logitrans Logicity Transport
Logistics Fair

Istanbul Fair Center

Representatives of the logistics sector that has been growing

by the increasing exportation rates will meet together in the Istanbul Fair Center between November 4-6, 2010.

4 NOVEMBER - 7 NOVEMBER

EV-STYLE 2010 Home Textile Fair

Istanbul Fair Center

EV Style 2010 fair in which the home textile products of next year will be held in the Istanbul Fair Center between November 4 - 7, 2010.

11 NOVEMBER - 14 NOVEMBER

Ankiros 10th International Iron - Steel & Foundry Technologies, Machinery and Products Fair

Tüyap Fair and Congress Center

11 NOVEMBER - 14 NOVEMBER

Istanbul 6th Rubber Industry Fair

Tüyap Fair and Congress Center

The fair in which you can see the latest products and technologies in the plastic and rubber sector will be held in Tüyap between November 11- 14, 2010.

**25 NOVEMBER**

Automotive 2010

Istanbul Fair Center

Companies operating in the sectors of automotive sub-industry, spare parts and service equipments will come together in Tüyap on November 25, 2010.

2 DECEMBER - 5 DECEMBER

20th Istanbul Plastic Industries Fair

Tüyap Fair and Congress Center

The fair organized for plastic products and technologies

which are among the most important exportation products of Turkey will be held in Tüyap between December 2-5, 2010.

2 DECEMBER - 5 DECEMBER

Aymod 5th Footwear

Fashion Fair

Istanbul Fair Center

The Footwear Fashion Fair in which the footwear fashion is displayed a season before in Turkey will be held in the Istanbul Fair Center between December 2-5, 2010.

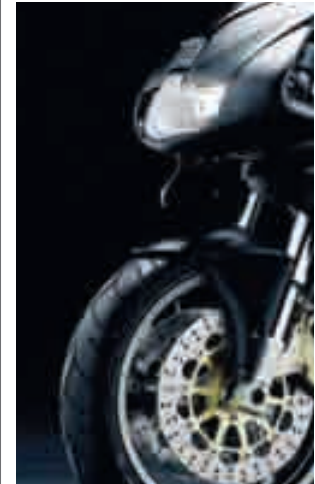
8 DECEMBER - 9 DECEMBER

Marketing Fair

Lütfi Kırdar International Congress and Exhibition Center

Companies operating in the marketing, marketing communication and advertising will come together in the Marketing Fair that will be held in the Lütü Kırdar Congress and Exhibition Center between December 8-9, 2010.

potential energy demand of Turkey in the future. Thus, sectoral representatives that go through dynamic days will meet in the Istanbul Fair Center between December 9-12, 2010.

**9 DECEMBER - 12 DECEMBER**

Motoshow 2010

Istanbul Fair Center

Motoshow 2010 that will bring motorcycles, bicycles and accessories together with their lovers will be held in Istanbul Fair Center between December 9-12, 2010.

16 DECEMBER - 19 DECEMBER

Transport Logistics

Istanbul Fair Center

Transport Logistics Fair in which companies operating in the logistics sector will meet with the purchasing committees will be held in the Istanbul Fair Center between December 16-19, 2010.

16 DECEMBER - 19 DECEMBER

Eurasia 5th Agriculture, Stock Breeding, Seed Raising, Sapling, Poultry and Dairy Industry Fair

Tüyap Fair and Congress Center

The fair that will bring together companies operating in the agriculture, stock breeding, seed raising, sapling, poultry and dairy industry will be held in the Tüyap Fair and Congress Center between December 16-19, 2010.

9 DECEMBER - 12 DECEMBER

Travel Turkey Izmir Tourism Fair
International

Izmir Fair Center

Being one of the most important meetings of Turkey in terms of tourism, Travel Turkey Fair will be held in Izmir between December 9-12, 2010.

