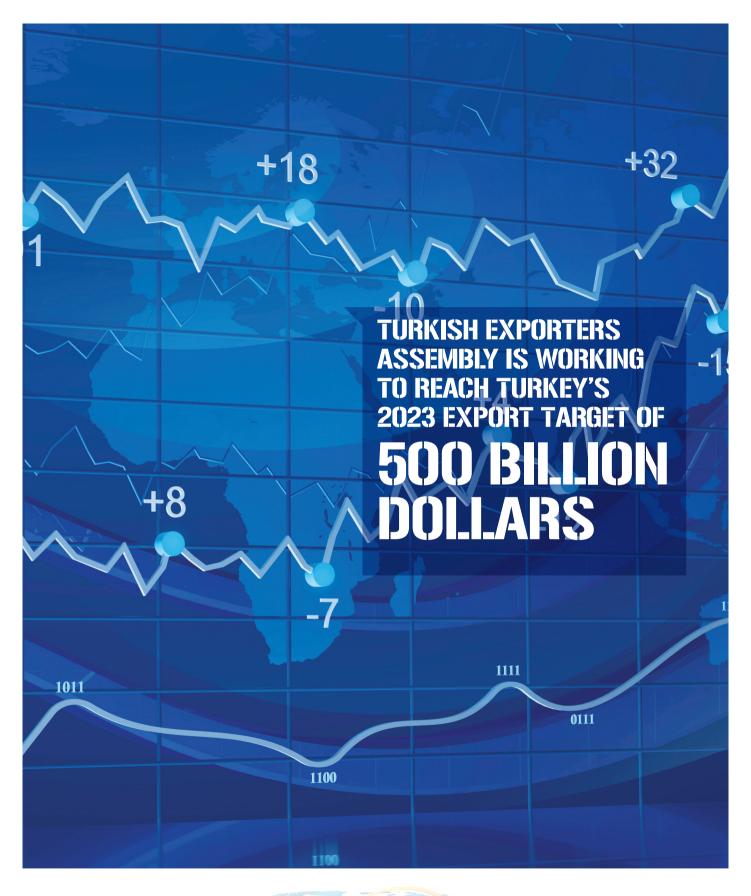
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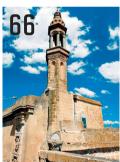
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TURKISH EXPORTERS ASSEMBLY





# **Editorial**



MEHMET BÜYÜKEKŞ President (TIM)

# FOCUSING ON STRUCTURAL REFORMS

With its functioning market economy and multi-party democracy, Turkey has risen to the position of the most important country in its region

**TURKEY HAS LEFT BEHIND** an important election period. As the developments occurring in the Middle East were watched worldwide with worry, Turkey meanwhile set an example for its region with the democracy and election culture it exhibited.

On Turkey's agenda in the period to come will be a new constitution and the economy. For this, we believe we have an urgent need for a constitution that respects human rights, further expands freedoms, and embraces all of Turkey. We have a requirement to realize a constitution that will take Turkey to the era in which it lives, develop personal rights and freedoms, and render economic development and transformation possible through broad participation and the reconciliation of differences. Economic development is a process that goes hand in hand with democracy. In an environment in which democracy and personal freedoms prevail, the economy will develop and grow.

Turkey's constitutional process will not be just an issue concerning its own; it will be a process that many countries in its neighboring regions will follow closely and take lessons from. With its functioning market economy and multi-party democracy, Turkey has risen to the position of the most important country in its region, and it strives to contribute to the global system as a central country.

With the economic program it put into practice after the crisis it experienced in

2001, Turkey solved the acute problems it had and attained the stability it sought for decades. Now, with a new game plan based on investment, advancement, and sectorial leadership, and formulated on the gains of the economic program that was implemented, it is on the verge of taking important steps toward transforming its economic structure.

We, representing exporters in Turkey as the Turkish Exporters Assembly (TIM), are striving to surpass ourselves, increase our competitive ability, and make innovation the backbone of Turkish industry by transforming our industry and exports through our 500-billion-dollar exports target for the year 2023.

Through the cooperation of the public sector, private sector, and non-governmental organizations, the economy of Turkey turned the crisis that put it in dire straits in 2001 into an opportunity for the whole country and brought the sunken economy, production, and employment back on their feet again. Inflation fell from 68% to 6%, the per capita income rose from 3,000 dollars to 10,000, and our exports rose from 31 billion to 114 billion dollars. Turkey became a country in which the state budget delivered a surplus even in an election period, the state's debt fell in relation to the national income, and strict fiscal policies were implemented uncompromisingly. Similarly, the strict disciplining of the

banking sector after the 2001 crisis and its daily-increasing role in supporting the real sector allowed Turkey to exit the global crisis with little harm.

As a country that has emerged from an election period with its political stability maintained, Turkey will move toward much more comprehensive, and unlike in the past ten years, real-sector-focused economic policies. With an export- and- production-focused economic program it will implement in the coming term, Turkey will also enact special practices to support exports and exports-based manufacturing by making them more attractive.

In the new term, Turkey will bring the impetus it deserves to the European Union membership negotiations. As TIM, we believe that the EU process, which we are very sensitive to and follow closely, is among Turkey's essential goals.

Barriers we face in the negotiations process, which hasn't reached the pace we desire in spite of all efforts so far, undoubtedly create a disheartening effect in all of us. However, despite obstructions in the process, as TIM, we strongly support the resolute policies our government continues to take toward this target.

We earnestly support our government's decisive attitude, it being unaffected by problems in the economic conjuncture and focused on its own performance, and its strategy aiming for full compliance with the EU acquis communauitaire.

We regard the foundation of an EU ministry immediately prior the general elections as an extremely important appropriate step that proves Turkey's resolve on the matter of its aim for membership.

As TIM, we have full conviction that we will get closer to a Turkey of EU standards each passing day, and that and will reach our 500 billion dollar exports target in the year 2023 with Turkey as an EU member through the steps to be taking in the coming term.



"Turkey, with its young, talented population, holds enormous potential for the future. Combining this rich resource with information technology can help accelerate Turkey's road to success. We have increased our investment in Turkey to better serve the local demand together with our partners. Today, many of our Turkish employees now hold regional and global roles within Oracle; a testament to their energy, experience and talent.

With technology at the heart of its development, Turkey is the land of opportunities and Oracle is proud to be part of its future."



Alfonso DI IANNI

Senior Vice President, Eastern Europe, CIS, Middle East & Africa

# **INVEST IN TURKEY**

- A population of 74 million, half of which is under the age of 29
- Approximately 500,000 students graduate annually from more than 150 universities
- Around 26 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
- 17th largest economy in the world (IMF-WEO, 2010)
- 15<sup>th</sup> most attractive FDI destination for 2008-2010 (UNCTAD World Investment Prospects Survey)
- Fastest growing economy in Europe with an impressive GDP growth rate of 8.9% in 2010



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# First

PARTNERSHIPS, AVIATION, GOVERNMENT, FINANCE, RETAIL, DEFENSE, EMPLOYMENT..



The 18th Ordinary General Council Meeting of TIM was held on June 25 at Foreign Trade Complex

# "WE ARE READY FOR TURKEY"

The common point in the 18th Ordinary General Council Meeting of TIM was that all parties are decisively running toward Turkey's 2023 targets

HE18TH Ordinary General Council Meeting of the Turkish Exporters Assembly took place on June 25 in the Turkish Exporters Assembly Headquarters. In addition to Prime Minister Recep Tayyip Erdoğan and primary opposition party leader Kemal Kılıçdaroğlu, many industrialists and businesspersons attended the meeting in which the Exporters Assembly's yearly

activities were evaluated. TIM President Mehmet Büvükeksi. delivering the opening speech, highlighted the fact that they played an active role in maintaining a stable and significant rise in exports within the past year and emphasized that exports have caught on in Turkey. Indicating that Turkev has come closer to becoming a country of central importance through the solving

of several regional problems, visa requirements most of all, Büyükekşi stated that it has become an example for surrounding countries whether economically or with the stable atmosphere post-election. Meanwhile, Prime Minister Erdoğan emphasized in his speech that democratization and economic developments are progressing in parallel to each other. Erdoğan gave

the message that they will not stop and will continue progressing on the road toward advanced democracy and a developed economy in the new term, too. Zafer Cağlavan, the State Minister for Foreign Trade, indicated that the targets are at a point at which they are reachable, stating that 135 billion dollars' worth of exports will be realized this year and a 50,000-person-

strong exports army will have gathered very soon. The common point the speakers mentioned was that the structural transformations in the economy brought about the right solutions through correct diagnoses. Taking off from this point, Büyükekşi broke the good news that TIM has prepared a strategy document for the economic program in the new term.



FOREIGN AFFAIRS

# SPEAKING OUT AGAINST INEQUALITIES IN THE GLOBAL ECONOMY

LDCs don't only need financial aid, but also attention to the geographic difficulties and vulnerabilities of each country

THE 4TH UNITED NATIONS Conference on the Least Developed Countries was held in Turkey May 9-13, 2011. The conference, hosted at Istanbul Convention and Exhibition Center, addressed the problems of the world's poorest 48 countries. The heads of state and/or government of around 50 countries, 75 ministers, 30 deputy ministers, and 36 leaders of international organizations were present at the conference. It has been announced that total attendance numbered approximately 17,000. Coming on the heels of Turkev's strategy of opening out to Africa in 1998, the declaration of 2005 as Africa Year, and the Turkey-African Union summit held in 2008, relations between Turkey and Africa became even warmer at this conference.

The Least Developed Countries (LDCs) are defined as countries with GNI per capita of less than 745 dollars per year, poor human resources, and high economic vulnerability. While comprising 13% of the world's population, LDCs account for only 1% of its economic output. The number of LDCs has risen from 25 in 1970 to 48 today. Assessing the situation, President Abdullah Gül said, "This situation cannot go on like this. When there are one billion people living on less than 1 dollar a day, the international community cannot turn a blind eve to this. This is an alarming, worrying situation not just politically, but also ethically."

Speaking about the conference, Ahmet Davutoğlu, Minister of Foreign Affairs, said, "Our

One of the conclusions of the conference was to ensure better integration of the developed partners in the Action Plan in aid, trade, and development strategies

purpose is to be the voice of international conscience, to call out globally, and to continue this call for ten years." He continued, "We want our term presidency not to come to the agenda with only crises, but for it to be a term in which a development paradigm, new institutional tools, and a sustainable, egalitarian development model is established. This is important for us in terms of being able to organize the activities to be done within ten vears. In such a short time as in 2015, we will again be a member of the UN Security Council. Whenever any matter comes up within the UN system, we want to play a role that will change the paradigm of the matter." Objectives included

for LDCs in the Istanbul Action Plan as agreed upon at the end of the conference include boosting production capacity and ensuring sustainable, egalitarian, and comprehensive growth; establishing gender equality; reducing the vulnerability of the countries' economies to natural and environmental shocks including climate change; the development of financial resources: the strengthening of democratic processes, of the supremacy of justice, and of related institutions; the firm emplacement of an administration that is competent at every level; the preservation of human rights; and reducing poverty. Furthermore, the plan aims for half of the 48 LDCs to graduate from the list by 2020. It was emphasized at the conference that there are certain important lessons to be learned from this plan on national, regional, and international levels. Some of these lessons were as follows:

- · Some measures of international support vield limited results in meeting the special needs of LDCs. So international measures of support must be strengthened according to the special needs and priorities of LDCs.
- Instead of regarding LDCs just as a group of countries with low GNI per capita, the Action Plan must pay attention to the unique geographic difficulties and vulnerabilities of each of these countries.

# AVIATION



# **A STRONGER** FLIGHT **NETWORK**

Turkish Airlines aims to strengthen the bond of between Turkey and other countries via its flight network

Strengthening its flight network by the day. Turkish Airlines is adding three more to the cities it already serves. Aimed at consolidating the bond of friendship between Turkey and Germany, on July 1 the airline is adding an Izmir-Munich flight to its existing Izmir-Frankfurt flights, which got under way on June 13. Meanwhile thrice-weekly flights from Istanbul to the Afghan capital Kabul are also slated to start on July 9. Following the connecting flight to Basra via Najaf that was added last month, a direct flight to Sulavmanivah is also being added, bringing the number of Turkish Airlines' destinations in Iraq up to five.

PARTNERSHIP

# **EXPORTERS MOUNT** AN IPO OFFENSIVE

TIM is pioneering ways to make it easier for the financing needs of exporters in order to create advantages in terms of costs and competition



**7 ITH THE** protocol it signed with all parties in the capital market, the Turkish Exporters Assembly (TIM) is pioneering ways to make it easier for the financing needs of exporters. Because exporters will secure an advantage in their costs, they will be able to take a step forward in their struggle against their international rivals. TIM signed a joint protocol with the Capital Markets Board of Turkev (CMB), Istanbul Stock Exchange

(ISE), Association of Capital Market Intermediary Institutions of Turkey (TSPAKB), The

ISE Settlement and Custody Bank Inc. (Takasbank), and the Central Registry Agency Inc. (MKK) with the goal of promoting adoption of corporate management principles among exporting companies before offering a public option.

The protocol aims for exporting companies to make better use of the opportunities offered by the capital markets in procuring the resources

they will need to finance their growth and investments and adopt a corporate structure suited for going public.

TIM President Mehmet Büyükeksi said that their goal is to foster the growth of exporters and help them finance their investments more easily via capital markets. Reminding that companies grow alongside exports. Bijvijkeksi said. "This year, we are aiming for a record 135 billion dollars

TURKISH

in exports. As the volume of exports grows, our firms' financial needs show increases

as well. We are clearing the way for our exporters to make use of all sorts of financial instruments comfortably. The possibilities offered by the capital market must be put to good use. Securing means of long-term financing for our exporters by way of public offerings will strengthen our firms and make it easier to achieve our 500 billion dollar export target."

## AVIATION

# **A FLIGHT** SAFETY FILM WITH THE **MANCHESTER STARS**

Another first for passangers of Turkish Airlines

Chalking up vet another first. Turkish Airlines has shot an in-cabin flight safety film with Manchester United star footballers Darren Fletcher. Wayne Rooney, Nani, Chris Smalling, Rafael and Fabio Da Silva. In the film, which, unlike standard flight safety films, was shot with the intention of creating content of greater interest to passengers, in-cabin security procedures are presented in an unusual, and more humorous. approach.



# **EXPORT**

# ACCOUNTING FOR THE **BIGGEST SHARE**

Automotive exports that have reached 8.5 billion dollars in five months sprint toward 20 billion dollars in 2011

**ITH THE** 16% growth it attained in the first five months of the year, the automotive industry reached a total of 8.544 billion dollars in international sales. When the rest of the vear is considered, it is expected that the industry will exceed the 18 billion dollar target set for 2011. According to data from the Turkish Exporters Assembly (TIM), the auto industry accounted for a 15% share in the 11.1 billion dollars' worth of exports attained by Turkey as a whole in May, continuing the leadership it has maintained in the field for years. The report prepared by the Automotive Industry Exporters' Union (OİB) on auto exports, which exhibited a 19% increase over last May.

lists the reasons for this rise as follows: the stability achieved in currency exchange rates, continued stillness in the car market, and increased activity in the EU commercial vehicles market.

Meanwhile, hope was provided for the future in that international sales in the first. five months of 2010, worth 7.338 billion dollars, rose by 16% to 8.544 billion dollars in the first five months of 2011. "The export figures we attained today shine a light on the future for us. We predict that we will easily exceed the 18 billion dollar target we set for the year 2011, barring the occurrence of extraordinary developments," commented OİB President Orhan Sabuncu.



# **NEW MINISTRIES**

# RFORGANI7ATION

Eight new executive ministries will be established instead of state ministries in the new cabinet. Also, deputy ministers who will be transferred from business realm will be appointed in order to maintain more coordination between business and government.



