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The Turkish Perspective

MARCH-APRIL 2011 ISSUE 3

ECONOMY | BUSINESS | FOREIGN TRADE | ANALYSIS

EXCLUSIVE INTERVIEW

Ahmet Davutoğlu, Minister of Foreign Affairs, told The Turkish Perspective how his political strategies worked to reposition Turkey on the international stage



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



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Exchange Rate Risks
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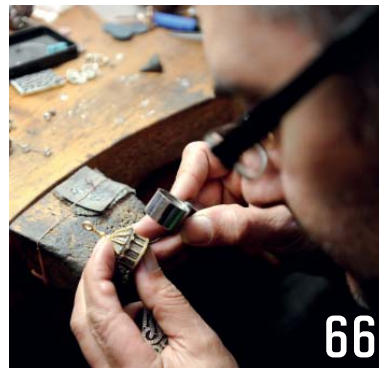
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The Turkish Perspective

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Editorial



MEHMET BÜYÜKEŞİ
PRESIDENT (TIM)

FOLLOWING THE WAVE OF CHANGE

If a political structure and an administration shaped by democracy is formed in the Middle East, Turkey will have the most to gain

Dear readers,

The Turkish economy passed through 2010 very successfully. Though in an environment where the effects of the global crisis still raged on, economic growth sped up and continued. We estimate that Turkey's growth in 2010 Turkey will exceed 8 percent.

Together with strong economic performance, rates of unemployment also fell. Around 1,113,000 jobs were created, exceeding the workforce's demand for 853,000, and a net reduction was seen in unemployment figures. Increases continued in industrial manufacturing and exports. Exports continued to be the driving force of Turkey's economy, rising to 114 billion dollars in 2010.

Turkey is entering the year 2011 beneath an election atmosphere; but in spite of this, one does not encounter effects of the election process on economic expectations. According to our poll of Turkey's top one thousand exporting companies, 57.9 percent of our companies believe that their sectors will improve in 2011, and 56.7 percent believe the same about the Turkish economy as a whole. The rate of those who stated that the world economy would get better was 30.4 percent, the rate of those who stated that it would stay the same was

49.7 percent, and the rate of those who believed it would get worse was 19.9 percent. The greatest reason our companies believe so strongly in their own sectors and the Turkish economy and maintain their positive expectations is the stability that has prevailed over Turkey in recent years. Thanks to this stability, unlike in past years, the shadow cast by politics over the economy is lessening.

That Turkey is not in an election economy in spite of the election process – on the contrary, it continues its strict financial policies – is another factor raising Turkey's credibility. According to the budget figures announced by the Ministry of Finance, in January, Turkey's budget posted a surplus of 4.8 billion TL. Thus, by this figure, Turkey's budget posted a surplus in January for the second time in the past twenty-one years, showing how much importance Turkey places on budget discipline. In an environment where the rates of many countries' debts against their national revenues and their budget deficits are rising, Turkey is exhibiting successful performance in its budget as well.

Measures taken to control the ballooning of credit and the expansion in internal demand have started a new era in the economy, despite it being an

election year. To exit the crisis, Turkey started using new policy devices to protect itself from the negative effects of the monetary expansion that is occurring in Western economies. That the practice has been successful will set an example to rising markets that wish to protect their economies from flows of hot money. As Turkey's exporters, we believe that this practice will have a positive effect over the fiscal deficit, the only problematic area in Turkey's economy, and will support exports as well.

We are hopeful for 2011. Its first two months have brought us much hope: over these two months, there has been an improvement in exports of nearly 23 percent. Our exports target for 2011 is 132 billion dollars. Turkey will continue to grow both with strong demand in the domestic market and with the rapid rise in exports. We foresee that the Turkish economy will preserve its high rate of growth and that growth will be between 5 to 6 percent in 2011.

A number of political developments in the Middle East may reflect negatively on Turkey's exports in the short term. However, we know that life will go on after this great wave of change settles. The potential and populations of these countries are still there. People are born, they grow up, get married, work, and consume. Life somehow goes on.

To look at it in the long term, we will not be moving away from these markets. If a political structure that is accountable to the government and possesses an administration shaped by democracy is formed in the region, Turkey will have the most to gain from it. The direction Middle Eastern countries wish to go is the direction Turkey is going.



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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invest.gov.tr

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Editor: Ceyhan Aksoy

First

REGULATIONS, EXPORTS, MEETINGS, PARTNERSHIPS, AVIATION, DEFENSE, MINING, MEDIA...



TIM will engage in joint training activities with TurkDEX in all provinces throughout Turkey where there is demand

COOPERATING AGAINST EXCHANGE RATE RISKS

TIM is taking important steps in order to avoid risks of high exchange rates

The Turkish Exporters Assembly (TIM) was moved to act once it became clear in polls of exporters that 57 percent of companies use no instruments in hedging foreign currency risks. TIM, which recently made a forward agreement with Halkbank, has also entered cooperation with the Turkish Derivatives Exchange (TurkDEX), aiming to spread awareness and the use of fixed-term

foreign exchange contract operations among exporting companies. TIM will also soon sign an agreement on option operations with Eximbank.

TIM President Mehmet Büyükekşi, who spoke at the ceremony for the co-operation agreement signed between TIM and TurkDEX, says

that they firstly aim to inform exporters on what this service is. "As TIM, we are very sensitive to the exchange rate risks of our exporters, as

exchange rates are highly significant for our exporters. An exchange rate system in flux forces our exporters to be active in exchange rates. However, unfortunately, we are seeing that our exporters are not hedging exchange rate risks sufficiently. The greatest reason for this is the lack of knowledge," says Büyükekşi, and adds that they will engage in joint training activities with TurkDEX in all provinces throughout Turkey where there is demand. TIM will follow these protocols, which were made so that companies can continue their exports in healthier conditions, and will share changes of the usage rates of these operations with the public at times.



TIM President Mehmet Büyükekşi, TurkDEX President İsmi Kestelli, TurkDEX CEO Çetin Ali Dönmez and TIM Deputy Secretary Şahin Oktay were present at the ceremony

REGULATIONS

A NEW ROAD MAP FOR TRADE

The new Commerce Code redefines the rules of trade and business, bringing more transparency and increased efficiency in risk management



THE LAW ON THE ENFORCEMENT and Application of the Turkish Commercial Code, known simply as the Turkish Commercial Code, was accepted in January. The business world had waited a long time for the law, which holds great significance in that it will provide a legal foundation suited to modern methods of doing business. Among the most important changes that will be brought with the new law, which will come into effect in July 2012, are that the requirement for the number of partners in companies to be founded will be removed, that a single person will be able to establish a company, and that board meetings will be allowed to take place in a digital environment.

The new code also paves the way for the oversight of company balances by independent regulatory organizations. This rule, which is one of the most important requirements of an information society, also brings transparency with it. The concept of company secrets shall also reach a completely new level in this regard, as every company will have a website that will incorporate monthly and tri-monthly financial tables and reports.

Among the statutes in the new code is the penalization of raising money from the public by promising partnership without receiving permission from the Capital Markets Board, as well as requiring companies that have gone public to have

board meetings in an electronic environment. Thus, millions of individuals will not have to go to a common location and can exercise their rights as shareholders over the Internet.

In addition, according to the code, suits caused by legislation relating to intellectual property rights and companies operating in the finance sector – particularly those engaged in renting and financial renting (factoring) – shall be classified with commercial suits. The interest rate in commerce shall be determined freely, while laws regarding legal, capital, and default interests shall be applied. The practice of compound interest shall be brought to an end. “This code is one of retouching, not one of dusting off,” says Turkish Commercial Code Committee President Prof. Ünal Tekinalp, and adds, “It is a code that restructures and organizes Turkish commerce and opens the door of new opportunities to investors, producers, and consumers.” The changes it brings to the regulation of companies, transparency, risk management, and boards are especially significant to the business world.



Prof. Ünal Tekinalp believes the new Commerce Code will open new doors to investors, as well as manufacturers and consumers

Work on the new Commerce Code had been continuing far nearly 10 years and it was revised many times

AVIATION

TURKISH AIRLINES RECEIVES MARKET LEADERSHIP AWARD

Turkish Airlines has been deemed worthy of the “Market Leadership” award by Air Transport World (ATW), one of the aviation sector’s most important international publications. The 37th ATW Airline Industry Achievement Awards ceremony was held at the Renaissance Hotel in Washington, DC, the US capital, where the recipients received their awards. The 2010 “Market Leader” award was presented to Turkish Airlines CEO Temel Kotil by Cathy Buyck, the magazine’s senior editor and European Bureau Chief. In his speech at the ceremony, Kotil expressed his honor at accepting the award in the name of Turkish Airlines’ sixteen thousand employees. A video presentation on the successes that earned Turkish Airlines the award was also shown at the ceremony. The presentation explained how Turkish Airlines continued to increase its success in spite of the global financial crisis, giving examples of the advances it made. Namık Tan, Turkey’s Ambassador to Washington DC, also attended the awards ceremony.

IRON AND STEEL

RAISING THE BAR FOR 2011

Iron and steel exporters' target for 2011 is 16 billion dollars

THE IRON and steel sector, which accounted for 16 percent of all Turkish exports in 2008 with 19.5 billion dollars, shut the books on 2009 with 11 billion dollars. The sector accounted for approximately 11 percent of total exports in 2010 with 12.3 billion dollars. Its target for 2011 is 16 billion dollars. Turkey, which is number ten among the world's largest flat steel producers, maintained its position as Europe's second largest flat steel producer in

2010. The sector's target for 2015 is to rise to number eight in the global ranking. Namık Ekinci, President of the Istanbul Iron and Steel Exporters' Association, says that production capacity will be increased to 52 million tons with the new investments that have been made, and adds, "With 17 million tons of sales, Turkey occupies the position of the world's seventh largest exporter in this sector. Our sector is regarded as a trustworthy safe harbor due to its quality."



AVIATION

Kobe Bryant Enters The Kitchen For Turkish Airlines

Turkish Airlines' brand ambassador Kobe Bryant features in the ad video of the company



FILMING OF AN AD video featuring Kobe Bryant, who was chosen Turkish Airlines' brand ambassador within the scope of the company's international brand recognition efforts, has been completed in Los Angeles. Kobe Bryant entered the kitchen for the first time in his life for Turkish Airlines, displaying his acting prowess rather than playing basketball in the video. A life-size model of the plane and the new Business Class seats were prepared in England and sent to Los Angeles to be used in the shoots, which took two days to complete after three months of preparations. Turkish Airlines' experienced airborne chef coached

Kobe in his culinary efforts and planning menus for flights. Starring Kobe Bryant, Turkish Airlines' brand ambassador worldwide and especially for the US, the video was shot in a studio of approximately 1,200 square meters at Southbay Studios in Los Angeles. Laurence Dunmore – who directed international ads for such brands as Adidas, Mercedes, Hermes, and BMW – directed the video, which was shot with three different sets with the contributions of Turkish, American, and British crews. Approximately 215 people took part in the production of the video, whose soundtrack was prepared by Massive Music in Amsterdam, the Netherlands.

A QUICK START

Exports increased by 22.67 percent in January 2011 over January 2010. Automotive exported the most out of all sectors in January with a volume of 1.5 billion dollars. Ready-to-Wear Clothing and Apparel was second with 1.3 billion dollars, while Chemical Materials and Products was one of the sectors showing the most improvement in its exports performance, coming in at third place with 1.2 billion dollars.

59.27%

SHIPS AND YACHTS

45.93%

WATER PRODUCTS AND ANIMAL PRODUCTS

44.96%

CHEMICAL MATERIALS AND PRODUCTS

FOREIGN TRADE

TOWARD
10 BILLION
DOLLARS WITH
PORTUGAL

Zafer Çağlayan, the Minister of Foreign Trade, pushed the button to increase trade with Portugal to 10 billion dollars. On February 21, during his visit to Portugal, Çağlayan said that they could raise the current 1 billion dollar trading volume between the two countries to 10 billion dollars within a few years. As Çağlayan expounded on the opportunities available in Turkey's economy, he also listed the incentives offered to investors. The minister, who explained that the institutions tax is 2 percent in incentivized regions, also informed investors that the insurance premiums of personnel employed are undertaken by the government and that land incentives are offered.



TECHNOLOGY

Turkish Informatics
Starts at CEBIT 2011

Turkish Airlines supports the promotion of Turkey's informatics sector to the world



TURKEY WILL PARTICIPATE in CEBIT 2011 with the status of "Partner Country" due to the efforts of the Istanbul Chamber of Commerce, which aims to promote Turkey's informatics sector to the world. Turkish Airlines will support this promotion as a "Partner Airline." Turkish companies will appear in five separate halls with over 4,500 square meters of booth space at CEBIT 2011, which will take place March 1-5, 2011, in Hanover, Germany. Those following the fair draw attention to the fact that CEBIT's organizer, Deutsche Messe AG, and BITKOM

have been engaged in a close relationship with Turkish companies and institutions for many years. The Turkish-German Information and Communication Technologies Summit shall also be organized within the scope of CEBIT, which Prime Minister Recep Tayyip Erdoğan and German Chancellor Angela Merkel are expected to kick off on March 1, 2011. The leading companies of Germany and Turkey and governmental organizations shall share their success stories in IT and provide information on regional investment incentives at the summit.

DEFENSE

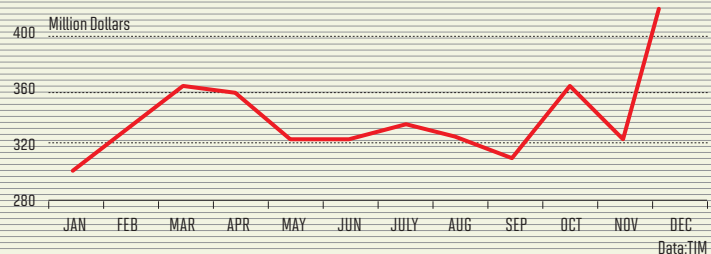
EXPORTING
DEFENSE

The largest agreement on armored vehicles is signed with Malaysia

Turkey's largest exports agreement in the defense industry so far was signed at a ceremony in which Minister of National Defense Vecdi Gönül and Malaysian Minister of Defense Ahmed Zahid Hamidi participated. Under the terms of the agreement, FNSS will provide support for the design, development, production, and logistics of the 8x8 Armored Wheeled Assault Vehicle to meet the needs of the Malaysian Armed Forces. The amount required by the agreement for the project, which encompasses the development and production of 257 8x8 Armored Wheeled Assault Vehicles in 12 different configurations for the Malaysian Armed Forces, is close to 600 million dollars. FNSS Defense Systems Co. General Manager Nail Kurt said, "We gave these vehicles the name 'Pars,' (a type of leopard indigenous to Anatolia) as they represent power in Anatolia. Production of the Pars vehicle family has been possible in 4x4, 6x6, and 8x8 configurations."

GRAIN, LEGUME, AND OIL-BEARING SEED EXPORTS (Million USD)

The export of grain and oil-bearing seeds increased by 39.43 percent to 610.038 liras in January 2011



MEDIA

TURKEY AT THE CENTER OF THE GLOBAL MEDIA'S ATTENTION

Turkey, which stood out among emerging markets with the eruption of the 2008 crisis and managed to exit the crisis with the least harm, has managed to occupy the center of the whole world's attention with its performance in 2010

The world media did not just stand by and watch this, of course. According to the Directorate General of Press and Information, Turkey was the subject of a total of 1,263,131 news items, commentaries, and programs in international sources including newspapers, radio, television, international online newspaper aggregators, foreign news agencies, and websites.

The most interesting of these was that Jim O'Neill, the economist who created the BRIC concept, added four more countries to the group, including Turkey. O'Neill explained the MIST concept—which features Mexico, Indonesia, South Korea, and Turkey – to the Financial Times:



"First there were the 'BRICs' – now there's 'BRIC 'n' MIST' Jim O'Neill, the economist who coined the term BRICs to describe Brazil, Russia, India and China, is adding

Mexico, Indonesia, Turkey and South Korea to the original four countries to create a new grouping of growth markets.

"It's just pathetic to call these four 'emerging markets,'" he told the Financial Times.



The analysis appearing in British paper The Guardian underlined Turkey's strengths:

After BRIC comes MIST, the acronym Turkey would certainly welcome

The term MIST has been coined to describe the next tier of large emerging economies – Mexico, Indonesia, South Korea and Turkey. Can Turkey live up to the hype?

Sinan Ülgen heads up Istanbul Economics, a thinktank in the cultural capital. He says: "Turkey became a much more attractive destination for FDI, breaking a new record in 2007 before the global crisis with \$22bn

of FDI (foreign direct investment) inflows."

Turkey has other assets too. With three grey minarets tacked – rather incongruously – on to the old, faded red brick, the Hagia Sophia, once the largest church in the world and subsequently a mosque, is now a museum, a landmark draw for Turkey's tourist industry.

By 2023, the centenary of the founding of the Turkish Republic, the country hopes to have more than doubled arrivals to 63 million, thereby becoming one of the world's top five tourist destinations. Ankara has established visa-free travel arrangements with Jordan, Lebanon, Libya and Syria, with similar bilateral deals under discussion with other countries in the Middle East and North Africa.



THE ECONOMIST: Turkey has made astonishing progress

in the past decade, says John Peet. It can take decades to change the image of a country. Yet Turkey has managed the trick in less than one. Ten years ago it was a basket-case. Yet ten years on Turkey stands transformed. The economy suffered badly in the global recession of 2009, but over the previous five years it had been unusually vigorous, and it has bounced back so quickly that this year it is likely to grow faster than those of almost all other European countries. Turkey has largely escaped the Mediterranean sickness that has taken hold in Greece, Spain, Portugal and even Italy. It is on the verge of acquiring an investment-grade credit rating, inflation is in single figures and the government has been able to dump the IMF.

The political situation has also greatly improved. After nearly eight years of single-party rule by Recep Tayyip Erdogan's Justice and Development (AK) party, the army has been largely tamed. With exquisite timing, Mr. Erdogan won a referendum on constitutional changes. The AK government has pushed through an impressive array of political and economic reforms. One reward was the formal opening in October 2005 of negotiations for EU membership.

These changes have not gone unnoticed. Turkey is now a vocal member of the G20 club

of important economies. It held a temporary seat on the United Nations Security Council in 2009-10. It is knocking on the door of the BRICs club of emerging giants. Some forecasts suggest that during the next decade it will grow faster than any country bar India and China. Others predict it could become the world's tenth-biggest economy by 2050.



The Wall Street Journal wrote that Turkey's industries are developing in every area and that the country's astonishing economic success story is continuing. The article, which was published on the newspaper's website, evaluates the growth rate of Turkish industry, emphasizing that industrial production increased by 16.9 percent in December 2010 compared to the same month last year, and that the increase in the manufacturing industry was nearly 20 percent.

"These figures did not just undermine economists' expectations, they made a complete mess of these expectations and predictions," wrote the newspaper, highlighting that the increase in Turkey's industrial production was 50 percent faster than the market expectation of 11 percent.



MINING

MINING GOES DEEPER

The industry exhibited high performance in January 2011

The export of mining products showed an increase of 40.46 percent in January 2011 over the same period in 2010. According to data released by the Turkish Exporters Assembly (TIM) and the Istanbul Mineral and Metals Exporters' Association (IMMIB), Turkey's combined mining exports were around 3.7 billion dollars, a figure that was around 2.6 billion dollars last year. According to IMMIB's data, there was an increase of over 30 percent in the export of mining products to European Union countries alone. The greatest relative increases in mining products exports among European countries were in Luxembourg with 3,742 percent, Denmark with 1,224 percent, and Germany with 416 percent.

LEATHER

Turkey Is on the Right Path

Turkey is achieving success with its branding and market diversification strategy in the leather sector

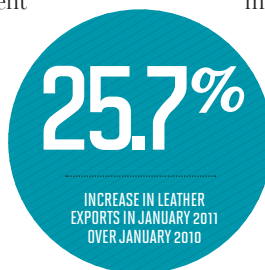


THE LEATHER SECTOR, which achieved the best exports figures of its past five years in 2010 with 3.3 billion dollars of exports, is taking new steps to make this success last. The sector, which has focused on diversifying its exports market in particular, is concentrating on Italy and China in addition to Russia, its largest market. Turkish Exporters Assembly (TIM) President Mehmet Büyükekşi says, "We want to open up to the Italy, Russia, China, Germany, and US markets in the leather sector. The markets we have set as targets in the shoe sector, meanwhile, are Russia, Iraq, Saudi Arabia, Japan, and China." That the Istanbul Leather Fair, the sector's most important fair, takes place in January holds great significance in this regard. It was previously organized on different dates, and this date is the greatest indicator of the wish to reach not

just Russia, but other markets too." "Russia is not the only market for Turkey anymore. Turkey is a country that has proven itself in leather; we are strong in terms of design as well as in terms of processing," says Yücel Yılmaz, President of the Leather Industrialists' Association, and continues: "In this regard, the

Turkish leather industry must be introduced to the world. Europe and even America must recognize Turkish leather." Undoubtedly, it will not be very hard for Turkish leather to reach these markets, as the Turkish leather

industry, which has become a fashion producer on a global scale with steps taken in branding, appears to be rid of the difficulties it had in procuring raw materials. The sector has taken a deep breath thanks to incentive measures applied to the animal husbandry industry.

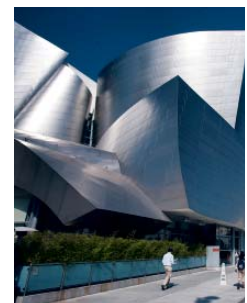


AVIATION

NEW DESTINATIONS

Turkish Airlines continues to expand its flight network

Turkish Airlines' schedule for the Valencia, Malaga, and Toulouse flights it will soon start has been determined. According to the planned flights program, March 14, 2011 will mark the start of flights to Shiraz (Iran) that will occur four times a week. Turkish Airlines will make its first flight to Valencia (Spain) on March 27; flights to Valencia will also occur four times weekly, on Tuesdays, Wednesdays, Fridays, and Sundays. Additionally, Turkish Airlines will run three flights a week between Istanbul and Malaga (Spain), on Wednesdays, Fridays, and Sundays, to start on April 27. With the existing flights to Barcelona and Madrid, Turkish Airlines passengers will be able to reach four destinations within Spain directly once flights to Valencia and Malaga commence.





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Panorama



BY PROF. DR. TANER BERKSOY



THE TURKISH ECONOMY DURING AND AFTER THE CRISIS

Decoupling on two accounts have led the Turkish economy into an entirely different picture vis-à-vis other economies

TOGETHER WITH OTHER economies, the Turkish economy went through the global crisis in the 2008-2009 period. In fact, at least in the initial phase, Turkish economy was among the worst affected econo-

mies. All the depressive effects of the global crisis were felt in the economy as of fall 2008. The annual rate of growth turned negative and decreased sharply. In fact, the Turkish economy ranked second in the first quarter of 2009.

Unemployment increased significantly as the natural outcome, so that the unemployment rate increased from around 10 percent to a little over 14 percent and stayed there almost throughout the entire crisis.

Policy-making authorities reacted to the ongoing recession by relaxing both monetary and fiscal policies just to avoid further deepening the depression. Thus, interest rates decreased by a large margin, public expenditures increased, budget deficits widened, and public borrowing picked up. However, rather ironically, some positive effects of the global crisis also appeared. Such positive effects were mostly felt in the two almost-traditional problems of the Turkish economy. The economic crisis caused a sharp contraction in the private demand, thereby giving way to a deceleration in annual inflation. Since aggregate demand was reduced all around the world due to the global recession, both import and export expenditures dropped sharply, leading to a significant decrease in the external deficit of the Turkish economy.

all through 2010 in most other countries, public authorities in Turkey moved toward a tighter fiscal policy in the second half of the year. Thus, the budget deficit contracted, the borrowing requirements of the public sector decreased, and the ratio of national debt to GNP first stabilized and then decreased in 2010. In fact, the actual budget deficit by the end of the year was significantly below the targeted deficit set for the year.

Decoupling on these two accounts have led the Turkish economy into an entirely different picture vis-à-vis other economies in the first quarter of 2011. It seems that one can classify national economies into two distinct groups by that date. The countries in one of the groups appear to have no problems with economic stability (inflation), but do have problems in lifting up their economies, therefore suffering from relatively low growth rates, making difficult for them to exit the global crisis properly. Most of the advanced economies can be placed in this group. Another group of economies has no problem in economic growth but suffers from



Turkey was among the worst affected economies in the initial phase of global crisis in the 2008-2009 period. In 2009, however, it managed to rank second in the world, standing as a great example of the effects of decoupling

All these indicate that the Turkish economy shared all the common features of the world crisis in 2008 and 2009. However, starting from the final quarter of 2009 it appears that the Turkish economy somehow decoupled from other economies. In other words, the performance of the Turkish economy differed from others in the exit phase of the crisis. Decoupling became more accentuated through 2010.

Initially, the Turkish economy started decoupling on two accounts. Firstly, the economy shifted quickly and easily to a “high growth regime,” particularly decoupling from the advanced economies in this respect.

In the first three quarters of 2010, the annual rates of growth in the Turkish economy far exceeded the performance of most other economies and in fact ranked among the top on a global scale.

Secondly, public accounts in the Turkish economy were wrapped up more quickly and with relatively greater ease in the exit phase of the crisis. While the budget and overall public deficits remained very high

increasing inflationary pressures. Emerging economies in Latin America and East Asia are in this group.

As one can easily detect, different problems in national economies induce individual countries to pursue different sets of policies. Those who have growth problems without inflationary pressures will obviously continue with expansionary policies. Countries that exhibit lively growth performance but suffer from some inflationary pressures will certainly stop implementing expansionary policies and shift toward tightening measures.

The picture in the Turkish economy is neither of these two. The economy has no problem in growth performance and no disturbing inflationary tendencies for the time being.

In other words, the Turkish economy appears to be one of the rare (or perhaps the only) examples in the world as to those that have none of the popular economic maladies that characterized the exit phase of the global crisis.

7.8%	41.4%
Turkey's growth rate in 2010	Estimated ratio of Turkey's national debt to GDP in 2010
Data: IMF Forecasts	Data: Undersecretariat of Treasury

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Briefing

INVESTMENT, COMPUTING, ENTREPRENEURSHIP, ORGANIC AGRICULTURE, FURNITURE...



MEDICAL TOURISM

ANATOLIA: A PLACE OF HEALING ONCE AGAIN

With its skilled medical personnel, quality of service, and reasonable costs, Turkey is the world's rising star in medical tourism...