9 DECEMBER - 12 DECEMBER

RENEX - ECO Renewable Energy Technologies Fair

Istanbul Fair Center

Renewable technologies play a big role in meeting the

Figures

THE BASIC INDICATORS OF TURKEY IN THE FIRST HALF OF 2010

BASIC LABOR FORCE INDICATORS (JUNE 2010)

All the figures in the first half of 2010 indicate a decreasing course in unemployment both in urban and rural population

	TURKEY		URBAN		RURAL	
	2009	2010	2009	2010	2009	2010
NON-CORPORATE POPULATION (000)	70505	71307	48728	49153	21776	22153
POPULATION OLDER THAN 15 (000)	51644	52503	36171	36563	15473	15940
LABOR FORCE (000)	25216	26239	16627	17251	8589	8988
EMPLOYMENT-(000)	21947	23488	13961	14993	7986	8496
UNEMPLOYED (000)	3269	2751	2666	2258	603	493
RECENTLY EMPLOYED (%)	48.8	50.0	46.0	47.2	55.5	56.4
EMPLOYMENT RATE (%)	42.5	44.7	38.6	41.0	51.6	53.3
UNEMPLOYMENT RATE (%)	13.0	10.5	16.0	13.1	7.0	5.5
UNEMPLOYMENT EXCLUDING AGRICULTURE (%)	16.4	13.4	16.5	13.6	16.1	12.9
YOUTH UNEMPLOYMENT RATE (1)(%)	23.7	19.1	28.1	23.1	14.6	11.2
POPULATION OUT OF LABOR FORCE (000)	26428	26264	19544	19312	6884	6951

(1) Population between 15-24 ages

Deseasonalized employees have fallen 71,000 and number of unemployed has decreased by 6,000 by July 2010 over the previous period. The rate of people joining labour force has reached 48.7 percent with a decrease of 0.2 points while unemployment rate has remained at 11.7 percent.

YEARS	MONTHS	LABOR FORCE	CHANGE OVER THE PREVIOUS PERIOD	EMPLOYMENT	CHANGE OVER THE PREVIOUS PERIOD	UNEMPLOYED	CHANGE OVER THE PREVIOUS PERIOD	JOINING THE LABOR FORCE	EMPLOYMENT AND UNEMPLOYMENT RATE %	% SHARE
2009	JULY	24828	0.7	21354	1.0	3474	-1.0	48.0	41.3	14.0
	AUGUST	24936	0.4	21412	0.3	3524	1.5	48.1	41.3	14.1
	SEPTEMBER	25008	0.3	21529	0.5	3479	-1.3	48.2	41.5	13.9
	OCTOBER	25215	0.8	21828	1.4	3386	-2.7	48.6	42.0	13.4
	NOVEMBER	25181	-0.1	21854	0.1	3327	-1.7	48.4	42.0	13.2
	DECEMBER	25292	0.4	22021	0.8	3271	-1.7	48.6	42.3	12.9
2010	JANUARY	25455	0.6	22168	0.7	3288	0.5	48.8	42.5	12.9
	FEBRUARY	25592	0.5	22382	1.0	3211	-2.3	49.0	42.9	12.5
	MARCH	25635	0.2	22440	0.3	3195	0.5	49.0	42.9	12.5
	APRIL	25628	0.0	22555	0.5	3074	-3.8	48.9	43.1	12.0
	MAY	25587	-0.2	22534	-0.1	3054	-0.6	48.8	43.0	11.9
	JUNE	25699	0.4	22690	0.7	3009	-1.5	48.9	43.2	11.7
	JULY	25622	-0.3	22619	-0.3	3003	-0.2	48.7	43.0	11.7