Ministry of Family and Social **Policies** 

This ministry will concern itself with the problems of women, families, children, seniors, and the disabled.



Ministry of Science, Industry, and Technology

In addition to the responsibilities of the Ministry of Industry and Trade, this ministry will also pursue and guide scientific and technological policies.



Ministry of the Environment. Forests. and Urban **Planning** 

It will be responsible for matters of zoning and development, environment, and buildings. It will determine strategies for the physical plannings and implementation of projects of every scale. and water resources. It will provide for the central monitoring of urbanization and development.



Ministry of Economy

Replacing the Ministry of Foreign Trade, this ministry will be responsible of such matters as foreign trade, investment incentives, and economic relations with foreign countries.



Ministry of Youth and Sports

A Youth Services Directorate and Department of Sports Services will be established within the body of this ministry, which will be responsible for matters concerning youth.



Ministry of Food, Agriculture, and Animal Husbandry

In addition to the responsibilities of the current Ministry of Agriculture and Rural Affairs, this ministry will be concerned with food production and safety, rural development, and water resources.



Ministry of **Customs** and Trade

Besides being in charge of customs policy, this ministry will fulfill duties relating to domestic trading services.



Ministry of Development It is to create sector-based and regional development plans and produce mid-term and annual programs, and action plans.



Ministry of European **Affairs** 

This ministry will coordinate efforts toward preparing Turkey for European Union Membership.

# AVIATION

# CROATIA **OPPORTUNITIES** ON THE RISE

The existing Blocked Spare Codeshare Agreement between Croatia Airlines and Turkish Airlines has been revised as of June 9, 2011, as Free Sale. Under the new agreement, both airlines will be able to sell tickets on the Istanbul-Zagreb (reverse) route without seat restrictions. Croatia Airlines will also be able to use the TK code on tickets to Dubrovnik and Split, to which we do not have flights.

# **EMPLOYMENT**

# UNEMPLOYMENT CONTINUES **FALLING**

Unemployment dropped by 2.9 points to 10.8% in March, signifying 622,000 fewer individuals lacking employment. Over the past year, Turkey created new jobs for 1,545,000 individuals. According to the Household Labor Force Study by the Turkish Statistical Institute (TurkStat), the number of jobless people fell from 3,438,000 in March 2010 to 2,816,000 in March 2011, while employment rose from 21,741,000 jobs to 23,286,000.

AVIATION

# **Turkish Airlines is** Chosen Europe's Best Airline

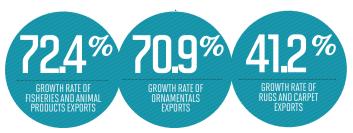


URKISH AIRLINES' global quality is being officially certified by awards. Turkish Airlines was number one in three categories in Skytrax, which evaluates institutions' product and service quality using the evaluation and service comparison programs they provide within the airline and airport sectors. The airline was

deemed worthy of the awards for Best Airline in Europe, Best Premium Economy Seat for its Comfort Class seat, and Best Airline in Southern Europe in the 2011 World Airline Awards. Skytrax 2011's evaluation was based on surveys conducted over ten months among 18.8 million passengers with more than one hundred different nationalities.

# RUNNING FASTER

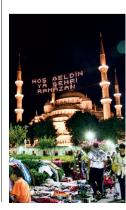
Turkev's total exports increased by 21 % in May 2011. Not only the largest exporter industries showed significant growth in this period, but also the relatively small industries have exceeded expectations



## AVIATION

# TURKISH **AIRLINES AND RΔΜΔΠΔΝ 2011**

Turkish Airlines is offering alluring transport opportunities throughout the month of Ramadan through various discounts and promotions for its Middle Eastern passengers who wish to pass the holy month in Istanbul's spiritual atmosphere. Istanbul's centuries of history and peerless silhouette comprised of mosques' minarets are transformed during Ramadan, Messages spelled out by lights strung between minarets, events in Sultanahmet and Feshane, and laser shows at the Blue Mosque add a separate vibrancy to Istanbul. With this event organized jointly by the Ministry of Culture and Tourism, TURSAB. and TUROB, Turkish Airlines is offering the twenty-five Middle Eastern locations it flies to an opportunity to experience Istanbul's special Ramadan color.





# A GLOBAL ACTOR IN UNMANNED AERIAL VFHICLE PRODUCTION

Demand for unmanned aerial vehicles (UAVs), which are being required for military air superiority more and more often, is growing the market for the segment in Europe and Turkey rapidly. According to an analysis by Frost & Sullivan, a growth consultancy and research organization. Turkey could enter the ranks of the leading actors in their production over the next five years. Stating that Turkey has achieved outstanding success

in the production of mini-UAVs and MALE (Medium-Altitude, Long-Endurance) UAVs and has entered the ranks of the prime actors in both the military and civil field, Frost & Sullivan Turkey Director Philipp Reuter emphasizes his conviction that Turkey will play for leadership in the entire Middle East and Asia Pacific region over the next five years and experience massive growth in the UAV segment.



# SHIP INDUSTRIALISTS MOVE TOWARD BARTERING

Thip industrialists, whose exports grew 78% in the first four months of 2011, are developing alternative trade methods to achieve the 10 billion dollar figure set as a goal for 2023. By adopting "barter trading" as pioneered by South Korea and China, ship industrialists are targeting countries with limited money but abundant subterranean resources like Iran, Iraq, Azerbaijan, Kazakhstan, and certain African countries. Explaining that governments support the sector by fulfilling an intermediary role in barter trading, Basaran Bayrak, President of the Istanbul Ship and Yacht Exporters' Union, said, "If our country is to apply this model too, either our government must mediate this trade itself, or independent bartering companies should be put to the task." The sector exported wares to Malta, France, Panama, Kazakhstan, the United Arab Emirates. Indonesia, Malaysia, Italy, and the Marshall Islands over a four-month period.



RETAIL

# THE RETAIL SECTOR WILL **GROW TO 250 BILLION DOLLARS BY 2014**

Turkish retail sector grew to a size of 187 billion dollars in 2010 and is expected to show significant growth in the next three years

RESEARCH FIG.

Deloitte's report on

Turkey the retail sector in Turkey shows the growth potential of the market. Indicating that the Turkish retail sector grew to a size of 187 billion dollars in 2010, the report predicts that this figure will go up to 250 billion dollars in 2014. The food retail market-which includes such global giants as Metro, Carrefour, and Tesco-accounted for the largest slice of this pie at 96 billion dollars; it was followed by the retail markets for housewares at 26.5 billion dollars, textiles at 24.3 billion dollars, and technology at 7.3 billion dollars. According to the report, non-food retail delivered a solid performance by growing 16% over 2009, with ready-to-wear clothing retail growing by 27%. The report emphasizes that the subcategories of the retail sector exhibited

strong performances too. The housewares market is stated to have grown to 26.5 billion dollars in 2010. Among the main players in the market are Koctas, Bauhaus, IKEA, and Praktiker in the field of home improvement; Arcelik, MediaMarkt, and Vestel in home appliances; and Zara Home, Esse, Lines, Mudo Concept, and Pasabahçe in home textiles. The textile retail market, which includes such players as Koton, LCW, and İpekyol, grew to a volume of 24.3 billion dollars. The size of the e-commerce market is stated to be 9.4 billion dollars. The electronics retail market, in which the main actors are such firms as MediaMarkt, Darty, and Teknosa, is indicated to have reached 7.3 billion dollars. The retail market is expected to see significant growth over the next three vears.

# **EXPORTS**

# **FURNITURE EXPORTS TO SOUTH AFRICA INCREASED** 80%

The furniture sector continues its exports drive. Furniture exports gained speed after the 2009 launch of the Sectoral Trade Delegation Program under the leadership of the Undersecretariat for Foreign Trade (DTM), the Istanbul Exporters' Unions (İİB), and the Association of Turkish Furniture Manufacturers (MOSDER). Furniture exports to South Africa rose from 3.489 million dollars in 2009 to 6.271 dollars in 2010, an 80% increase. The sector almost doubled its exports to South Africa within a vear. Data released by MOSDER shows exports to South Africa increased by 27% from 1.873 million dollars in Q1 2010 to 2.376 million dollars in Q1 2011.



### FINANCE

# The Best Budget in the Last 16 Years

A record fall in the budget deficit in the first five months of 2011 over the same period last year



# INANCE MINISTER Mehmet Şimşek said that the best budget numbers in the January–May period over the past 16 years, barring 2006, were attained this year. Budget spending within this period amounted to 119.618 billion liras, while budget income came in at 119.386 billion liras. Therefore, the budget deficit, which was 9.984 billion dollars in the first five months of 2010. fell down to 233 million liras in the same period this year. Simsek

stated that the budget posted a 304.4 million lira surplus in the first five months of 2006. emphasizing that in other years, there was a deficit ranging from 380.5 million liras in 1996 to 15.7 billion, 20.7 billon, and 21.8 billion liras. The minister also pointed out that they are aiming for a 33.546 billion deficit by the end of the year in the 2011 Central Administrative Budget, "Just 0.07% of the year-end targets were realized in the January-May period. By the performance delivered so far, we will close the year 2011 with a deficit far, far lower than this target. In this framework, we will review the budget figures and deficit target when the time comes as well. We will make revisions to this end in the Medium Term Plan." Answering a question. Simsek said that debts would be financed by resources to be gained from restructuring, but that a modest portion would be used in quality infrastructure, education, and R&D spending.

# FIGURES FOR THE FIRST FIVE MONTHS

According to the Ministry of Finance's figures, the budget was balanced as follows in the January—May periods from 1996 to 2011:

BUDGET BALANCE			
YEAR	(x1,000 TL)	YEAR	(x1,000 TL)
1996	-380.510	2004	-11.431.773
1997	-528.750	2005	-3.790.928
1998	-1.470.522	2006	304.391
1999	-4.013.029	2007	-3.343.873
2000	-7.633.060	2008	-2.060.245
2001	-4.808.315	2009	-20.683.168
2002	-15.699.141	2010	-9.983.578
2003	-21.807.405	2011	-233.168

# FOOD & BEVERAGE

# **ISTANBUL**: THE CITY THAT **SERVES MORE** THAN KFRARS

Istanbul which attracts more global interest everyday, is being talked of its restaurants nowadays. Recently British daily, The *Independent* published an article showering the new approach to culinary atmosphere in Istanbul. Tina Walsh, writing in the article titled "Shish! This City Serves More than Kebabs," says food in the city was always good, but that choices in the past were limited to kebabs.

"A new generation of chefs is changing all that," says Tina Walsh. She writes about Mikla on the 14th floor of The Marmara Pera: Lokanta Maya, the Karaköv restaurant belonging to Radikal Hayat writer Didem Senol; Kantin in Nişantaşı; and Leb-i Derya in Beyoğlu, on the top floor of the Richmond Hotel.

Examples are provided from the kitchens of these restaurants in the article, which emphasizes that the new Turkish cuisine was created by rediscovering traditional Turkish cuisine and longforgotten Ottoman recipes and updating them for the present day.

# Panorama



Democracy As A
Development Policy:
THE CASE OF TURKEY

Is Turkey a miracle? Maybe not. But it is evident that the country is one of the best examples of adapting its talents to the changing global conditions

N ECONOMICS AND SOCIAL SCIENCES there has been a long lasting discussion on whether democratic governments stimulate growth and development or show insufficient performance. Especially, a group of academicians and researchers have been insisting on the more efficient impacts of quasi-democratic or authoritarian governments on development criteria. The majority of studies emphasize the roles of economic stabilization, very short policy lags depending on more powerful governments and less effective opposition parties relative to democratic governments and direct government intervention by government investment and investment subsidies in relatively much more protected economies. Although it is well known that closed, protected and politically authoritarian economies have less transparent national accounts and probably the relative prices in those economies do not reflect pareto optimal allocation of scarce resources which have strong and significant negative effects on social welfare, most of the studies use growth rates of output and exports as the main criteria. Nevertheless, these criteria may solve the problem for the basis of growth

dynamics in a country, but they can give no significant evidence about a country's development level which also include the social criteria such as birth rates, infant mortality rates, human rights, freedom of entrepreneurship, market competitiveness, division of income, jurisdiction system, minority and individual rights, the level of education and etc.

When talking about development problem, economic criteria do not represent the whole reality. Market economies in the second half of 20th century, seemed to be a collection of concentrated industries with significantly high government expenditures causing high level of debt burden and crowding out effects. Furthermore, protected economies and managed exchange rates maintain the governments the instruments to influence the relative prices and wages according to their political positions which enhance a minority of society to control significantly high amount of national income and value added in the whole economy.

Beginning from late 1980s at the end of 20th Century, the story has significantly changed. Three major events have occurred: The collapse of Socialism and "Cold War", a shift in the paradigm of technology and globalization. These three events caused a new transformation process in the world economy and politics.

The technological paradigm shift also created both financial and real effects. The technological change presents itself in "flexible production system" which maintains countless variety of products and gives the consumers to consume the types of goods which mostly satisfy their subjective personal tastes and preferences. Even this sole example may present the "Zeitgeist" of the age: A new society depending on individual heterogeneity instead of national homogeneity. One of the main transformations as a consequence of technological change in micro-electronics is the network systems. The result is simple: In this new age, governments must be democratic and their policies should have less intervention and intend to manage expectations of global investors in order to stimulate foreign direct investments. Also, the

economies are much more consumer oriented market economies rather than policy oriented mixed economies. This phase is also called "globalization".

In a "global economy", the nation states should rely more on their "soft powers" rather than their "hard powers". Furthermore, they should strictly transform their policy instruments with regard to changing economic and political conditions. The economic crises in the transition phase of globalization mostly are the consequences of coordination failures between old style economic policies and globally integrated product and financial markets. As a result of all these facts, in the long run, the non-democratic governments might not be able to survive amid the hurricane of social and economic changes.

#### IS TURKEY A MIRACLE?

Turkey is not a miracle but she is a good example of an evolution of a nation state in order to adapt her talents and capabilities to be efficiently used under the effects of the changing conditions of world economy. The illusion, of which most of the academicians are addicted, is to expect that the economic and political structures of nation states of the last century can last forever. We can understand that this argument is wrong if we carefully observe the political events in most of the totalitarian countries in Middle East and the economic nightmare of EU, which has been erroneously designed after World War II and has no hope of surviving in 21st century, unless it is totally redesigned with the common sense dictated by "globalization". Either the EU or the Middle East states are bureaucratic organizations in essence, in which the individuals have no power in managing their lives. One can think that the EU countries are democratic market economies and though this fact they can not manage the global risks as efficient as Turkey.

The story of Turkey's success both economic and political means in the last decade might start from the early 1980's. In

1980, 1986 and 1989 Turkey made three important reforms in order to realise gains from national capital accumulation in global economy. These were, respectively, foreign trade, domestic financial and foreign financial liberalizations. In the transition phase of these reforms in 1990's Turkey experienced two serious Twin Crises in 1994 and 2001. Nevertheless, Turkey has learned the opportunities and threats of the global system by experiencing those crises. Especially, a new entrepreneur class which has been flourishing since early 1980's, utilized its vitality and flexibility to adapt itself to the changing business environment. After each crisis, Turkey's new entrepreneur class stood up and grew much faster. Coming to the Millennium, Justice and Development Party, (AK Party) the ruling party, was founded as the representative of this new entrepreneur class who are mainly exporters and of the middle and low income level consumers

who constitute the majority in the society. Their main manifestations were democratic reforms including the reduction of military intervention in public administration, individual and minority rights, reforms in the systems of education, social security and health. They also declare an economic program which mainly focused on a smaller public sector, a reduction in military expenditures, sound fiscal policy with the target of balanced budget and an active regional foreign policy which enhance the variety of foreign trade partners. By an active application of this program, Turkey has been free from the economic and social burdens of "Cold War" period.