According to 'International Healthcare Fees Comparison Report,' Turkey appears as the most competitive country in the almost all areas of treatments

BY CİHAN DAĞ BY AHMET BİLAL ASLAN

IN THE 1980s, as readers past their thirties may recall, people with medical problems would seek out ways to receive treatment abroad. Those with adequate funds would go over to developed countries for treatments that are risky and require expertise, such as organ transplantations and cancer treatments. In fact, endlessly repeated depic-

tions of young girls who were cured of merciless diseases abroad made a permanent mark on the Turkish films of a certain era. But much water has passed under this bridge. Turkey, which has made great progress in quality of service, expertise, and technological infrastructure, is now among the world's rising stars in medical tourism.

At first, medical tourism seems like an odd turn of the phrase, marrying the idea of health with the concept of tourism, which is associated with fun and relaxation. However, because of issues in access to healthcare, its quality, and its costs, medical tourism is continually gaining significance. Thousands of people cross borders to find

solutions for their issues every day. According to a report issued by the Turkish Industrialists' and Businessmen's Association (TUSIAD) Social Affairs Commission Health Group, global health-care spending rose from 4.1 trillion dollars in 2008 to 5.4 trillion in 2009. The report shows that countries allocate 2 to 16 percent of their gross

national products, depending on how developed they are, to healthcare. Experts estimate that four to six million people receive medical care outside their own countries each year due to lower costs. While transnational medical spending was 40 billion dollars in 2007, it is estimated that this figure is nearing 60 billion dollars today. According to Selin Yıldırım Peker, Vice President of Strategy and Business Development at the Dünyagöz Hospitals Group, the size of the market will exceed 100 billion dollars in 2015 at the rate it is currently growing.

THE STARS OF HEALTHCARE: ASIAN COUNTRIES

Approximately 30 countries are competing against each other for a larger slice of the world medical tourism pie. Global medical tourism data shows that countries in South and Southeast Asia and Latin America are ahead of the competition. Thailand, which received more than a million medical tourists in 2009, has the largest share held by one country. Thailand is followed by India, with 450 thousand tourists; Singapore, with 420 thousand; and Malaysia, with 350 thousand. Experts in the field ascribe the success of these countries to their geographical proximity to the US, where healthcare costs are extremely high. In the United States, even a simple surgical operation can cost tens of thousands of dollars. With their relatively low medical costs and geographical proximity to the US, these countries rush to the aid of American citizens that wish to treat their ailments.

THE ALLURING POTENTIAL OF HEALTHCARE

Where does Turkey, home to the world's oldest centers of

medicine, stand in the field of medical tourism? Turkey is among the top ten countries that have the highest shares in the global medical tourism market. Taking a closer look at the milestones of progress in Turkey, the situation in the first years of the new millennium was rather different than it is today. At the time, Turkey was still licking its wounds from 1999's earthquake and was wrestling with the effects economic crisis of in 2001; the country received no more than a few thousand foreign patients in those years. In 2010, Turkey received more than 50 thousand foreign patients, a figure expected to approach 100 thousand in 2015. According to data released by RNCOS, an India-based research company, the medical tourism sector in Turkey – which generates 1.5 to 2 billion dollars of income on average each year – is expected to grow by 16 percent between 2010 and 2013. Selin Yıldırım Peker, highlights Turkey's potential in medical tourism, stating that Turkey can quite feasibly raise its market share – still only 1 percent – to around 5 percent within five years, and adds, "This means 5 to 10 billion dollars of additional income for the country's economy."

THE MOST COMPETITIVE COUNTRY: TURKEY

In the early years of its rising prominence in medical tourism, Turkey was known more for cosmetic treatments such as simple surgical operations, dental treatments, and hair transplantation than complex medical procedures, and was mostly preferred by Turks living abroad. The rise in service quality with the proliferation of private hospitals and medical facilities and fees – though higher than before – that were lower than many other countries played a significant role in this preference. According to the International Healthcare Fees Comparison Report, Turkey is the most competitive country in almost all areas of treatments. The report indicates that the average cost for heart valve replacement surgery,

7,500 dollars in our country, exceeds 160 thousand dollars in the US. Similar differences in pricing are present in other kinds of treatments as well. For instance, while hair transplantation costs a few thousand euros in Turkey, it is between 4 and 10 thousand euros in Europe. In the US, this figure is nearly 25 thousand euros; in Russia, it is 7,000 euros on average.

Another detail that stands out in the report is the increase in the number of hospitals. The number of hospitals, which totaled 1,276 million in 2007, is expected to hit the 1.5 million mark. However, without meeting standards of quality, the increase in the quantity of hospitals is not enough on its own. Turkey shines in this area too. There are 39 hospitals in Turkey that are accredited by the Joint Commission International (JCI), which is granted in order to establish an international standard of quality and service. Considering that just 200 hospitals in 34 countries possess this prestigious accreditation, the quality of medical services in Turkey is strikingly high.

In addition to cosmetic and dental treatments, Turkey is starting to stand out in treatments requiring expertise as well. Such treatments, including cancer, ophthalmological conditions, heart conditions, and organ transplantations, have higher value added, and could allow Turkey to take a larger slice of the global medical tourism market. Meri Bahar, Coordinator of Medical Enterprises and Marketing for Bozlu Holding and Business Coordinator of NeoLife Medical Center, highlights a similar point and says, "Besides simple surgical and cosmetic practices, there should be a focus on high-risk conditions such as cancer

There is nothing stopping Turkey, which boosts the allure of its high-quality service and expertise with low costs, from becoming one of the central countries in medical tourism



treatments, organ transplantations, and heart surgery.”

Turkey could make billions of dollars of income using this model, which could be given the name “value added medical tourism.” Take cancer, for instance, which is considered the plague of our time... According to data released by the World Health Organization’s International Cancer Research Unit, GLOBOCAN, 12.7 million cases of cancer were reported globally in 2008. This figure multiplies each year. Technological infrastructure, expertise, and costs play a vital role in the treatment of conditions with high mortality rates, such as cancer. Turkey possesses advantages in all three of these fields. A report by Innovus – one of the pharmaceutical sector’s leading research firms – titled “Access of Turkish Patients to Cancer Medications” compares costs of cancer treatment in 20 countries, including Turkey. According to the report, cancer-related spending has a 6.3 percent share on average in total healthcare spending in Europe, equivalent to 148 euros per capita. In France, which boasts the highest remission rates for treated cases of cancer, this figure is around 205 euros per capita. In the US, the world’s capital of cancer treatment, the same figure is around 500 dollars. Finally, in Turkey, it is thought that per capita spending for cancer treatment is 25 euros on average.

We see similar potential in ophthalmological treatments. “Medical tourism has a share of around 10 percent in our income,” says Dünyagöz’s Selin Peker, and adds that they treated close to 25 thousand foreign patients in 2010. Dünyagöz aims to increase this number to 50 thousand in 2011. Germany,



the Netherlands, Luxembourg, the UK, Sweden, Belgium, and Scandinavian countries supply the highest numbers of foreign patients to the hospital. Peker, stating that Turkey has gained the status of an important center preferred by patients from countries in the EU, the Middle East, and the Balkans over the past ten years, says, “As a result of progress in our relationships with the countries that border us and the signing of agreements that make

There are
39 hospitals in Turkey
that are accredited
by JCI

visas more convenient, serious increases have been observed in the numbers of foreign patients coming from the countries of the Middle East and the Balkans.” Meri Bahar emphasizes the same regions. Bahar says that the patient group that travels most often for cancer treatments is seen among Middle Eastern, Balkan, and Eurasian countries, adding “Until deficiencies in infrastructure and expertise in these countries are eliminated, the need to receive treatments beyond borders will continue.”

FOREIGN FUNDS’ LOVE FOR TURKEY

Recent developments have also led to growing interest among foreign funds in Turkey’s medical sector. Rapid increases are especially being observed in investments coming from the Middle East.

Acıbadem Health Group and Dubai-based Abraaj Capital, Medical Park Hospitals Group and Carlyle, Memorial and QFIB-Argus Capital, Dünyagöz Hospitals and Kuwait-based NBG Capital, and Anadolu Hospitals and US-based Newcon have all entered various agreements. Furthermore, news that Universal Hospital Group, which has 18 hospitals under its umbrella including the German, Italian, and Çamlica hospitals, is preparing to announce its partnership agreement with a foreign investment fund has already leaked to the press.

There is nothing stopping Turkey from becoming a central country for medical tourism. It possesses all that is required for high value added treatments such as organ transplants and heart, eye, or brain surgery, namely technological infrastructure, skilled medical personnel, reasonable costs, quality of service, and private-public sector integration.

TURKEY COULD BECOME A HEALTHCARE NEXUS

Sector experts state that Turkey’s income from medical tourism may reach 10 billion dollars in 2015



SELİN PEKER

Vice President, Dünyagöz Hospitals Group Strategy and Business Development

Neighborhood advantage

Turkey increased the number of foreign tourists coming to receive healthcare from a few thousand in the beginning of the 2000s to 40 thousand in 2009. As a result of the signing of agreements that make visas more convenient, serious increases have been observed in the numbers of foreign patients coming from the countries of the Middle East and the Balkans.



MERİ BAHAR

Business Coordinator, NeoLife Medical Center

Eightfold in four years

Besides simple surgical and cosmetic practices, there should be a focus on high-risk conditions such as cancer treatments, organ transplants, and heart surgery. Medical tourism, which is estimated to be worth 1 billion dollars today, would easily reach 8 billion in 2015.



HÜSEYİN BOZKURT

Chairman of the Board, Medicana Health Group

An ambitious target

Turkey has managed to enter the top ten countries in the world in terms of tourism income, and has started to take the share it deserves of the global market, which is expressed in hundreds of billions of dollars, at a proportion of close to 1 percent. Our target is 5 percent.

HOME APPLIANCES

BSH TO MANUFACTURE IN TURKEY INSTEAD OF CHINA

Norbert Klein, CEO of BSH Turkey, says they will manufacture small home appliances in Turkey instead of China

BY CİHAN DAĞ



SHUTTING THE BOOKS On the global financial crisis that haunted the dreams of the entire world with relatively minor injuries compared to other countries, Turkey managed to dress its wounds fully in 2011. Companies that wish to be more competitive in an era deemed the “New Normal” are speeding up their investments. One of these companies is BSH Turkey. The Germany-based company, which is the largest company on foreign capital in the Turkish appliances sector, made record investments in the third quarter of 2010. The company increased its investments by 258 percent over the same period last year, exceeding 55 million liras.

Stating that they have end-

less trust in Turkey and that this trust plays a large role in their investments, BSH Turkey CEO Norbert Klein says that the investments they realized in 2010 will carry their Çerkezköy factory to a brand new dimension in the years ahead. When we ask Klein, who said that his company will invest 300 million more

dollars in Turkey over the next five years, to give us a general picture of the year 2010, he responds, “Our domestic sales revenues exceeded 1 billion liras in the first nine months of 2010, while our exports have neared the 750 million mark. Our total revenues reached 1.72 billion liras. We estimate that this figure will hit a total of 2 billion liras for the whole year.” Klein, who indicates that they have been able to attract new investment to Turkey in light of this state of affairs, says that the company will manufacture small home appliances in Turkey instead of China. What were the forces that drove the company to this strategic decision?

“COST CONTROL”

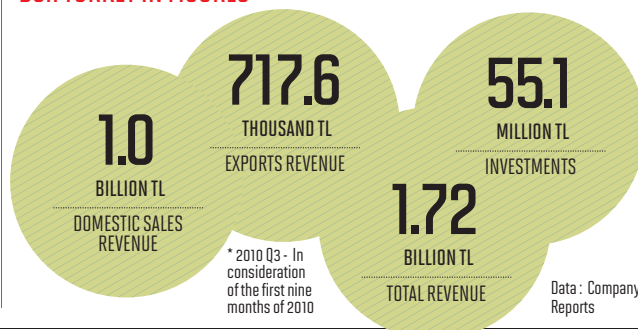
More than half of the population of Turkey – which is currently the world’s 16th largest economy – is below the age of thirty. On average, 600 thousand couples get married each year in Turkey,

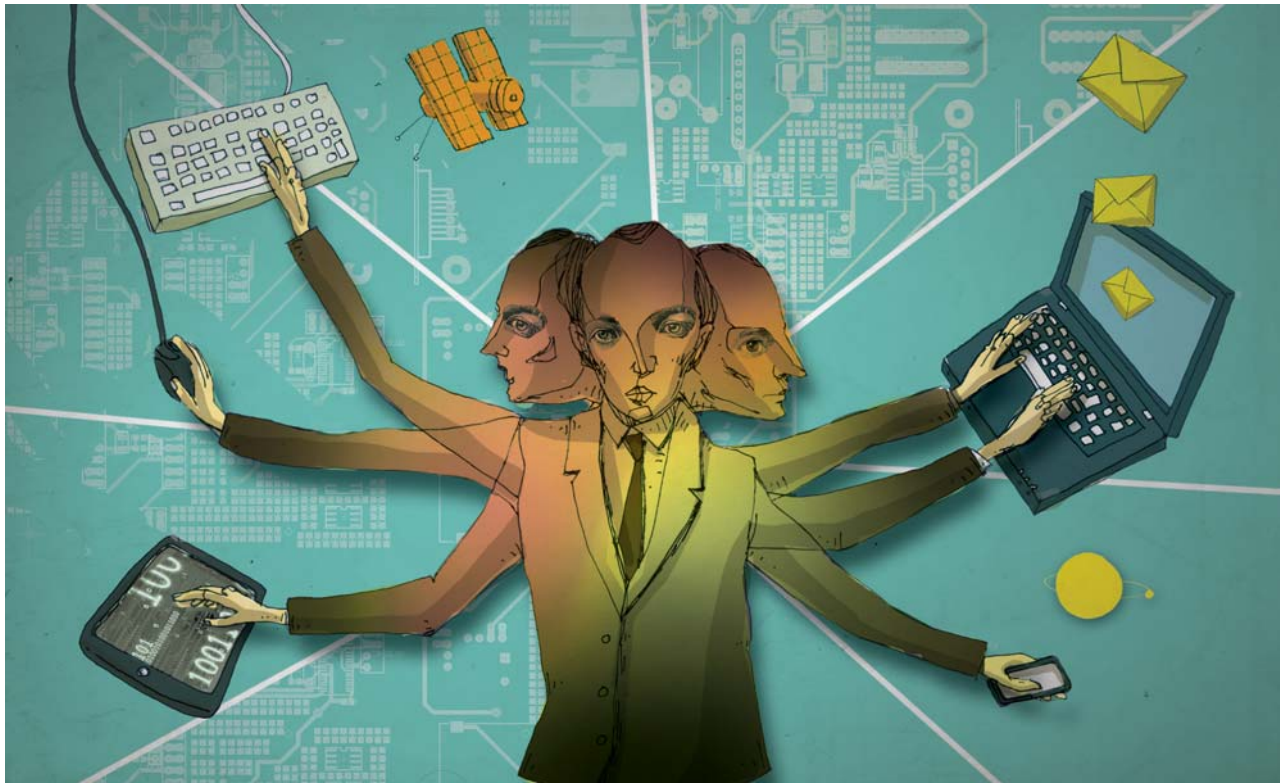
which has a population of 72 million, meaning a large and dynamic market for the small appliances sector, which has reached a size of 1.5 billion liras. Players in the sector expect rapid growth, around 20-30 percent on average, for the sector – which stood strong throughout the crisis – in the upcoming term. Besides its market dynamics, Turkey also piques the appetites of world giants with its manufacturing infrastructure. Its developed human resources and the fact that labor costs are below the world average also make Turkey stand out. Its proximity to Europe and increased trading activity within its region are the icing on the cake.

This potential also reflects on investments. BSH Turkey, the world’s third largest appliance manufacturer and the leading brand in Turkey, made the decision to carry out the manufacture of small appliances in our country, rather than in China. When we ask for the reason behind this choice, Norbert Klein, the chief executive of the Germany-based company, explains that the following two factors are what affect his decisions: “The important role played by small appliances in sales and the fast development of this sector.”

The effects of the global crisis were felt very strongly in the year 2009, which was like a dark tunnel for the vast majority of companies. “Cost control” was the most frequently used phrase in board meetings during this rough time. Of course, it’s no secret that creating new jobs with cost control in place is very difficult. Klein, who says, “In spite of the difficult market conditions in 2009, we increased our number of employees by 16 percent over the previous year,” states that they will employ 1,000 more people in 2011.

BSH TURKEY IN FIGURES





COMPUTING

Digital Turks

As the growth of Turkey's digital ecosystem gains momentum each day, several figures stand out for their local and global successes

BY AHMET USTA

PERSONAL COMPUTERS, smartphones, tablets, the Internet, applications... We have grown accustomed to the rapid changes brought into our daily lives by such concepts that set the bearings of technology. These changes are clearly manifested in the importance of the Internet in the digital economy, which has grown each day since the 90s, and the fact that various innovative enterprises based on this platform started taking in higher revenues than several giant industries with

centuries of history in less than ten years. It is unthinkable that Turkey, as it rapidly and boldly marches toward becoming one of the global economy's leading players, would stay off this stage. Various enterprises established in Turkey since the end of the 90s have achieved important successes in the past ten years, and they play significant roles in Turkey's technological ecosystem where the "Digital Turks" reside. These projects, which initially began with local solutions and services, are

opening up to the international arena one by one.

The year 2011 holds strategic significance for Turkey, as the previous year – 2010 – saw many developments heralding a significant leap forward for the digital ecosystem. The number of broadband Internet subscribers in Turkey exceeded eight million in 2010, while Internet penetration neared 50 percent. There were 91.9 million e-commerce transactions made over the Internet, representing a capacity of 15 billion Turkish Liras. Experts agree that Turkey proved

The continually growing potential of Turkey's digital ecosystem also draws the attention of foreign investors and various investment funds

more of itself in 2010 and that 2011 will be a more fruitful year.

The continually growing potential of Turkey's digital ecosystem also draws the attention of foreign investors and various investment funds.

Meanwhile, we also see that various parties with international investing experience have expanded their organizations in Turkey and are engaged in efforts toward new activities and restructuring. Assessing 2011 on these terms, it would not be out of place to predict that many more Turkish entrepreneurs will be on the receiving end of this attention, being granted angel investor support and then venture capital before they move on to become part of the ecosystem of Digital Turks. It is not possible to cover the entire ecosystem in a limited number of pages, but we can take a brief glance at those that stand out.

SINA AFRA
Markafoni CEO

An e-Commerce Veteran

Sina Afra served as a member of eBay Germany's Executive Board and of the board of eBay Europe. Afra, who returned to Turkey after serving as the managing director of Afterbuy, took a position on the board of gittigidiyor.com. In 2008, he became a founding partner in Markafoni.com, the first personalized e-commerce website in Turkey. The company grew quickly, receiving 11 million liras investment in 2011; was **named one of Europe's top 100 companies by TechCrunch**; and took fourth place in Google Zeitgeist 2010's rising searches list for Turkey. Markafoni.com, which has expanded its operations to Australia, South Korea, Ukraine, and Greece, rapidly advances toward global success with great confidence.

DR. RIZA BERKAN
Hakia.com Founder

Believing In Semantic Future

Rıza Berkan moved to the United States after graduating from Hacettepe University's Physics Engineering Department. He served as an inspector for the government in the nuclear sector for ten years. Using his experience in artificial intelligence, he began working on the Hakia project, which allows web content to be linked semantically, in 2004. In 2010, the code produced by Hakia – which has attracted more than 25 million dollars in investments so far – was used for SENSEnews.com, **a site that provides insight on changes in stock prices by following over 30 thousand news sources**. Berkan believes that semantic technologies are the future of the internet, and continues his work in the field at an uninterrupted pace.

NEVZAT AYDIN
Yemeksepeti.com Founder

For Those Who Are Too Hungry

When Nevzat Aydın was in America for his education, he closely followed Internet and e-commerce enterprises in Turkey. Aydın thought that these kinds of enterprises should not be delayed and that action had to be taken right away. He returned to Turkey and launched yemeksepeti.com, which is based on a unique e-commerce solution without any sort of payment system, in January 2001. Yemeksepeti.com, which has continued its services uninterrupted for ten years, allows users to place online orders from restaurants. Yemeksepeti **processes more than 30 thousand orders a day**, and also serves Northern Cyprus, Russia, and Dubai.

BURAK BÜYÜKDEMİR
eTohum Founder

All At The Same Garage

Burak Büyükdemir was among the first to set out to determine a vision for Turkey in the digital future. He founded eTohum in 2008 with the aim of uniting technology entrepreneurs with investors and eliminating the dearth of information in this field. eTohum has organized hundreds of events that brought successful figures in Turkey's digital ecosystem together with prospective entrepreneurs. At the end of January, eTohum declared its **selection of 15 successful projects among over a thousand projects developed by 2,200 entrepreneurs in 2010**, and has created a 250 thousand liras fund to be invested in some of these enterprises.

The company, which offers new entrepreneurs an office in its garage, will carry on with its efforts to find the Digital Turks of the future.

EMRE SOKULLU
Grou.ps Founder

Private Social Network

Emre Sokullu graduated from Galatasaray High School in 2001, continuing his education at Boğaziçi University's Chemistry Department. Sokullu, who had meanwhile been deeply involved with computers all his life, later interned at Princeton University in the US. He worked with Dr. Rıza Berkan on the Hakia project, after which he brought to life a website, named Grou.ps, which allows individuals and organizations to create private social networks. Sokullu works ceaselessly to turn Grou.ps, which **has received over 2 million dollars in investments thus far**, into a social networking platform on a global scale.

CEMİL TÜRÜN
Yoğurt Technologies

Solving The Value Problem

For nearly 20 years, Cemil Türün has thought hard about how to protect, share, and ensure trading of digital properties in a manner that preserves their economic value. Though he has been active in various fields of business based on the internet for more than 10 years, he created the infrastructure for his actual target over this period and is now busy creating a world in which real lives can be lived in a virtual environment with his company, Yoğurt Technologies. With Yoğurtistan, one of his most important projects, he believes that he has **solved the problem of the valuation of digital properties**. He is not the only one that believes this, as with the investments he received from Golden Horn Ventures, he continues along his path without slowing down, intent on changing the world.



ENTREPRENEURSHIP

OVERCOMING BARRIERS AND CROSSING BORDERS

The successes of Turkish women involved in entrepreneurship and exporting in the domestic and foreign market are encouraging

BY MERVE KARA

WOMEN HAVE shown how successful they are in management long ago. Those who first come to mind are Güler Sabancı, who is considered to be among the world's most powerful women; Ümran Beba, PepsiCo's President for the Asia Pacific Region; Serpil Timuray, CEO of Vodafone Turkey; and Suzan Sabancı Dinçer, CEO of Akbank. Now, women are starting to enjoy the pleasure of managing their own businesses.

Female entrepreneurship has seriously increased in the past ten years with the boom in developing economies. Economic progress

Turkey ranks second among OECD and BRIC countries with 12 percent female CEO rate

has brought along many opportunities allowing women, who were faced with the home/career dilemma until now, to turn their dreams of having their own business into realities. Today, around 40 percent of small to mid-size businesses consist of enterprises belonging to women. According to data released by Goldman Sachs, the employment of more women directly reflects on economies in a positive way. They study shows that if the

employment gap between women and men is eliminated, there will be increases in the GNPs of Europe, Japan, and the US of 13, 16, and 9 percent respectively.

Today, it is very clear that gender inequality negatively affects economic development. "The balance of women and men is a factor in achieving success. Having only women or only men leads to reduced productivity. Balance is important; 40 or 60 percent is good ratio in my opinion," says Meltem Kurtan, the President of Kurtan Holding and also a delegate to the general assembly of Turkish Exporters' Assembly. Turkey is among the foremost economies that have given hope to the vision that the gender gap can be closed. Today, as its export-based economy is recovering rapidly, the entrepreneurial businesswomen of Turkey continue to open new doors. Central Anatolian Wood and Forestry Products Exporters Union Vice Chairman Zeynep Kürekli, who said, "Lately, I have observed that Turkish women are traveling abroad for business more often. I believe this will continue to increase in the years to come," is working to turn more companies into exporters. Meanwhile, Kürekli, a role model for many entrepreneurial women in Turkey, stands out as the only female member of the Union's board. According to the results of McKinsey's second Women Matter study in 2010, which generated quite a buzz, companies with more female executives on their boards exhibit better financial performance. The result, which shows that companies need gender diversity just as they need linguistic, racial, and national diversity, also reflects on general economic

indicators. Of course, the inequality between men and women has not yet been fully eliminated, but there is now more data than ever showing that the gender gap must be closed. Increased awareness and improving economic conditions continue to draw more women to the world of business.

According to the World Economic Forum's 2010 Corporate Gender Gap Report, Turkey is number two among OECD and BRIC countries included in the study with a 12 percent female CEO rate. Important macroeconomic policy steps supporting women have been taken by Turkey in the past few years. For instance, the government is subsidizing new employment of women by businesses for the support they provide to social security for a period of five years. As women's level of education rises, progress is also occurring in social arenas. Women account for approximately 30 percent of all lawyers, professors, and doctors. In fact, they have even gained prominence in fields of work usually thought to be male dominated. The stories of female entrepreneurs who achieve great successes in exports, the economy's backbone, inspire many women today. "Women are attentive and successful in all subjects, but they don't try," says Aynur Bektaş, President of the Union of Chambers and Commodity Exchanges of Turkey Women Entrepreneurs Committee, and continues: "We are witnessing that women are accomplishing highly successful tasks when they try once." Today, there are 80 thousand female entrepreneurs in Turkey under the TOBB umbrella, and great efforts are under way for the expansion of this

mass. Orientation for women who are not entrepreneurs and training for employed women in subjects with which they are unfamiliar are being offered in 200 districts across 81 provinces. With these efforts, women now occupy 15 percent of the seats of the boards of young enterprises. Bektaş is one of Turkey's largest textile exporters herself, and all of her production is for foreign markets. She offers her support to open the doors that lead abroad to many women in the sector, which employs women in a proportion of around 60 percent.