A Significant recovery is observed in most of the indicators

10.3

Turkey has grown more than expected in the first half of 2010

10.6

Unemployment rate has fallen by 2.5 points over last year

12.8

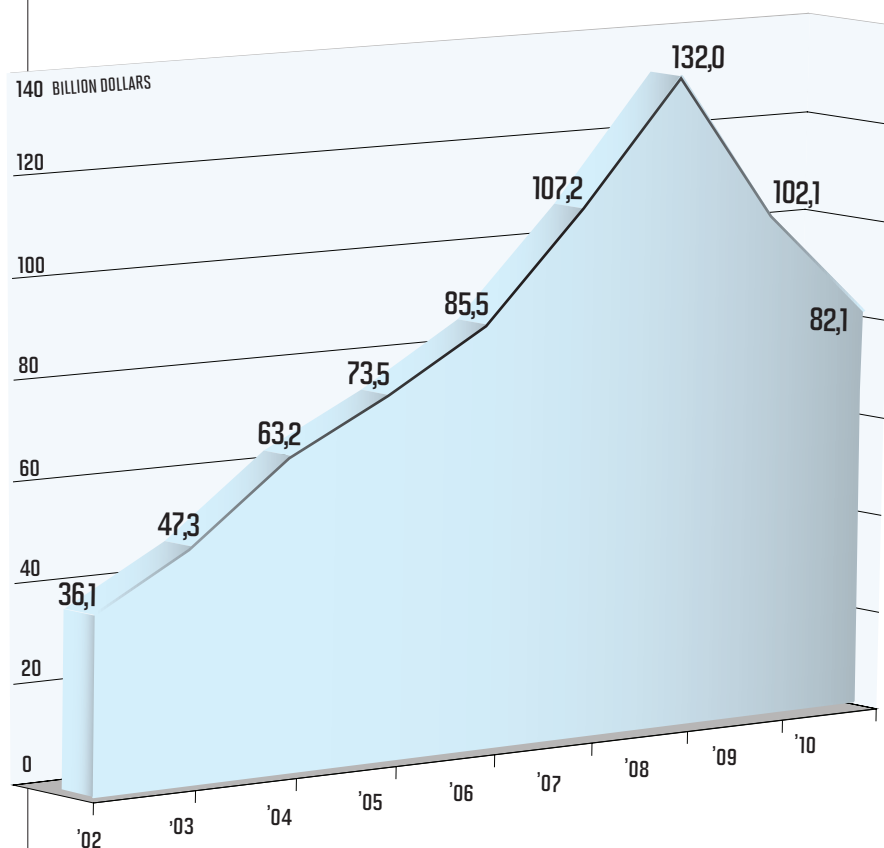
Unemployment excluding agriculture has fallen by approximately 3 points even in rural regions

3.7

Youth unemployment rate has decreased despite the increase in young population

RUNNING UP AGAIN (2002-2010)

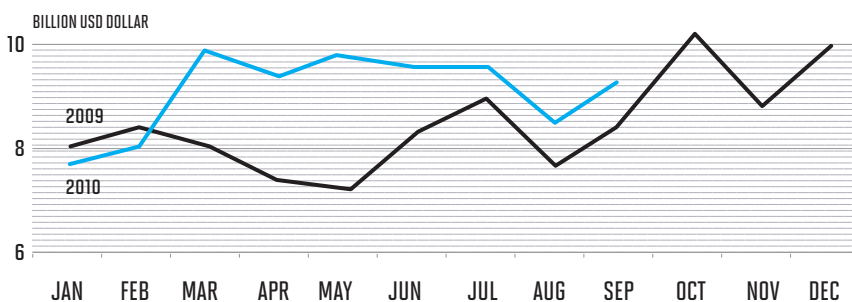
Exports from Turkey has reached its peak in 2008. But the global financial crisis has hit the exports, since EU, Turkey's biggest trading partner has deeply affected of it. Recovery in the first half of 2010 has carried the exports up to 82 billion dollars



Source: Turkish Exporters Assembly
* By September 2010

BOLDER SIGNS OF RECOVERY (2009-2010)

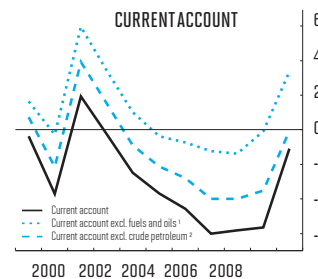
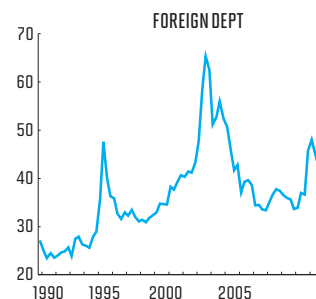
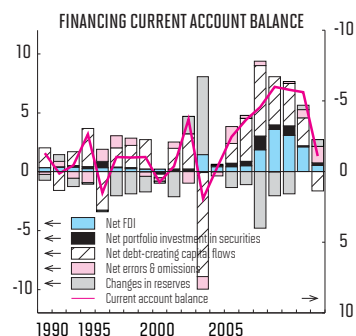
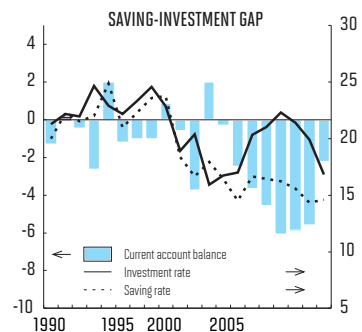
As Europe began to recover from the impacts of the crisis, the revival of Turkish exports has been more visible



Source: Turkish Exporters Assembly

EXTERNAL BALANCES (IN % OF GDP)

Turkey is trying to overcome the difficulty of equilibrating trade and saving-investment balances since 2005



1. Excluding net exports of processed and unprocessed fuels and oils and gasoline (according to Board Economic Categories).
2. Excluding only imports of crude petroleum.