Let us turn back the first question in the title. Turkey, by developing its democratic system, may be identified as an example of democracy as a development policy. The democratic and liberal reforms maintain the purchasing power

of the low and middle income level consumers to rise and these have enhanced the domestic demand for industry. Government, by supporting and promoting intellectual property rights, caused the volume of patents and innovations rise gradually with respect to former periods. A multidirectional active foreign policy, which was strongly enhanced and supported by majority of citizens, opens new markets to the exporters from the new entrepreneur class. The reduction in the military expenditures and allocating those saved funds in the expenditures of education and health sectors increased the social welfare significantly. The balanced budget target caused domestic and foreign public deficit decline fastly under the levels of Maastricht Criteria. This caused a decline in interest rates and a positive change in the distribution of income especially in behalf of low income level consumers. Together with all these issues, the government's most important success is to create the credibility in order to promote foreign direct investments. Needless to say, a government's most important responsibility is and will be to manage physical and financial global capital in the new era.



Turkey's success
both economic and
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# Briefing congress tourism, organic cosmetics, investment, components, agriculture...



**CONGRESS TOURISM** 

# Last year in WB-IMF conventions and World Water Forum, approximately 150 thousand people were hosted by Lütfi Kırdar

# CITIES CLIMBING TO THE SUMMIT

In the organization of international events, all signs point to one address: Turkey

BY GAMZE GÖREN 🗳 BY CEVAHIR BUGU

# X BILLION HUMANS

are coming to Istanbul"-this was the slogan for the second United Nations Conference on Human Settlements (Habitat II). Istanbul, visited by millions of people yearly for various

reasons, experienced something it never had before with Habitat. During the summit, it welcomed 18,000 people simultaneously, and Istanbul's unexpected potential emerged. From that date onward, the world started

rediscovering the lands that once housed the world's oldest civilizations.

It is assumed that the emergence of meetings as a mechanism for communications, administration, and decision-making is as old

as human history itself. The dimensions to which the increases in their numbers have grown make the meetings and conferences organized today part of tourism. Conference tourism is distinct in that it incorporates

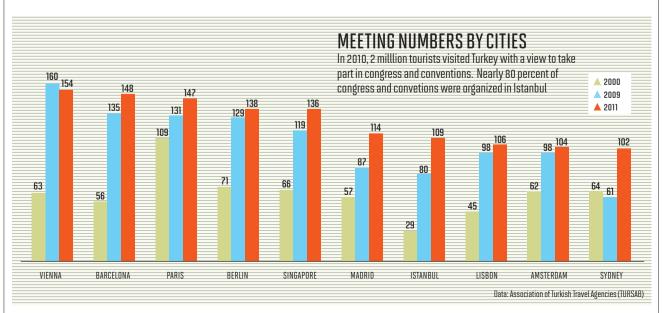
socioeconomic and political effects from various segments like health, honeymoon, and cultural tourism all at once. At the turn of the previous century, in 1901, 20 congresses were held worldwide; today, the world witnesses 50,000 such events yearly. The "communication age" we are undergoing within the process of globalization can help to explain this increase. As more and more things are produced and discovered, the need to share them brings humankind together at congresses and meetings. Taking a 30 percent slice from the cake of world tourism. congress tourism accounts for a volume of 250 billion dollars annually. Turkey. meanwhile, is rapidly moving on the way to becoming the brightest candle on this cake. The number of international congresses organized in Turkey increased from 37 to 160 over the past ten years, and in Istanbul from 29 to 109. The two million visitors coming to the congresses and meetings organized last vear raised Turkev's rank in the worldwide conference race by 14 and Istanbul's rank by 24 at one fell swoop.



While ongoing
investments are
completed, it is
expected for Turkey's
congress tourism
income to exceed
3 billion dollars

Istanbul thus rose past such metropolises like Amsterdam and Sydney in the league of congress tourism, taking sixth place behind Paris and Madrid, Congress tourism plays a successful role in promoting a destination to very significant market segments. According to Can Göktaş, Sales and Marketing Director for Cırağan Palace Kempinski, segment differentiation in congress tourism is a great advantage for Turkey. "That Bodrum and Antalya can offer services in the leisure category, with İzmir meanwhile standing out in business travel, makes Turkev preferable," says Göktas. Having hosted such highly important events as those for AGIT, NATO, OECD, the

Organization of the Islamic Conference, the International Federation of Journalists, the Eurovision Song Contest, the World Water Forum, and the IMF, Istanbul has drawn the eyes of the international congress community to itself. According to Istanbul Convention and Exhibition Centre (ICEC) General Manager Pervin Zevdanlı Yalazan, Istanbul will soon rise to the very top. Stating that they currently work with 80% of their capacity as a convention center filled. Valazan assesses the rise of the Anatolian region in congress tourism as thus: "Certain congresses had started touring set places in the world, and attendees had grown tired of these places. Besides its historic and natural beauties, its professionalism in events draws congresses to Turkey." ICEC, Turkev's first convention center, has so far hosted the NATO Parliamentary Summit in 2002, the NATO Istanbul Summit in 2004. the 5th World Water Forum and IMF Meetings in 2009, and the European Culture Capital conferences in 2010. Yalazan indicates that ICEC expects to welcome 331,000





PIRINCCIOĞLU CEO, VIP Tourism

"State support is very important for the development of congress tourism. In this regard, one can speak of cooperation proceeding hand in hand with both the concerned ministries and, with statutory support, those involved in tourism. We feel the effects of state support the most in the platforms in which we compete abroad to hold international events in Turkey."





CAN GÖKTAS

Director of Sales and Marketing, Çırağan Palace Kempinski

"Here you can experience the historic texture and the future all at once. From this perspective, this land has an atmosphere that can change the color even of boring business trips. For instance, for the table in the meeting room to be hundreds of years old and for them to know that the Ottoman sultan also passed through the door they just passed themselves makes visitors feel different emotions.



ELİFYAZOĞLU

Director of Business Development, Hilton Worldwide Istanbul Cluster

"Istanbul is a destination whose popularity is continuing to increase. The expansion of airports' capacities, the increase of congress and conference center capacity whether through state enterprises or hotel openings, and the continuation of investments in Istanbul by world-renowned and trusted hotel brands are factors affecting the conference and congress potential positively."



PERVINZEYDANLI VALAZAN

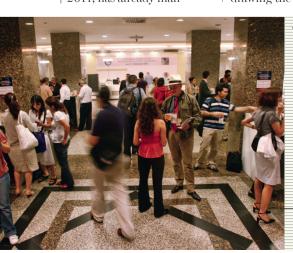
General Manager, Istanbul Convention and Exhibition

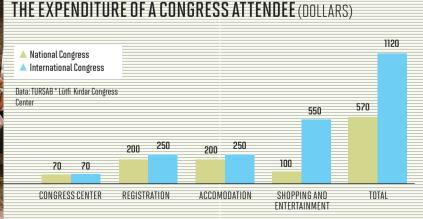
"The Istanbul Convention and Exhibition Centre is a significant turning point in congress tourism. The importance of our continually professionalizing crew and approach in the explosion of demand occurring after the 90s with the Habitat Summit cannot be overlooked. Turkey being a rising trend in conference tourism statistics is the best reward for our efforts.

aged to enter the agendas of the world's leading travel agencies. The Association of Turkish Travel Agencies (TURSAB) indicates that Antalva welcomed around 200,000 visitors to meetings and congresses in 2010, with close to two million tourists visiting Turkey as a whole for such events. What meanwhile leads to nice results, as Pervin Zevdanlı Yalazan says, is working night and day cooperatively. The Ministry of Culture and Tourism, in drawing the Turkey Tourism

Before the International Congress and Convention Association has its general assembly in Antalua in 2014. in 2012 it will welcome the ordinary congress organized annually by the Union of European Football Associations (UEFA) in Istanbul

Strategy 2023 and Action Plan, determined the cities of Ankara, Antalya, Bursa, İzmir, Konya, and Mersin as being important for congresses, and Istanbul, Antalva, İzmir, and Ankara as first-degree convention centers. Event-organizing firms provide support required in infrastructural efforts. Cevlan Pirinccioğlu, a cofounder of VIP Tourism, one of Turkey's most experienced companies in the organization of congresses, states that the state and private sector





Besides medical congresses convention centers in Anatolia also host cultural and artistic events





work quite harmoniously for international events. Pointing out that transportation connections, accommodation capacity, and the destination are key points in such events, Pirinccioğlu says that the existing potential has emerged, adding that it is necessary to think big because it is known what Turkey, which is now in the organizational stage, can handle.

Following the announcements that the United Nations (UN) would establish a Regional Office for its Population Fund and a Private Sector Office in Istanbul, moving a series of such offices as the UN Habitat, UN Women's, and UN Food Office came to the agenda as well, showing that the world's pulse will soon be beating in Istanbul. Elif Yazoğlu, Director of Business Development for the Hilton Convention Center Istanbul. which holds the title for best business hotel, says, "The expansion of airports' capacities, the increase of congress and conference center capacity whether through state enterprises or hotel openings, and the continuation of investments in Istanbul by world-renowned and trusted hotel brands are factors affecting the conference and congress potential positively. And we are opening up all our possibilities to attendees using the advantage brought by being in a congress valley." Turkey, having long passed the test with the IMF-WB Meetings and UN conferences, is preparing for the challenges ahead. As new congress centers are being built in Antalya and Bursa, construction is ongoing for two large congress centers in Kuşadası and Cappadocia respectively. Turkey's schedule is already filled up until 2017. Before the International Congress and Convention Association (ICCA) has its general assembly in Antalya in 2014, in 2012 it will welcome the ordinary congress organized annually by the Union of European Football Associations (UEFA) in Istanbul.

# ANATOLIA IS READY TO BE CONGRESS TOURISM HUB

The Ministry of Culture and Tourism plans to ease Istanbul's burden with new congress center investments in the fast flourishing Anatolian cities of Ankara, Antalya, Mersin, İzmir, Konya and Bursa. Two new congress centers were recently opened in Antalya and Bursa, while construction is underway for two others in Kuşadası and Cappadocia

	ANTALYA	e-Travel Congress 2007 JCI World Congress 2007 The 6th Model United Nations Conference 2007
	İZMİR	The 3rd the Balkans Mining Congress 2009 The 2nd International Marble and Natural Stones Congress 2010 The 2nd International Turkishh World Congress 2010
	ANKARA	The 4th International Knowledge Security and Cryptology Conference 2010 ISBS 2010 International Sustainability Structure Symposium 2010 The 2nd International Conference on Wireless and Mobile Network 2010
	ESKİŞEHİR	The 6th International Green Energy Conference IGEC VI 2011-06-23 The 2nd Anatolia International Economy Congress 2010 The 4th International Terracota Symposium 2010

Data: www.kongremerkezi.net



Consumer interest in organic cosmetics is getting higher

ORGANIC COSMFTICS

# Nature's Bounty: ORGANIC COSMÉTICS

Not to imply that the "miswak"—the traditional wooden toothbrush—is making a comeback, but organic cosmetics are gaining value in the eyes of consumers and investors alike

BY AYŞE MERVE KAMACI

**NE USER OF A C**onsumer complaints forum writes, "On my first use, the skin cleansing set I bought from [brand] caused more pimples on my face than ever before; it caused redness." Another person falling victim to a cosmetics product writes, "[Brand's] foundation chilblained my face. A few days later, my skin started shedding flakes."

Other than those erring on the side of caution before even having such an experience, users who have had unfortunate occurrences happen to them are the chief actors of the growth seen in the certified organic cosmetics market. Just as in the rest of the world, interest in all sorts of organic products is very high in Turkey too, and the cosmetics sector is developing with it. Nesrin Barlas, the founder of Ökotek Ekological Product Markets, says that when she entered the organic product business in Turkey 20 years ago, people looked at her as if she "was doing the world's strangest work." However, when we ask about how consumer interest in organic products is now, she mentions how they engage in sales at a total of 68 locations in cities like Ankara, İzmir, and Istanbul in Turkev and also Cvprus. She adds that consumer interest is high in organic cosmetic products especially like "Logona," "Sante," and

"Aquabio," which are imported from Germany and produced according to the requirements of the NaTrue Natural and Organic Cosmetics Certificate, the first internationally-valid certificate of its kind, "When I look back now, I see that I did the right thing," says Barlas. She received commendation for the success she gained in the organic market by being chosen "Female Entrepreneur of the Year" at the 4th Successful SME Contest held in 2008.

Vildan Mert, Marketing Manager for Rare Blossom, the first and only Turkish organic cosmetic producer with organic certification from the venerable European institution ECOCERT, highlights the fact that the conscious, informed consumers of today do not



It is estimated that the annual growth of the organic cosmetic market will be around 40-50 percent

want any artificial chemicals to touch their skin and thus prefer organic cosmetic products. The size of the organic personal care market is around 1 billion euros. Germany is the market's strongest country; it is followed by Italy, Switzerland, and France. According to the information Mert provides, the share of certified organic cosmetics in the general European cosmetics market is approximately 2 percent. In Germany, this rate is at around 6 percent. Providing such figures for the organic cosmetics market in Turkey is not yet possible; however, according to Mert, though the figures for Europe are general, they are enough to give an idea of the Turkish market too. And what we see is not bad at all. "We believe that the organic market in Turkey will grow rapidly just as in the entire world," says Mert, and continues, "This is what the interest and demands of the consumers show."

There currently are no certified organic cosmetic producers in Turkey other than Rare Blossom; imported brands are the only other presence in the market. One of these is Florame, a French brand that has been active in the fields of aromatherapy and organic cosmetic products for 20 years. It is represented in more than 35 countries and is found on shelves in more than 1,200 retail locations. Fatma Apaydın and Fatih Özgün, partners in Alda Foreign Trade, brought the brand to the Turkish market in 2010. Apaydın chose Florame for reasons such as the fact that all its products are organically certified and that all processes from manufacturing to packaging are conducted in a manner conscious and

respectful to human health and the environment. "As I looked at the ingredients in traditional cosmetics, I had realized that I shouldn't use these products," says Apaydın, and adds, "Unfortunately, in many of them there are very harmful petrochemical derivative substances and ingredients creating significant risks for human and environmental health. There is one important thing we must not forget for our health: Our skin is the largest organ in our body and everything we apply to it enters our body, providing either benefit or harm. Thus, having brought organically certified, approved cosmetic products to Turkev excites me a lot."

According to Apaydın, the annual growth of the organic cosmetic market will be around 40-50 percent. She says, "This could proceed like this for the next three years. Afterward, it will continue growth in the vicinity of 30 percent." Stating that although no production happens in Turkey yet, they are seriously considering moving production to the country in the medium and long term, Apaydın compares Turkey to a paradise in which there are many valuable plants that can be used for cosmetic purposes. Their aim for the company, she says, is to send vegetable oil produced in Turkey to Florame France and promote these oils to the entire world.

A country like Turkey, which receives all four seasons of the year, is home to many kinds of plants, and has a suitable climate, is just what is needed for entrepreneurs wishing to enter the field of organic cosmetic brands. Moreover, considering the broadening consumer profile, importing the products of organic cosmetic brands known abroad can be a bright idea for investors.

## ENVIRONMENT

# A New Industrial Revolution:

# THE GREEN ECONOMY

Turkey will continue to be an ascending market in the process of transitioning to a low-carbon economy

BY GAMZE GÖREN

C ARBON IS TAKING ITS place in economics literature as the "gold of the 21st century." The economic value bestowed upon the particles of carbon we leave in the air is aimed at both building a sustainable economy and reducing pollution. Richard Burrett, co-founder of Earth Capital Partners and Leadership for Sustainability Program Instructor at the University of Cambridge, states his view on the green economy and low-carbon financing as follows: "We are talking about a new, rapidly-spreading economic order. This will be the dominant system in the near future."