Another female leader from the same industry, Antalya Textile and Raw Materials Exporters' Union President Azize Kalkavan, believes that women quickly gain influence in many fields of work and levels of management that they are allowed to enter and in which they can find career opportunities. Three other women sit at the round table of the Union aside from Kalkavan, the only female chair of the 60 exporters' unions in Turkey. Kalkavan says that they days when they had to try countless different ways to arrange meetings with world brands, were not accepted to prestigious world fairs and had to draw visitors at alternative fairs, and especially when they regarded their rivals in Italy as if they were untouchable have long been over. In spite of this, women involved in exports have a much harder job nowadays, as they must stay up to date on dozens of countries, hundreds of companies, and thousands of products. Kalkavan, who states that they have even sold goods to China, their hardy rival that has changed the competitive balance in the world markets,



MELTEM KURTAN

President of Kurtsan Holding and also a delegate to TIM General Assembly

"The balance of women and men is a factor in achieving success. Having only women or only men leads to reduced productivity. Balance is important; 40 or 60 percent is a good ratio in my opinion"

says that they have diversified their markets, even if their main markets are Europe and America. As Turkey, which exports more than 40 percent of its production valued at 30-35 billion dollars, approaches the rank of fifth largest ready-to-wear clothing exporter once again, it must be emphasized that the sector is standing on the shoulders of women.



Data: Union of Chambers and Commodity Exchanges of Turkey -Women Entrepreneurs Committee

A study by Goldman Sachs shows that if the employment gap between men and women is eliminated, the GNPs of Europe, Japan, and the US will increase by 13, 16, and 9 percent respectively

Nowadays, we are witnessing that a woman is gaining influence in one of the areas where it is hard to encounter upper-level female management not only in Turkey, but also in the whole world, unlike textiles: leather. Ruken Mızraklı, Board Member of the Leather Promotion Group, represents Turkish businesswomen in the field. Mızraklı states that the sector, whose exports volume grew to 3.3 billion dollars by end of 2010, is extremely male dominated. Even when abroad, she says, it is difficult to encounter women that are partners in leather processing factories – as she is – and are actively involved in the executive process. Mızraklı is one of the few women who answer to themselves in the sector, as most are involved in lower and middle management. She says that women, having grown accustomed to continuing their business lives alongside tending to their homes and children, are more prone to success in organizational tasks due to their abilities to coordinate many responsibilities simultaneously. "Being an exporter and being a businessperson requires a special talent. Thus, the potential of women who remain idle for reasons like how support given to female entrepreneurs does not give them opportunities is roused. Incentives systems are very important for them to come forward," says Meltem Kurtan.

The successes of businesswomen who represent Turkey in various fields abroad also give hope to many entrepreneurial women. It is still possible to speak of many barriers in Turkey, just as in the rest of the world. In spite of this, women's hopes for the future rise higher and higher each day.



There are currently over 200 kinds of organic products being grown in the country

AGRICULTURE

UNEARTHING THE POTENTIAL

Turkey is quickly moving toward becoming Europe's production base for organic agriculture, thanks to diversity and quality of its goods

BY AYŞEGÜL SAKARYA

WHEN JOSEPH Wilhelm founded the small farm he established with the purpose of supplying healthy products for his family and children, he couldn't have imagined how far organic agriculture would get in Turkey. Around 35 years ago, at a time when nobody in the country knew of organic food, Joseph Wilhelm came from Germany and started to obtain organic products from Turkey. As the significance of organic food became clearer, Wilhelm laid the foundations for Rapunzel Organic Agriculture, while also contributing to the

development of the Turkish market. Today, the company works with 450-500 contracted producers all around Turkey, producing ten kinds of products. Goods produced in Turkey are exported primarily to Germany, as well as to France, Sweden, England, the US, the Czech Republic, Italy, New Zealand, and certain Far Eastern countries. "After engaging in production in countries like Spain and Romania, we chose to concentrate on Turkey," says Joseph Wilhelm, founder of Rapunzel Organic Agriculture and adds, "Turkey's significance is due

to the diversity and quality of the products obtained here." Today, other companies are also starting to discover the potential that Rapunzel recognized many years ago. Since 2005, with the added effect of the healthy living trend that

The size of the organic market in Turkey is approximately 25 million liras, according to retail sales figures

has spread all over the world, the organic sector in Turkey has been exhibiting serious growth.

The new generation of medium-to-high income, highly educated, cultured individuals with an awareness of healthy living and ecology now prefer organic products. Debates on genetically modified organisms (GMOs) and the use of hormones have had a great effect on the rise of the demand for organic products. Thanks to the markets set up by non-governmental organizations such as the Buğday Association for Supporting Ecological Living and the Ecological Producers Association, organic products are available to wider masses. It has been four years since the first organic market was opened in Feriköy, Istanbul. Today, in addition to several neighborhoods in Istanbul, there are organic markets in large cities like Antalya, Bursa, and İzmir too. In fact, even shopping centers have joined in on this trend; for instance, the Kanyon and Profilo shopping centers now boast organic markets of their own. Furthermore, consumption is affected positively as prices for organic products fall with the rapid proliferation of these markets.

NO CHEMICAL POLLUTION

According to retail sales figures, the size of the organic market in Turkey is approximately 25 million liras. It is estimated that it grew by 12 to 15 percent in 2010. Fresh fruit and vegetable products exhibited the greatest growth in the market with a figure of 30 percent. Processed products grew by 10 percent, while animal products grew by 5 percent. "Turkey has the potential to be Europe's storehouse for organic products," says Ayhan Sümerli, President of the

Organic Product Producers and Industrialists Association. He adds, "Turkey's greatest advantage in organic agriculture is that its agricultural areas have not been subject to chemical pollution. Because of this advantage, the lands can move over to organic agriculture in a short time." A transitional period is required for a field to become ready for organic agriculture. This period is two years long for crops that can be planted annually, such as wheat. For crops that can be planted once every few years, the period is three years. Transitional periods are much longer in many other countries. Production areas, which totaled 166 thousand hectares in 2008, now encompass 501 thousand hectares. The total growing area, meanwhile, has gone up from 109 thousand to 325 thousand. "Lands in the transitional stage increased by six-fold in 2009," says Ayhan Sümerli and adds, "After the transitional period, there shall be six times more land that will be capable of organic production in 2012."

The richness of the product spectrum is also among Turkey's attractive qualities. There are currently over 200 kinds of organic products being grown in the country. Foremost among these products are fresh fruits and vegetables, cereals, hazelnuts, spices, and tea. For example, the egg has been one of the most popular products in the domestic market recently. "There is no production of highly processed products such as cookies. There is significant potential in this area," says Ayhan Sümerli.

Proximity to European markets, which provides an advantage to many sectors, gains even more significance as environmentally friendly approaches take center stage. "Now, it is not enough for

SUBSIDIES FOR ORGANIC AGRICULTURE

The government is increasing the amount of subsidies for organic culture year over year

	Number of Farmers	Subsidy Per Unit (TL/1,000 m ²)	Area Subsidized (1,000 m ²)	Subsidy Amount (TL)
2005	1,042	3	43,758	131,275
2006	1,536	3	117,188	351,565
2007	1,615	5	130,747	653,733
2008	5,467	18	368,581	6,634,464
2009	4,976	20	351,825	7,036,498
Total				14,807,535

Data : Ministry of Agriculture

the products to merely be organic. The carbon footprint is very important as well," says Atilla Ertem, who was general manager of Rapunzel – the first company to invest in the organic field in Turkey – for ten years, and adds, "Because of the damage to nature caused by producing in Africa and shipping to Europe, consumers will not prefer these kinds of products. Due to its proximity to Europe, Turkey's significance will increase in the upcoming period."

The Aegean Exporters' Unions estimate that exports, which were 27 million dollars in 2009 according to official records, have actually reached 250 million dollars when factoring in products undeclared

by the companies. Organic products are exported to nearly 40 countries. While European Union countries stand out the most, exports to Middle Eastern and Far Eastern countries have also begun with the addition of different products such as eggs and olive oil to the product range. "Developed and developing Far Eastern countries, where healthy nutrition and conscious consumption have become a lifestyle, also hold significant potential," says Ahmet Hamdi Gürdoğan, the Member of the Turkish Exporters Assembly's Board of Fresh Fruit Industry. It is aimed that exports will reach a market volume of 1 billion dollars in 2012.

THE SECTOR'S STRENGTHS

- The natural resources and rich biodiversity brought by Turkey's geographical location and ecology
- Legislation that conforms to EU directives
- High potential in agricultural production, both in terms of product diversity and human resources
- The presence of unpolluted fields and water sources that can easily be transitioned to organic agriculture
- Producers who regard alternatives warmly due to issues occurring in traditional agriculture
- The government's exports-oriented development strategy as well as serious potential in the domestic market, thanks to a young and informed population



AHMET HAMDİ GÜRDOĞAN

Member of the Board of Fresh Fruit and Vegetables

"The proper operation of support mechanisms, informing producers, and increasing agricultural areas instead of reducing are the sole measures that will allow our country to reach the place it deserves within the organic agriculture sector."

Measures supporting organic agriculture increase alongside plans for growth. One of these measures is reduced-interest agricultural credit, offering entrepreneurs who produce organic agricultural products and necessities the chance to use a five-year term investment at 60 percent less than the current interest rate applied to agricultural credit and a 1.5-year term operating credit. There is also direct income support given to producers. While producers were given 20 liras in subsidies per 1,000 square meters in 2009, this figure has been set as 25 liras for 2010 and 2011. "The proper operation of support mechanisms, informing producers, and increasing agricultural areas instead of reducing are the sole measures that will allow our country to reach the place it deserves within the organic agriculture sector," says Ahmet Hamdi Gürdoğan. Thanks to the steps that have been taken and increasing awareness, it seems that Turkey will make quite a name for itself in organic agriculture in the upcoming term with growth in its exports as well as in its domestic market.



'By the end of 2019 we plan to open 10 new destinations a year on average', says Hamdi Topçu

AVIATION

The Greatest Year of Advancement in **TURKISH AIRLINES' HISTORY**

According to Hamdi Topçu, Chairman of the Board of Turkish Airlines, 2011 will be the year of advancement in the history of the company

BY NESRİN KOÇASLAN BY AHMET BİLAL ASLAN

TURKISH AIRLINES HAS exhibited significant growth over the past few years. What are the dynamics of this growth?

Just as you said, Turkish Airlines has grown quite significantly in recent years. However, when we took over the job, the situation was very different. First, we analyzed Turkish Airlines. We tried to understand why operating profits did not go up with the increase in the number of passengers. We investigated world aviation and its trends. When we compared our findings here with Turkish Airlines' existing structure, we obtained

some striking results. We saw that Turkish Airlines' existing organizational structure was cumbersome and that the decision process took very long. Some intervention became inevitable. The government had wanted us to manage Turkish Airlines as an incorporation. So, by bringing over our experiences in the private sector, we started implementing a series of changes. We made some important investments, especially between 2004 and 2006.

What kind of competitive strategy is being pursued by Turkish Airlines to be one of

the world's most successful airlines?

We are an airline that principally works with a focus on the customer. The wishes of our customers are one of the most important factors that determine our strategy. Our passengers want comfort, so we offer comfort; they want healthy and delicious food, so we serve the best food.

Most importantly, they want reasonable prices, so we offer advantageous prices over our rivals. Accordingly, we eliminate our deficiencies, draw passengers from other airlines in proportions that we can satisfy the demands of our customers, and increase our market share. To market your product on an international level, it must be brand name, high quality, and economically priced. All three of these qualities are present at Turkish Airlines.

Have you observed a rise in the interest of countries that wish to do business with Turkey in the last few years?

Looking from this angle, there

"There are several companies meeting with Turkish Airlines on the matter of purchases. However, these are just being evaluated right now. Once we think they will contribute to us, we will start getting involved in a more serious way"

is a very serious difference between 2003-2004 and 2010. This is because Turkey is now a model country for development. As the economic and financial structure in Turkey strengthened while economies all around the world regressed, the number of countries regarding Turkey as a model country increased. African countries in particular watch Turkey's development with yen, and wish to take it as a model in their own countries.

When you first opened these routes, there was some criticism along the lines of, "Why so much interest in Africa?" However, we later saw that countries in Europe and Latin America, and China most of all, are trying to grab a share of the African market...

As you said, the whole world is eyeing Africa. All developed countries are trying to grab a share in the African market. Currently, because of its geographical proximity, historic ties, and because it is a Muslim country, Turkey has more weight to throw around in the area. Thus, the people of Africa regard us affectionately. That our country has lately been a model country also continually brings them closer to us. In the end, when we look at it geopolitically, Turkey – particularly Istanbul – appears as Africa's distribution center. The seventeen African countries we currently fly to have connections to all the world's other cities through Istanbul. In the years to come, we aim to fly to more countries in Africa. Right now, we are working in coordination with the Ministry of Foreign Affairs. Our Ministry of Foreign Affairs is moving faster than we are in this area. The Minister of Foreign Affairs visited us in order to overcome problems regarding visas and represen-

tative offices. We explained our issues and decided that we would constantly consult them on how we could solve these issues with them. We arrived at a common understanding on how solutions will be generated in these areas. Meanwhile, our Ministry of Interior is also working on the topic now. What is important is that our country becomes a transit center and that businesspersons who come to our country can sort out their work without drowning in bureaucracy.

Prime Minister Recep Tayyip Erdoğan is also making bold announcements about the need to diversify markets and open up to different regions. Are you determining your strategies according to these policies? Thinking about Turkish Airlines' strategies separately from Turkey's economy is not possible. We are a company that follows economic policies and wishes to make use of potential, wherever it appears, in a fashion that suits the country's international vision. We apply Turkey's policies to Turkish Airlines in the same manner. Wherever there is a potential for passengers, we wish to make use of it. When you look at it this way, we are located along a corridor through which 66 percent of the world's

potential passengers pass. Yet Istanbul is a very important city... It is a city that connects to 35 countries, but its share is low.

What we try to do is to find and use this potential. Everyone says, "How are you growing in the crisis?" The most important element of growing during the crisis is that we try to use the potential.

Turkish Airlines is a company that exports services... It exports comfortable flights and quality service from Turkey to many other countries. What is your assessment of Turkish Airlines in this context?

The services we export – using your words – do not just exist in the context of quality and comfort; as a flag carrier, we represent Turkey in every way in airline travel around the world. From our in-flight offerings to the color of our cabin crews' outfits, we try to promo-

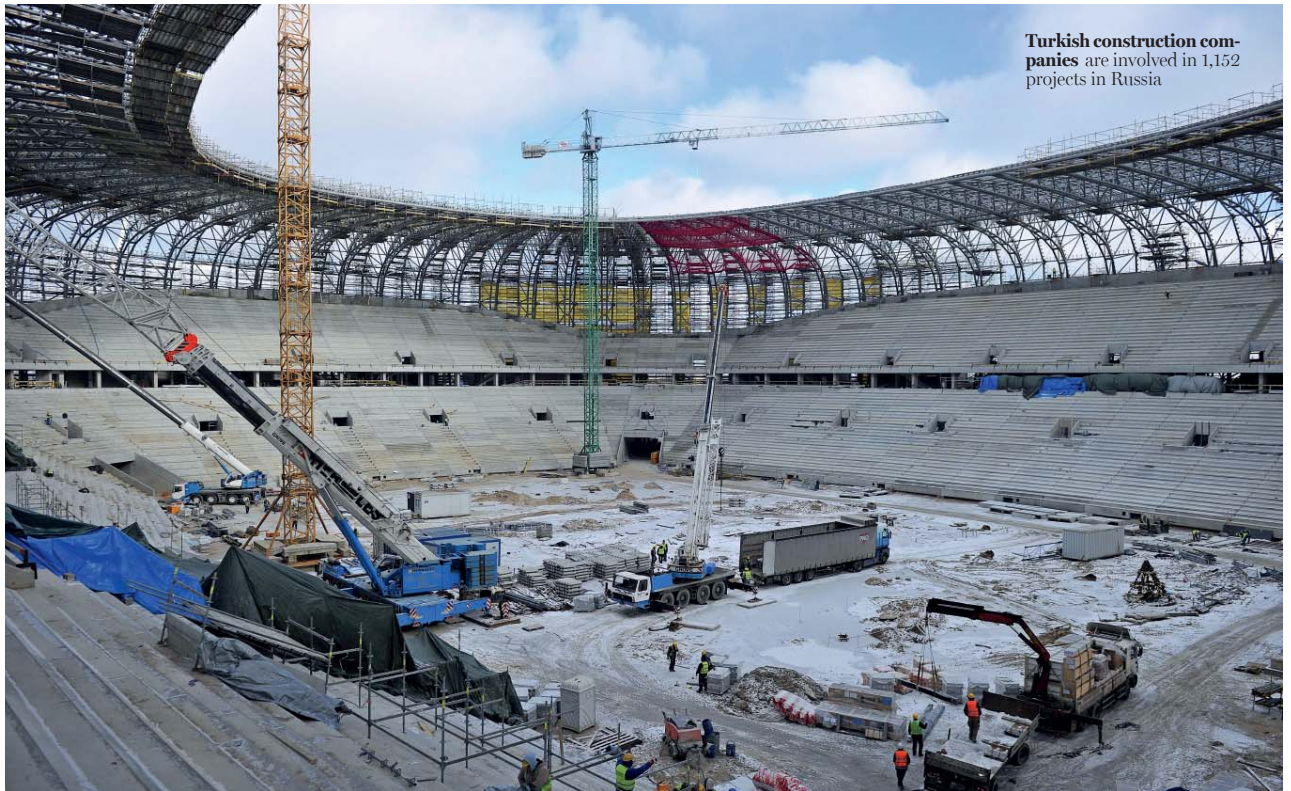
"What is important is that our country becomes a transit center and businesspersons who come to our country can sort out their work without drowning in bureaucracy"

te and reflect Turkish culture, customs, and traditions.

How do you assess 2011, both economically and in terms of what it has to bring to exporters?

I think that this year will be a better year than 2010. Actually, the global crisis only affected Turkey over demand. We never saw the direct reflection of the financial crisis going on in the world; it only affected our exports. Now, as the effects of the financial crisis subside, I believe that Turkey, being unaffected by the crisis and more dynamic, will take a greater share of the world economy in 2011. Turkey will be among the countries more often preferred in 2011. For Turkish Airlines, too, 2011 will be the greatest year of advancement in its history. It has more than doubled the number of aircraft in its fleet, growing it by 140 percent. The year 2011 will be one of immense growth for Turkish Airlines, particularly on the long-haul routes. We will be flying directly from Istanbul to Los Angeles for the first time, and this will be Turkish Airlines' longest route. As preparation for 2012, we are thinking of flying to South America at the end of 2011. In our Far Eastern routes, we made our flights to Beijing and Shanghai direct and daily, and there is quite a bit of demand for these routes. We started flights to Vietnam. We started connecting Turkey to the world with several long routes. In this area, we have problems on certain routes, however, and we are trying to resolve them within a short time. Turkish Airlines has bought its planes, and in time, it will be accepting the deliveries of the planes. With these new planes, too, we shall have many new routes and flight plans.





CONSTRUCTION

TIME FOR TURKISH CONTRACTORS TO PLAY BALL

The upcoming sports events taking place in Russia and Qatar will enhance the strength of the Turkish construction sector in these countries

BY MEHMET ERDOĞAN ELGİN

THE TRADE DELEGATION
Assembled by the Turkish Exporters' Assembly (TIM) and the General Secretariat of the Uludağ Exporters' Union, and coordinated by the Undersecretariat of the Prime Ministry for Foreign Trade (DTM), in early January attracted much attention with its high turnout. The visit, which included Prime Minister Recep Tayyip Erdoğan and Foreign Trade Minister Zafer Çağlayan,

took on the appearance a five-hundred-person incursion with the attendance of businessmen from Kuwait and Qatar. The visitors were right to attend in such large numbers, as this was not merely a trade delegation, but a trade and contracting delegation program. Since 2010, the upcoming Qatar 2022 FIFA World Cup has amounted in 6.6 billion dollars in investments for projects taking place in the

country, thus opening up brand new opportunities for Turkish contractors.

"The efforts by our government in improving trade relations with Qatar have yielded successful results. As a consequence, I believe that we, the construction firms, will achieve fruitful results from construction projects to be carried out in Qatar," says Erdal Eren, President of the Turkish Contractors Association. The planned investment in Qatar for the next five years is approximately 150 billion dollars distributed among 200 projects. The country is expecting an investment of 50 billion dollars aimed exclusively toward the FIFA World Cup.

The doors opened by sports events to Turkey's construction sector and contractors are not limited to Qatar. There are two other major opportunities available to Turkish companies at a closer date and in a much closer area than the FIFA



World Cup. Last year, the completion of a power plant in the city of Shatura – a project first begun by Lenin in 1920 to address the Soviet Union's energy needs in its formative years – by Turkish company Gama did more than enough to solidify the prestige of Turkish companies in the Russian market, so much so that Turkish construction companies are involved in 1,152 projects around the country, cumulatively worth 29 billion dollars.

Now, as it prepares to host both the 2014 Winter Olympics and the 2018 FIFA World Cup, Russia is about to become a key nation not just for Turkey's construction sector, but for the global sector as well. Investments in sports facilities and infrastructure necessary for Russia to host such large events will create a construction market worth 48 billion dollars. Having participated in the Russian market for many years, Turkish companies are currently in the most advantageous position to grab a share of this market. Russia occupies a distinctly significant spot in the sights of the sector, which cumulatively does 155 billion dollars' worth of business in 81 countries.

The Turkish construction sector began its foray into the international market by entering the Libyan market in 1972. In the 40 years since, Turkish companies have come to occupy the second place in the field of contracting globally, just after China. Turkish companies first entered the Russian market following the 1986 agreement between USSR and Turkey that facilitated the exchange of goods and services in return for natural gas, and increased their hold in the country after the dissolution of the Soviet regime. Especially in the 2000s, as a key player in the Russian market, the



Turkish companies gained the trust of the Russian government through the high quality of their work. Vladimir Ivanovsky, the Russian Federation's Ambassador in Ankara, says, "The work done so far by the Turkish companies has placed them among the most trustworthy companies in the Russian market." However, the Russian construction industry fell into a period of stagnation during the global economic crisis, resulting in the cancellation of several projects and the expulsion of approximately 20 thousand Turkish workers from the country.

Now, however, the situation is reversing completely. The fact that Russia, Turkey's largest market, is about to host these vast international sports events will allow Turkish companies to rise to an effectual position in the nation's market once again. This huge market will first open up with a multitude of projects for the Sochi

The Turkish construction sector began its foray into the international market by entering the Libyan market in 1972. In the 40 years since, Turkish companies have come to occupy the second place in the field of contracting globally, just after China

Winter Olympics in 2014. 200 facilities are set to be built for the games at Sochi. Together with other infrastructural efforts, a total of 8 billion dollars will be invested in Sochi. "I predict that Turkish companies will receive a 25 to 30 percent share in the construction market in Sochi," says İzzet Ekmekçioğlu, Vice President of the Turkish-Russian Business Council of the Foreign Economic Relations Board

of Turkey (DEİK). Therefore, many Turkish workers that were employed in the Russian construction sector who had to return to Turkey following the global recession could soon return to the country. According to estimates by the Federal Migration Services of Krasnodar Federal Subject, which is where Sochi is located, there will be around 200 thousand workers in the city by 2012.

The 2018 FIFA World Cup, also to be held in Russia, is generating a construction market even larger than that of Sochi. Investments in stadiums and other facilities planned for 13 cities amount to 40 billion dollars. The market is set to become even livelier as the Russian government initiates a 14 billion residential project that is expected to take five years. "We aim for our trading volume with Russia to reach 100 billion by 2015. Turkey's greatest trump card at this point will be the construction industry," says Erdal Eren and adds, "We are at quite an advantage in the Russian market for projects that will be undertaken in the upcoming term, as we are quite experienced in this market. Thus, we shall play a role in important projects that will be built in Russia."

The Akkuyu nuclear power plant to be built in Turkey, a joint venture between the two governments, will further increase the volume of trade between Turkey and Russia. When Russian President Vladimir Putin visited Turkey last year, it was announced that the volume of trade between the two countries would be increased to 100 billion dollars by 2015, showing that Turkish construction companies will play an even greater role in the Russian market in the near future. "The Turkish companies are certainly at an

28

BILLION DOLLARS

The total value of the projects conducted by Turkish construction companies in Russia

6.6

BILLION DOLLARS

The cumulative value of the work being done by Turkish construction companies in Qatar

Data: Turkish Contractors Association

advantage with the projects in Russia; however, to make use of this advantage they must mobilize now and work together with us" says Gen-nady I. Varontso, Director of Russian International Information Institute.

Chinese firms will be Turkey's greatest competitors in the Russian market. They are especially expected to test Turkey's companies with low-cost labor; however, their greatest weakness in the Russian market is their low quality. The prestigious image of Turkish companies in the Russian market and the importance of these projects for Russia create a great opportunity for the Turkish construction industry. Aside from the advantages held by Turkish construction companies on the Russian side, there is yet another opportunity in the nuclear power plant to be built in Akkuyu, Mersin. A sum of 20 billion dollars has been invested in the power plant. These costs will be covered by Russia, providing a significant influx of resources to the contracting and construction materials sectors in the Turkish market. "We are planning for Turkish construction companies to receive 25 to 30 percent of the 20 billion dollars that will be used in the construction of the nuclear power plant," says Aleksander Lokshin, Vice President of Rosatom, the Russian State Corporation that will build and run the power plant.

Large sporting events are very important for the development of the economies and promotion of the hosting countries. Russia and Qatar can fulfill these goals as they host these events. Perhaps Turkey can seize an economic opportunity as great as what the hosting countries have been given.

ECONOMIC RELATIONS TO FURTHER DEVELOP

Vladimir Ivanovsky, the Russian Federation's Ambassador to Ankara, evaluates Turkish construction companies in Russia and the state of Turkish-Russian economic relations after the nuclear power plant project



Russia's organization of the World Soccer Championship and the Sochi Winter Games will create a large construction potential in Russia. How do you regard the Turkish construction sector's chances in this field in Russia?

These two major sports events are extremely important for our country, whether in terms of the development of sports and infrastructure in Russia, or in terms of drawing foreign tourists and promoting our rich culture and traditions. Thus, we are pleased to receive the help of our foreign partners toward realizing these large projects. In all of Russia, from Kaliningrad Oblast to the Anadyr region, over 150 Turkish construction companies actively continue their activities. In just the past 20 years, more than 800 facilities have been built by these companies. The volume of the agreements that have been signed, meanwhile, approaches 20 billion dollars. Turkish contractors are known as "experienced and trustworthy partners" in Russia, which is a title that they deserve.

In this context, the Turkish construction sector appears to have an undoubtedly high chance to participate in large projects, whether for the preparatory stages of the 2014 Sochi Winter Olympics or the 2018 World Soccer Championship. We await the active participation of Turkish companies in the construction of the Olympic and Soccer Championship facilities once the necessary contracts are awarded.