Source: OECD, OECD Economic Outlook Database; IMF, International Financial Statistics Database and CBRT

IT IS NOW A GLOBAL EXPORTER

Since Germany is still the biggest trading partner of Turkey in terms of exports despite the narrowing impact of the crisis in Europe. Besides the shares of Middle East and African countries are increasing monthly

COUNTRY	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	CUMULATIVE	%
GERMANY	836.263,15	857.180,28	934.118,22	903.308,05	808.322,33	848.820,76	1.024.606,57	922.991,87	1,006,895.33	8,139,642.69	10.11
ENGLAND	478.210,31	472.209,60	536.371,01	529.155,06	546.707,23	567.628,82	590.432,18	558.090,52	623,514.07	4,900,938.95	6.09
IRAQ	382.476,69	416.347,53	462.778,20	464.449,97	463.319,80	474.935,54	524.534,73	556.007,24	537,474.52	4,749,369.60	5.90
FRANCE	542.535,86	523.070,33	599.604,48	545.630,16	470.112,07	491.794,50	495.599,59	391.491,18	472,626.21	4,215,668.80	5.24
RUSSIA	261.193,64	305.603,82	371.187,10	381.093,00	374.151,98	348.688,09	388.234,36	386.225,59	468,811.54	4,526,859.65	5.62
ITALY	597.636,47	555.249,53	590.066,55	522.481,01	552.974,72	508.272,04	526.360,58	360.078,58	413,760.12	3,228,622.05	4.01
USA	264.051,58	260.981,92	308.043,57	311.757,96	285.445,60	311.993,59	328.347,91	349.895,69	317,786.80	2,614,839.37	3.25
SPAIN	239.251,54	294.450,29	340.230,08	301.100,22	298.822,84	294.453,01	287.556,47	243.552,97	297,487.91	2,720,424.75	3.38
UAE	128.040,38	137.029,50	247.200,94	186.072,68	303.611,84	203.585,70	190.856,66	235.807,71	255,640.65	2,012,636.48	2.50
NETHERLANDS	175.492,56	186.082,80	203.285,00	217.477,04	199.163,41	211.595,41	198.556,11	209.787,11	224,506.51	1,843,994.90	2.29
IRAN	191.546,05	192.855,67	193.799,63	205.731,60	218.817,05	302.165,07	249.339,47	204.901,45	199,684.11	1,802,301.48	2.24
SAUDI ARABIA	139.130,96	151.509,61	208.469,20	236.480,11	279.940,12	217.091,85	175.558,24	194.698,31	198,190.95	1,799,115.36	2.23
CHINA	186.721,07	124.383,26	141.831,04	236.422,86	189.768,71	208.207,83	175.303,43	190.422,73	195,843.64	1,649,416.89	2.05
ISRAEL	138.764,48	179.093,20	194.460,59	161.323,18	160.197,26	155.836,59	178.126,25	163.673,92	172,634.16	1,805,035.07	2.24
ROMANIA	187.215,50	178.860,14	236.499,82	229.738,12	217.282,35	203.314,68	205.041,98	161.877,20	163,308.69	1,494,407.04	1.86
LIBYA	151.591,81	137.439,55	188.653,95	193.431,49	183.219,74	202.569,35	168.349,32	145.155,23	161,671.48	1,795,415.84	2.23
BELGIUM	170.638,08	158.103,51	162.594,57	160.570,87	171.093,54	165.589,27	156.866,95	143.579,45	154,499.72	1,443,489.31	1.79
AZERBAIJAN	88.197,22	108.526,68	127.740,64	142.271,09	128.854,83	132.745,17	133.112,82	140.955,90	141,835.21	1,286,515.70	1.60
SYRIA	140.830,14	121.496,90	170.844,38	135.217,89	134.420,11	133.041,28	169.555,84	139.801,37	135,979.45	1,137,953.34	1.41
ALGERIA	118.185,40	133.985,97	168.299,12	162.332,62	115.181,20	117.934,52	105.236,83	121.760,73	135,631.91	1,072,140.14	1.33

Data: Turkish Exporters Assembly

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