In terms of the transactions taking place, carbon trading is not actually much different from the trade of any kind of stock. The country or business buying carbon receives the right to burn it, while the one selling the carbon forfeits that right. There are two kinds of

carbon credits, namely Carbon Offset Credits (COCs) and Carbon Reduction Credits (CRCs). Carbon Offset Credits encompass the generation of clean energy, including that obtained from wind, solar, hydroelectric, and biological sources. Carbon Reduction Credits, on the other hand, cover afforestation and efforts to clean up and improve the oceans, seas, rivers, lakes, and land.

Turkey is involved in this process through three national documents: The First National Notice on Climate Change, the National Climate Change Strategy Document, and the Climate Change National Action Plan. Turkey's Climate Change Strategy Document went into effect on May 3, 2010. Özgür Pehlivan, Deputy Permanent Representative of Turkey to the United Nations, says, "In the Strategy Document are strategic objectives relating to energy, transportation, industry, waste products, land utilization, and emissions control in the agriculture and forestry sectors. Furthermore, there are strategies listed under the headings of acclimatization to climate change, technology development and transferring, financing, education, increasing capacity, and corporate infrastructure, monitoring, and assessment." Meanwhile, the final form of the Climate Change National Action Plan was shared with the public in early June. Comprised of nine main headings, Energy, Buildings, Waste Management, and Industry being the most important, the action plan aims for the realization of the deep change expected in the Turkish economy in the process of transitioning to a low-carbon economy.

As Turkey didn't set a quantitative target for the reduction of emission in the Kvoto stage, it doesn't make use of the flexibility mechanisms that are within the scope of the Kyoto protocol. However, voluntary carbon markets are another option for Turkey, and one with very high potential at that. The daily transaction volume of Turkev's voluntary carbon market is approximately 81.6 million dollars. Emission reduction certificates sold below market value allow Turkey to rise quickly in the voluntary carbon market. Considering that the environmental sections in the negotiation process with the European Union are the sections in which Turkey is most confident and successful, it can be seen that it is no stranger to the idea of the "low-carbon economy." It appears that the trustworthy investment environment and the depth to be brought to the capital markets by the improvement in its credit score will make it easier for Turkey to finance the green economy as well.





INVESTMENT

# A ROLE MODEL FOR THE WORLD

Not only does the Investment Support and Promotion Agency of Turkey (ISPAT) provide support to global investors, but it also has a mission to set an example

BY CEYHAN AKSOY

**N THE COVER** of its June 13-19 issue, Bloomberg Businessweek, a top-selling business and economics weekly, featured nine globally significant ideas to kick-start the US economy. A small note stood out: "Turkey's one-stop shopping for foreign investors." The article itself featured Turkey extensively, covering its efforts geared toward global investors and stating through the words of Dow Chemical CEO Andrew N. Liveris that the Prime Ministry's Investment Support and Promotion Agency of Turkey (ISPAT) is a role model for the US.

This is, of course, a very significant success for ISPAT. Even road maps geared toward fixing the US economy take inspiration from the agency as a primary source of guidance. The global investment rate rose 126% in the first four months of 2011, just one of several factors why ISPAT is regarded as a role model by the entire world. As ISPAT paves the way for attracting new global investments to Turkey, it also plays an active role in bringing already-signed agreements to fruition. Even for work and residency permits, licenses, and location assignment, the

agency is directly involved.

For ISPAT, the month of April was very productive. When German materials and technology group ThyssenKrupp Metalforming had the opening ceremony for its automotive parts and components investment on April 14 (previously announced in March), ISPAT President M. İlker Aycı once again emphasized that Turkev is a country full of opportunities for global investors. "ThyssenKrupp, after making a decision to expand its facilities that started to operate in late 2007, has actually sent a message to international investors by attesting once again that Turkev is a right location to invest in," said

Even road maps geared toward fixing the US economy take inspiration from ISPAT as a primary source of guidance

State Minister for Foreign Trade, Zafer Cağlavan attended the groundbreaking ceremony of the second facility of ThyssenKrupp

Avcı at the opening ceremony, which was also attended by State Minister for Foreign Trade Zafer Cağlavan. ThyssenKrupp Metalforming Germany CSO Bernhard Osburg and ThyssenKrupp Metalforming Turkey General Manager Ufuk Yarlı were also present. In addition to its existing facilities in Kocaeli, which started production in 2007, ThyssenKrupp's second investment in Turkev is a EUR 30 million facility where chassis and body parts—which are of crucial importance for the auto industry—will be produced. The facility will reach full capacity production in January 2013, and it will manufacture 50,000 million metric tons annually. With its 17 active production facilities and a total of 7,000 employees, the company has an annual production capacity of 550,000 metric tons, while its sales income in 2010 stood at EUR 1.1 billion. "It gives hope for the future that such a large company that is active in a total of seven countries including Germany, the UK, France, Spain, Poland, and China as well as Turkey, has taken a decision to invest in our country for the second time," says Ufuk Yarlı, General Manager of Thyssen Krupp Metalforming Turkey.

The Investment Support and Promotion Agency of Turkey offers much more than hope alone. As global investors started to turn Turkev into one of the busiest investment venues, ISPAT meanwhile solidifies its perception as a role model.



STEEL

# A GLOBAL PLAYER IN BANDIRMA

Tröster Systeme und Komponenten is aiming to gain influence in Turkey and the regional market with the partnership with Turkish company Velutsan

BY MEHMET ERDOĞAN ELGİN

ANDIKMA, Document strategically by the shores ANDIRMA, LOCATED of the Marmara Sea to the northern end of Balıkesir province, has been known as an important agricultural center in Turkey for many years. However, with energy and industrial investments made recently, it now is a candidate to be a center of industry too. Due especially to its developing harbor and location at the intersection of the highways that tie Turkey's metropolises together, Bandırma has become the focus of both local and international investors.

One of these investors is Tröster Systeme und Komponenten (TSK), which has been one of Germany's largest steel construction companies since 1920s. Having entered the Turkish market last year by buying 80% of local company Velutsan, TSK has plants to turn its production facility in Bandırma into an important exports hub in the near term. The rise in the demand for steel construction both domestically and in other countries within the region increases Velutsan's chances of becoming a regional brand in the short and medium term.

Steel usage in the Turkish building sector has been increasing rapidly in the past five years, especially due to the mushrooming "We have aimed for 60% exports and 40% domestic sales in our market for the coming term" says Ömer Uludağ

of bridges, airports, sports facilities, and housing in this period, affecting the sector positively. According to figures from the Turkish Structural Steel Association (TUCSA), structural steel demand rose from 600,000 tons in 2006 to 1.5 million tons by the end of 2010. This increase in the domestic market stands out as an important indicator both for iron and steel producers and for steel construction companies seeking to make new investments. "Demand for steel construction in the domestic market increased in a significant fashion. For this reason, we are using 80% of our production capacity to meet domestic demands," savs Ömer Uludağ, Chairman of the Board of Velutsan. He adds, "However, in the medium and long term, we plan to focus on exports. We have aimed for 60% exports and 40% domestic sales in our market for the coming term."

Currently, there are 180 people employed at the country, which has invested 13 million euros so far. However, this will not last for long, as the company's aim is to increase



The Velutsan-TSK partnership will make new investments that arre expected to cost more than 45 million euros existing capacity and raise the number of employees to 400 within a short time. Velutsan will thus be able to expand to the export markets it targets more comfortably. It also seems that Turkey's environment will be of great help for Velutsan's expansion to the exports market—the Middle East, Russia, and Central Asia market, where steel construction demand is shooting up, are among Turkey's rapidly developing potential markets. It is especially a great opportunity for the Turkish construction sector, particularly steel construction producers, that the 2018 World Soccer Championships will be held in Russia and that the 2022 World Championships will be held in Qatar. TUCSA Board Chairman Yener Günes savs, "1 million tons of structural steel was processed in 2010; this figure will go up to 5 million in 2023," adding, "Looking at Turkey's production capacity, it can rise to the task of meeting its regions need."

The Velutsan–TSK partnership is not limited solely to steel construction. Turkey's status as an important automotive exporter provides for the company to make new investments in this field. The total cost of the investment, on which infrastructural work has begun now, is expected to weigh in at 45 million euros. Approximately 600 people are planned to be employed at a factory that will produce spare automotive parts.

Turkey became an important investment center for international investors within a short time. Global-scale company TSK is one of the investors that have stood out lately. Planning to gain influence both in Turkey and in the regional market with its Turkish partner Velutsan, the company is neither the first of the global players investing in Turkey, nor will it be the last.

# **AUTOMOTIVE COMPONENTS**

# THE GREAT POWER BEHIND **AUTOMOTIVE**

The 5.4 billion dollars' worth of exports recorded by the automotive parts and components industry provides important hints on the potential of the sector as well...

BY F. EMRE YILMAZ 💲 BY CEVAHİR BUĞU

ATELY, THE SECTOR for the export figures released monthly by the Turkish Exporters Assembly (TIM) must be the automotive sector. Having grown by 56% in just the first five months of the year, the sector plans to close 2011 at above 18 billion dollars. This growth trend is not a new occurrence. According to TIM data, total exports for 2010 were 113 million dollars, while transport vehicles and automotive parts and components industry exports increased by 15.6% over 2009, rising to 17.3 billion dollars. The transport vehicle andparts and components industry has ranked first in exports among all sectors since 2006, and its share in Turkey's exports is over 15%. While 557,126 cars and light commercial vehicles were sold in 2009, 760,913 were sold in 2010, an increase that bolsters the sector's strength.

The sector maintains the same momentum in manufacturing as well. The "Automotive Industry 2010 Evaluation Report" created by the Automotive Industrialists' Association states that automobile production increased by 18% in 2010 to the level of 603,000 units. One can also see the same momentum in all its subfields except for buses. In connection with exports and the rise in domestic demand. in 2010, the production of small trucks increased by 306%, large trucks by 176%, minibuses by 44%, pickup trucks by 34, and midibuses by only 1%. While there was a drop of 11% in bus production, tractor production rose to 30,425 units, a significant increase of 105%. The capacity utilization rate, which was around 42% in 2009 due to reduced manufacturing in global crisis conditions, rose to 72% in 2010 in connection with the increase in production. However, on mention of the automotive sector, one mustn't think of manufactured, ready-to-use



One third of the total automotive exports are comprised of the subsidiary industry's direct exports

vehicles alone; the sector covers a very broad area. The Undersecretariat of the Prime Ministry for Foreign Trade's report on the sector states that the Turkish automotive industry can be studied as the main industry and components industry, and it lists the subfields of the main industry as cars. buses, minibuses, midibuses, trucks, pickup trucks, and tractors. The chief subfields of the automotive parts and components industry are listed as inner tubes and tires. batteries, engine parts and components, rim and wheel parts, and car body parts. The parts and components industry plays a dual role in increasing both the sector's manufacturing output and its exports.

In data from the Uludağ and Central Anatolia Exporters' Unions, figures on total subsidiary industry exports stand out too. The parts and components industry's exports were 4.9 billion dollars in 2009; in 2010, they rose to 5.3 billion dollars. Specifically, in 2010, parts and components exports were 4.3 billion dollars, inner tube and tire exporters 958 million, battery exports 87 million, and safety glass exports were 50 million dollars. Assan Hanil General Manager Okan Gedik savs that faces in automotive.



exports, are smiling. Gedik points out that the most exports in the sector in 2010 was from the car-type vehicles group and says,"6.2 billion dollars of exports' have been recorded in this group. The second largest subfield in exports, with a 34% share and a 9% increase, is the automotive parts and components industry group; 5.4 billion dollars of exports have been recorded in this group."

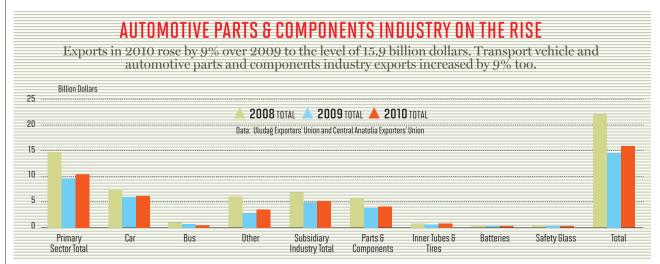
The parts and components industry sector can be more competitive by using innovative approaches. Association of Automotive Parts and Components Manufacturers (TAYSAD) President Celal Kaya, who spoke at the meeting at which the "Automotive Sector Strategy Document and Action Plan" was announced, indicates that in terms of competitive power, the automotive



industry has gained broader incentive possibilities for products requiring high technology to be designed in Turkey thanks to new R&D legislation. According to data from the Uludağ and Central Anatolia Exporters' Unions, in 2010, exports increased by 9% over 2009 to reach 15.9 billion dollars. The export of

transport vehicles and parts and components industries also increased by 9%. In the Automotive Industrialists Association(OSD) report, it is emphasized that the goals of bringing motor transport vehicle production up to 2 million units and exporting 1.5 million units are being maintained within the fra**Auto exports in 2010** rose by 9% over 2009 to the level of 15.9 billion dollars. Transport vehicle and components industry exports also increased by 9% mework of the developments in R&D activity. It also states that R&D initiatives by companies in the supply chain gained significant momentum in 2009 and 2010 in spite of the global crisis. According to the report, of the 87 R&D centers established within the scope of the R&D Law numbered 5746, 16 are suppliers manufacturing parts and components, and 11 are companies manufacturing motor vehicles, totaling 37 for the sector. The number of employees working at R&D centers has risen to 4,000.

SUPSAN General Manager Salih Alson says that the studies conducted show that the Turkish automotive subsidiary industry is technologically quite developed. According to Alson, original equipment manufacturers are today at a level at which



they can meet any need, and that the sector's continually rising export capacity must not be overlooked.

R&D centers contribute to employment; however, the sector moves along directly or indirectly with many branches of the business besides R&D. Assan Hanil General Manager Okan Gedik says that there are 17 companies active in the main automotive sector in Turkey, and around 1,100 in the components industry. He says, "Of course, we can say that parts and components industry companies have had perhaps the most important share in the development of automotive manufacturers. I can say that automotive parts

Primary and *subsidiary automotive* industries contribute to the employment of over 500 thousand people

and components industry companies have even left many European component companies behind. Today, however you look at it, emplovment for over 500,000 people is provided thanks to the primary and subsidiary automotive industries." All this data highlights the continually rising importance of components industry companies in the quickly globalizing automotive sector. Its constantly increasing exports, technical and commercial ability, experience, and accumulation of knowledge, and the fact that its know-how has reached a significant level are just a few of the strong sides of the automotive subsidiary

industry. Farplas CEO Ömer Burhanoğlu also points out the sector's advantages, summarizing them as thus: "Our country's 60-year automotive culture; young, educated, and motivated workforce; awareness of quality; geographic position; and potential domestic market are the most important of these." All these pluses are elements that will trigger the sector's development... If a strong supply chain is ensured and if the automotive industry—particularly its subsidiary industries-are kept strong and sustainable, then the industry will gain more power in the global competition without breaking a sweat.



**CELAL KAYA** 

TAYSAD President

TAYSAD President Celal Kaya, who spoke at the meeting for the "Turkey Automotive Sector Strategy Document and Action Plan," said that in the near future, it will be possible for "Turkish automotive industry companies to grow their R&D departments even more, be directly involved with designed processes by using advanced technology means, and as a result offer highly competitive products to the world markets," adding, "Our automotive components industry is also making significant progress in this context." Kaya states that the general purpose of the Automotive Sector Strategy Document is to increase the automotive sector's sustainable global competitive ability.



NKAN GENİK

Assan Hanil General Manager

"Especially with the investments made in recent years, Turkish automotive has come to first place in bus production in Europe, second in light commercial vehicle production, seventh in heavy truck production, and ninth in automobile production. Today, there are 17 companies active in the main automotive sector in Turkey and around 1.100 in the subsidiary industry. Of course, we can say that components industry companies have had perhaps the most important share in the development of automotive manufacturers, because to suit the technology of our day, components industry firms have signed off on large investments in recent years, especially in the 2000s."