Russia will carry out the construction of a nuclear power plant in Turkey. How will this situation affect Russian-Turkish economic relations and the Turkish construction sector's market share and activities in Russia?

That the Akkuyu nuclear power plant will be realized according to Russian designs is one of the most important strategic aspects of Russian-Turkish cooperation. Bringing the project to life is to our mutual benefit. It must be mentioned that the construction of the nuclear power plant will create many new fields of work. The realization of such a large-scale project will stimulate the Turkish economy, increase budgets at all levels thanks to tax income, and create opportunities for the initiation of new economic and social projects in your country.

I especially want to emphasize that the project envisions that Turkish companies will participate extensively in the construction of the power plant; Turkish companies may have a share of up to 40 percent. To this end, contact is being set up with Turkish companies and institutions that wish to join the project. As the first step, the Russian Atomstroyeksport company, which will be the project's chief contractor, organized an informational seminar for Turkish industrialists interested in the project on December 15 in Istanbul. Those who attended the seminar had the opportunity to gain information on the goals, means, plans, and characteristics of the project, and the volume of the work that will be done during construction. It is clear that the project will have an extremely positive effect on the Turkish construction sector's market share and activities in Russia. Participating in the construction of the nuclear power plant will undoubtedly help Turkish companies grow and develop, consequently contributing to the expansion of their activities in external markets, including the Russian market.



CEMENT

Concrete Growth

Due to a host of advantages, Turkey tops the list of countries in which cement-producing companies are investing

BY MEHMET ERDOĞAN ELGIN

TURKEY'S FIRST CEMENT factory was founded in Darica, right next to Istanbul, in 1922. Now in its hundredth year, especially as its production capacity grew over the past ten years, the sector has come to be world's largest producers of cement. The story of the Turkish cement sector began with the establishment of a factory that had the capacity to produce 20 thousand tons per annum; today, with investments by companies domestic and foreign, the sector has reached a production capacity of 75 million tons and an export volume of 20 million tons. The cement sector closed the past year with 4.5 million dollars of revenue, 1 billion of which came from exports.

However, sector representa-

tives' expectations for the next period are much higher. Adnan İğnebekçili, President of the Turkish Cement Manufacturers' Association (TÇMB), says, "We estimate that the cement sector will grow by around 60 percent over the next ten years." The arguments required for the sector to realize this growth are there. In particular, the demand for cement, which has grown in surrounding countries and in the domestic market, and that the Turkish cement sector has raised the

quality of its products are seen as important advantages in fulfilling these expectations.

Because of its geographic location, Turkey occupies an advantageous spot with regard to cement exports. Four of the ten countries importing the most cement in the world (Spain, Italy, Ukraine, and Egypt) are in regions near Turkey. Turkey's proximity to these countries leads to a reduction in transit costs, the most important expense in the export of cement. Thus, companies producing in Turkey have a significant advantage over their rivals in other regions. High freight fees involved in sales made by important cement exporters like China to countries in the Mediterranean and Black Sea basins represent a great advantage for Turkish cement producers.

Meanwhile, rising demand for cement in countries next to Turkey over the past two years has put a smile on the faces of Turkish exporters. Foremost among these countries are Iraq, which is speeding up its rebuilding efforts, and Libya, which quickly made investments in infrastructure after the embargos were lifted, so much that cement exports to the two countries last year were around 9 million tons. "I expect that these two countries' demand for cement will be at these levels," says Ali Özınönü, President of the Cement and Soil Products Exporters' Union. Increasing infrastructure investments in West African countries – Ghana, for instance – also increase the demand for cement in the area. Low



ALİ ÖZİNÖNÜ

President of the Cement and Soil Products Exporters' Union

"The countries of West Africa, where there's again an increase in the demand for cement, are an important opportunity for the Turkish cement sector. Because of the distance in between, we are able to reach this market more cheaply and in a shorter time than others."

transport expenses for goods brought to the region through the Mediterranean also create an important opportunity for the Turkish cement sector.

Meanwhile, developments in Russia – also right next door to Turkey – create yet another important opportunity for the Turkish cement sector.

Meanwhile, developments in Russia – also right next door to Turkey – create yet another important opportunity for the Turkish cement sector. The 2014 Sochi Winter Games and the 2018 World Soccer Championship make this country a large market. The ancient, unwieldy structure of Russia's cement sector places Turkey as the most important country supplying cement to companies engaged in construction projects. Önder Tekeli, the Foreign Economic Relations Board's (DEİK) Moscow representative, says, "Many companies that have taken on construction projects in Russia will procure the building materials they need – most of all, cement – from Turkey," and adds, "This situation will create an advantage for companies in terms of costs as well as timing."

As positive developments emerge for the cement sector in foreign markets, there are



also developments taking place in the domestic market that will make the sector happy. Last year, immediately following the global crisis, a parallel increase in demand for the cement sector was observed alongside enlivened activity in Turkey's construction sector. The most recent sector report published by the TCMB shows that cement consumption, which was 40 million tons in 2009, reached 80 million tons in 2011. The demand for cement is set to grow even more, especially as construction starts on new hydroelectric power plants, residential projects, and road projects in the period ahead of us.

As it enters its second century, Turkey's cement sector holds great expectations for the upcoming period. The sector has many opportunities to meet these expectations. Rising demand in the export and domestic markets alike, relative proximity to important markets compared to other cement exporters, and European Union-quality products will be the most important cards up the sleeves of companies in the sector.

The 2014 Sochi Winter Games and the 2018 World Soccer Championship make this country a large market. The ancient, unwieldy structure of Russia's cement sector places Turkey as the most important country supplying cement to companies engaged in construction projects. Önder Tekeli, the Foreign Economic Relations Board's (DEİK) Moscow representative, says, "Many companies that have taken on construction projects in Russia will procure the building materials they need – most of all, cement – from Turkey," and adds, "This situation will create an advantage for companies in terms of costs as well as timing."

FURNITURE

The Furniture Industry PREPARES TO CONQUER THE WORLD

The furniture sector, which set an exports target of 6 billion dollars for 2023, is preparing to draw the world's attention with its leap toward growth

BY AYŞEGÜL SAKARYA



DESIGN, BRANDING, and quality: the furniture sector, which had been dominated by small workshops up until about fifteen to twenty years ago, adopted these three words as a mantra. Now, it exports its products to 173 countries stretched across five continents. The volume of furniture exports, which was 75 million dollars in 1995, exceeded 1.4 billion dollars in 2010. A 20 percent increase is expected for 2011. "With 6-7 million cube meters of production, we are the second largest producer of MDF and fiberboard in Europe, after Germany," says Abdullah Tever, President of the Istanbul Forestry and Wooden

The furniture sector has now focused on design, that is believed to be the most important element for competitiveness after quality

Products Exporters' Union, and adds, "The sector, which utilizes the latest technological products, has a very significant production potential."

In addition to its production capacity and use of the latest technology, the Turkish furniture sector has several other properties that give it

edge over the competition. That Turkey is close to many markets due to its location is one of these. The proximity of producers to potential markets is very important in a sector where logistical costs are high, such as furniture. "Turkey's greatest advantages abroad are price, quality, and accessibility," says Bekir Boydak, Member of the Board of Boydak Holding, and adds, "Good service is also among the properties that make the market attractive." Turkey's strategic significance in foreign markets is also bolstered by factors such as fast delivery, conceptual unity, and design. "However much our sector may use technology, manual labor is important,

and the sector – which possesses a skilled workforce in this regard – is carrying out progress-oriented efforts,” says Ramazan Davulcuoğlu, President of the Association of Turkish Furniture Manufacturers (MOSDER). One of these progress-oriented efforts is the “4th National Furniture Design Competition” organized by the Forestry and Wooden Products Exporters’ Unions. The competition is organized with the intention of foretelling how changing environments will reflect on furniture and to foster creative designs that have export potential. “New designers are being raised thanks to the competition. The designs are assessed both in amateur and professional categories. Professional designs are favored and bought by companies. These are very important for the sector,” says Bülent Aymen, President of the Mediterranean Forestry and

THE FURNITURE INDUSTRY IN FIGURES

The furniture sector, with 1.4 billion dollars sales in 2010 expects a 20 percent increase in 2011

93

THOUSAND

Number of people employed in furniture sector

30

THOUSAND

Number of companies operating in the sector

74

PERCENT

The rate of consumers who prefer branded products

Data: Nielsen Turkey

Wooden Products Exporters’ Union, while Ahmet Karaman, President of the Forestry and Wooden Products Exporters’ Union, says they are working so that the designs do not just remain on paper. In addition, the establishment of design laboratories for SMBs in pilot regions is also on the furniture sector’s current agenda.

The sector, which sees the future of exports in design, is

also carrying out efforts to increase its effectiveness abroad. The Association of Turkish Furniture Manufacturers recently started the Discover Turkish Furniture project in order to strengthen the sector’s image abroad. Ramazan Davulcuoğlu says, “Our aim will be to increase our country’s exports by developing strong global brands, thus strengthening the image and esteem of

Turkish furniture. The project is a very important opportunity to show the changing and improving face of the sector.” Promotional events are planned in over 20 countries within the scope of the project, from China to Italy. The Central Anatolian Forestry and Wooden Products Exporters’ Union is carrying out studies on shipping by rail in order to reduce logistical costs in exports. “We shall soon take part in the fair in China. Industry, the foundation of furniture in Turkey, has developed a lot now. A nice infrastructure has been established. We shall see the tangible effects of this in the days to come,” says Ahmet Kahraman.

Growth in the domestic market has picked up just as much speed as exports. The sector’s volume in the domestic market increased by 8 percent by the end of 2010, reaching 8 billion dollars. MOSDER’s semi-annual study with Nielsen Turkey that profiles furniture consumers also provides important clues as to the market’s growth potential. While the study that was done two years ago showed that consumers buy new furniture every eight and a half years on average, this period has dropped to eight years according to this year’s study. In Turkey, where 600 thousand people get married each year on average, the first-time buyers’ market is naturally very lively as well. In consideration of all this positive data, a growth of 10 percent is being targeted for the domestic market in 2011. The sector, which has picked up significant momentum over the last few years in terms of growth, has great goals both in the domestic market and abroad. With its dynamic structure, it seems that the sector, which has set an exports target of 6 billion dollars for 2012, will receive more international mention in the future.

DESIGN & INNOVATION

Veterans in Turkish furniture sector believes the future of the industry depends on trendy and innovative designs



ABDULLAH TEVER

Chairman of the Board of the Central Anatolian Wood and Forestry Products Exporters’ Union

With approximately 6-7 million square cubes of annual production in MDF and particleboard production, we are number 2 in Europe, after Germany. There is very significant manufacturing potential in Turkey. Now, as furniture producers exhibit their own potential by exporting to different countries, they see the opportunities in the world. Design departments are being opened at schools. Various organizations such as MOSDER and MASKO carry out work.



AHMET KAHRAMAN

Chairman of the Board of the Central Anatolian Wood and Forestry Products Exporters’ Union

We think that coming up with innovations increase exports in the furniture sector, which is highly value-added, will increase competitiveness in the global markets. We have determined that the fundamental idea to direct the great potential embodied by the furniture sector should be “the development of design.” With this purpose, we have been trying to contribute to the sector by organizing a “design contest project,” which we have done for the past four years in order to turn the sector’s greatest difficulty into an advantage.



RAMAZAN DAVULCUOĞLU

President of the Association of Turkish Furniture Manufacturers (MOSDER)

Turkish furniture designers who closely watch global developments always produce trendy designs. Design has become the most effective way to create high value-added production in addition to price and competition, which are among the most important parameters of Turkish furniture. As the quality and price of products become standardized, primary qualities of the product such as functionally, durability, ergonomics and aesthetics as well as price, quality and design design stand out in crowded.



Ömer İsvan, who has also established the “boutique hotel” concept in Turkey, calls the work he does “know-how transfer” and “asset management”

REAL ESTATE

The Real Estate Wizard

Though he does not have a magic wand, nor a genie in a lamp, the work Ömer İsvan does is so multi-faceted that he truly is a real estate wizard of sorts

BY GAMZE GÖREN

HE IS ONE OF those who draw their own paths, those who follow these paths relentlessly. He is responsible for establishing the “boutique hotel” concept in Turkey. He is the one that brought the golfing resort to Turkey. Besides pioneering such endeavors, Ömer İsvan brought a new perspective to real estate consulting in Turkey. “Offering investors a cohesive service integrating the disciplines of economic analysis, marketing and sales,

operation, branding, concept creation and branding, and engineering,” is İsvan’s brief summary of what his company does.

To understand İsvan, one must first have a look at his story. A decision he made at the age of 15 took him to the Department of International Hospitality and Tourism Management at the University of Surrey in England, after which he became hotel general manager for Sheraton at the age of 26. When he

founded his own company in London, he was just 33 years old. İsvan founded Servotel by adopting a vision of being the “know-how” partner of investors, project development firms, hotel management companies, and financing organizations, a task in which he succeeded. Today, with nearly 300 projects it runs in 42 countries over four continents, Servotel is a global company in the field of real estate. Furthermore, it sells the know-how it developed over 26 years to clients all around the world.

What differentiates Servotel from its rivals is that it offers consulting in every subject, from A to Z. However, İsvan calls the work he does know-how transfer and asset management. Servotel Corporation, which is involved in all the stages of real estate investment projects except for construction and procurement, provides consulting on real estate development to a range of companies that includes Trump Towers, Hilton, Sheraton, Four Seasons, Kanyon AVM, İstinyepark AVM, Bodrum Kempinski, W Hotel and Rixos Hotels.

Whether the matter concerns hotels, residences, or mixed-use developments, Servotel has a single purpose when tackling a project: ensuring “best use.” İsvan says they measure the investor’s risk profile in the first stage by considering their

‘Istanbul is number one its own league after New York, Paris and London. And it will stay there for a long time’ says Ömer İsvan

sensitivities and looking at the entirety of their strategy, determining the risks that can be managed within the project. Here, at this critical point, is where Servotel steps in: minimizing the manageable risks. When we ask what can be done about unmanageable risks, İsvan replies, "Whatever the customer's request may be, we share the results of the analyses we carry out in an objective fashion. If the land is not suitable for the construction of residences, we will explain the need to change the project at hand and also offer alternative projects as needed."

As a global company with a broad reach and a lengthy list of clients, Servotel may simultaneously be working on a situational analysis of a resort town in the Czech Republic; offering business establishment consulting to Sheraton in Bahrain; and participating in all the stages involved in developing Sapphire, Europe's second tallest and Turkey's tallest – and first ecological – skyscraper, from concept creation to sales and marketing. İsvan states that the greatest advantage to working with nearly 50 countries, from Russia to China, is being able to follow the latest trends in the world closely. He adds that they have become a guide of sorts for foreign investors due to their intimate knowledge of the investment process in the market of each country in which they are present.

Servotel Corporation offers its consulting services on the topics of recreation, feasibility, valuation, concept creation, design management, project development, coordination, sales, and marketing with a highly professional crew. Accord-

Servotel's projects include Trump Towers, Hilton, Sheraton, Four Seasons, Kanyon AVM, İstinyepark AVM, Bodrum Kempinski, W Hotel, Rixos Hotels, and Maçka Residences...



ing to İsvan, who says that even suppliers were sourced from abroad up until about ten years ago due to a dearth of qualified staff, Turks now export a serious amount of know-how in the field of construction. He particularly emphasizes that the global brand value of Turkish engineers and contractors is high abroad. Engineering News Record, a magazine on the international construction sector, proves İsvan right with the studies it conducts annually to determine the world's top 225 international contracting firms. While

only 23 Turkish contractors appeared on the list in 2009, this number rose to 31 in 2010.

The condition of the workforce is not all that is improving. Increasing credit opportunities and reforms in land production have cleared the way for foreigners considering investing in Turkey says İsvan, who is of the belief that bureaucracy – a common nightmare for many investors – is softer in Turkey compared to many other countries. In addition, he sees the fact that we are just two hours away from Europe, a continent that

generates 60 percent of global tourism, as an important advantage.

"For a place to be qualified as a hub, it must be a destination and create its own demand," says İsvan, and he describes Istanbul in a sense. Due to his occupation, he has become familiar with many cities around the world, "Istanbul, which possesses many dynamics in organizations such as healthcare, shopping, and conferences, may not be included in the New York/Paris/London league. However, Istanbul is number one in its own league right after these cities, and will stay there for a long time" says İsvan. Pointing out that branding has become reflexive in urban hotel management, İsvan says that Istanbul is a favorite for brands in this regard. He ascribes the fact that we are unrivaled in mass tourism – Turkey's first flame – to years of experience. In years without financing,

The seasoned manager, who believes that the mass tourism that developed especially along the coastlines in years where financing was non-existent met – and even exceeded – demand, says, "Though they don't work through all 12 months, they produce very bright results. From this angle, we are number one in mass tourism." İsvan predicts that the mass tourism field will move toward vertical differentiation within the next ten years, and his forecasts do not end here. The improving state of the economy and the increase in the quality of education seems to confirm another of his predictions: that Turkey would become the heart of the region in which it engages in the transfer of know-how in the short term.

Servotel is a global company that sells the know-how it developed in 26 years to clients all around the world



TURKEY'S SPHERE OF INFLUENCE EXPANDS

Turkey's role on the international stage is shifting from the status of a “**peripheral**” country in the old world order to a “**central**” country in the new, and more daring and comprehensive foreign policies are being applied in this context. A transition is under way, and Turkey wants to understand where the borders of its sphere of activity lie. Each diplomatic experiment expands the boundaries of economic relations and increases exports. The foreign policy of Ahmet Davutoğlu, who calls this process “the fourth restoration,” is closely concerned with economic opportunities

 BY TOLGAHAN ÖZKAN

THE MODEST headquarters of the Ministry of Foreign Affairs, built on a relatively small lot in Ankara's neighborhood of Balgat, are getting livelier each day. It may be said that traffic through the building increased significantly after Ahmet Davutoğlu, the Prime Minister's foreign policy counsel, was plucked out of his academic career in the field and brought to the seat of the Ministry of Foreign Affairs in May 2009 as a person sourced from outside the Assembly. Davutoğlu's first action was to prepare the decree to appoint new names to 45 Turkish embassies and present it to the Prime Minister in July 2009. Both the undersecretaries and assistant undersecretaries consisted of young ambassadors that returned to the headquarters after serving as ambassador just once. Feridun Sinirlioğlu, who was previously an ambassador in Tel Aviv and has been an assistant undersecretary in Ankara for the past two years, was being appointed as a new undersecretary, while those such as Namık Tan, Halit Çevik, Selim Yenel, Naci Kuru, and Hakkı Akil were named as assistant undersecretaries on returning to Ankara after just one ambassadorship experience apiece.

Davutoğlu made the upper management of the ministry younger because he was determined to attempt a great restoration in Turkey's foreign policy. He knew that he could meet resistance at every step he would take, that he would be accused of being too adventurous, a dreamer, or of attempting to change the axis of Turkey's foreign policy. However, because Prime Minister Recep Tayyip Erdoğan – who believes that foreign policy is not to be conducted from behind a desk, but through real life actions – backed Davutoğlu strongly, it became easier to respond to critics. Erdoğan has often repeated that the way Turkey follows in terms of international relations is as robust, visionary, and tough as can be, opening the doors of global trade to Turkish business. In a wider sense encompassing the rest of the world, the Cold War had ended, the perceptions of threats had changed, and security-oriented foreign policies had been shelved. Turkey, which was positioned as the West's easternmost stronghold 50 years ago and restored its foreign policies according to this, was content with observing global changes that were taking place – such as economic cooperation agreements signed between Russia and Germany, located on the two poles of the Cold War, and Western companies' bold advance in the parts of the Caucasus previously covered by the iron curtain – from afar, and could not adapt itself to these changes adequately. Yet the opportunities arising as a result of these developments offered Turkey the chance to rapidly expand its sphere of regional influence.

The energy companies of Russia, which had enacted free market reforms,

were showing off in European countries; sources of energy in Caucasus sought ways to flow to the West; Southern Cyprus entered the European Union. The balance of power had been reestablished in the Middle East. Everything had turned upside down. The world had changed, and this change affected everybody. A large political vacuum had formed in the Middle East with the fall of Saddam. Iran was increasing its influence in the region.

It is in this environment that the modest Minister of Foreign Affairs, Davutoğlu, had it in his mind to be the person who would restore Turkish foreign policy after nearly half a century. When current President Abdullah Gül

was Minister of Foreign Affairs, he had contributed quite a bit to Turkish foreign policy in terms of counsel; this time, however, the situation was different. Now, he was the top authority in this special ministry and his crew was ready. The transformation, or the “Fourth Restoration” in Davutoğlu's own words, was beginning.



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INDISCRIMINATELY**

and Caucasus, where there are many crises, and to prevent the creation of any sort of tension in global and regional politics. Gürkan Zengin, journalist and author of the book “Hoca: Türk Dış Politikası'nda Davutoğlu Etkisi,” states that Davutoğlu realized the change Turkish foreign policy needed most after



the Cold War, and emphasizes the point that the most important characteristic of this period was that a policy based on certain principles was followed. “The most important of these principles is following multiple courses. Cooperation is being aimed not only with the Western world, focused on organizations like NATO and the EU, but with new regional points of power as well. Turkey is moving toward becoming a whole with regional countries in a social and economic sense,” says Zengin, and adds, “Terrific opportunities for expansion were born in Turkey's region after the Cold War, and with proper timing, Davutoğlu put the foreign policy overture into action.”

Davutoğlu states that the “restorations” in Turkey's foreign policy actually began with the Tanzimat declaration in the Ottoman period, with a second restoration arriving after the founding of the Republic, and a third after the country shifted over to a pluralist democracy, adopted a free market economy, and joined NATO after World War II, while indicating that the new restoration



needed after the Cold War was not possible for many years due to reasons such as the economic crises undergone by the country and instability.

ECONOMY IS ONE OF THE NEW PRINCIPLES

Davutoğlu says the reason one of Turkey's new foreign policy principles is called "zero problems with neighbors" is to emphasize the revolutionary change brought to Turkey's past policy of "regarding all neighbors as enemies." Davutoğlu reminds us that Turkey, which desires stability, security, and prosperity in its region, has assumed many mediatory roles in this context with its "proactive" policy, geared toward "preventing crises before they happen."

Turkey is no longer content to establish mutual relationships with a few neighboring countries and global actors such as the US and the European Union. Ankara is even choosing to get closer to regions that can be considered quite new in terms of foreign policy, such as Africa and Latin America.

The economy is perhaps the most important of the matters at the heart of

bilateral diplomatic relations. "Economic targets are at the forefront of Turkey's foreign policy. When I worked in Foreign Affairs, there was no such thing in the job description. Even if there was, it wouldn't be taken seriously," says Sinan Ülgen, who was involved in various diplomatic assignments within the Ministry of Foreign Affairs from 1990 through 1996 and is currently the President of the Center for Economics and Foreign Policy Studies (EDAM). "Helping businessmen who came to Turkey was not something that was expected of us in those days. Now, it is one of the main priorities..."

OPPORTUNITIES UNEARTHED

Only 35 agreements were signed in 87 years of relations between Turkey and Greece. Davutoğlu, however, signed 22 agreements in just one day on his visit to Greece in May 2010. The majority of these agreements had to do with economic relations. Businesspersons laid the foundations of closer relations with Syria. Similarly, those who established bridges with Russia and Northern Iraq were investors. Turkey engaged in initia-

tives for the production of energy in Iran and signed protocols. Turkish companies made purchases in Iran. "Turkey is trying to lift the walls of visas and customs between its neighbors and itself, prioritizing this in its foreign policy," says Sedat Laçiner, President of the International Strategic Research Organization, a strategic think tank based in Ankara.

In an interview he gave to *Infomag Magazine* six years ago, when he was a foreign policy advisor to the Prime Minister, Davutoğlu had shown alternative markets as a target to the business world, while emphasizing that the trade and investment opportunities presented by these regions had to be utilized. Those who followed this advice now appear to be enjoying the fruits of their exports, which have been rising as of late. "Davutoğlu added a commercial dimension to foreign policy. Establishing commercial relations between countries became an active policy," says Mensur Akgün, a foreign policy program advisor for the Turkish Economic and Social Studies Foundation (TESEV).

One of the victories won by the new diplomacy that prioritizes economic targets is in foreign trade, which is undoubtedly assuming a more balanced structure, as the EU market's share in Turkey's total exports has fallen below 50 percent, increasing the economy's resilience against crises. Five years ago, 60 percent of Turkey's total exports were to EU countries. If this picture hadn't changed, the European market, having shrunk considerably in the global crisis, would have caused Turkish exports to enter a free fall. "With the 'zero problems, unlimited trade' approach to foreign trade, we shall continue our efforts toward reducing market dependencies that weaken our exports against external demand factors and successfully continue policies that will reduce the effects of global risks in the coming period too," says Zafer Çağlayan, Minister of Foreign Trade, highlighting the "zero problems" approach at the center of Davutoğlu's new foreign policy.

It is certain that there is a new conceptual framework at hand that is relatively more daring than in the past, and a new

foreign policy is being practiced as an extension of this. Turkey is aiming to move from its status as a “peripheral” country to a “central” country and to apply the more daring and comprehensive foreign policies that this position requires. In fact, this change was desired for a long time. “From one perspective, this conceptual framework is not so new. Özal had wanted to make such an advance. Demirel also had a similar approach. Additionally, efforts were made toward this end in the İsmail Cem era too,” says Sinan Ülgen, and continues: “The thing that separates that era from this era is that the conditions in which we can apply this policy have now emerged.”

THE TRY-AND-SEE STRATEGY

Ülgen, who summarizes these suitable conditions as the achievement of political and economic stability and the political vacuum that has emerged in the Middle East, adds, “A ‘try-and-see’ strategy is being pursued somewhat, both in concept and in application. By experimenting, Turkey is trying to determine where the borders of its sphere of activities in foreign policy lie.”