#### SALİH ALSON

SUPSAN General Manager

"From when factories were started to be built in Turkey since the 1970s up until today, the sector has achieved great success as a whole. Today, Turkey is among the handful of countries known as Europe's manufacturing bases in the automotive sector. With strong players who have more than 30 years of experience, our automotive components industry has reached a level at which it can supply at least 80% of the parts required for vehicles. Not only limited to Turkey, the sector has come to the position in which it can meet the parts needs of vehicles produced abroad as well."



#### GÖKSEL PAKER

İnci Akü CEO

"It is possible to say that the development of the components industry in exports has not fallen behind that of the main sector. The development exhibited by our sector's automotive components industry particularly in the past ten years in parallel with the growth of auto producers proves that, if what is needed is done in the future as well, the sector will continue to be the driving force behind our country's industry and exports. Furthermore, the omponentsy industry's exports are not only tied to domestic auto exports either. It is striving to become an active player in international markets on its own, and it is covering significant distances in this area."



GÖKHAN TUNÇDÖKEN

Bosch Sales Director

The Turkish automotive sector, which began exports in the 1990s, became a manufacturing center in the year 1996. Research and development activities gained speed in the year 2005, and the automotive sector is expected to be a "center of perfection" in the year 2015. Turkey ranks seventh in vehicle production in Europe as a whole. The automotive components industry is progressing parallel to the automotive sector. Automotive components industry suppliers possessing world-class, high-quality production capacities contribute to Turkey becoming a "center of perfection in the automotive industry."

# THERE'S NO GLOBALIZATION PROBLEM

Ömer Burhanoğlu, CEO and Member of the Board of Farplas assessed the state of the automotive parts and components industry for The Turkish Perspective

BY F. EMRE YILMAZ

# How do you assess the point reached from the past up until today by the Turkish automotive parts and components industry?

The Turkish automotive parts and components industry has gained experience with its 60-year past, was shaped with the competitive conditions brought by the Customs Union after 1996, disciplined with the pressure for quality, renewed with an entrepreneurial spirit, and has become ready for the competition. Because of this, the Turkish parts and components industry is in a state sought after by Europe and pointed to as a benchmark. And in any case, the work and quality figures support this.

# What are the pluses and minuses of your sector?

There are a large number of foreign-funded investments in Turkey by the sector's major players either directly or in partnership. This is a step that companies take in the name of globalization; they have no problems in the sense of globalization anyway. However, the situation is not so for our local parts and components industry, which has attained a decent level in the competition. For globalization, besides the characteristics we listed above, one must add design ability. It must form its own know-how.

All of these will not be enough either, as in global projects, the main industry must be able to engage in production in other countries as it wishes as well. R&D incentives have served this mission very well. International investment incentives should be thought of after this too so that the Turkish automotive components industry can invest abroad, buy companies from abroad, and establish partnerships.

In addition to the deficiencies we stated above, the sector also has many significant advantages. Our country's 60-year automotive culture; young, educated, and motivated workforce; awareness of quality; geographic position; and potential domestic market are the most important.

In recent years, exports have started showing increases as significant as those by the au-

# tomotive sector. Considered in this regard, on the matter of exports, at what stage is the automotive components industry? Can you share your assessments on its pluses, minuses, volume in recent years, and rise?

Our automotive sector, which is Turkev's exports champion, is a sector based in the range of 70-80% on exports. There is no difficulty here; one third of total exports are comprised of the components industry's direct exports, and this is a very good figure. The true problem, or the subject one must pay attention to, is that imports in this sector are increasing all the time. The sector, which currently posts a surplus in foreign trade, could go into the red if imports increase at this speed.

Can you talk about your sector's contributions in the



# sense of exports, employment, and value added?

With an exports value of over 7 billion dollars, the Turkish automotive subsidiary industry accounts for 6.5% of Turkey's total exports all on its own. The number of people employed directly is over 200,000. If we add indirect employment to this figure, it exceeds 350,000 people. The automotive sector in our country, which posts a foreign trade deficit of approximately 70 billion dollars, provides a foreign trade surplus of 400 million dollars cumulatively.

# What are the activities you engage in as the Farplas Companies Group? How was your performance for the year 2010 (in terms of revenue, number of employees, exports figures) and how can you summarize your goals for 2011?

Our company takes responsibility from the design stage to post-sales support in interior or exterior trim, plastic parts, and lighting units for over 20 vehicle manufacturers (OEM) active in and out of our country, providing services and product procurement.

The Farplas Companies
Group, at which 1,300 people
are employed, closed the year
2010 with 60 million euros—10% above of its targets.
Approximately 10% of this
revenue comes from direct
exports; however, the share of
indirect exports made through
the main industry cannot be
calculated exactly. A large part
of our manufacturing input is
procured from sources abroad;
our imports in 2010 grossed
around 20 million euros.

In the sense of production, the year 2011 is at 2010 levels; but administratively, efforts for new projects that will start in 2011 constitute a large part of the work.



It is aimed that 30% of the electricity to be generated in Turkey in 2023 will be from renewable resources

**ENERGY** 

# RENEWABLE OPPORTUNITIES

Turkey draws attention for its high potential in terms of renewable energy sources

MEHMET ERDOĞAN ELGİN

**7E WAITED A VERY** long time for the Renewable Energy Law to come out. The law has finally come out, and it will be quite a significant development for the use of renewable energy sources. With the law, there will be significant developments not only for the energy sector, but also within Turkish industry," savs Ali Bavramoğlu, member of the Energy, Industry, and Commerce Commission of the Turkish Grand National Assembly (TGNA). The Renewable Energy Law, which waited in parliament for around five years and was ratified by the TGNA's General Assembly in the final days of 2010, is expected to make Turkey an

important market for the renewable energy sector. The law, which stalled in the TGNA for months, resolves many ambiguities within the sector. Thus, a new page in energy is being opened for Turkey, which currently is dependent mostly on energy sources from abroad. It appears that the renewable energy market, a lively sector especially in the past five years for both local and domestic companies, will become even livelier down the road thanks to this law.

Over 70% of Turkey's electrical production comes from imported resources, natural gas and imported coal most of all. Therefore, being able to use resources found



Thanks to the new legislation and arrangements enacted *for the sector to* develop, Turkey is becoming a hot market for energy companies

locally for electricity generation carries great significance. Turkey's yearly capacity for electrical energy generation is, as of 2010, approximately 40 gigawatts (GW). Officials from Turkev's Ministry of Energy and Natural Resources (ETKB) estimate that Turkey's demand for electrical energy in 2020 will be approximately 80 GW, double the current capacity. Therefore, on average, three or four 1 GW power plants must be built each year, requiring an annual investment of 3-4 billion TL.

Leading factors affecting the future of energy in Turkey include both the realization of the above investments as well as the question of which resources will provide the energy in question. In the strategic plan it prepared for the years 2010-2014, the ETKB hints at the investments that are to be made. According to this plan, it is aimed that 30% of the electricity to be generated in Turkey in 2023 will be from renewable resources. This aim is quite lofty, as Kandeh Yumkella, President of the United Nations Industrial Development Organization (UNIDO), recently announced that they aim for a 30% ratio of renewable energy use by 2030 globally. That Turkey plans to reach this target early is striking. Of course, for this, the existing potential must immediately be transformed into energy. Among the ETKB's strategic targets, increasing the production capacity of renewable resources is a priority. The most striking renewable resource in this regard is wind. Interest in electricity generation from wind energy has intensified especially over the past two years. The installed capacity of wind farms, 169 MW in 2007, reached 469 MW as of the end of 2008. That this figure has gone up to around 1.3 GW by the end of 2010 is quite striking. However, considering that the total installed capacity in Turkey is around 43 GW, it is clear that there still are many opportunities awaiting investors in the generation of electricity from wind power. Also according to ETKB figures, it is estimated that there will be 10 GW of installed wind farm capacity in Turkey by 2015.

Norwegian Statkraft is one of the biggest renewable energy investors of Europe. The company's total power capacity is 16,000 MW; most of it is from renewable energy sources. Statkraft, which entered into the Turkish market with one hydroelectricity plant project in the first place, is quite hopeful about Turkey's renewable energy potential. "Turkey is great to invest in for big-scaled renewable energy companies like us because Turkey has big potential in both hydroelectricity and wind plants. Therefore, we are investing 1.2 billion USD in the first place to establish hydroelectricity plants in three cities in Turkey," says Mr. Steinar Bjornbet, Statkraft Turkev General Manager.

Solar power, another source of renewable energy, stands out for its great potential in Turkey. With 2,640 hours of insolation annually, Turkey is second in terms of solar power generation potential among European countries. Studies conducted by the Electrical Power Resources Survey and Development Administration (EIE) show that 4,600 square kilometers of land in Turkey suited for solar power plants. Furthermore, with a law that



came out in 2005, licensing requirements for independent generators of electricity under 500 kWh were abolished, giving manufacturing facilities and dwellings the chance to produce their own electricity. Additionally, the same law allows for the sale of surplus energy to the city grid, making independent energy generation and Turkey attractive markets for companies producing solar

power technologies.

Due to initial setup costs, solar power technologies are not yet in widespread use. However, as rapid development in solar technology reduces initial investment costs on one hand. it also creates new, different usage areas on the other. Mehmet Özer, Chairman of the Board of Tunçmatik, a company that works on solar power technologies, says, "Developing rapidly each passing day, solar power technology will bring the cost of this energy source head to head with current electricity prices within five years. Thus, solar power will start to take a share in electricity generation." This shows that Turkey will become a significant hub for solar investors in the medium term.

Financing is the most important issue faced by companies seeking to invest in renewable energy. Developments in Turkey over the past five years show that the country's market offers

with 2,640 hours of insolation annually, Turkey is second in terms of solar power

significant advantages in this regard. Since 2005, a total of 3.5 million dollars of credit and financing was provided primarily by the World Bank and local banks. The size of this credit, provided despite the lack of any purchasing guarantees or incentive prices, is striking. With the incentives coming into effect, the amount of credit is expected to increase in the short term," says Mehmet Özer.

Following the publication of the "National Climate Change Strategy Document" in 2010, it is being aimed for the energy sector to drop its emissions by 7% in the medium and long term. Renewable energy sources will play a large part in the accomplishment of these goals. Naturally, renewable energy will create great opportunities for many investors during this process. With its high potential and the new legislation pertaining to the sector, Turkey seems ready to welcome the many investors waiting to enter the market.



generation potential

among European

countries

## CECILIE LANDSVERK

Ankara Ambassador of Norwegian Kingdom

## TURKEY'S POPULARITY IS RISING

Norway meets its all energy demand from renewable energy sources. 4.5 million Norwegian people use electricity that is produced from renewable sources, mainly hydroelectric, and then wind and hydrogen. For that reason, there are many big-scaled renewable energy companies in Norway. Cecilie Landsverk, Ambassador of the Norwegian Kingdom in Ankara, evaluates why Turkey is so important for these companies to The Turkish Perspective magazine.

"I have been following what happens in the Turkish renewable energy market for a while. It is of great importance for us to see our biggest energy company, Statkraft, is investing in Turkey. Other companies, which follow Statkraft's successful operations in Turkey, will most probably be interested in making business in Turkey. To be sure, Turkey has a great renewable energy potential. When I have a look at the numbers, which are submitted by the Statkraft representatives, I see how big the two countries' cooperation potential in energy industry is. Thanks to Statkraft's efforts, I believe we will see many great cooperative works by Turkish and Norwegian companies, which are operating in the field of renewable energy, in the future."

## AVIATION

# TGS Has an **Eye Abroad**

Soon to complete its infrastructure investments, TGS plans to improve the quality of its service and expand to global markets in 2012

BY TOLGAHAN ÖZKAN 🌑 BY SEREF YILMAZ

■ HE GLOBAL ECONOMIC crisis wreaked havoc in world exchanges and money markets, and it had slowly started to inflict its effect on the real economy too. When entering the final quarter of 2008, aviation topped the list of sectors most affected by the crisis. Giant airline companies had put their cost-cutting measures into practice, first seeking aid to this end from the companies providing them with ground services.

They wanted a discount, and they usually got what they wanted. Bayram Özçelik, General Manager of Turkish Ground Services (TGS), the ioint venture of Turkish Airlines and Havaş, was then a sales manager in Turkish Airlines' Germany division and headed the team that asked for a discount from German ground services company Fraport on behalf of Turkish Airlines. "The global crisis had directed all airline companies toward thriftiness. As Turkish Airlines' sales manager, I asked for a big discount from Fraport, from which we received ground services in Germany. Did they? They did, thankfully," he says, laughing, as he answers our questions in TGS's offices in Istanbul.

When I ask him whether he ever thought he would come to the helm of a ground services company, thus sitting on the other side of the bargaining table, he replies, "I never thought so, but it happened. I am very happy about this, because I know both sides of the business."

It looks like Özcelik's time working within Turkish Airlines and in Germany has reflected upon TGS's growth targets too—although it began its activities only 1.5 years ago, TGS aims both to raise the number of airports in Turkey at which they provide service to eight and to expand to foreign markets in 2012. "We will start providing service at Bodrum and Dalaman airports as of 2012. We plan to expand abroad too. Our first target is Germany. We are reviewing investment possibilities in this country," and adds, "I know the Germany market closely. Furthermore, our partner Turkish Airlines flies to numerous destinations in Germany. This market is quite ideal for starting to expand abroad."

Turkish Ground Services Inc. took its place within the ground services sector on January 1, 2010. Established



jointly by Turkish Airlines and Havas, TGS is currently engaged in activities at a total of six airports in Turkey, namely Istanbul Ataturk, Ankara Esenboğa, İzmir Adnan Menderes, Antalya, Adana, and Istanbul Sabiha Gökcen Airports. Having provided services for approximately

"I know the Germany market closely. Furthermore, our partner Turkish Airlines flies  $to\ numerous$ destinations in Germany. This market is quite ideal for starting to expand abroad"

ings (frequency) in its first vear of activity, the company aims to increase its frequency to 340,000 this year.

Growth at a time when oil prices are high and airline companies are concentrating on belt-tightening policies is not so easy from the perspective of a ground services company; such companies are connected to the airlines directly. The growth of the sector and increases in the number of flights and planes provides for the growth of ground services companies as well; but in times of stagnation, they can come to face discount pressure from the airlines. However, for TGS to have a large and quickly growing partner like Turkish Airlines is a serious advantage. Meanwhile, with an investment of approximately 80 million liras, it has largely completed its ground services operations infrastructure.



For TGS to have a large and quickly growing partner like Turkish Airlines is a serious advantage

an agreement with Anadolu-Jet, the company started 2011 with an agreement with SKY Airlines. Having carried 11 million passengers on international flights since 2001, SKY Airlines aims to carry 1 million domestically in 2011. With this agreement, TGS started providing ground services to SKY at Istanbul Sabiha Gökcen Airport. If things go as Özcelik plans, TGS may start gaining new customers in Germany too as of next year. The company, currently employing around 6,000 people, may need new personnel.

The decreased profitability of global airline companies due to high oil prices creates a risk for ground services companies too, of course. Nevertheless, in the long term, the sector promises a great future. Furthermore, productivity is quickly taking center stage in the sector. Having established its infrastructure newly and having focused on productivity from the very start due to entering operations at a time when the effects of the global crisis continued, TGS has plenty of advantages.

On the other hand, toughening of the competition in the ground services area is not so easy, as the fluctuating tariff system determines the limits of competition and forces players in the market to move very carefully. "We formed our crew in Istanbul according to the busiest times. The time from 06:00 to 09:00 in the morning is the busiest period; we work at our full capacity within this period anyway. It may not be so profitable for us to take new customers for this period," savs Özcelik. "Filling up other times could be much smarter and much more profitable. The situation is the same for our rivals too."

TGS's newly begun adventure may continue for years with the driving force of Turkish Airlines. Perhaps the company can become a global player like its big brother, Turkish Airlinesgoing beyond borders and expanding to global markets is a situation often seen in the ground services sector too. "There are big global players in Asia, the USA, and Europe. Swissport and Fraport are just two examples of the big players. We have such a potential too," savs Özcelik, and concludes: "If the airline sector grows, if airline companies grow, this will directly reflect upon our performance too. We have rapidly growing partners. We will follow in their path."

TGS plans to continue investing in infrastructure this year with 25 million dollars, and to focus on quality from 2012 onward.

Turkish Airlines' purchasing new- and some of them wide-bodied—aircraft for its fleet and increasing its number of flight destinations could also support TGS's growth performance. Standard Ünlü Securities Analyst Selin Öner, writing in one of her analyses, states that Turkish Airlines is a company that balances supply and demand better than and grows faster compared to airlines in Europe, and says, "Its growth potential is more than that of its rivals."

Turkish Airlines is not TGS's only customer, of course. Making a quick entry into the market, the company increased its number of customers to 30 within around  $1\frac{1}{2}$  years. Closing the books on 2010 by coming to

290 THOUSAND

The frequency of flights (takeoffs and landings) that TGS provided services to in 2010 **340** 

The frequency TGS aims to reach in 2011 6000

The number of TGS employees

Data: TGS





**AGRICULTURE** 

# ON THE EVE OF GLOBAL COMPETITION

Considering its fertile lands, technological accumulation, strong human resources, and geographical position, it shouldn't come as a surprise that Turkey is playing for leadership in the canned and fresh vegetable and fruit market

BY CİHAN DAĞ

HE WORLD IS seeking for a solution to its food issues. The effects of global warming being felt, the pollution and disappearance of agricultural areas, increasing poverty, wars, and the considerable increase in the world population are signs that the solution will not come easily. Therefore, it is critical for countries to be self-sufficient in terms of agricultural products or even produce a surplus of them. Turkey is one of the countries that are agriculturally self-sufficient. It has surplus production in many product categories, including fresh fruits and vegetables.

According to data from the Food and Agriculture Organization of the United Nations (FAO), approximately 12% of Turkey's total agricultural lands are used as garden planting areas. The production of fresh fruits and vegetables in the country, on the other hand, has exceeded 45 million tons annually.

According to Undersecretariat of the Prime Ministry for Foreign Trade Export Promotion Center of Turkey (IGEME) data, 7.1% of global tomato production, 4.4% of cucumber production, and 2.6% of onion production takes place in Turkey. FAO



#### RIZA SEYYAR

The President of the Fruit and Vegetable Products Exporters

"Thanks to the work done by the government, recognition of Turkish products among Middle Eastern countries has increased."

Ranking among the leading countries in fresh fruit and vegetable exports, Turkey is also a competitive country in canned fruit and vegetable

data shows that Turkey's share in world vegetable production is 3%; a similar picture appears for fruit production. According to İGEME data, over 45 million tons of fresh fruits and vegetables was produced in Turkev in 2010, 5% of which was exported. The most-preferred fresh fruits for exports were lemons, grapes, and citrus products. The Russian Federation is the most important country for Turkey in this regard, taking 36% of the latter's 2.1-billion-dollar fresh fruit and vegetable exports. Russia is followed by Germany with 9.2% and Ukraine with 8.3%. With Turkev's expansion to the countries in its neighboring region, the Iraqi and Iranian markets, just as is the case for many other sectors. stand out in fresh fruit and vegetable exports too. It is possible to see increases in the vicinity of 300% over the past few years in the sector's exports to Iran and Iraq, Mustafa Türkmenoğlu, President of the Aegean Fresh Vegetable and Fruit Exporters' Union says that they value the Russian market too, and that they have begun promotion efforts in Ukraine and Russia under the umbrella of the Citrus Promotion Group. Türkmenoğlu says, "Our aim is to be the main supplier in Russia. Therefore, we are trying to boost Turkey's image with products bearing the 'Made in Turkey' logo."

Turkey is undergoing a transition process in agriculture as well. Particularly in greenhouse cultivation, traditional methods are being replaced by modern, advanced technologies. Investments in modern greenhouses have picked up significant speed in recent years. Production and

export capacity in the sector is expected to rise in parallel with this acceleration. With approximately 500 million square meters of greenhouse space. Turkey ranks third in the world. Hydroponic agriculture is also gaining a stronger presence in the greenhouse-rich country. Hydroponic cultivation is currently practiced in 6 million square meters of indoor greenhouse space. Sector representatives believe that an exports boom will occur in the sector as hydroponic growing areas become widespread and that fresh fruit and vegetable exports could reach 15 billion dollars within ten years. The fruit and vegetable canning industry is concentrated around the Aegean and Marmara Regions, where raw material production is high. Other factors for producing firms to concentrate their capacity in the Aegean and Marmara Regions include high consumption in these regions, geographical proximity, and a wide range of options for transport and logistics. These advantages draw the interest of foreign investors too. From the USA to the Netherlands, Japan, and Morocco, there are companies from numerous countries active in the sector.

Ranking among the world's leading countries in fresh fruit and vegetable exports, Turkey is also a competitive country in canned fruit and vegetable exports. A study conducted by IGEME shows that global canned fruit and vegetable exports exceeded 26 billion dollars in 2008. China, Italy, Spain, and the USA lead the pack in exports, while Turkey ranks eighth.

Roughly 5% of the approximately 45 million tons of fresh fruit and vegetable production in Turkey is canned, most often peas, beans, okra, and mixed vegetables. According to the Undersecretariat for Foreign



#### MUSTAFA TÜRKMENOĞLU

President of Aegean Fresh Vegetable and Fruit Exporters Union

"Our aim is to be the main supplier in Russia. Therefore, we are trying to boost Turkey's image with products bearing the 'Made in Turkey' logo."

Trade's data, close to 540,000 tons of products were exported in 2009, bringing over 1 billion dollars in income.

Half of the sector's exports were to five countries. Germany leads this group with a large margin; in 2009, 250 million dollars' worth of product was



#### ORHAN GENÇOĞLU

President of Uludağ Fruit and Vegetable Products Exporters' Union and Chairman of the Board of Penguen Gida

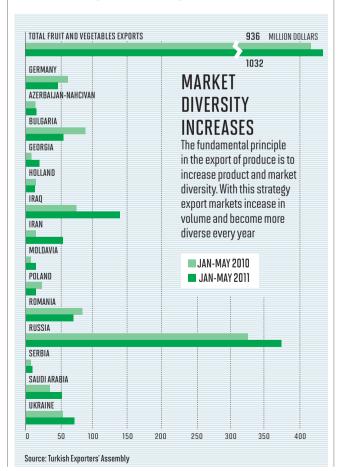
"Türk Eximbank, giving financial support for increasing Turkey's share in the Middle Eastern market made our country's share in exports increase."

exported to the country. The Netherlands follows Germany with 76 million dollars' worth and is in turn followed by Iraq with 74.5 million dollars' and the UK with 61 million dollars' worth. As in the exports of fresh fruit and vegetables, exports to Middle Eastern coun-

tries are on the rise in this field too. Riza Sevvar. The President of the Fruit and Vegetable Products Exporters' Union, says, "Thanks to the work done by the government, recognition of Turkish products among Middle Eastern countries has increased." Emphasizing that such factors as the lifting of visas and warm relations between governments have also increased demand, Sevvar says, "Both the government and exporters are rediscovering the old Ottoman landscape. We are building successful and good relations in this territory."

Meanwhile, Orhan Gencoğlu, President of the Uludağ Fruit and Vegetable Products Exporters' Union and Chairman of the Board of Penguen Gıda, highlights the role of Türk Eximbank (the Export Credit Bank of Turkey) in this increase and says, "Türk Eximbank giving financial support for increasing Turkey's share in the Middle Eastern market made our country's share in exports increase." According to Gençoğlu, who asserts that the sector will enter a great period of growth with incentives, financing, and the pursuit of more active policies in marketing, growing by 50% in 2012 is a cinch.

In an environment in which there is global competition in exports, Turkey is attempting to stand out within this competition through long-term planning. Sectors players continue to search for new markets and are trying to strengthen their positions in their existing markets too. The reflections of these actions are already visible—the sector increased its exports tenfold within ten years to 2.2 billion dollars. Its aim for 2012 is 2.5 billion dollars. A similar picture appears for canned fruit and vegetable production; the sector had 1.1 billion dollars' worth of exports in 2010.





## **AGRICULTURE**

The World's Most Natural Tea

# **SNOW-DUSTED TEA**

The only tea receiving snowfall grows in Turkey, a factor that makes Turkish tea—which requires no fumigation during its production—unique

BY AYŞEGÜL SAKARYA



HE WORLD'S MOST The world's most natural teas grow on the steep cliffs surrounded by vivid green mountains in the unique natural environment of the Black Sea Region. Thousands of families living in the houses scattered between the mountains earn their livelihood through tea. Sipping the most tea per capita at a level of 3 kg per year, Turkey is truly a country of tea in terms of both production and consumption. Turkey is

the fifth largest producer of tea in the world, with a market sized at around 1.5 billion TL.

Tea cultivation in Turkey is conducted in the Eastern Black Sea Region over an area totaling 758 square kilometers, including the provinces of Artvin, Rize, Trabzon, and Giresun. Using approximate figures, around 1,305,000 thousand tons of fresh tea was produced in the Eastern Black Sea Region in 2010, of which the General Directorate



At 3 kg per year, per <u>capita consumption</u> of tea in Turkey is the highest worldwide

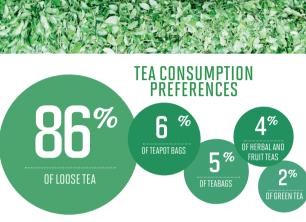
for Tea Enterprises (Çaykur) processed a 600,000-ton portion and the private sector a 705,000-ton portion. Around 235,000 tons of dried tea was produced in 2010. The expected harvest for 2011 is 1.1 million tons, a drop in production of around 200,000 tons.

Turkey is in a significant transition process in the field of tea, which provides a livelihood for 200,000 people in the Black Sea Region and is one of the products carrying strategic importance. Tea, a long-living plant, survives for a few centuries in the wild. It is generally accepted that tea plants grown under observation live to around one hundred years. The tea gardens first planted in Turkev in 1938, grown from seeds and saplings, are coming to the end of their economically useful lives. Because of this, both private companies and Çaykur are engaged in serious efforts to renew the aged tea gardens that

have lost productivity. "Work is currently under way in trial gardens. All the gardens will be planned and renewed within the next twenty-five years," savs Nevzat Palic, President of the Rize Chamber of Agriculture and the National Tea. Council, adding, "Thus, the competitive power of Turkish tea will increase even more."

With its Sustainable Tea Cultivation Project, Unilever, which gained an important share in the Turkish market with its Lipton brand, also aims for the continuation of tea growing in a more effective and productive manner, and for tea to pass on to future generations. Lipton has pledged to source the teas it produces in its factories from natural sources by the vear 2015, and all teas it uses by 2018. In the first stage of the 2 million TL project, the company aims to improve growing practices, educate farmers, and reduce the harm inflicted on the environment, while the overall goal is to move toward higher-quality production in the future. "Our aim within the scope of this project is to provide one-onone education to more than 15,000 farmers and have our teas certified by a globallyrecognized, independent organization," says Mustafa Seckin, VP of Food Marketing



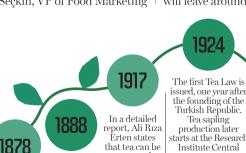


at Unilever Turkey. He adds, "Meanwhile, with the aim of familiarizing ourselves with the region's soil and to spread best fertilizer practices within the scope of the project, we will collaborate with the Chambers of Agriculture in the region to establish a 'Soil Analysis Laboratory. Through this, we will create the most comprehensive soil make-up map of the region yet; and with the training we provide on best fertilizer practices, we will leave around 3 million TL

in the region's pockets."

By way of various projects, Doğadan, one of Turkev's leading producers of black tea and its third-largest producer of tea in bags, is among the brands that stand out more for quality than volume. The company, whose market share in the black tea category--in which there are 200 brands--rises each passing day, uses the freshest, topmost leaves, known as "2.5 leaves." Within the scope of its "Doğadan Black Tea Project," after giving training on the production of quality tea, the company signs contracts with tea producers. "Many producers want to take part in this project," says Veli Vardarlı, Director of Marketing at Doğadan. He adds, "The number of contractbound producers we have, which was 2,500, has today reached 4.000."

Turkev is the only country in the world receiving snowfall in its tea-growing areas. Because of this, the teas require no fumigation, making Turkish teas some of the most natural in the world. Cavkur is conducting efforts to highlight this characteristic of Turkish tea. Having begun organic tea production in the pilot region of Hemsin around two years ago, Çaykur aims to take a significant share in the European market with its organic tea varieties in the near future. "We are able to produce using only animal-sourced fertilizer, without using any chemical fertilizers," says Mustafa Mavi. President of the Tea Producers Solidarity Association, and adds, "If we can explain that our tea is natural, then the value of the tea produced in Turkey will be understood. In this situation, we will be able to enter the world market without difficulty. We have captured this momentum."



Efforts to establish fields "Çay Risalesi" for the cultivation (Treatise of tea on Tea). and start book on fresh tea tea, is written production are begun

Erten states that tea can be rrown on the shores of the Eastern Black Sea Region. The report is not taken seriously, and ınemployment in the Eastern Black Sea goes on the rise

issued, one vear after the founding of the Turkish Republic. Tea sapling production later starts at the Research Institute Central Nursery. Saplings are distributed to the region's inhabitants, but because of unsuitable ecological conditions and lack of knowledge of cultivation methods,

the product does

not receive much

interest

1924

1937 The first

growing

areas are

established

The second tea law is issued and small-scale production begins in Rize

194N

The third setting up a state monopoly

1942

The first black tea production plant is founded in in tea, is ratified Rize

1947

THE HISTORY OF TEA IN TURKEY Every day, 96% of Turkey's

population drinks tea

197

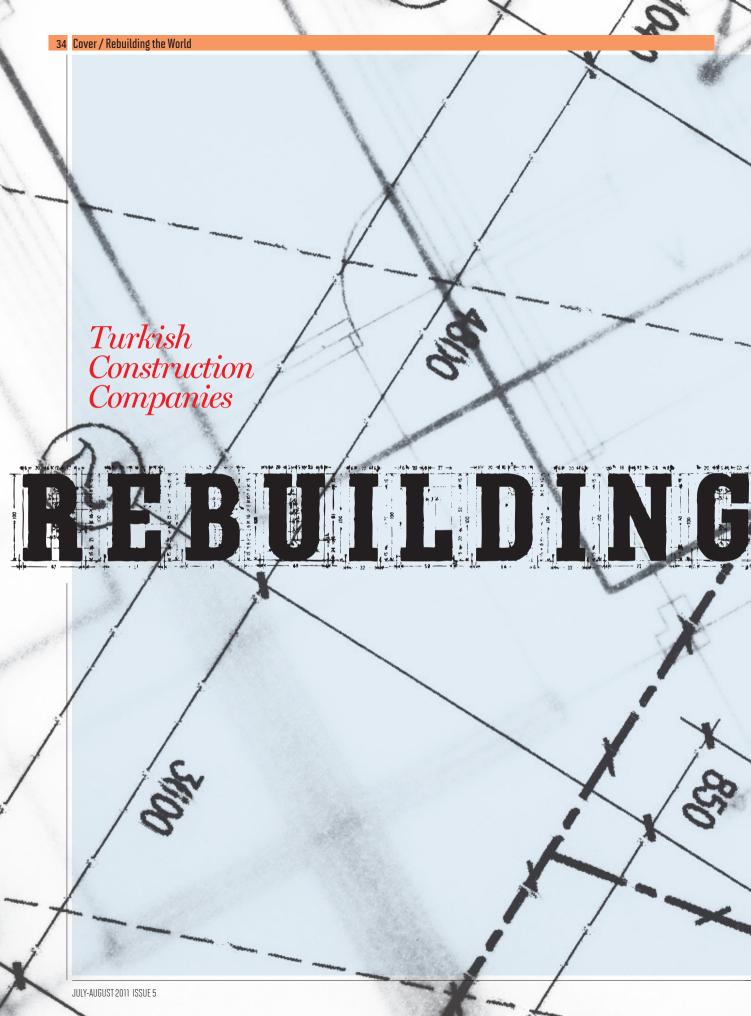
The private sector is given Cavkur is permission to produce (#1497) (#3092)

1984

2011

In the Eastern

Black Sea Region, in 47 publicly owned and more than 300 private sector production plants, there is a daily production capacity of approximately 18,000 tons





Turkish construction companies continue to sign off on great successes internationally. In fact, Turkish construction companies are running so many projects abroad, that they can be said to be "rebuilding" countries around the world. Furthermore, these projects stand out just as much for their quality as for their quantity. The success of Turkish firms naturally reflects upon the numbers too. There were 33 Turkish companies in the "Top 225 International Contractors" list that Engineering News Record (ENR), a publication belonging to the US-based McGraw-Hill Companies, printed in the year 2010. Therefore, with 54 companies in the list, Turkey ranked second after China, the leader. Yet only a few years ago, there were just eight Turkish companies on the same list.





ccording to the Undersecretariat for Foreign Trade's "International Contracting Services" report, Turkish construction companies did 1 billion dollars'

worth of business abroad in 2000; in 2010, this figure reached 20.3 billion dollars. The international contracting sector, which contributes greatly to the national economy, has undertaken 5,630 projects with a cumulative worth of 178.3 billion dollars from 1972 to this day. The five countries in which the most projects were undertaken during this period are listed as Russia, Libya, Turkmenistan, Kazakhstan, and Saudi Arabia.