The greatest reason the Turkish Ministry of Foreign Affairs has been putting in overtime for so long could be the desire to quickly get past the transition that is taking place. Turkey wants to show the power of its influence as per its new foreign policy, and it has not avoided performing many diplomatic experiments for this either. From the government problem in Lebanon to the Israel-Syria negotiations, from the nuclear negotiations between the P5+1 Group and Iran to disagreements between Azerbaijan and Armenia, it is possible to see Turkey taking on an intermediary position in nearly all regional topics. Thus, it seems natural that the number of initiatives by Davutoğlu that did not yield results is just as high as of those that were successful. Meanwhile, it must not be neglected that Turkey has adopted a very daring conceptual dimension in foreign policy under Davutoğlu’s leadership. “Turkey is regaining its self-confidence. It is

TURKEY IS TESTING THE BOUNDARIES OF DARING FOREIGN POLICY. AS THIS TRANSITION SOLIDIFIES, TURKEY WILL START TO BE REGARDED ON THE INTERNATIONAL STAGE AS A STRONG COUNTRY WITH A MORE PREDICTABLE PATH AHEAD OF IT

answering the question, ‘Who am I?’ It is creating its own scenarios. It is trying out its power,” says Sedat Laçiner, and draws attention to the fact that it may have acted in ways exceeding its power from time to time, and that this is very normal in a transition process.

SUCCESSFUL ENOUGH?

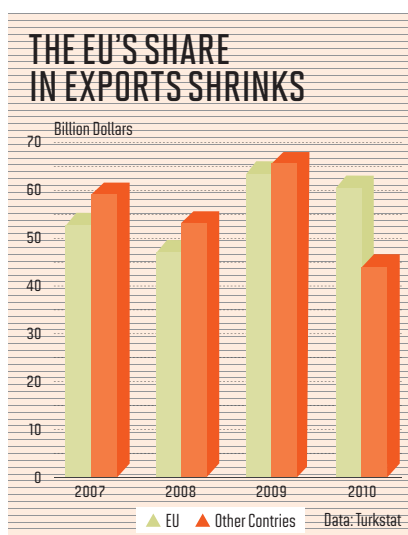
Some may interpret certain fruitless initiatives as weaknesses on Turkey’s part. For instance, Henri Barkey, an expert on Turkey for the Carnegie Endowment for International Peace think tank whose views were published in an analysis by international news agency Reuters, is of the opinion that Turkey is trying

to bite off more than it can chew from Iran’s clash with the West. “Turkey has more power when compared to the past. However, this power is not as much as it thinks it is,” says Barkey.

“NO SHIFT TOWARD THE EAST”

Davutoğlu, on the other hand, finds no coherence to criticisms that priorities in foreign policy have disappeared and that an axis shift has occurred. The Minister says that the political and economic restoration requires the arrangement of a new foreign policy, stating that this new policy is not to shift eastward, but that Turkey is improving relations with all neighboring countries indiscriminately. He says, “Just as we don’t want isolation or restrictions on trade and visas in our surroundings, we do not want instability, chaos, and conflict either,” and continues to say, “As a global power, we do not want the other countries of NATO – which we are a member of – to be in conflict with other countries, groups of countries, or regions. For this reason, we were very careful on not declaring a hostile front at the NATO summit, as we saw enough damage from such polarization during the Cold War; we do not want a new geopolitical polarization in our world right now.”

That Turkey, which shaped its foreign policy for the past 50 years around security and aligned itself with the West to suit this – even establishing its relations with its neighbors based on this – is moving toward close political relations founded on economics with Iran, Iraq, Syria, Lebanon, and Russia, shoving its anxieties over securities off to the side, may have created a perception that it is growing apart from the West. Certain things can be done to change this perception, according to experts. As a country that makes a greater contribution to the solution of global problems, Turkey can show that it shares Western values in a clearer manner. “Following a more active and constructive policy in such areas as climate change, financial stability, and preventing the spread of weapons of mass destruction may be beneficial,” says Sinan Ülgen.



**MENSUR AKGÜN**

Turkey's perception in the Middle East is changing

"Middle Eastern peoples' perception of Turkey has changed. According to a survey we conducted in 8 Middle Eastern countries, 85 percent of the people in these countries are sympathetic toward Turkey. Davutoğlu's and the Justice and Development Party's understanding of foreign policy have greatly contributed to this perception."

**SINAN ÜLGEN**

Turkey is trying to determine the borders of its sphere of activities

"A 'try-and-see' strategy is being followed in both the conceptual and applied sides. By experimenting, Turkey is trying to determine where the borders of its sphere of activities lie. Following a more active and constructive policy in such areas as climate change, financial stability, may be beneficial."

**GÜRKAN ZENGİN**

Turkey aims to cooperate with new regional points of power

"Cooperation is being aimed not only with the Western world, focused on organizations like NATO and the European Union, but with new regional points of power as well. Turkey is moving toward becoming a whole with regional countries in a social and economic sense."

A MODEL COUNTRY

Although worries have developed – especially in the Western world – that the axis of Turkish foreign policy has shifted toward the East, and mediatory experiments have not yet yielded the desired results, Davutoğlu still has little intention of changing the route he has drawn, as he is cognizant of the political vacuum that formed in the Middle East after the invasion of Iraq. Two candidates stand out from other countries to fill this vacuum: Iran and Turkey.

The government's interactions with Israel may have increased sympathy for Turkey in the eyes of the people of the Middle East. "Middle Eastern peoples' perception of Turkey has changed. According to a survey we conducted in eight Middle Eastern countries, 85 percent of the people in these countries are sympathetic toward Turkey," says Mensur Akgün of TESEV, adding, "Davutoğlu's and the Justice and Development Party's understanding of foreign policy have greatly contributed to this perception."

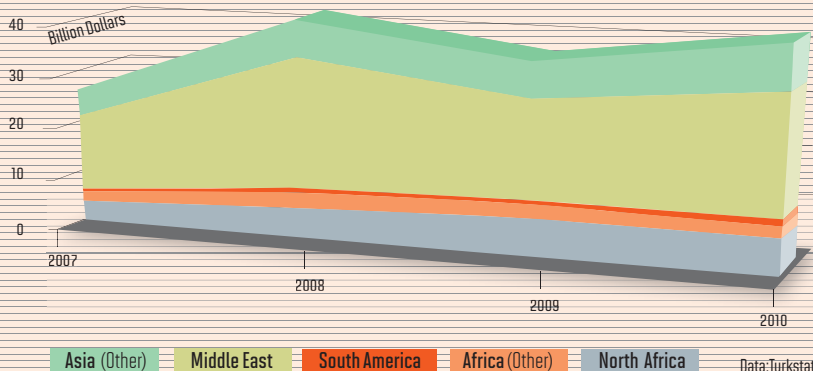
According to many Western experts, Turkey is a "model country" in the Middle East, having synthesized democracy and Islam in societal life in an environment where dictatorships are being toppled. However, foreign policy experts have certain suspicions about this. Turkey's 65-year experience with democracy contains great breakdowns, while on the other hand, the broad-scooped revolutions that took place in the first years of the Republic have a share in the creation of the infrastructure for the move to democracy too. The picture, which assumed its initial form in the Middle East with World War I, is just starting to change.

The revolutions that can change the societal structure in Middle Eastern states were not realized. In Turkey, however, this transformation began nearly a century ago, and still continues. "There are limits to Turkey's being a model country for Arabs. The change in the region may create certain opportunities, but there are prices to be paid," says Sinan Ülgen.

Turkey is testing the boundaries of daring foreign policy. As this transition solidifies, Turkey will start to be regarded on the international stage as a strong country with a more predictable path ahead of it. Turkey's position will also be directly tied to its capacity to contribute to the solution of global issues for the Western world, too; otherwise, it seems that these debates will never end. Davutoğlu, on the other hand, carries on the path he knows best. "With the condition that it fulfills its responsibilities, Turkey will gain the status of a central country that will enter a more stable international economic situation in which new balances shall be created," he said in "Stratejik Derinlik," the book he wrote years ago. We shall see if Turkey fulfills its responsibilities and take its place at the center in the near future, and whether other societies shall succeed in toppling their dictators one by one as they rebel against them presently. If this ideal is to become a reality, the effect of the economic foundations to be laid by means of diplomacy is certain to be great. A Middle East with no visas, customs, and quotas may be Turkey's greatest sphere of activity.

ECONOMY-ORIENTED DIPLOMACY

Exports to Africa and the Middle East, the new routes of Turkish diplomacy, are tending to increase



A VISION WITHOUT BORDERS

Known for his “zero problems with neighbors” policy, Turkish Foreign Affairs Minister Ahmet Davutoğlu is determined not to be a spectator in international relations

BY CEYHAN AKSOY BY AHMET BİLAL ARSLAN

The date was just 2001 when he wrote, “For Turkey to unify its historic and geographic depth with rational planning will allow the two-sided dynamism it carries to turn into potential for progress.” In his book titled “Stratejik Derinlik” (Strategic Depth), Ahmet Davutoğlu characterizes the concept of “geopolitics,” which is claimed to be one of Turkey’s most important trump cards in negotiation, as “magical” too, and says that the borders of its geopolitical position should cease being a concept used with the instinct to guard its borders. Instead, he says, it should start being used to open up to the world, and also as a tool to turn regional effectiveness into global effectiveness. Since May 2009, the wizard of this magical concept has been working for Turkey to use its potential for progress that it derives from its dynamism. Thus, it is no coincidence that strategic planning and dynamic expansion are now replacing the static approaches that dominated Turkey’s foreign policy for decades. Davutoğlu – who had his opinions taken by Foreign Policy magazine of the US, one of the world’s most prestigious publications, which also named him seventh among those who will shape the future of the world through their activities and characterized him as the brain behind Turkey’s “global reawakening” – told The Turkish Perspective how he brought the “strategic depth” he mentions in his book to the international stage of politics.





WE HAD AN interview with you in Infomag magazine six years ago. What kind of changes have we seen the Turkish foreign policy approach since? Can you sum up the developments we have witnessed?

During the past six years, the Turkish foreign policy approach remained true to its basic principles of “peace at home, peace in the world” and “enabling Turkey to take its rightful place in the community of modern nations.” In line with these goals and taking into account the radical transformation and restoration of the international system, we have been pursuing a proactive foreign policy fashioned around the vision of averting the risks and reaping the opportunities of the age, and contributing to the global efforts in bringing security, stability, development, and progress to every corner of the world.

In this regard, the only change we can point out in Turkish foreign policy is its increasing dynamism and activism geared toward realizing Turkey’s true potential, adapting ourselves to the shifting global balances and steering the global change in the positive direction.

In addition to our efforts to promote regional cooperation and integration in our wider neighborhood, we have extended our outreach by intensifying relations in a broader region ranging from Asia to Latin America and from Africa to the Pacific, and have become a more active and effective player in regional and international organizations including first and foremost the UN. As a result, Turkey today has become an important actor on the international stage, as evidenced by, among other things, our membership in the G-20, increased profile in many regional organizations such as the Council of Europe, growing assistance to and trade with less developed countries, and the strategically important role assumed vis-à-vis energy security. In other words, thanks to our active foreign policy supported by our growing economy, social dynamism, and cultural diversity, today we are able to play an effective role in our region and beyond.

Our end goal is to maximize cooperation and its mutual benefits with all of our neighbors and countries in nearby regions. Obviously, our vision is not limited only to neighboring regions. We are determined to emphasize the importance of political dialogue; increased

social, cultural, and economic interaction; cultural harmony; and tolerance taking root among all nations, and we will spare no effort to disseminate these messages, doing whatever we can to ensure a free and secure world for all.

Our desire for a better world and efforts toward this goal are best reflected in the initiatives we have undertaken, the first being the “Alliance of Civilization,” which we are pioneering with a view to mitigating the differences and giving a chance to harmony and tolerance among nations. Another concrete reflection of our will to find solutions to matters of common concern is the recent “Mediation for Peace” initiative, which we believe will contribute immensely to global peace.

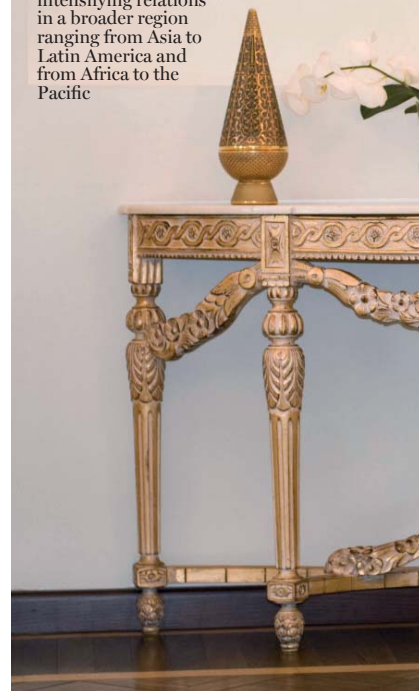
In conclusion, Turkey today has a stronger political and economic standing that is mutually reinforcing and rendering us more confident and effective in the international arena. Turkey’s friendship and cooperation is being sought by third countries more than ever. As a result of our proactive diplomacy approach and the trust vested in Turkey in the international arena, increasing numbers of Turkish citizens are holding high-level posts in international organizations. We are able to play a crucial role by helping to generate peace and stability in our region and beyond.

We know that Turkey aims to be an effective actor both in regional and global terms. Where do we stand now, economically and politically, on the way to achieving this aim?

First of all, being a regional and global actor is not something we wish for ourselves, but it is a responsibility put on our shoulders as a result of the changes in

Equipped with a wide range of assets emanating from its history, social and cultural ties, and growing economic capabilities, Turkey is in a most suitable position to make a difference in global peace efforts

We have extended our outreach by intensifying relations in a broader region ranging from Asia to Latin America and from Africa to the Pacific



global geopolitics and circumstances at the end of the Cold War.

Following the end of the Cold War, Turkey found itself at the epicenter of a new geopolitical landscape containing many risks and opportunities that would have effects on a global scale. Therefore, we had to pursue a more proactive and multifaceted foreign policy with a view to shaping our own destiny and that of the wider region surrounding us, and to create a belt of stability and welfare in our neighborhood. With this vision in mind, we also worked hard to strengthen Turkey through considerable economic and democratic progress, which enhanced our ability and means to fulfill our responsibilities as a regional and global player.

We are also trying to bring together parties to important regional problems in order to help them engage in a meaningful dialogue and thus resolve their differences peacefully. The mediatory role played by Turkey in overcoming the crises in Iraq and the Balkans, the progress recorded in Afghanistan-Pakistan relations as a result of the trilateral cooperation process led by Turkey, and our role as a facilitator in nuclear talks with Iran are some concrete reflections of this policy.

Beyond the regional scale and as a



responsible member of the international community that has to deal with a wide range of issues, another principle we pursue is seeking complementarity with global actors. To this end, we are particularly committed to making better use of international organizations and utilizing them for effective coordination and concerted action.

How do you see the reflections of these developments on our foreign policy? What is the phase difference between our foreign policy and foreign trade?

We are aware that foreign policy and economic success always go hand in hand and complement each other. Economic relations between countries can even create a favorable atmosphere to the solution of political problems, thus enhancing peace and security. Keeping this in mind, we have adopted a multi-dimensional, constructive, and forward-looking foreign policy based on maximum economic cooperation, integration, and interdependence with countries not only in our vicinity but also across the globe.

When it comes to mention a name to replace underperforming BRIC countries, like Russia, some other countries such as Indonesia are shown as an alternative,

not Turkey. Why do you think Turkey cannot get to the position it really deserves, especially economically?

First of all, we do not seek any labeling or credit for what we do in pursuit of our own vision and objectives. Our foreign policy is shaped by Turkey's own interests that compel us to try to generate peace and stability in the whole world so as to allow our potential to be realized. In this regard, whether we are considered to be on par with BRIC countries or not, we will continue to do whatever needed to enhance our economy and use the means and capabilities it creates for the common good of our own citizens and the people on earth.

In fact, it is somewhat the same mentality that drives our quest for EU membership. Indeed, we undertake many reforms within this process, but essentially they are all geared to improve the living standards of our own people above anything else. In other words, irrespective of the EU membership perspective, our government would and will continue to take all the necessary measures to provide a modern and prosperous way of life to our citizens.

That said, Turkey's economic growth and, political stability – and the increasing soft power they entail – do not go unnoticed by the world at large. It is almost an across-

the-board realization that Turkey is fast becoming a major global power that has the will and the ability to play a pivotal role in shaping the new world order. Just the other day, those who coined the BRIC concept were arguing that Turkey can no longer be depicted as an emerging market and that our means and capabilities represent a growth economy with global outreach.

In fact, this is also why Turkey was invited to become a member of G-20, which has quickly moved to the epicenter of global economic diplomacy in face of the financial and economic challenges engulfing the whole world. Turkey will now assume the presidency of this group in either 2013 or 2014, and given our successful growth experience that provides a relevant reference for most of the countries in the world, we are committed to display an active leadership role in the run up to and during our presidency.

Likewise, in view of the deepening fault lines between different religions and cultures, Turkey's own experience and what it stands for becomes more relevant for everyone. The Alliance of Civilizations initiative, for instance, which we have co-sponsored with Spain, has now become the flagship of all endeavors to promote dialogue, tolerance, and mutual understanding among different religions and cultures. Indeed, with more than 100 countries and 20 international organizations supporting this initiative within the UN, the Alliance project represents the strongest response to extremists and radicals.

In summary, Turkey has its own reasons for what it has been doing in foreign policy and economy. And, although this is an ongoing process, we are proud of our achievements so far. As I mentioned during my address to our 3rd Annual Ambassadors Conference at the beginning of this month, Turkey has now evolved into a "wise country" whose views, advice, and contributions are increasingly sought by a vast number of actors in the world. We, in turn, reap the benefits of this profile and our genuine commitment to step up to the plate in both our bilateral relations and within international forums.

You have stated that the main goal of our foreign policy is "zero problems with neighboring countries," and Turkey is going to improve its efficiency in the Middle East as a regional power. How do you regard the developments seen in this

manner ever since you have taken your position in the Ministry?

The new stage of globalization that we are going through is indeed a unique one. Change has never been this fast, nor has interaction been this intense. Amid rising opportunities and evolving threats, the world has yet to find an order.

Nevertheless, the right thing to do is clear. We must tackle intertwined challenges in an all-encompassing manner. No one has the luxury of being a mere spectator in international relations any more. We must be proactive, aiming first at preventing rather than solving when it comes to crises.

cultural ties, growing economic capabilities, and – above all – our ability to understand different dynamics at play in a vast area from Europe to Asia, Turkey is in a most suitable position to make a difference in global peace efforts. We are already witnessing many positive outcomes of our stance that create new opportunities and contribute to the stability of the region.

This is particularly true for the Middle East, where we enjoy unique historical relations and have been able to activate a new dynamic of cooperation and dialogue.

However, there is still much more ground to cover, and we are committed to

made security, progress and development indivisible, all nations in the region – small or big – have important contributions to make with a view to fulfilling the real potential of our region.

Indeed, it is no secret that the Middle East, despite its vast natural and human resources, is still fraught with many conflicts and tensions. In addition to the Arab-Israeli conflict which remains the main source of instability, the lack of genuine and effective cooperation among the countries of the region also plays a role in the continuation of this rather volatile situation.



Working the way from the regional to the global level is also imperative.

As such, every country must endeavor to forging solid regional building blocks that carry the potential of stimulating each other and creating a synergy in global peace and stability efforts. And in order to achieve this, we must build an environment of trust and confidence as well as develop a sense of ownership of regional problems, promote dialogue and mutual confidence, and give everyone a stake in cooperating with each other.

In Turkey's case, this is exactly what we have been doing for the last decade. We have been trying to rid our relations with our neighbors of all problems and sow the seeds of regional cooperation in our wider neighborhood. And yes, I name this objective as "zero problems with our neighbors". Maybe it is more of an ideal in a real world; but it also clearly lays down our intentions. Our task becomes even more important and relevant in view of the fact that many of the problems affecting world peace and security are taking place in Turkey's vicinity.

Equipped with a wide range of assets emanating from our history, social and

"Our vision is not limited only to the neighboring regions. We are determined to emphasize the importance of political dialogue among all nations"

pursuing our objectives as vigorously as ever in the future. With new bilateral and regional cooperation mechanisms put in place, we have already prepared the necessary ground conducive to further progress. Given that we also have the political as well as the economic and social means to support this endeavor, I am confident that the best years of our region have yet to come.

Is it possible that the recent close relations between Iran and Turkey can reduce the effect of global powers in the Middle East? Can stability be brought to the region this way?

There is no doubt that Turkey, Iran, and Egypt have always played a prominent role in Middle Eastern politics due to reasons historical and otherwise. Today, they continue to hold a special place in shaping the region's destiny. That said, given the impact of globalization, which



And this is precisely why Turkey has been an active supporter and promoter of regional cooperation, particularly within the last five to ten years. We believe that cooperation based on political dialogue, economic interdependence, and cultural understanding is the most effective means of minimizing the risk of conflict and advancing peace, security, and prosperity.

To that end, we have initiated several new mechanisms with all our neighbors and the countries of the region, among which the High-Level Strategic Cooperation Councils represent the most effective step toward identifying and implementing new avenues of cooperation.

Likewise, we have also started playing a more active role in helping resolve conflicts in the region through peaceful and cooperative means. Turkey's mediation and facilitation efforts in different countries, including Iraq, Iran, and Lebanon, are prime examples of these endeavors.

How do you see the relations with the EU?

Accession to the EU is and will remain our strategic goal. The accession negotiations, which started in 2005, continue toward the goal of membership on the basis of the EU's unanimously taken decisions. Achieving further progress in our accession process is in the interest of all parties. However, despite our tireless efforts to make further progress in the negotiations, the accession process is following a slow pace due to resistance and political obstacles by some EU member states. Nevertheless, we are strongly committed to our accession process and reform agenda, which follow an irreversible course. By doing so, we aim to provide our people with the highest norms and standards in every field of their daily lives. As a matter of fact, we have already made great strides to that end in the last years through comprehensive reforms.

Can you comment on the Turkish economy and the contributions of air travel to it?

Over the past 10 years, Turkey has accomplished a great transformation process and implemented sweeping structural reforms also in the economic field. Ranking as the 16th largest economy in the world and 6th in Europe, Turkey is now an active member of the G-20, which represents the major economic powers of the world. We export to almost all countries, and have a trade volume that reached 300 billion dollars in 2010. We are planning to increase our exports to 500 billion dollars with an overall trade volume worth 1 trillion dollars by 2023, the centennial of our Republic.

What makes Turkey unique in terms of logistical aspects of trade and foreign direct investments is its unique geographical location, serving as a gateway to European, Middle Eastern, North African and Central Asian markets. In four hours' flight from Istanbul, one can reach more than 50 countries and one fourth of the world population. Thanks to our geographical advantages as well as rich historical and cultural heritage, Turkey has become one of the top 10 tourist destinations in the world.

As a result of these efforts, air transportation is booming in Turkey in recent years. Istanbul, with its most suitable location embracing two continents, has become a regional hub for civil aviation. This rapid growth in the sector facilitates and contributes a lot to both our domestic and foreign economic and trade activities. In Turkey, the number of domestic and international passengers was around 30-35 million in 2002. This number has tripled now and surpassed the level of 100 million in 2010. Likewise, the number of planes that belonged to Turkish civil aviation companies was 112 in 2002. This number has also tripled and reached to 332 as of the end of 2010. And we are proud that Turkish companies have some of the youngest and most modern fleets in Europe.

Numbers showing cargo and passenger figures point out the net contribution of the aviation sector to the Turkish economy. The figures highlight an increase of 31.7 percent in cargo freight carried by Turkish Airlines in 2010 compared to 2009, reaching 313,410 tons. Likewise, the number of passengers carried by Turkish Airlines reached 29.1 millions, indicating an increase of 16 percent in 2010 compared to 2009. Other Turkish airline companies also realized similar growth in 2010.

Accordingly, Turkish Airlines has been broadening its international range for some years to meet increasing demand. Turkish Airlines will be serving 175 destinations throughout the world by the summer of 2011, making it the 9th largest airline in terms of range.

In view of that, Turkey has made civil aviation arrangements with more than 100 countries and is leading and supporting aviation cooperation in our wider region through participation in initiatives such as the Civil Aviation Project of the Black Sea Economic Cooperation, Transport Corridor Caucasus-Europe-Asia (TRACECA), African Civil Aviation Commission (AFCAC), D-8, and Turkey-Middle East Aviation Group (T-MAG).

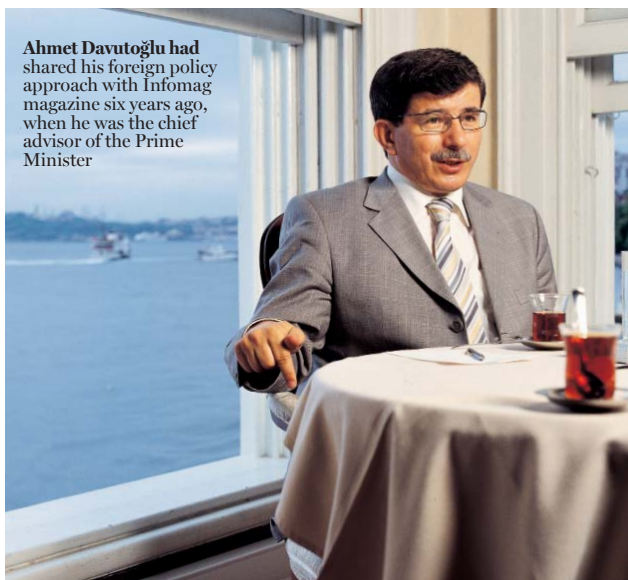
The Fourth United Nations Conference on the Least Developed Countries (LDC) will be hosted by Turkey in Istanbul in May 2011. What is the significance of the Conference?

LDCs represent the poorest and the weakest segment of the international community. They consist of 49 countries; 33 in Africa, 15 in Asia and the Pacific, and one in Latin America. Extreme poverty, the structural weaknesses of their economies and the lack of capacities related to growth, often compounded by structural handicaps, hamper efforts of these countries to improve the quality of life of their people. These countries are also characterized by their acute susceptibility to external shocks, natural and man made disasters and communicable diseases. These challenges and the fact that the conference occurs only once every 10 years make the Fourth United Nations Conference on Least Developed Countries (UNLDC 4) a major event for the whole international community.

We have been actively engaged in raising awareness and interest in issues related to LDCs among the international community. As a result of our efforts the UN General Assembly has made the decision that Turkey will host the UN LDC 4 May 9-13, 2011 in Istanbul. It is going to be the first time that the Conference will be hosted by a developing country and an emerging development partner. We feel privileged to host the Conference.

Our aim is to ensure a successful event and a meaningful outcome, by which I mean policy recommendations, support measures, and specific deliverables that will strengthen LDCs' capacities.

Ahmet Davutoğlu had shared his foreign policy approach with Infomag magazine six years ago, when he was the chief advisor of the Prime Minister







MANUFACTURING CENTER

With the Industry Strategy Document, Turkey can see the path toward the goal more clearly

BY SINAN KOPARAN

WHAT IS BEING PLANNED FOR THE LEADING SECTORS?

HOME APPLIANCES

Adapting the sector to new technologies and developing new areas of application

Development of new materials

Development of products addressing the increasing quality demands of consumers in domestic and international markets

Tax measures to decrease the effects of the global crisis

AUTOMOTIVE

Ensuring technological depth, increasing value-added manufacturing output

Bringing the laws and rates of taxes on the sector in compliance with the EU

Reassessment of arrangements on project and R&D incentives toward the needs of the sector

Development of solutions that will clear the sector's path in areas relating to foreign trade, such as the importation of second-hand vehicles and a common customs tariff

FOOD

Increasing practices that will create connections between farmers, co-ops, unions, and industrialists, such as contract farming

Preventing agricultural businesses from being torn apart or shrunk in unproductive ways due to inheritance law

Encouraging food companies that fight for a place in the world market to engage in R&D activities

Incentives to make high value-added, processed products of products that have a high chance of selling abroad

Improving transportation

Development of storage, cold storage, and packaging systems

Industry Strategy Document and Action Plan in order to continue the success it has achieved in industry.

Efforts to revise the Industry Strategy Document, which was among the closing criteria of the "Enterprise and Industrial Policy" – one of the 35 chapters of Turkey's EU acquis – and was published in 2003, were being carried out by the Ministry of Industry and Commerce since 2007. The Strategy Document, which was shared with the public in the first days of the new year and was met with the support of exporters and non-governmental organizations, was also accepted by the High Planning Council (YPK). YPK's decision was published in the Official Gazette issued January 27.

The document, which had long been awaited by the business world and was announced by Minister of Industry and Commerce Nihat Ergün, especially concentrates on the use of technology by companies. This focus is also highly noticeable in the docu-

ment's strategic goals. Turkey, which is currently moving toward the goal of becoming Europe's most important manufacturing center, has covered great distances. For it to continue along this path, however, it must speed up its transition toward high technology and value-added products. "The vision that has been determined is the vision that will take us to our export targets in the year 2023: to be Europe's manufacturing base in mid-to-high technology products," says Mehmet Büyükekşi, President of the Turkish Exporters' Assembly. He adds, "We share this vision. Of course, we will be a base for both manufacturing and design."

Among the strategic goals listed in the document are increasing the economic influence of companies that are capable of continually improving themselves, increasing the share of medium and high technology products within manufacturing and exports, and transitioning to value-added products in low technology sectors. Besides

these goals, the document, which was prepared jointly by representatives of the public and the business world, contains seventy-two action plans on vertical and sector-specific policies. Adnan Dalgakıran, President of the Central Anatolia Exporters' Union, says, "We produced an unusual study with the Ministry of Industry, coming not only to the point of requesting, but also to the organizing stage," and continues: "And the bureaucracy worked by putting itself in our place. Neither did the bureaucracy follow a top down approach, nor did we follow an approach that demanded everything."

The strategy document contains detailed road maps that have been prepared for the development of the sectors that Turkey prioritizes for exports. The barriers before the sector and escape routes are laid out in a realistic manner. "We have seen this: we sell industrial products. We shall sell industrial products in the future too. We will achieve the

THE MARKETS HAD expected an 11 percent increase of industrial production in December. But according to data released by the Turkish Statistical Institute (Turkstat), in December, total industrial production exhibited a 16.9 percent increase, a surprising result for all. The Wall Street Journal pointed out that industrial production accounts for 25 percent of the gross national product, and said, "This developing market economy can achieve the world's fastest growth rates, and according to many in the market, it is a new reason to grant Turkey a place within the BRIC club, which consists of the world's fastest growing economies." Undoubtedly, industry is occupying a larger space in Turkey's growth dynamics nowadays. Turkey, which has set even higher goals for 2023, the centennial of the Republic, is drawing a clear road map with the

MACHINERY

- Increasing design potential
- Development of models to reduce financing costs
- Creation of a common procurement system
- Spreading management consulting services and a professional approach to management
- Development of market research and common after-sale services
- Increasing the share held by neighboring countries in machinery exports
- Development of systems allowing companies to make sales abroad to be paid in multiple installments without incurring a loss
- Supporting applied and professional training
- Development of technological pools to increase and spread sources of R&D

TEXTILES AND READY-TO-WEAR CLOTHING

- Incentives for shifting labor-intensive activities in the sector from provinces in western Turkey to those in the east
- Establishing Istanbul and İzmir as centers of design, fashion, and financing for the textile and ready-to-wear clothing sector
- Increasing the skill of the workforce
- Incentives for investments in modernization and renewal to increase R&D and product development capacity

IRON AND STEEL

- Ensuring that the sector, which is already in an advantageous position in terms of labor, has a sufficient advantage in energy and operating expenses
- Completion of the National Restructuring Program

"Our industries' need for imports is taking shape at a higher level. The cause of our increasing dependence on imports in our industries is not due to our industrialists or entrepreneurs; it is due to our outdated investment incentives system."

THE LABOR DIFFERENCE IN COMPETITION

The Industry Strategy Document, which was published at a time where the changes in the world's structure have picked up speed, will truly be able to meet Turkey's needs. Particularly as the influence of China and India over the global economy continues to grow, Turkey requires a true road map in order to stay abreast of the competition. These countries have the ability to provide inexpensive labor due to the sizes of their populations, and Turkey needs more than just cheap labor in order to compete. Above all, Turkey required a skilled and educated workforce. There are measures in the strategy document to increase the quality of workers to this end. Providing incentives for companies contributing to professional training, overcoming the issue of having trainees work outside of their fields, educating unemployed individuals that are on unemployment

insurance on seeking, applying, and training for jobs are a few of the important steps in this regard that are listed in the document. A national employment strategy and action plan that will encourage the private sector, professional organizations, and employers to provide professional training and consider changing market conditions from a macro perspective will also be prepared as per the document.

The strategy document, which is based on highly realistic foundations, determines the steps that must be taken by pinpointing the strong and weak points of Turkish industry. Turkey's strong points include its geographic position, its young workforce, the fact that its manufacturing meets to international standards and quality, and its entrepreneurial capacity. Its weak points are listed as the deficiencies in skilled labor, R&D, technology, innovation, and access to

strong in exports brings

exporters much closer to their target for 2023. "Industry absolutely needed a strategy plan such as this too, being in an environment where exporters determine Turkey's vision for 2023. This plan is significant enough to serve as the foundation of the goal for 2023. From now on, we have a plan that must be practiced for at least a certain time, and both our expectations and our actions will be within the framework of this plan," says İsmail Güille, President of the Istanbul Textile and Raw Materials Exporters' Union (ITHIB).

Of course, this is not a first for Turkey. Turkey has prepared strategy documents in the past; however, it had never done so in such a coordinated manner. Sometimes, it came down on producers while trying to sort out its monetary policy and financial sector; sometimes, it caused imbalances in the competitive arena while trying to provide incentives. Rifat Hisarcıkhoğlu, President of the Union of Chambers and Commodity Exchanges of Turkey, says,

"The subject we must address is how the strategy can be put into practice and how its results can be measured. If we can do these, we will get results from by the end of 2014," says TIM President Büyükekşi

highest growth in the export of industrial products. Our export strategy is not independent of the manufacturing strategy. They are two parts that complete each other," says Mehmet Büyükekşi, and continues: "Thus, this is why Turkey's Industry Strategy Document holds great significance for the future of our exports." The strategy document contains detailed analyses especially for industries noted for their competitive ability and exports potential, such as automotive, machinery, the home appliances ancillary sector, electrical goods and electronics, textiles, food, and iron and steel. The existence of sectors that are especially



financing, as well as the ineffective management of natural resources.

The document lists a series of measures to increase the quality of the workforce, which is the leading issue, and determines strategies in other areas that require progress. In order to ensure sustainable increases in exports, the production and marketing processes of innovative ideas and R&D-based, high value-added, branded products and services will be supported. The increase of R&D activities carried out by the private sector and public sector to this end will receive support, the processes of founding companies and opening workplaces will become easier, and the income tax system will be overhauled. Efforts to facilitate the use of products based on alternative energy sources, the development of technical infrastructure, and turning them into commercial products shall be carried out too.

Small and Medium Size Enterprises (SME) are

The strategy document contains detailed road maps that have been prepared for the development of the sectors that Turkey prioritizes for exports



among the areas most heavily promoted by the Industry Strategy Document. In fact, in certain areas, SMEs must be given some priority. Nihat Ergün, Minister of Industry and Commerce, says, "One of the most important bases of the Industry Strategy Document is making access to financing easier for everyone and ensuring balances on a macro scale. However there are additional special methods that must be used for SMEs." Renewing their technological and organizational infrastructures is



WHAT IS TO BE DONE?

- Training and support to spread entrepreneurship in industry shall be given
- Founding a company and opening a workplace will become easier
- Technical legislation will be made to conform to the EU in order to address the supply and demand of high-quality, trustworthy products
- The income tax system will be re-organized
- A sector and country diversification strategy will be created for exports
- Supports will be given to SMEs in marketing and increasing their exports capacity
- Policy development, coordination, and implementation capacity relating to foreign direct investments shall be strengthened
- Innovative ideas and R&D-based, high value-added, branded products and services shall be supported in production and marketing
- Arrangements will be made so that the private sector can open professional and technical training schools and organizations
- Managerial acumen at SMEs and the skilled workforce capacity shall be raised
- Credit guarantee and venture capital systems will be developed
- A national international intellectual and industrial property strategy document will be prepared
- Technology transfer offices will be spread
- An administrative model to draw a framework for local and central policies on clustering shall be created

very important for SMEs to continue their increases in productivity. Of course, it is not easy for SMEs to access sources of financing for all these investments to be made. According to data published by Turkstat, SMEs account for 99.9 percent of all enterprises, provide 80 percent of all employment, and are responsible for 58.48 percent of value added deposits. In spite of this, SMEs receive only a 26 percent share of all credit.

High rates of equity capital use in investment financing in Turkey also point to this. However, with the global crisis, significant reductions in companies' profits have made investments based on equity capital more difficult. In this sense, the further development of systems such as venture capital, startup capital, and credit guarantee systems for companies planning investments is also on the agenda. Nurettin Özgenc, President of the Small to Medium Size Enterprises Association (KOBİDER), says, "For Turkey's export to reach targeted figures, reformative decisions must be taken and applied for industry and SMEs. In this context, we believe that the Strategy Document will offer a solution to the structural problems of SMEs and shall better reflect the good qualities and opportunities we presently have on our competitive ability.

Meanwhile, the provision of an online identity number to all companies, SMEs most of all, and following all developments on companies through the e-government system are also among the Industry Strategy Document's goals. The Strategy Document departs from previous documents in several different ways, the most important being that

the business world made a significant contribution to it. Prepared jointly by the private and public sector, the document will prevent the reappearance of certain issues that came up in the past. Many projects in the past had not been as productive as desired due to disagreements among ministries, creating an effect that discouraged both the business world and the public sector. One can speak of a much more coordinated and compatible process with the published Industry Strategy Document and Action Plan 2011-2014. The idea of competition is especially emphasized in the document, indicating that the ninth strategy document points to a new era. Ümit Boyner, Chairman of the Board of the Turkish Industrialists and Businessmen Association (TUSIAD), characterizes the announced strategy document as a positive step that moves away from the incentives-heavy industrial policies of the past whose contributions were unclear and toward the establishment of a competitive order.

Each of the actions to be brought to life within the strategy outlined in the document shall be the responsibility of a ministry or an organization such as the National Productivity Center or the Scientific and Technological Research Council of Turkey (TUBITAK). TUBITAK will especially be active in the preparation of a plan to implement policies on technology and innovation, geared toward companies' technological development goals. TUBITAK will be supported by the Ministry of Industry and Commerce, the State Planning Organization (DPT), related public organizations, development agencies, the private sector,



The document lists a series of measures to increase the quality of the workforce, which is the leading issue, and determines strategies in other areas that require progress



non-governmental organizations, and local authorities. Mehmet Büyükekşi says, "There are the development plans that used to be made once every five years, the last of which was the ninth seven-year plan. Right now, there is the three-year medium-term program, a very important road map. There are documents prepared in the area of science and technology. Companies and public organizations have both been great at creating perfect texts and determining goals," and adds, "The subject we must address is how the strategy can be put into practice, how it can be followed and how its results can be measured. If we can do these, we will get results from our industry strategy by the end of 2014."

Turkey aims to be one of the world's ten largest economies, raise its GNP to 500 billion dollars, and increase per capita income to 25 thousand dollars by 2023. The Industry Strategy Document can be regarded as an important step toward achieving these goals. The document, with a much more applicable and accepted structure when compared to previous road maps, seems like it will lead to results. The only important matter at this stage is for all organizations to move toward the goal in a coordinated fashion.





TURKEY CHARGES UP FOR THE FUTURE

“Devrim” may remain as a disappointing recollection in the annals of history, but Turkey possesses great opportunities to be a brand in electric cars

BY EMRE YILMAZ

THE MOVE toward industrialization gained impetus at the end of the 1950s, the automotive sector building up in particular. Turkey, realizing the future promised by the sector, rolled up its sleeves to create “Devrim” (Revolution), its own vehicle, and invitations were sent to 23 engineers in 1961 at the behest of Cemal

Gürses, who was the country’s president at the time. When the engineers came together, they were read Gürses’s top-secret, sealed orders: “I want you to produce an automobile that is entirely domestically-made, both in terms of its design and in terms of materials, to be presented for the admiration of our people at this year’s Republic Day parades.”

The engineers who were there that day regarded this effort as a way to challenge the Turkish people’s poor fortunes, and started production efforts with limited means, managing to produce three automobiles in time for the parades on October 29. However, things didn’t turn out as they were expected to, and the “Devrim” didn’t start up. There are various

reasons offered as to why the first vehicle didn’t work, which have become urban legends by now... The idea of domestic automobile production in Turkey remained in limbo for 50 years. Today, the automotive sector has overcome the technical difficulties, but it still expects much to be done by officials. These expectations are shaped by contemporary

necessities. The global automotive industry is working to be more sensitive toward the environment nowadays. In particular, factors such as global warming and the rapid depletion of fossil fuels are placing many countries that manufacture automobiles under legislative pressure. In addition to these factors, agreements that these countries are party to, such as the Kyoto Protocol and decrees toward lowering emissions, have made environmentally friendly vehicles an attractive and necessary option. An article published by Deloitte, titled "Charging Ahead: Battery Electric Vehicles and the Transformation of an Industry," shines a light on the future of electric vehicles, predicting that approximately 13 million electric vehicles will be on roads worldwide by 2020. The electric vehicles that are talked about most often around the world are now on Turkey's agenda as well.

BRANDS AND THEIR INVESTMENTS

Furthermore, Turkey is not destined to stay on the sidelines in this arena; it has the potential to be a big player. Renault, which just completed its 40th year of manufacturing in Turkey, will start producing its first electric automobile – the Fluence Z.E. – at its Bursa factory this year, boosting the significance of Turkey's role. Renault CEO Carlos Ghosn indicated that the company will start to produce electric automobiles in Turkey this year, highlighting Turkey's potential and his belief in the strategy with words, "Electric vehicles will account for 10 percent of our sales in 2020. Turkey will be our manufacturing base for this segment."

İbrahim Aybar, CEO of Renault Mais, points out that four different kinds of Renault-branded electric vehicles

will enter mass production in 2011 and 2012. Meanwhile, the SynergEthic, which has come to the attention of entrepreneur Alphan Manas, is a vehicle created by the marriage of a motorcycle and a compact automobile. It also possesses several important patents and technologies, a matter of some importance for Turkey. The purchase of the majority stake in SynergEthic S.A. was finalized in October 2010, after the establishment of a consortium consisting of Brightwell Holding (owned by Manas), Orhan Holding, and B Plas. The vehicle's design was renewed by David Wilkie of Bertone, and the prototype will be exhibited at the Geneva Motor Show in March 2011. The company now aims to set its direction according to the reactions it will receive. The

Fiat Doblo, which bears the title of "the first electric vehicle whose R&D was carried out in Turkey," and the electric version of the Ford Transit Connect that is produced in Gölcük are a couple of examples of electric vehicles being produced in Turkey.

Uludağ Automotive Industry Exporters' Union President Orhan Sabuncu believes that it is important for the future of the sector for other core industry firms to take steps that have already been taken by the aforementioned companies and for ancillary industries to transform themselves in line with these developments. According to the figures announced by Sabuncu, the future of automotive is in hybrid and especially electric vehicles. Important steps are being taken in EU countries

for transitioning to electric cars. The United Kingdom has set a target to reduce its total carbon emissions by 26 percent by 2020, and 80 percent by 2050. Orhan Sabuncu also mentions that Turkey absolutely must adapt to the transformation that is under way in EU countries, which receive 70 percent of its exports.

According to Alphan Manas, who believes that Turkey lost the chance for brand development based on internal combustion engines, the country can become a brand in electric cars, and it would be beneficial to purchase a brand from abroad to do so. Manas summarizes his thoughts with the words, "To do this, the government and Turkish Industrialists' and Businessmen's Association (TUSIAD) should create a joint "Turkish-Made Automobile" group. This group would then search for brands and technologies abroad. Besides this, the government and those among the members of TUSIAD who wish to be a part of this group are to create a fund. The government will provide 50 percent of the contribution to this fund, and TUSIAD members will provide the other 50 percent."

ELIMINATING CHARGING ANXIETY

Nissan Automotive Vice President İlkin Sancaktaroğlu is also among those who exhibit a positive approach to the development of electric cars in Turkey. Sancaktaroğlu, who believes that the automotive sector is one of Turkey's most important playing cards, explains that the automotive sector is globally moving toward alternative sources of energy at full speed, and says he believes that Turkey is progressing toward becoming an important and strategic



13 MILLION	4 MILLION	1,600 KILOMETERS
It is estimated that approximately thirteen million electric vehicles will be driven globally in 2020	Germany is aiming for 1 million electric vehicles in 2020, while China aims for 4 million. The US predicts that there will be 1 million hybrid vehicles on its roads in 2015	According to studies under way in Japan, batteries will be much more powerful in 2030, allowing electric vehicles to go 1,600 kilometers on a single charge

Data: Deloitte

base in future years. Turkey is starting to witness some serious moves in terms of manufacturing. However, popularizing these vehicles is just as important as manufacturing them. Accomplishing this is possible through infrastructure works. Steps to address the need for charging stations are awaited with great curiosity. The construction of electrical charging stations and the establishment of special lanes and parking spaces are essential to the infrastructure that these vehicles will require. Steps are now being taken in Turkey as well, pioneered by Istanbul: the city's first charging station was set up in parking lot for the Istanbul Metropolitan Municipality City Hall's pool. Charging stations for electric vehicles will initially be built for testing and promotional purposes as part of a protocol signed by İstanbul Enerji A.Ş. – a partner of the municipality – and Renault.

Renault Mais CEO İbrahim Aybar says that the technology is now a reality, and explains that 100 agreements have been signed so far by public institutions, governments, and private establishments around the world with the purpose of granting wide masses access to electric vehicles as of 2011. The agreements signed by the metropolitan municipalities of Istanbul and Ankara in 2010 were also within this framework. According to the information provided by Aybar, in Istanbul, there are currently charging centers at Carrefour Erenköy, in Sarıçane, and in Bostancı. İstanbul Enerji A.Ş. continues its intense efforts to increase the number and spread of its charging centers. Aybar says, "Efforts with public institutions and the government shall continue in

It is estimated that the market share of electric vehicles alone will reach 10 percent in Eastern European countries by 2020



2011 too, so Turkey can take its rightful place within this revolutionary transformation." For Turkey, which has earned the privilege of being one of the leading countries in manufacturing, to become an important market too, I would like to underline the importance of the kind

of support provided in EU countries once again."

Legal arrangements are just as critical to electric vehicles as investments in infrastructure. The steps that Turkey will also take to encourage the use of electric cars and become a manufacturing base for these cars are being awaited with great curiosity. Legislative arrangements on electric cars are very important in this regard. The announcements made by Nihat Ergün, Minister of Industry and Commerce, promise hope in this area. Ergün states that they have completed the code relating to new applications of technology, such as the manufacturing and serial maintenance of electric and hybrid vehicles. Nihat Ergün says that incentives such as

special lanes, parking spots, and cost reductions are on the agenda in countries with advanced automotive industries, in addition to the infrastructure work and electric charging stations required by electric vehicles. These regulations, when put into effect, will speed up the use and proliferation of electric vehicles.

Orhan Sabuncu also touches on how domestic battery production is essential for electric vehicles to be manufactured in Turkey on a wide scale, and says, "We know that İnci Akü is working in this area, while Tofaş and Arçelik are working to produce electric engines. They have also signed an agreement to engage in manufacturing in a 50 percent partnership with Xellerion, an American company that manufactures nickel-zinc bat-

ALİ HAYDAR BOZKURT CEO, Toyota Türkiye	İBRAHİM AYBAR CEO, Renault Mais	İLKİM SANCAKTAROĞLU Vice President, Nissan Automotive
We believe that we need a strong domestic market for the development of the automotive sector – Turkey's locomotive – and for more investments to be made on the basis of new technologies. A strong domestic market will also be a point of attraction for new technology investments. We support positive steps to be taken by the government toward supporting electric and other environmentally friendly technologies and bringing to life a system in which environmentally conscious technologies and automobiles that do not pollute the environment much can be used with a lesser tax burden.	The Oyak Renault Automobile Factories assumed a very significant and pioneering role in the realization of the Renault Group's mass production targets for electric automobiles with the production of the Fluence Z.E. Mass production of the electric edition of the Fluence, will begin in summer 2011. As is known, the Renault-Nissan Alliance aims for leadership in transportation with zero emissions in practice. The Renault brand is the sole pioneering company that will begin the mass production of four different types of vehicles with electric engines in 2011 and 2012. Renault stands by its prediction that 10 percent of the motor vehicles to be produced in 2020 will be electric. This technological evolution, which has come over the world in waves, is now a reality.	It is unthinkable that Turkey would be excluded from developments. For this reason, we believe that the automotive sector will increase its investments in vehicles using fuels from alternative sources of energy even more in the times to come. New fields of employment will be opened, whether by infrastructural works or by contractors to emerge through new investors. So long as topics like R&D efforts, manufacturing and ancillary industry structuring, and technical ground services are implemented with serious investments in a planned fashion, they will yield successful results.

teries. Through such foreign partnerships, efforts regarding battery production can be sped up even more.”

Regulatory efforts and Turkey's potential in the field of electric cars are sending positive messages. Local and foreign enterprises that have been undertaken hint that electric vehicles will enter our lives even earlier than they are expected. İbrahim Aybar, CEO of Renault Mais, predicts that 30 thousand vehicles with electric engines will be sold in Turkey in the five years through 2011 and 2015, and adds, “Calculations show that if ÖTV (Special Consumption Tax) and MTV (Motor Vehicle Tax) are not collected in this period, the tax loss will be around 340 million liras. Yet the currency that these vehicles would use if they

consumed petroleum-based fuels would exceed 300 million dollars on the petroleum alone. Furthermore, the cost of the healthcare and cleaning that is incurred by the environmental pollution and negative effects on human health that thirty thousand vehicles burning petroleum-based fuels has been calculated for Paris at 8,492 euros per vehicle. Unfortunately, the vehicles driving within our cities pollute the environment much more, as most of them use outdated technologies. In spite of this, even if we use the same cost, a total cost of 560 million liras emerges for 30 thousand vehicles in our own money. When we add up the exchange expenditures and this cost, you can clearly see how much of a savings we could make with the tax exemption we insist-

İnci Akü is working on domestic battery production, while Tofaş and Arçelik are working to produce electric engines



ently suggest is applied for five years.”

SUPPORT COMING SOON

The Minister of Industry and Commerce also points out in the “Automotive Industry Strategy Document” presented to the Economic Coordination Council (EKK), which was

prepared by all involved parties with ministerial coordination, that environmentally friendly vehicles (Euro 5, Euro 6, hybrid, electric, etc.) and – particularly in the light of the latest global trends – R&D efforts toward electric vehicles and their production, use, and infrastructural works must be supported by public policy...

Orhan Sabuncu states that Germany aims to have one million electric vehicles on its roads by 2020, and five million by 2030. Ireland aims for electric vehicles to comprise 10 percent of its entire pool of vehicles by 2020. It is estimated that the market share of electric vehicles alone will reach 10 percent in Eastern European countries by 2020. According to Sabuncu, it is especially important for core and ancillary industry firms in Turkey to recognize and plan for this transformation. Sabuncu believes that the evaluation of the Automotive Sector Strategy Document at the EKK and the subsequent decision to present it to the High Planning Council is an encouraging development.

The automotive sector in Turkey stands out with the jobs it creates and its exports figures. Undoubtedly, the electric vehicles to be produced in the country will contribute positively to the sector.

The fact that Turkey has started to prioritize the creation of policies to derive the most benefit from the global structural transformations that have taken place in the world automotive industry also points to the importance given to the sector. While Turkey's failed revolution, the “Devrim,” may remain as a disappointing recollection in the annals of history, the steps it has taken in the field of electric vehicles shall prevent such a disappointment from occurring again.