When inspecting the regional distribution of the projects undertaken to this day, it can be seen that the Commonwealth of Independent States accounts for 43.6% of total business volume with a 77.7-billiondollar share. The CIS is followed by the Middle East with 42.9 billion dollars and Africa with 37.6 billion dollars, "Political and economic overtures toward these regions, together with practices geared toward reducing the number of bureaucratic barriers in these countries, clear the way for both our contractors who are in the position of exporting services and building material exporters," says a sector representative who wishes to remain unnamed. These regions are followed by Europe and America, with a 15.1 billion dollar business volume, while the Asia-Pacific Region comes last at 4.9 billion dollars.

So why are Turkish construction firms receiving so much favor internationally? According to Association of Real Estate Investment Companies (GYODER) President Işık Gökkaya, Turkish companies stand out with their knowledge and experience. "Turkish construction companies have done work in the four corners of the world for years. Today, they make excellent use of the knowledge and experience they gained in these countries," says Gökkaya. Meanwhile, Ümit Kazak, General Manager of TAV Construction, a company that has undertaken over 8 billion dollars' worth of projects in nine countries, highlights Turkish companies' abilities in quality and adaptability. "Relative to their rivals, Turkish construction companies possess an ability to quickly put a project into action, and they also stand out with their principle of always being able to maintain their quality standards at the highest levels," says Kazak, and adds, "Their greatest advantage, however, is that their ability to adapt themselves to the country in which the project will be realized is high." The fact that Turkish



The international contracting sector, which contributes greatly to the national economy, has undertaken 5,630 projects with a cumulative worth of 178.3 billion dollars from 1972 to this day



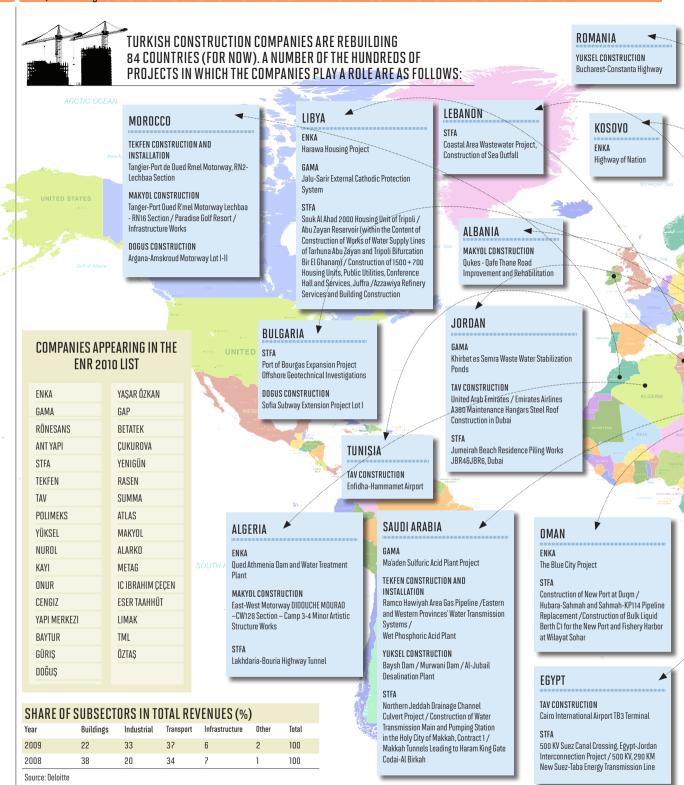
companies have undertaken large projects even in the world's riskiest regions supports this view.

Today, we see that Turkish construction companies, which worked on a small scale and with labor-intensive technologies in their early years, have—in addition to housing construction—undertaken large-scale and high value-added projects such as airports, shopping centers, subways, industrial facilities, natural gas and oil refineries, highways, and power plants. For example, in Russia, Turkish firm Enka's signature appears not just on the Ramstore and Leningradsky shopping centers, but also on the Yajva State District Power Plant. Another grand shopping center project in Russia is the work of Renaissance Construction; the Bukhara Refinery was entrusted to Gama; and the Azerbaijan Natural Gas Pipeline is a Tekfen project. Hundreds more could



be added to these examples. According to the Turkish Contractors' Union's data, road, bridge, and tunnel projects took the largest share of the projects conducted abroad by Turkish construction companies in 2010, while housing projects came second with a 12.4% share. Sports facilities projects followed with a 10.8% share, energy facility projects with 7.1%, and tourism projects with 6.4%.

The report prepared by the Turkish office of Deloitte, the international auditing and consulting company, with the Turkish Contractors' Union, titled "Turkey's Construction Leaders 2010–We're Constructing the World," touches upon the share of the sector's subcategories in total revenues. Five categories are described in the report, namely buildings, industry, transport, infrastructure, and others. In 2008, building projects took first place with a 38% share in total revenues, followed

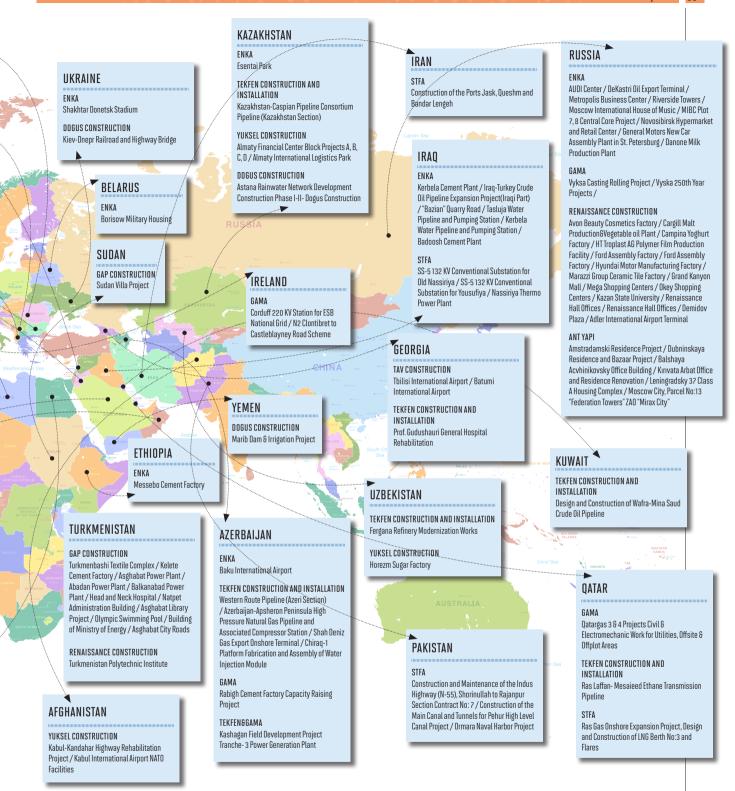


by transport projects with 34%. Then in 2009, we see that transport projects rose to first place with 37%, followed by industrial facility projects at 33%. "Setbacks caused by mortgages in certain international markets in which our firm is active delivered a blow especially to new housing and office investments. However,

there has been a significant increase in industrial projects due to many factors, the increasing global need for energy most of all," it says in the report.

Accomplishing grand projects internationally through their knowledge, experience, and approach to quality, Turkish construction companies seem

decisive about securing new additions to their existing markets. In addition to the CIS and Middle Eastern markets in which they are already strong, the companies have their sights set on Central and Southern Africa, Southeast Asia, and South America. Tekfen Construction General Manager Ümit Özdemir,



in a speech republished in Deloitte Turkey's report, said, "Companies must be sure that they will get returns from the investments they will make in new markets," adding, "As in the example of Venezuela, intergovernmental agreements like for Turks to build housing in return for oil could support the first step toward global playership. On the other hand, for new countries to maintain the quality of being markets sustainable for Turkish contractors, they must constantly offer new investment opportunities and be open to the contracting sector."

There is no doubt that Turkish con-

struction companies have made the preparations necessary to enter new countries and regions possessing these attributes. In turn, this means that one will encounter airports, dams, shopping centers, and dwellings built by Turkish construction companies perhaps all around the world in the medium and long term.



Erdem Basçı: The Architect of

# UNORTHODOX MONETARY POLICIES

Strengthening the commitment to fiscal discipline and the structural reform agenda in the medium term would support the improvement of Turkey's sovereign risk, and thus facilitate macroeconomic and price stability

BY CEYHAN AKSOY

Erdem Başçı who has been appointed as the governor of Central Bank of Republic of Turkey (CBRT) in April is known as a key player of the Central Bank's unconventional monetary policies. While Turkey is being warned against overheating because of the hot money inflow, the CBRT is raising reserve requirements on banks and lowering interest rates. Erdem Başçı talked to The Turkish Perspective on the global financial markets, the bank's next instruments and how Turkey should deal the challenges ahead.

You came to the helm of the Turkish economy's monetary policy a short time ago. Can you provide a general assessment of the Turkish Economy and the country's financial performance?

The Turkish economy has been one of the top performers during the recovery period after the Lehman crisis, thanks to prudent macroeconomic policies and a healthy financial system. The growth rate of 8.9% in year 2010 is the highest among the OECD countries. In this period, the faster-than-expected economic recovery and relatively low interest rates helped Turkey's fiscal performance while the current account deficit driven by the disparity between domestic and external demand growth emerged as a risk factor for financial stability.

To give you a more recent bird's eye view on economic activity, industrial production remained robust in the first quarter of 2011. Recent leading indicators however point to a slowdown in economic activity in the second quarter. Private consumption and investment growth rates are moderating after a strong rebound in 2010. Meanwhile, employment continues to grow rapidly and unemployment rates have already reached the pre-crisis levels. Recently, political and economic uncertainties in the Middle East and North Africa (MENA) region and Europe have restrained the recovery in Turkish

Yet, the Turkish economy is on its way to a sustainable and healthy growth path thanks to its prudent policies and solid macroeconomic foundations. Many economists view the current account deficit as a structural problem of the Turkish economy, believing that a surefire solution is only possible via long term structural reforms. Do you agree with this view?

The Turkish current account deficit has both structural and cyclical elements. As a matter of fact, in the 1984-2010 period, our economy posted current account surpluses for only six years, almost all of which coincided with periods of economic contraction.

As for the structural elements, we can mention energy dependency and the young population. Turkish economy is highly dependent on energy imports due to a shortage of local sources. The detrimental effect of high energy bill is especially apparent at times when the price of energy related commodities rise which puts the cyclical effect to the forefront. Also as a country with young population, low saving rates is another major structural cause of the current account deficit.

Hence reforms to promote energy investments and to increase private and public sector savings are essential.

### Do you think that the Turkish economy has heated up so much that it cannot be cooled down via fiscal and monetary measures?

On the one hand, increased participation of women in the labor force keeps wage inflation and hence services sector inflation benign. On the other hand, low capacity utilization rates and a weak external demand keep the total demand far from reaching levels to put upward pressure on goods inflation. So, for the time being, I can safely say that there is no overheating in the sense of upward inflationary pressures in our economy. We do see however a rapid expansion of credit, in the order of 35 percent vear-on-vear growth rate, which we label as "excessive borrowing" rather than "overheating". Yet, after a significant degree of macroprudential measures taken so far, latest data releases indicate a credit growth rate in line with the seasonal averages. A more desirable 25 percent credit growth would be achieved



ERDEM BASCI WAS ONE OF THREE DEPUTY GOVERNORS OF CBRT FOR EIGHT YEARS BEFORE HE CAME TO THE HELM OF THE BANK

by the year end if this trend continues. In addition, seasonally adjusted growth in imports, excluding energy, halted starting from April 2011 and seasonally adjusted growth in exports continues, despite at a slower pace. We expect the improvement in 12 months cumulative current account deficit to become visible in the last quarter of this year.

Do you believe that such CBRT instruments as the reserve requirements and interest rates will be enough to slow down the growth rate of the current account deficit? Are you considering using supplementary instruments?

In the last quarter of 2010, current account deficit emerged as a risk factor for financial stability. The measures we have taken so far were geared to keep credit growth at a desirable rate, balance the domestic and external demand, and thereby contain the current account deficit. The content of our policy mix however, may differ depending on factors such as external demand, capital flows and the speed of credit expansion.

Within the new policy framework, the guestion of which policy tools are to be employed and how, will be determined by factors affecting the outlook for financial stability and price stability. Given the high level of uncertainty arising from global economic conditions, we believe that it would be more





"Turkish economy is on its way to a sustainable and healthy growth path thanks to its prudent policies and solid macroeconomic foundations" says Erdem Baser

appropriate to remain flexible regarding the exact composition of our policy mix. In any case, having access to more than one monetary policy instrument turns out to be quite helpful both in theory and in practice.

Last but not least, the importance of fiscal austerity as well as supportive macroprudential regulations by other relevant government agencies is crucial. In the forthcoming period, we will continue to jointly use short-term policy rates and macroprudential tools in order to achieve price stability on a permanent basis, while maintaining financial stability.

# Would the Tobin tax and similar practices help keep the inflow of hot money into Turkey under control? Or would such practices bring more harm than benefit?

The global financial crisis has transformed the monetary policy implementation in advanced economies significantly. The policy rates are pushed down to zero and quantitative easing policies are deployed to quench the thirst for liquidity. Of course these policies are essential to avoid another Great Depression but their side effects are visible without delay. One such side effect is on emerging markets in the form of fueled domestic credit and demand, lifted asset prices and excessively overvalued currencies.

Emerging economies in contrast, relied on quantitative tightening measures to counter potential spillovers from the additional quantitative easing programs in advanced economies. Some major emerging economies even resorted to capital flow measures like the Tobin tax that you mentioned, with limited success, I must say.

Turkey, in contrast, focuses more on extending the maturity of these inflows and channeling them to more productive uses.

The crisis that hit European Union countries is continually deepening. Other than the financial disruption it causes in these countries, could public debt problems in Portugal and Greece have a negative effect on the real economy and money markets in Turkey? Is it possible for Turkey to take precautions against this?