		
<p>ORHAN SABUNCU President, Uludağ Automotive Industry Exporters' Union</p> <p>Currently, the market share of vehicles running on renewable energy is very low. However, this proportion is expected to increase rapidly in the years to come. For instance, Germany has a target to have one million electrical vehicles by 2020, and five million by 2030. It is estimated that the market share held solely by electric vehicles in Eastern European countries will reach 10 percent by 2020. If we look at the matter from the perspective of our country, firstly, it is important for core and ancillary industry firms to be aware of this transformation and make their plans accordingly. However, it is at least as important for the government to provide R&D and investment support in this area, undertake infrastructural works, and prepare technical legislature and safety standards.</p>	<p>ALİ BİLAĞÖĞÜ CEO, Doğu Automotive</p> <p>“The necessity of supporting the use of environmentally friendly vehicles and infrastructure works through public policies is also underlined in the ‘Automotive Industry Strategy Document,’ which is still a work in progress. Additionally, as it is in many other countries, we know that infrastructural works and the construction of charging stations needed by electric vehicles and incentives to those who will use these vehicles such as special lanes, parking spots, and cost reductions are also on the agenda in Turkey. With the completion of all of these infrastructural works, we predict that electric vehicles will spread at expected levels in terms of the use of more sustainable resources.”</p>	<p>ALPHAN MANAS Chairman, Brightwell Holdings</p> <p>Turkey has missed the chance for a branding process based on the internal combustion engine. I believe that it can become a brand in electric automobiles. It would be beneficial to buy a brand from abroad for this. To do this, the government and TUSIAD should create a joint “Turkish-Made Automobile” group. This group would then search for brands and technologies abroad. Besides this, the government and those among the members of TUSIAD who wish to be a part of this group are to create a fund. The government will provide 50 percent of the contribution to this fund, and TUSIAD members will provide the other 50 percent. In three years, the government would sell 20 percent of its shares to the other partners, and 30 percent of them to the public.</p>





MANAGING 80 COUNTRIES FROM ISTANBUL

GE Healthcare, which moved its regional headquarters to Istanbul, has seen the fruits of this strategic move within a relatively short time

BY MERVE KARA

BY ŞEREF YILMAZ

GENERAL ELECTRIC (GE) Healthcare, headquartered in England, offers end-to-end products and solutions in the area of health and is one of the largest divisions of General Electric with a size of 17 billion dollars. Three years ago, with the efforts of the Prime Ministry Investment Support and Promotion Agency (ISPAT), the company carried its regional headquarters for the Middle East, Africa, Turkey, Central Asia, and the Commonwealth of Independent Countries to Istanbul, and has already started to reap the rewards of this move. The company has achieved swift growth in the region, which has high development potential, at a rate of 20 to 30 percent per year. It is intensifying its investments with the same speed. GE Healthcare recently made the Middle East, Africa, Turkey, and Russia region – which were managed from the Regional Headquarters in Turkey – independent. The company put

its weight behind this strategic step by appointing Karim Karti, who had previously served as upper-level management for GE in other regions, the President and CEO of the region. Thus, the Turkish office gained a direct connection to GE Healthcare's headquarters in England, as well as a broader area of operations. Now, it seems that the company's giant investment in the health sector, one of Turkey's fastest-growing industries, will provide it with significant competitive superiority in the long term, especially as there are serious opportunities appearing in Turkey's health sector, where the transformation that was begun in 2003 is still ongoing.

Healthcare, one of the sectors to receive the greatest share of Turkey's budget together with education, is also one of the sectors in which the most growth is expected. The Association of Research-Based Pharmaceutical Companies (AIFD)'s data shows that the share allotted to investments within cumulative health

spending in Europe is rising in a stable fashion each year. The transformation in healthcare began in 2003 and will continue through 2013. It can be said to be the primary dynamic behind this growth: since it started, the Turkish healthcare system has been restructuring itself in every area, from its hospitals to pharmaceutical production facilities. GE Healthcare CEO John Dineen believes that Turkey, which became one of the company's most important centers due to its aforementioned properties and potential for improvement, will continue to be a dynamic market in the long term as well. Regional President and CEO Karim Karti, for his part, says that their aims are to strengthen GE's commitment to offering world-class healthcare solutions and to determine new areas where they can make a difference, stating his belief that managing this giant organization out of Istanbul will give him several advantages in the coming period.

Three years ago, GE Healthcare announced its plans to establish a regional headquarters in Istanbul, from which it now coordinates eighty countries in the Middle East, Africa, Central Asia, and Russia regions. Can you explain why you chose Istanbul as a management hub for this region?

JOHN DINEEN: There are several reasons for that; the first one is obviously geographical. Istanbul is in the center of this vast region. Second, Turkey is a great market itself, a country that's investing in social infrastructure; healthcare is taking a significant part from that. I can say that the third is talent, an extremely strong talent-base from both a technical standpoint and a cultural standpoint. Companies are working through the entire region. It's more than moving headquarters; running our business here is different from running it in Dubai or Europe. We put the team in the middle of the action. Turkey's a very dynamic country, a very dynamic market. Hence, we keep focused on the opportunities emerging in this part of the world.

Istanbul is the nerve center of a very large region. What are the foremost advantages to management in Istanbul?

KARIM KARTI: We have huge advantages by being in Istanbul in terms of talent and cultural sincerity. This enabled us to build a team here that understands how to respond to different needs around the region. The fact that Turkey is oriented towards the countries it helps also allows us to move faster. We are really growing rapidly here, by 20 to 30 percent per year, and have already doubled our workforce. The growth and investment in



"It's more than moving headquarters; running our business here is different from running it in Dubai or Europe," says John Dineen

the region is the same as in China and India. Specifically, however, there are many different countries in the region, so we have to become extremely local and choose the right leaders.

What kind of a role did the Prime Ministry Investment Support and Promotion Agency (ISPAT) play in your decision of moving your regional headquarters to Istanbul?

JD: ISPAT played a strong

role in this decision directly, but as we start more manufacturing here and become more localized, it's going to be very helpful. The other thing that I see is the government stimulus supporting the construction of hospitals. There is a lot of private investment supported by the government. As the government helps with the healthcare build-out, that creates an opportunity for us. That's a direct benefit, so businesses have to think about it. **When we look at the figures**

reflecting average healthcare spending among the region, we see that it's lower than OECD average. Is this a problem or an opportunity for you?

JD: When we look at these figures, we see opportunity. The fundamental investments that governments can make in a society are in education and healthcare. We expect that both public and private spending in healthcare infrastructure will continue to increase.

We expect that the building of healthcare infrastructure here shall go on, representing a very good business opportunity.

Can you make a general assessment about Istanbul's three years as being the headquarters?

KK: We have a business in Ankara. After a few years of being headquartered in Turkey, we have started engineering and manufacturing new products here not only for Turkey but for all regions as well. Turkey is the center of innovation now, and there's a potential opportunity to expand that. This region was created three years ago, and the second step that we're taking now is becoming independent. It's a big step, because we have more capabilities now to drive our innovation in the region as we work with our global innovation centers.

JD: In the short term, like every market that we've gone through, there's a very challenging situation from financial standpoint. It's not as bad as other parts; the US market was much more dramatic during the downturn, for example. When you look at running a business like this, you must look out over the next 10 or 20 years. I think Turkey is going to be a dynamic market again in ten years. Also from the capabilities perspective, Turkey has a very capable population, people have very strong educations, there's a lot of talent in the engineering base, a lot of talent in the medical community and there will be many investments as well.

Can we say that this talent base separates Turkey from other emerging economies?

JD: One significant dif-

ference from other emerging markets is the talented workforce of Turkey. It is a developed market. Its very talented employment base and sophisticated government gives a real advantage to Turkey above other regions.

What are the main reasons behind your decision to grant this region autonomous status?

JD: One is that we want to invest more, and I believe that direct connections will fuel the growth. The other one is speed. This is a very fast moving market. Customers need decisions; they need capabilities and better service; by having a team on the ground with more responsibilities and bigger leaders, I think we will respond to our customers better. If an organization has to go to several levels in order to get a problem fixed, that makes it a slower organization. Creating autonomy on the ground makes us feel more like a local company and faster. Speed and customer service were the greatest motivations. This region used to report to European operations, and European operation used to report to me. We decided to cut that line; now, European states are separate; we made this region to be directly in contact with me. We elevated the entire region in terms of its importance in order to improve the local decision-making capability. Rather than have to work through the European organization for approvals, we established a stronger team in its place with bigger leaders here. We tried to be able to move faster and to be able to make the decisions in front of the customers to serve them better.

A common issue in this region is that healthcare systems are undergoing a period of transformation. How does this affect you?

A lot of countries face the challenge of budget constraints because of the financial situation. But at the same time, healthcare is a fundamental investment. At the



"We have huge advantages by being in Istanbul in terms of talent and cultural sincerity. This enabled us to build a team here that understands how to respond to different needs around the region"

service level of the healthcare system, deterioration is not acceptable, because people pay a lot of attention, no matter which part of the world they are in. It's a political priority. This is a very sensitive matter, governments have a challenge because they don't want the level of healthcare service to deteriorate; but from a spending standpoint, they are looking for new ideas. When we look at our portfolio, our technology is designed to help with this

type of problems. We're developing products with better technologies and lower-cost solutions. On the other hand, we offer solutions; healthcare IT is all about digitizing and making healthcare more productive. We really see this problem as an essential need for more productive healthcare, not less healthcare. Our product portfolio provides us tools that enable us to make healthcare systems more productive and bring them to a higher quality. How do we get better access and more quality in a world when we can't just throw money at the problem? We have to invest in the right technologies. Otherwise we'll be dealing with trade-offs like higher costs or lower standards of service.

Can you mention from your plans for this region?

JD: We want to build a more local business and manufacture more products tailored to the needs of this region. We will continue to invest more money for the needs of this local market. We want to continue to build our local team as well; we don't like it here when the team has to rely on resources in Paris, or London, or Chicago in order to get things done. We want our team to be self-sufficient in terms of the tools, the resources, and the factories. We are going to pour the resources in being a more local company. We want to have the agility of a local company and we want to have the technology and strength of a giant global company. We already have the technological strengths of a 17 billion dollar company, and we're going to invest in localization. Just remaining global isn't enough today, we need to become more connected. I think that's a real challenge and change for my generation of leaders.

Brands

CPI, ISTANBUL FASHION WEEK, ISTANBUL SHOPPING FEST, FINE ARTS, JEWELRY DESIGNERS...



The Three Musketeers of FASHION

Featured on the catwalk this time was Istanbul, with three different events concerning the production, design, and retail stages of ready-to-wear clothing

BY GAMZE GÖREN BY CEVAHİR BUĞU

FROM FIG LEAVES TO cashmere, fashion has evolved alongside human-kind itself. Its greatest leap forward within this long voyage, however, fits into a space of 200 years. The pages of fashion history begin in the 1800s with Charles Frederick Worth, who is considered the first fashion designer. After that, the flapper girls of the 1920s greeted the bloodiest yet most creative century in

human history. The world bloomed into flower with the hippies in the 1960s, and then stood elevated in the 70s on platform heels. Racing on toward the 21st century at full speed, the shoulder pads of the 80s were to return later in the form of caricatures. Few escaped the grunge explosion of the 90s without at least a torn pair of jeans and a flannel shirt. After merely being a follower

of such trends for many long years, in recent years, Turkey has lately been moving toward setting the trends. Turkey grounded its bases of production with Collection Premiere Istanbul (CPI), fashion and design with Istanbul Fashion Week (IFW), and retail with Istanbul Shopping Fest (ISF). Now, the country's ready-to-wear and textile industries appear to be analyzing tendencies gaining momentum in the global market and have picked up much speed in putting their plans into action.

CPI, which was organized at Santral Istanbul February 2-4, brought the leading brands and designers in the world's fashion sector together. Organized with the support of IGEDO – the German company that is one of the world's largest fair

CPI and IFW were organized for near dates in order to create synergy. And it seems the strategy has worked

organizers – and the Istanbul Textile and Apparel Exporter Associations (ITKIB), CPI's mission is to create an important bridge of fashion and culture uniting the Middle East and Europe. CPI, which reached 10 thousand brands and designers in five continents, is propelling Turkey out of merely being a producer of ready-to-wear clothing and toward being a country that markets its own fashions and designs. The event, which had a budget of 1 million dollars, is expected to carry the export of ready-to-wear clothing up to 16 billion dollars in 2011. "Labor problems and price increases in countries that are large producers of ready-to-wear clothing, primarily China and Bangladesh, has directed orders from the EU and the USA toward our country," says Hikmet Tanrıverdi, President of the Istanbul Ready Wear and Apparel Exporters' Association (IHKIB). He adds, "Though much participation from the Middle East was not possible this year due to problems in the region, we think that participants from the Middle East will show great interest in the time to come." One element that will increase this participation will be that CPI has been placed on the European Union incentives list. Thus, the event will be at considerably greater financial ease. "In a few years, it will become one of the world's most important fashion events," says Tanrıverdi, listing the reasons for this as such: "The participation of European brands shall also be ensured. 50 to 60 brands from Europe shall also take part in 2011's second CPI event, which is planned to take place at the end of summer. Thus, our brands will be able to open up both to

DESIGNERS' INSPIRATIONS

• **Özgür Masur**, who set off to feel the time between the past and the future, based his newly-released collection called "Ten Dökümü" (Skin Shedding) on the season of winter



• **Jale Hürdoğan**, taking Nietzsche's statement that "one must have chaos within oneself, to give birth to a dancing star" to heart, took her brand – Janucha – to the catwalk with her collection titled "Dancing Star."

• In addition to many foreign celebrities, Turkish television actors also took part in the

fashion week. Another thing that was at least as talked about as the brands and celebrities were the designs and their unusual sources of inspiration. Atıl Kutoğlu's collection, which bore traces of English director Alfred Hitchcock's film "The Birds," drew some of the most attention.



• **Tuvana Büyükcınar** calls everyone to listen to her story with the collection she titled "The Storyteller." The influence of 19th century Tsarist Russia and the English monarchy on the collection is also visible.

accelerate the process by which Turkish ready-to-wear clothing brands – which have over 200 stores abroad – will reach their exports target of 60 billion dollars in 2023. This year's IFW was the fourth, and offered its followers the opportunity to watch 21 shows along with 18 designers and 9 brands. The fashion week, during which the fall-winter 2011-2012 collections were promoted, accrued as much mention for those taking part in it as for the designs. Workshops added color to the event along with shows, while educators such as Jill Martin of the London College of Fashion also participated in the event with workshops and seminars. Martin delivered a workshop named "Circle Project" as a guest of the Istanbul Fashion Academy. Gamze Saraçoğlu, one of the designers who took part in both CPI and IFW, says, "I am of the thought that Istanbul had long entered the world fashion calendar," and adds, "The intense participation that rises each year is

Europe and the Middle East." CPI, IFW, and ISF will have key roles in Turkey's play for alternative markets, and they also bring the fruits of the mutual visa agreements signed with 60 countries to the Turkish fashion sector.

It is no coincidence that CPI and IFW are organized so close together this year. The two events were planned for near dates with the intention of creating synergy, which appears to have been achieved. While IFW and CPI were attended by 38,500 people in 2010, this figure was around 45,000 in 2011. "We met our targets both in terms of the concept and in terms of participants," says Hikmet Tanrıverdi. These events will

ISF IN NUMBERS

29

SHOPPING CENTERS,
6 AVENUES

143

BILLION DOLLARS
WORTH OF BRANDS

50

THOUSAND
ADDITIONAL JOBS

3

BILLION DOLLARS
TARGETED TRADING
VOLUME

40 DAYS AND 40 NIGHTS

With events set to take place at centers all over the city, Istanbul Shopping Fest is sure to entertain shoppers both local and foreign.



• Established in 1660, the Grand Bazaar is the world's oldest shopping center

• There will be concerts by Fire of Anatolia in Beyoğlu, and by Babazula and Burhan Öcal in Nişantaşı

• ISF will begin with a cortege that will take place in Sultanahmet, Beyoğlu, Nişantaşı, and Bağdat Avenue, featuring 600 musicians

• In addition to 29 shopping centers, the main strips of Taksim, Nişantaşı, Bakırköy, Şişli, Fatih, and Kadıköy will also be part of ISF

extremely effective in improving and internationalizing the event."

Designer Tivana Büyükcınar ascribed the success that has been achieved to the size of the budget, the demand of designers and brands, sponsor support, and professional teamwork, while designer Niyazi Erdoğan, one of the participant designers, characterizes the event as a long play, stating that their true mission as members of the Fashion Designers' Association is "creating (their) own school of fashion and promoting it to the world." Followed by a broad base ranging from fashion editors to journalists and bloggers, IFW pleased all who attended with intense foreign interest. Designer Ash Güler, who was among the figures participat-

CREATING A NEW HUB

The three fashion organizations aim to make Istanbul a prestigious, global fashion center



SÜLEYMAN ORAKCIOĞLU

Chairman of the Consulting Board of IFW and head of Damat Twen

The Power of Solidarity

"That IFW is meeting with fashion lovers for the fourth time is very important in terms of the event's longevity. Furthermore, it has a very important difference from previous fashion weeks; it is a project that creates its own sources. The IFW project has great solidarity behind it, a consortium consisting of the United Brands Association, İTKİB, and the Fashion Designers' Association, as well as the support of many brands and designers."



YILMAZ YILMAZ

President of the United Brands Association and Chairman of the Board of Koton

Center of Entertainment

"Besides shopping, and in addition to wining and dining culture, we also aim to establish Istanbul as a center of entertainment. Furthermore, when we look at cities that organize similar shopping festivals, we see that they increase their retail revenues in those periods by 200 to 300 percent. ISF is a project that has the potential to fulfill expectations in this regard."

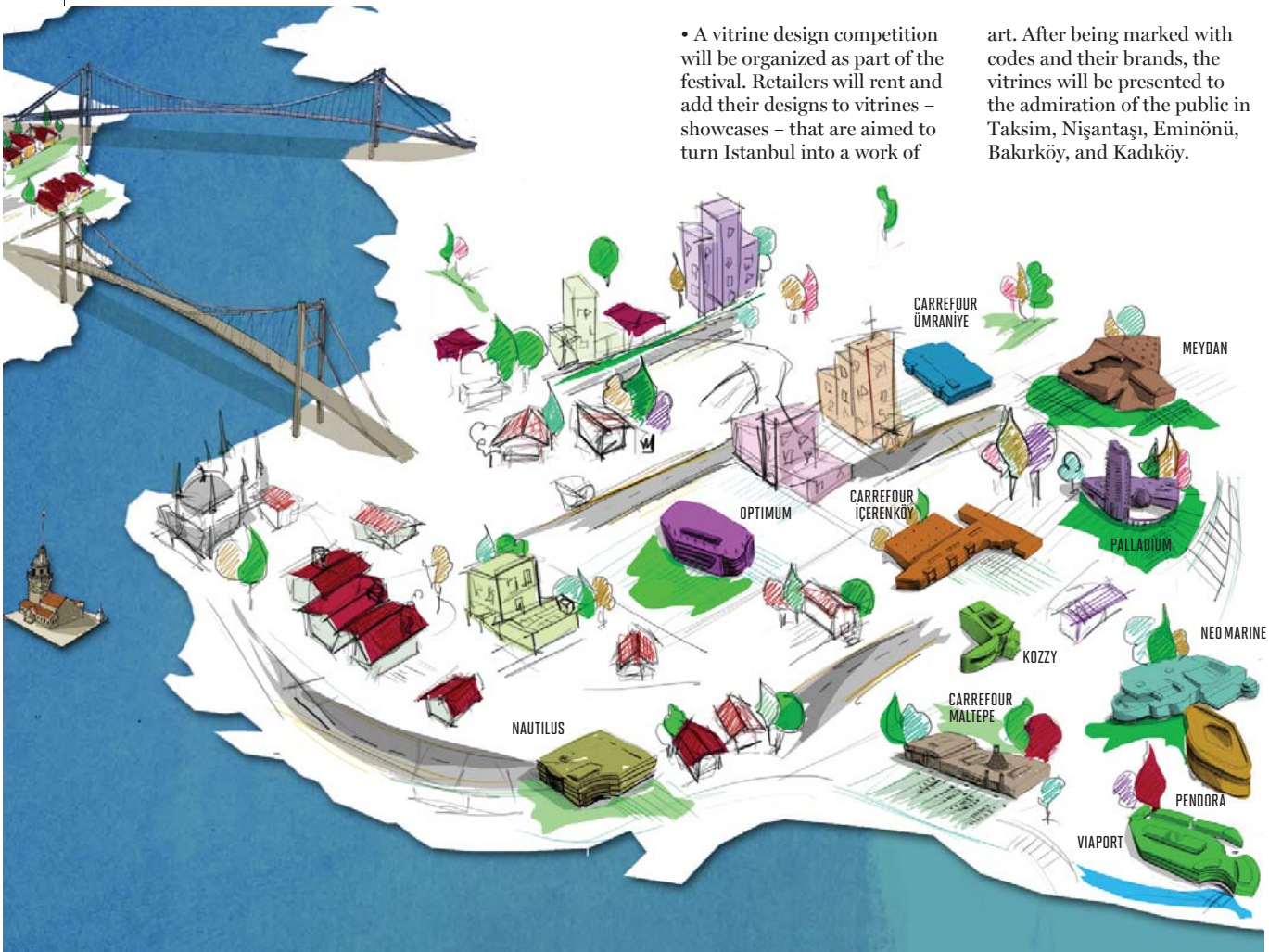


VOLKAN ATIK

CPI CEO

Illuminating the Path

CPI CEO Volkan Atik states that though Turkey exports ready-to-wear clothing and apparel to over 180 countries, 80 percent of exports are to EU countries, and adds, "In an environment where the search for alternative markets to the EU market – which has shrunk due to various reasons – continues, CPI illuminates the path of the ready-to-wear sector."



• A vitrine design competition will be organized as part of the festival. Retailers will rent and add their designs to vitrines – showcases – that are aimed to turn Istanbul into a work of

art. After being marked with codes and their brands, the vitrines will be presented to the admiration of the public in Taksim, Nişantaşı, Eminönü, Bakırköy, and Kadıköy.

ing in the fashion week for the first time, indicates that intense interest by the foreign press has had a positive effect on brand recognition, and thinks that the event's youth brings such advantages as easily adapting to new things. Those in the fashion scene explain Istanbul's fashion offensive with the mission of setting trends by leading the season. Designer Mehtap Elaidi also thinks that the longevity of this interest can be maintained through strong collections and by exhibiting a stance that reflects "us" and belongs to us, while Özgür Masur states that showing that a brand has been accepted in its own country by participating in the fashion week is an important reference for entering foreign markets.

Those who are tired of watching and wish to get their hands on the clothes right away will be able to do so when Istanbul Shopping Fest begins on March 18. Hundreds of thousands of visitors from all over the world will attend the festival. In addition to opening and closing events, many events are planned in various places in Istanbul as well as in shopping centers and stores that will remain open until late. The festive spirit permeates not only shopping centers, but also Istanbul's important shopping thoroughfares such as the Abdi İpekçi, İstiklal, and Bağdat avenues. Street festivities, concerts, shows, special games for children, parties, contents, and fashion shows shall go on for 40 days, rais-

ing the tempo of fun in the city. Significant sales of the new season's products await those who will be in Istanbul during the festival, with the added privilege of being able to shop until 2 AM and experience Istanbul to the fullest on spring nights.

CPI, IFW and ISF will have key roles in Turkey's play for alternative markets and they also bring the fruits of the mutual visa agreements signed with 60 countries to the Turkish fashion sector

These three events send the message, "One for all, and all for one," just as in Alexandre Dumas's renowned work "The Three Musketeers." The Istanbul Fashion and Fashion Retailing Fair that will take place March 3-6 at CNR-Expo may be the legendary D'Artagnan to this trio. Countries in dire economic straits – most of all Greece – have shown great interest toward IFF, which will welcome the chambers of industry and commerce of many countries. It seems that all these events, whether with the density of their schedules or their dates, will make it impossible for Istanbul not to come up among fashion circles in some capacity. Istanbul, which woke up to fashion on February 3, continues advancing tirelessly on the global catwalk.



SOLD!

The compass of artistic movements now points eastward. The Turkish arts market is becoming a focal point of interest for collectors as well as world-famous auction houses

BY GAMZE GÖREN

WHEN OSMAN HAMDI, one of the most important figures of the Ottoman enlightenment and the founder of Turkey's first academy for the fine arts and its first archeology museum, completed his work titled "Kaplumbağa Terbiyecisi" (The Turtle Trainer) in 1906, he probably did not think that it would be bought for 5 million liras a century later. Osman Hamdi's painting, which sold for a record price in 2004, is considered a milestone in Turkish art. In terms of the Turkish artworks market, 2004 was also a breaking point that clearly showed the transformation under way. The artworks market became known as the most profitable investment tool after real estate after 2000, when economic fluc-

tuations rattled confidence in investment tools and the markets, and has continued to flourish since 2004. According to the study called "Turkish Art Market" by the magazines Artist Actuel and Artist Modern, sales volume of the Turkish art market in 2001 increased twenty-fold by 2010 to reach 105 million dollars. Perhaps the most beneficial side effect was the discovery of works of art – the spoils of past wars – as an investment device. Yahşi Baraz – owner of Galeri Baraz, one of Turkey's oldest galleries in continued existence – says, "This liveliness in the artworks market is due to the upturn in the state of the Turkish economy," and says a serious increase in the number of artists and collec-

tors has also been observed with this economic growth. "Art galleries, which are increasing in number each day, are contributing to this development by forming their own masses," says Baraz.

A PROFITABLE INVESTMENT

Organizations such as Contemporary Istanbul and Art-Ist, where many artists

Globally renowned auction houses such as Christie's and Sotheby's are sending the message that they intend to stay in Turkey through the partnerships they have entered with banks

According to the latest studies, the sales volume of the Turkish art market, which was 5 million dollars in 2001, increased twenty-fold by 2010 to reach 105 million dollars

find the chance to express themselves, are increasing this contribution by creating a distinct dynamism. The motion added to the markets by such artistic enterprises is best explained by numbers. For instance, Contemporary Istanbul, which was expected to join the ranks of such fairs as FIAC, ArtBasel, ArtCologne, and LISTE within a short time, brought 420 artists to art fans in 2010 with 80 galleries. The organization just completed its fifth year, during which it put a total of 50 million liras worth of artworks on display, 83 percent of which were purchased. The artworks market index prepared by Asst. Assoc. Prof. Dr. Aylin Seçkin of Istanbul Bilgi University's Department of Economics and Dr. Erdal Atukeren of ETH Zurich is one of the important studies showing how profitable an investment art has become. 30 thousand data points based on 1,030 paintings by 30 artists were used to prepare the index, which was created with the same techniques used to generate indexes for the real estate and automobile markets. The index shows that investments made in paintings between 1989 and 2005 yielded 54.9 percent in profits per annum when adjusted for inflation. Considering that gold and the US dollar yielded 47.5 and 46.1 percent on average over the same period, works

of art – especially paintings – appear to be more profitable than traditional investments.

REALIZING THE POTENTIAL

“All of these developments are bringing about new norms. Increasing interest also shows that the history and culture of these lands is being embraced,” says Nazan Ölçer, director of the Sakıp Sabancı Museum (SSM), one of the most successful examples of private museums in the country. Since the day of its founding, the museum has worked to change habits through the exhibits it hosts. Ölçer, who says they are focused on surprise from the first stage to the very last, mentions that their joint work with Sabancı University has also contributed greatly to the museum’s success. Having

drawn over 250 thousand visitors with their Picasso and Salvador Dali exhibits alone, SSM’s latest surprise is the Golden Age of the Netherlands exhibit they will organize toward the end of the year. Ölçer states that they have achieved what was seemingly impossible by exhibiting the works of world-famous artists at the museum and creating opportunities for Turkish artworks to be exhibited abroad via the museum. The arts market, which slowly crept forward with the establishment of important artistic venues such as the Sadberk Hanım Museum, the Istanbul Modern, SantralIstanbul, the Pera Museum, and the Elgiz and Arter Museums of Contemporary Art, is now sprinting to catch up with the pace of the rest of the world. Of course, the world it is try-

The artworks market index shows that investments made in paintings between 1989 and 2005 yielded 54.9 percent in profits per annum when adjusted for inflation

ing to catch up with is not unaware of the arts in these lands. Olgaç Artam, Board Member of Antik A.Ş., indicates that international art dealers who missed the rise of art in countries like India and China are turning their eyes to fresh stars like Turkey. Artam says that they have conveyed the names of Turkish art and artists to the global arts market once content promoting their auctions appeared in publications followed by inter-

national collectors, such as The Art Newspaper, Flash Art, Art Review, Frieze, and ArtAsiaPacific. He concludes, “It is unthinkable for Turkey, which will take its place among developed countries, to stay behind in the world arts market.”

World-famous auction companies like Christie’s and Sotheby’s, which postponed their decisions to open offices in Turkey since the 90s for various reasons, are also among those who have seen this light. “Turkey already had a serious potential; what was missing, was collecting and investment in art” says Ahmet Güneştekin, the artist who came third in the ranking of total sales in 2010, and adds; “Now I believe that the inevitability and the importance of this phenomenon is beginning to be understood”.

An untitled work by Fahrelnissa Zeid became the first Turkish work of art to command a price in the millions outside of Turkey when it was sold for more than 1.5 million liras at a 2010 auction of Turkish arts held by Sotheby’s. In 2009, Burhan Doğançay’s “Yarık” (Rift) was sold for 290 thousand dollars at an auction directed by William Lawrie at Christie’s Dubai.

These globally renowned auction houses are also sending the message that they intend to stay in Turkey through the partnerships they have entered with banks. Banks are offering new opportunities – including various sponsorships, art consultations, and painting credit lasting up to forty-eight months – to art lovers thanks to these agreements, with Akbank and Yapı Kredi teaming up with Sotheby’s and Christie’s respectively.

TURKEY’S RECORD PAINTING PRICES



Osman Hamdi Bey
“Kaplumbağa Terbiyecisi”
(The Turtle Trainer)
5,560,000 TL
(2004) Antik A.Ş.



Alberto Pasini
“Harem Bahçesi”
(Harem in the Garden)
2,800,000 TL
(2007) Antik A.Ş.



Ahmet Güneştekin
Arayış (The Search)
185,000 TL
(2010) Beyaz A.Ş.



Burhan Doğançay
“Mavi Senfoni” (Blue Symphony)
2,770,000 TL (2009) Antik A.Ş.



There is always a customer segment interested in custom designs. They prefer handcrafted products.

THE SECRET HEROES OF THE GRAND BAZAAR

No matter what anyone says, the Grand Bazaar is still the center of jewelry. Its crowded, chaotic streets conceal highly gifted designers...

BY AYŞEGÜL SAKARYA

THOUGH IT'S ONLY mid-February, the weather is so nice and sunny that it could just as well be spring. Cağaloğlu is perfectly still, as if it is preparing for the bustling crowd that will soon besiege the entire area. Matiyos Bıçakçı greets us in his office in an old building. It seems unlikely that jewelry, symbolizing power and splendor, is designed in such a modest place by such a modest person. Bıçakçı –

who was a dental technician – entered the profession at the age of twenty-five, partly out of interest and partly out of necessity. Getting through thirty years was not easy, of course. He patiently persevered in the face of difficulty, just as he does when incorporating thousands of tiny gems in a piece of jewelry... Design becomes a passion upon entering this magical world. “I suffered many difficulties. Because of this, my work

is everything to me,” says Bıçakçı. Because his son took over production in recent years, he mostly concentrates on design. “One must know every step of production for design,” says the experienced master. He works with many luxury brands. Master Matiyos, who works with international certificates, now wants to sell his creations under his own brand. His aim is to enter foreign markets. Thus, he plans to

Training starts at a very young age and encompasses a process that stretches from apprenticeship to mastery. Thus, handcrafted goods always maintain their value and stay in fashion

focus on promotional activities in the upcoming term. Preparing a collection and opening an exhibition are also in the works. The items make extensive use of platinum and gold, while precious stones such as diamonds, emeralds, and rubies are also indispensable. Some designs use thousands of diamonds and take two or three months to make. Thus, design and workmanship is what makes jewelry valuable, not gold and gems. “We design unique products that will pass on from grandmother to grandchild,” says Matiyos Bıçakçı, and adds, “We are at a point where technology cannot beat us. These are products that cannot be made without mastery.”

Master Matiyos is not the only example; there are many other designers hidden in the streets of Cağaloğlu and the

550-year-old Grand Bazaar. Şefik Çulçi creates custom-designed jewelry and repairs antiques in his tiny shop in the Grand Bazaar for customers from all around the world. Like many of his colleagues, he came to the Bazaar as a child. After training alongside his master for many years, in 1990, he opened his own shop. Today, Çulçi's little shop is visited by figures from various segments of society – from bureaucrats to artists – seeking to repair family heirlooms or for a custom design for themselves.

He works motifs from many civilizations, from the Urartu to the Ottomans, into his designs. "I reinterpret motifs from antiquity," says Çulçi. The recent popularity of historical television series has positively affected Çulçi's business too. "Roman motifs will also be very popular in the upcoming period," he says. Çulçi uses many other materials besides gold and silver in his designs. In addition, he is one of the few that repair antiques. Antiques come from countries such as Germany, France, and Spain. "In jewelry, we call doing something without knowing anything and messing it up the old-fashioned way," says Çulçi, and adds, "I learned to repair antiques in this way, through my own efforts."

Forty-two-year-old Diran Çirkinoğlu also works in the profession. His job is placing precious and semi-precious stones in their settings. "He can even set a diamond in steel," say his friends, describing Çirkinoğlu. For 31 years, he has worked with millimeter-scale diamonds with great patience. When confronted by puzzled glances, his response is, "The key to

this business is to love your job. When I can't work, I even see it in my dreams." Çirkinoğlu is bound to his profession by great passion, and cannot help but criticize the changes in recent years: "Everything is fabricated now; the value of the artist is unrecognized."

To a certain extent, Çirkinoğlu is right; the human passion for jewelry is as old as the history of humankind itself. While production used to be entirely manual, with the



There are nearly two thousand diamonds in this bracelet, which is one of Bıçakçı's custom items

technologies that have been developed now, production can be accomplished with computers and various technological devices. This is how many brands are able to reach large masses with thousands of kinds of products. However, there is always a segment interested in custom designs. They prefer handcrafted designs requiring meticulous labor – jewelry is, after all, a difficult craft... As the primary materials are so valuable, it is unforgiving of mistakes. Training starts at a very young age and encompasses a process that stretches from apprenticeship to mastery. Thus, handcrafted goods always maintain their value and stay in fashion. So, when you are in the Grand Bazaar, which conceals those who are special like itself in its historic streets, be prepared to encounter surprises.

"We design unique products that will pass on from grandmother to grandchild," says Matiyos Bıçakçı



Agenda

FAIRS, EXHIBITIONS, SUMMITS, MEETINGS IN THE NEXT TWO MONTHS



WORLD LEADERS WILL MEET IN ISTANBUL FROM NOW ON

The Leaders of Change Summit is taking place in Istanbul in 2011, at a time when Turkey is taking steps towards becoming one of the key decision making centers in the world.

Leaders who guide change from various countries and arenas will meet in Istanbul on March 14 and 15, 2011.

The summit, jointly organized by Istanbul University and the Turkish Future Researches Foundation (TUGAV), will host respected statesmen, opinion leaders, bureaucrats and the business elite as well as renowned academics from reputable universities.

The summit aims to create an annual platform where future politics and power balances will be discussed and examined from a global point of view with the participation of world leaders.

Ten sessions, four business councils, and parallel sessions with different participants including Kofi Annan, Ahmet Davutoğlu, Stephen Kinzer and business leaders, are

planned for the summit which will be held at Istanbul Congress Center.

During these sessions, the latest developments in international social and economic policies, the backgrounds of the transformations and the change processes that participants were involved will be discussed. Politics of problematic regions of the world will be opened up for discussion by panelists from differing points of view. All subjects and views discussed at this summit will help current decision makers in shaping short and long term future targets.



LEADERS OF CHANGE SUMMIT

HEADLINES FROM THE SUMMIT

- Turkey's New Role and Its Regional Effects
- Leadership in The Modern Age-Why It Has to Be International?
- The Future of the Global Economy
- Is Peace Possible in The Middle East?
- A New Finance Center-Istanbul
- A New Perspective on Development
- Different Beliefs, Common Values
- Thinking Green, Economy Strategy for 21st Century
- Global Changes and New Balances
- Historical Changes in The Middle East-What's Next?
- Regional Security-Global Energy
- Future of Mankind
- Media That Changes The World
- Paths to Conflict Resolution-Cultural Communication

MARCH 2-5**EUROASIA RAIL****Ankara -Anfa Altınpark Exhibition Center**

The EurasiaRail Rolling Stock, Infrastructure and Logistics Exhibition will bring into a sharp relief about the latest technologies and improvements in the market. The International Trade Exhibition for Eurasia rail rolling stock, infrastructure and rolling which is a top notch event to be held in the industry related to the transport technology

MARCH 3-5**Istanbul Fashion Fair****Istanbul -CNR EXPO**

The International Istanbul Fashion Fair holds distinct importance as a platform that spotlights Turkey's performance on a global scale. This is a truly international trade fair with exhibitors and buyers coming from all around the world

MARCH 10-12**FCMG 2011****Istanbul -FM Yeşilköy**

The principal objective of the FCMG fair is to play an important intermediary role between the buyers of chain stores, supermarkets, wholesalers, retail sales points, local and international retail chain stores, regional/national distributors and manufacturers with established brands or products yet to become a brand in the Food & Drink, Cleansers & Hygiene, Packaging and Services, Cosmetics & Beauty, and Houseware & Kitchenware sectors

MARCH 13-17**ISTANBUL WINDOW****TUYAP Exhibition and Congress Center**

11th Istanbul International Exhibition of windows, glass technology, industrial equipment and accessories

Among the organizers of the exhibition are Window Manufacturers Quality Union Association (PUKAB) and Plastic Profile Manufacturers Quality Union Association (PUKAD), providing their products and demonstrate the latest achievements in the production of windows

**MARCH 17-20****ISTANBUL JEWELLERY SHOW****Istanbul -CNR EXPO**

Istanbul Jewellery Show (IJS) is an outstanding international trade event serving to the fast growing domestic and international markets surrounding Turkey. IJS has proven to be one of the most professional and dynamic gatherings of world jewelry businesses

MARCH 30- APRIL 3**MIDDLE EAST MANUFACTURING MACHINES AND ANCILLARY INDUSTRIES FAIR****Diyarbakır-TUYAP**

The Middle East Manufacturing Machines and Ancillary Industries Fair will feature wood machines and equipments, metal processing, welding, hand tools, hydraulic-pneumatic systems plastic, packaging, machines and equipment, food processing machines, electric -electronic automation, loading, discharging, handling logistic hardware job security

APRIL 6-10**MODEKO****International İzmir Exhibition Center**

The most comprehensive furniture and decoration fair of Turkey, MODEKO Furniture, Decoration, Home and Office Equipments Exhibition is opening for the 22nd time.

Modeko assists you to meet thousands of visitors from all over Turkey and the world during five days. MODEKO, which is being held between 6-10 April 2011 is at the Culturepark Fairground in İzmir

APRIL 7-10**PETROLEUM****Istanbul -TUYAP Exhibition and Congress Center**

International Trade Fair for Petroleum Upstream and Downstream Equipment, Technology and Services is the international exhibition of technologies and the equipment for extraction and oil refining

APRIL 13-17**TESKON SODEX****Izmir -Tepekule Congress and Exhibition Center**

The first congress of the sanitary industry, "TESKON," has been organized by Izmir Branch of the Chamber of Mechanical Engineers on behalf of the chamber that has united their powers under one name. The aim of the congress is to present the scientific and technological progress both in theory and application

APRIL 17-20**ELECTROTECH****Istanbul-CNR EXPO**

The Energy, Electric and Electronic Technologies Fair includes:

- Transformers, Batteries, and Uninterruptible Power Supplies

- Electric Motors & Frequency Inverters, Motor Drives
- Gears, Mechanical Drive Systems
- Cables & Equipment for Electric Power Transmission

APRIL 27- MAY 1**TURKEYBUILD INTERNATIONAL****Istanbul -TUYAP****YAP Exhibition and Congress Center**

The International Turkeybuild Istanbul 2010 is a major gathering platform for the most distinguished companies of Turkish and international construction industry. This year, participants will have the opportunity to demonstrate innovations that would pave the way to the industry at a larger scale and quench the thirst for new ideas

**APRIL 28- MAY 1****ART BOSPHORUS****Istanbul-Fulya Fuar ve Kongre Merkezi'**

Art Bosphorus 2011 is a gathering that aims to spread art to the masses, bringing together Turkish and global artists with followers in Istanbul, one of the most beautiful cities in the world. Istanbul has a very prestigious place in the world of arts and culture, so it shall undoubtedly draw attention from visitors all around the world

Figures

MERGER AND ACQUISITIONS IN 2010; THE SURVEY OF EXPORTERS' TENDENCY

M&A ACTIVITY IN 2010 HAS SOARED TO REACH THE HIGHEST NUMBER OF DEALS EVER

The volume of Mergers and Acquisitions has reached 29 billion dollars via 203 deals in 2010. This represents a fivefold growth in deal value over the previous year and the highest deal value since 2005

YEAR	2007	2008	2009	2010
DEAL NUMBER*	160	169	102	203
DEAL VOLUME*	US\$19.3 billion	US\$16.2 billion	US\$5.8 billion	US\$29 billion
PRIVATIZATIONS / SHARE IN TOTAL	US\$2.3 billion / 12%	US\$5.2 billion / 32%	US\$1.8 billion / 32%	US\$14.6 billion / 50%
FOREIGN INVESTORS*	70% of deal value	85% of deal value	38% of deal value	36% of deal value
FINANCIAL INVESTORS*	13% of deal value	30% of deal value	12% of deal value	3% of deal value
AVERAGE DEAL SIZE	c. US\$120 million	c. US\$100 million	c. US\$55 million	c. US\$140 million***
LARGEST DEAL VALUE / SHARE IN TOTAL	US\$2.7 bn (Oyak Bank) / 14%	US\$3.1 bn (Migros Türk) / 19%	US\$606 mn (Sugar Factories)** / 10%	US\$5.8 bn (Garanti Bank) / 20%

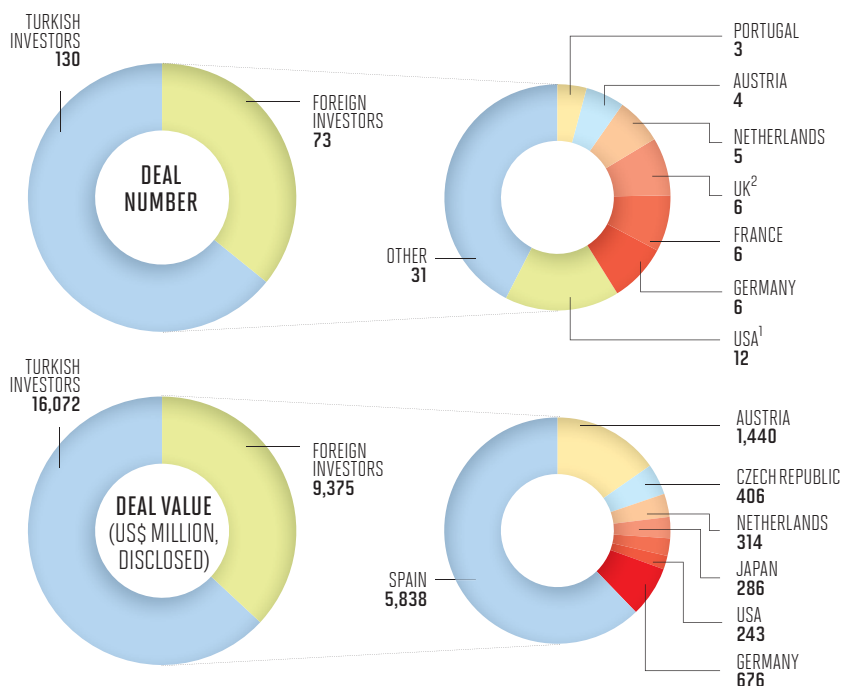
(*) Including estimates for deals with undisclosed values and adjusted for canceled transactions. (**) The legal process regarding the sugar factories is on-going. No adjustments have been made.

Data: Deloitte

(***) Excluding privatizations and the Garanti Bank deal, the average deal size of the remainder was US\$50 million.

FOREIGN INVESTORS' INCREASING INTEREST

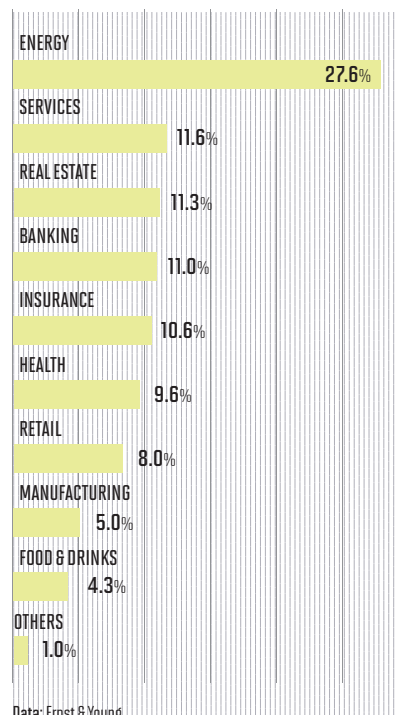
While foreign investors' interest towards Turkey has gradually increased over the past decade, Turkish investors have truly warmed up to M&A as well



1. Does not include one joint investment by a U.S. and a Turkish company. 2. Does not include one joint investment by a British and a Qatari company.

ENERGY COMES FIRST

Energy is also expected to be the most dynamic industry in terms of M&A in 2011



Data: Ernst & Young

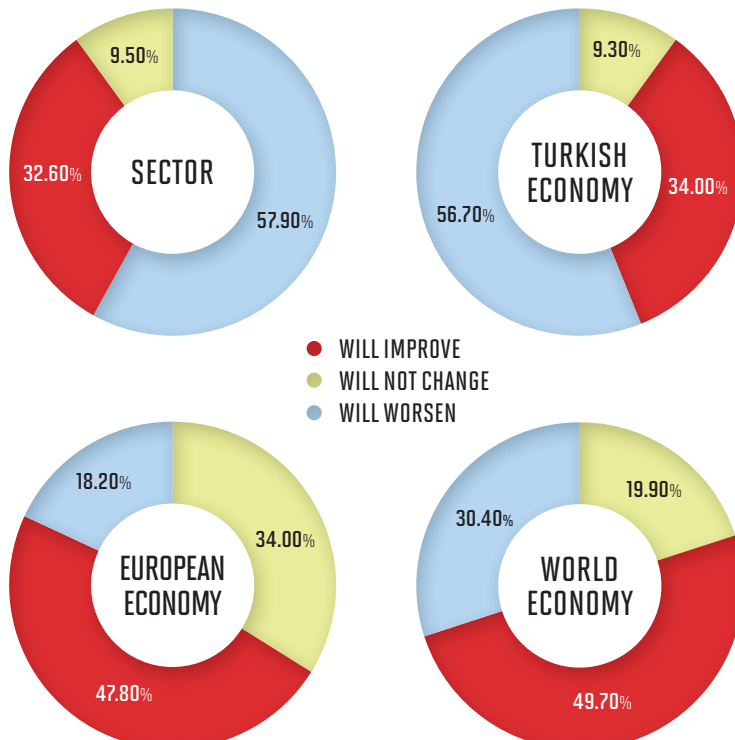
EXPORTERS ARE HOPEFUL FOR 2011

The Turkish Exporters' Assembly investigated exporters' expectations for 2011 in a study among the top 1000 exporting companies. Sharing their goals and plans for the year in various fields from production to exports, the companies reflect the positive state of the markets

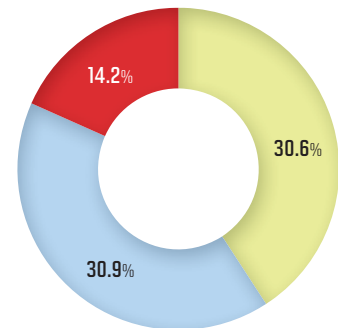
More than 56 percent of exporters say their production and exports increased in 2010. However, 20 percent have seen an increase in their general profit levels

	General	First 500	Second 500	Other
Production	56.2%	62.5%	64.0%	48.1%
Exports	56.9%	64.4%	64.3%	48.1%
Capacity utilization rate	50.1%	59.6%	56.6%	41.0%
Stock situation	28.8%	33.8%	27.2%	26.8%
Input costs	74.6%	68.4%	77.9%	76.2%
Unit export price	40.0%	39.7%	44.3%	37.8%
Imported input usage rate	21.7%	18.4%	25.7%	21.3%
Raw material unit import price	57.5%	55.1%	63.2%	55.6%
General profit level	17.5%	22.6%	19.3%	13.3%
Exports profit level	16.3%	19.9%	19.3%	12.4%
BASE	527	146	140	241

The Middle East, which has been going through some tumult as of late, maintains its priority among Turkey's target markets



Having shrugged off the last effects of the global crisis, companies had intensified their employment efforts in 2010. Though they do not prefer the same intensity of employment in 2011, the study shows that personnel intake will continue



- WHITE COLLAR EMPLOYMENT
- BLUE COLLAR EMPLOYMENT
- R&D PERSONNEL

36.8%

Plan to exploit investment incentives for 2011

76.1%

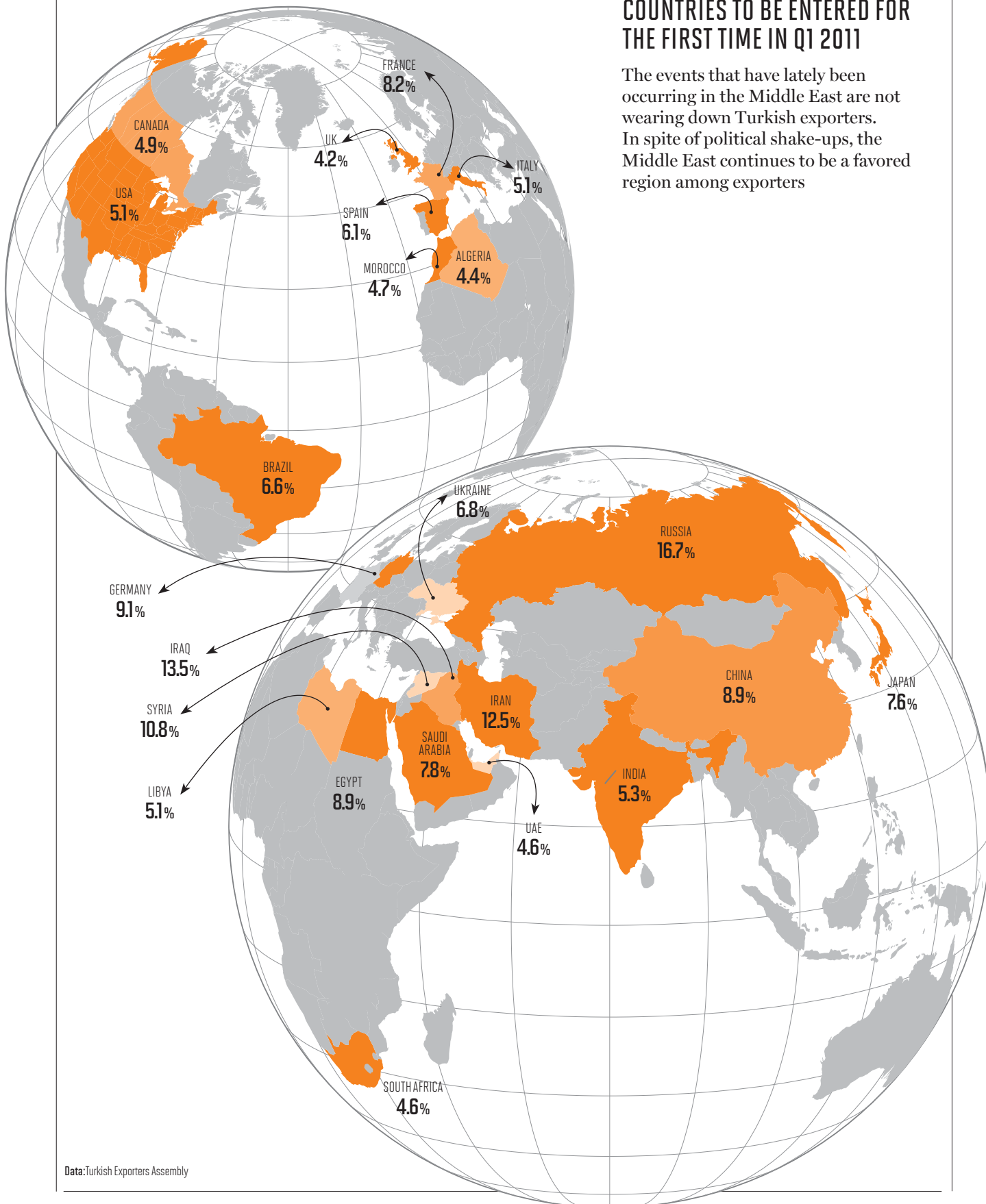
Currently use credit

7.62%

The inflation forecast for the end of 2011 is 7.62%; expected growth is 8.60%

COUNTRIES TO BE ENTERED FOR THE FIRST TIME IN Q1 2011

The events that have lately been occurring in the Middle East are not wearing down Turkish exporters. In spite of political shake-ups, the Middle East continues to be a favored region among exporters



Data: Turkish Exporters Assembly

A STAR ALLIANCE MEMBER

Caroline Wozniacki
World's #1 in Women's Tennis.

We take the champion to more than
170 cities around the globe.
All through Istanbul. All with the
privileges of Turkish Airlines.

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for Stars.*

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