The ongoing concerns about the European sovereign debt problem do cause some fluctuations in the global risk sentiment. This however has little, if any, detrimental effect on emerging markets with favorable fiscal policies and outlook. Yet, Turkey is affected mainly through the external trade channel since the share of Europe in our exports is quite high. As a precaution, Turkish exporters have diversified their target markets in order to compensate for falling demand in Europe.

Likewise, in order to alleviate the effect of public debt problems in Europe on Turkish money markets, prudent monetary and fiscal policies will be the key. We are confident that the healthy dynamics of the public debt burden and relatively low budget deficit figures in Turkey highlight the strong fundamentals for a promising future.

The effects of credit on the current account balance can be varied. While some forms of credit, cause the current account deficit grow, investment credit has the opposite effect. Will the CBRT consider this distinction as it takes new measures in the upcoming term?

I concur with the view that investment. credits will have a positive effect on the current account deficit in the longer term. However in the short run, all types of credit have a similar contribution to the external deficit. We already have differentiated reserve requirement ratios in a way to incentivize extending the maturity composition of the banking system liabilities. We believe that this longer term average maturity of deposits and other liabilities will be helpful for long term credits that are required for investments. Likewise recent decisions by the bank regulation and supervision authority directly favor business loans over general purpose consumption loans.

### Lastly, is there anything else you wish to communicate to our readers?

Monetary policy will continue to focus on price stability while preserving financial stability as a supplementary objective. To this end, the impact of the macro prudential measures taken by the Central Bank of Turkey and other government authorities on the inflation outlook will be assessed carefully. Strengthening the commitment to fiscal discipline and the structural reform agenda in the medium term would support the improvement of Turkev's sovereign risk, and thus facilitate macroeconomic and price stability. Sustaining the fiscal austerity will also provide more flexibility for monetary policy and support the social welfare by keeping interest rates permanently at low levels.

In this respect, timely implementation of the structural reforms envisaged by the Medium Term Program and the Acquis Communauitaire of the European Union remains to be of utmost importance. Especially the fiscal rules designed for the European Monetary Union countries are quite useful benchmarks. The problem evidently arises when there is no will to implement them. Turkey distinguishes herself with successful implementation of the European Union rules and proves that they are, if implemented, indeed helpful for a better economic performance.



This slogan was for a campaign that Mavi Jeans launched to announce its effectiveness in the global market to both the Turkish consumer and the global market. The campaign was very successful, and this success continues. However, the success of Turkish brands in the denim industry is not limited to that of Mavi Jeans. Eroğlu Holding's brand Colin's, Çak Tekstil's brand Little Big (LTB), Rodi Jeans, and many other brands dominate the market in Turkey and draw all eyes to themselves with their aggressive growth in the global market

, BY NESRIN KOCARSLAN 🦃 BY SEREF YH MAZ

lthough there are many claims about the history of blue jeans, almost everyone knows that the first steps in the field were taken by a trader named Levi Strauss—whose brand still looms large today—when he patented the sturdy trousers worn by miners. The first trousers produced were not so stylish or comfortable, but because of their durability and because dirt didn't show up so easily on them, they became the top choice among workers. After a century, jeans, which had been the choice of workers in the 1950s, reached the young people of America and became part of popular culture. Jeans also symbolized the message young people were trying to give to society; they were the banner of rebellious, defiant youngsters who resisted societal mores. And because of this, jean-wearers were banned from entering many private businesses. Yet in spite of all these prohibitions, interest in jeans soared, especially as Hollywood stars like James Dean, Elvis Presley, and Marlon Brando were seen wearing them constantly.

The popularization of these trousers in Turkey falls around the same time, but they entered the country a little earlier. There is an interesting story behind its name in Turkish, "kot." This name was actually the last name of the producer who first brought blue jeans to Turkey, Muhtesem Kot. Having encountered the blue jean during a trip he took to Europe in the 1940s, Kot decided to produce the fabric in Turkey. Preferred by workers for their durability at first, just like everywhere else in the world, they started gaining renown in Turkey again due to globally famous celebrities. As Muhtesem Kot's son, Avtac Kot mentioned in an interview, the Kot brand, which is synonymous with blue jeans in Turkey, is no longer produced. The brand, having had its market share snatched by foreign brands in the conditions of the time, bequeathed its name unto the trousers. Turkish brands are now trying to honor this heritage by taking their product abroad.

### TURKISH BRANDS INVADE THE WORLD

Today, many brands born in Turkey are both getting a significant share of the



AS THE FIRST COMPANY TO DARE TO ENTER A MARKET DOMINATED BY FOREIGN BRANDS WITH A TURKISH NAME. MAVI AIMS TO OPEN A NEW COMPANY CALLED MAVI NETHERLANDS THIS YEAR. ADDING TO ITS SIX EXISTING COMPANIES, MAVI TURKEY, MAVI CANADA, MAVI EUROPE. MAVI AUSTRALIA. AND MAVI ASIA

market in Turkey and securing a place for themselves among the most-preferred brands in the world market. Nedim Özbek, President of the Association of Denim Industrialists and Businessmen of Turkey, points out that many important retailers in the world have their production done in Turkey, emphasizing that Turkish denim is, as a fabric, among the best in the world. Özbek indicates that Turkev has solidified its place in the global market and increased its market share thanks to the brands' recent R&D and design efforts, adding that these brands have slowly started to prevail in foreign markets. In any case, when looking at the brands' strategies and shares in exports, one can see how important the global markets are for them. According to figures provided by Mavi Jeans General Manager Cüneyt Yavuz, 35% of Mavi's revenue is comprised of sales abroad, in turn comprised 50% of sales made in North America and Australia, and 50%



### DID YOU KNOW?

- In the past, buyers would throw the trousers on the ground to test the hardiness of the denim fabric. If they stood up vertically on their cuffs, it would mean that those trousers were of high quality
- The horses pulling the trousers in opposite directions on Levi's' logo expresses the sturdiness of the fabric
- The word "kot," synonymous with the blue jean in Turkey, is the last name of a manufacturer named Muhteşem Kot, who was the first to bring the blue jean to the country.
- In its early years, KOT—Turkey's first blue jean brand—used a logo resembling that of Levi's'
- Mavi Jeans is one of the three brands in Turkey known by brand guru Tom Peters

of sales in Europe and neighboring countries. For Colin's, according to the figures provided by Colin's Global Marketing Director Tarık Gülsün, 120 million out of their 500 million dollar total revenue comes from exports, while for Little Big (LTB), according to CEO Fatih Çakoğlu, 60% of their total revenue comes from exports. Based on the number of retail locations, Mavi is present today in 4,000 retail locations and 270 stores in 50 countries, and it aims to expand by 50% in Europe in the near term. As the first company to dare to enter a market dominated by foreign brands with a Turkish name, Mavi aims to open a new company called Mavi Netherlands this year, adding to its six existing companies, Mavi Turkey, Mavi Canada, Mavi Europe, Mavi Australia, and Mavi Asia.

The situation with Colin's is not so different from that with Mavi. With 440 stores in 31 countries, Colin's also has two factories engaged in manufacturing in Egypt, employing 3,000 people, and construction on a third is ongoing. What Colin's General Manager Necati Özdoğan says about the situation clearly lays out the importance of growth and spreading their brands in global markets for the brands. "The size of the market in Turkey is around 800 million TL, and the total number of stores a brand can open in this market is 260 maximum... Therefore, our growth in Turkey may remain limited. And we, both in order to realize our dream of being a world brand and to be in markets where the trade volume is higher, see such a growth model as being healthier."

### A BRAND-FOCUSED GROWTH STRATEGY

The heroes of the Turkish denim sector, these brands are giving signals that they will have a heavier presence in the global markets in the near term through both their growth figures and their aggressive growth strategies. Colin's, which currently is active in 31 countries around the world, has a goal of continuing to grow abroad at an increased pace. And for this, it keeps both its searching for new markets and its new purchases in these markets on its agenda. Necati Özdoğan, stating that 80% of their 500 million dollar revenue is from Turkev and Ukraine, points out that Colin's share abroad is increasing continually. Colin's wishes to go beyond such markets as Turkey, Ukraine, Russia, and Germanyplaces where it continues having a heavy presence—and realize aggressive growth abroad. Özdoğan, highlighting the fact that they have growth plans for the Middle East, Eastern Europe, and Western Europe markets, regards the UK as an especially important location. Knowing that becoming a brand in a market like the UK will not be possible by just opening a few stores, Özdoğan says that after opening some testing stores in the company, they can open an office in the country, even realizing this via various purchases if need be. However, all brands know that merely opening stores is not enough to grow abroad, and are thus making important investments in their brands too. As stated by Mavi Jeans General Manager Cüneyt Yavuz, "Taking Mavi abroad doesn't just mean increasing the number of stores; it also means creating a brand identity and spaces in which it can share its power with its customers." Thus, Mavi uses its marketing network in quite heavily abroad as well. Mavi, which accomplished many firsts in this regard, was chosen "Most Popular Jeans Brand" by the readers of Georgia Straight, one of Canada's topselling weekly newspapers, in its "Best of Vancouver 2009" survey.

### A SURPRISE MARKET: CHINA

Among all markets, China is perhaps the one that makes textile producers the most nervous. It carries great importance among the markets that Turkish denim brands have laid their eyes on for the coming years, with the majority of them having set this market as a target, Colin's and Little Big most of all. Colin's, though it has not yet entered it, looks at the market as an important alternative and has plans for a



presence in the country via a partnership. Meanwhile, Little Big is testing the waters in the country with the store it opened in Chongqing, its first franchise store. Nedim Özbek, President of the Association of Denim Industrialists and Businessmen of Turkey, confirms these brands' overtures. Özbek said, "The brands are targeting China in the upcoming term. Because China's population is crowded, there is more competition in textiles. People's expectations have risen. We, as Turkish brands, can do good things in that country."

#### TUROUALITY: BEFORE AND AFTER

Forever young though it is one of the oldest fabrics in the world, denim, which was brought to Turkey by Muhtesem

Kot, is starting to regain the respect it lost in Turkev in the 1940s thanks to these local brands, and it is sating Turkey's ever-present hunger to create a world brand. Undoubtedly, the individual efforts of brands, their quality, and their designs are significant to this process; however, there is such a project under way in Turkey

### Facts about the Splendid History of Jeans



A wholesaler named Levi Strauss bought the patent for the jean for 68 dollars on the advice of Jacob Davis, one of his tailors



After a trip to Europe, a businessman named Muhteşem Kot brought to Turkey



Hollywood, the trousers started becoming popular in Turkey too

Gold miners wore these trousers because they were sturdy Because they were not vet colored with dye, the first trousers were brown...



American cowboys start wearing jeans



The blue jeans that James Dean wore in the film "Rebel without a Cause were idolized by the youth of America. Also in this era, those wearing these trousers-a symbol of rebellion-were banned from entering schools, theaters, and private restaurants

THE 1950S

Thanks to

the stars of

that it would be unfair not to mention the effects of the project on the brands' global gambit. Turquality, which was made active in 2006, can be described as a brand development program designed with the vision of creating ten world brands within ten years. Emerging with this stated purpose, the project has worked and supported many brands in various fields since 2006, especially textiles and readyto-wear clothing brands, a range that was later expanded to include other areas. Within the scope of this statesupported project, a crew consisting of representatives from the Undersecretariat of the Prime Ministry for Foreign Trade, Turkish Exporters Assembly, Exporters' Unions, and private sector produced road maps for creating brands and started working to fulfill them. In time, the project realized many activities, and it helped many brands and designers crack open the door leading out to the world at large. Stating how important this support is on the road to becoming a brand, Tarık Gülsün, Colin's' Global Marketing Director, says, "State-supported incentives and programs have been provided within the scope of Turquality since 2006. Accredited firms are selected after various evaluations like their size and status as candidates to become brands in previous years. I believe that the intent shown and the support provided are very important."



The size of the denim industry in Turkey

So far, under the umbrella of Turquality, 80 brands belonging to 69 companies in 14 different industries were supported with the program, while 30 brands belonging to 27 companies were supported in the scope of the Brand Program. In addition to this program, which is the world's first state-supported brand development program, there

is another new project in the area that stands out. The Turkish Exporters Assembly, which set a 500 billion dollar exports target for 2023, continues to provide free-of-charge training in order to inform exporters on brands and patents. The training seminars. at which best practices in the fields of R&D, branding, differentiation through design, and applying for patents are shared, will continue in various provinces around Anatolia in accordance with the demand shown by exporters' unions.

#### PASSING DOWN THE HERITAGE

Blue jeans, which date back to the 1840s and have become an important pop culture symbol, are a product that almost everyone in Turkey owns, whether they are within the highestincome segment or the lowest. The reason for this is that there is an abundance of variety in Turkey. Turkish brands are now so successful in the field that they both fend off competition in the Turkish market from global players and they attempt to prove their effectiveness in the world markets. Undoubtedly, this effectiveness will increase even more in the upcoming term. It seems that Turkish brands have a firm intention to protect and grow the heritage that foreign players took from the hands of Muhteşem Kot—who gave his name to the jean in Turkey—both locally and globally.



"KOT" was trademarked as a brand



1980





Colin's was founded

**~** 2006

Following an agreement made with the SINGER sewing machine company at the İzmir expo, a production facility was established at Singer's pavilion with the machines brought to Turkey, which then started producing blue ieans



Famous American brands started being imported by Turkey in the 1980s



Mavi

Jeans was

founded

Production of the KOT brand was stopped

started receiving support for entering the international market within the Turquality

Brands



# THE EU'S DILEMMA: CONFEDERATION OR FEDERATION?

Joseph Daul, the current leader of both the Christian Democratic tradition that founded the EU and the European People's Party, the largest group represented in the European Parliament, assessed the economic turmoil in EU members and the Union's relations with Turkey

BY BAHA YILMAZ WITH CONTRIBUTIONS BY TUNCER SAĞLAMER



We are in Strasbourg, one of the European Union's two capital cities, in the EU Parliament building. Joseph Daul, the current leader of both the Christian Democratic tradition that founded the EU and the European People's Party, the largest group represented in the European Parliament, welcomes us in a modest room.

At first glance, of medium height and with a smiling face, he gives us an impression contrary to the realities in his head; although we will get to the bare truth of the matter in our talk that is to take place imminently. Embodying the manner of a soft power proponent fully, he made very daring and well-grounded statements, emphasizing that the EU must be restructured and become more united during the crisis process. The division highlighted by Turkish Foreign Minister, Ahmet Davutoğlu in his observations on the EU, that of "federation versus confederation," appears to be on the agendas of both Daul and the Christian Democrats he represents. Daul provides a comparison with the US as another federal state as follows: "The USA has been a union for 260 years, while we have been a union for 60. There is much more that we have to do." Joseph Daul provided his assessments on many subjects, ranging from Franco-Turkish relations to the future of the EU and from Turkish PM Recep Tayyip Erdoğan to Nicolas Sarkozy, for The Turkish Perspective.

In an interview you had, you said that Turkey is not ready for membership in the EU. Do you still insist on this view?

I am a person who openly says what he believes. In my opinion, the negotiations are not progressing right now; they aren't working. We have been dealing with a status quo for two years. When we think of such events as the global economic crisis and what is happening in the Mediterranean—in Lebanon and Egypt, that is to say—we can better understand why these processes are not moving on.

### How does Turkey appear from the EU and France?

I believe Turkey will become a much greater country. They will also continue their greatness in the Arab world if they manage their relations with the Arab countries well; and I believe that they will. It is already strengthening economic and commercial relations with these countries. Relations with France are moving along nicely. For instance, each month, I export two semitrailer loads of cattle. We must strengthen the relationship between both countries in the economic sense. We must increase trade. In this situation, we could progress faster politically. The economic crisis put Greece, Portugal, and Ireland into a state of difficulty. Spain—or perhaps, in the days to come, even France—could have trouble. The matter of the crisis works very effectively in debates on the entry of Croatia into the EU. Because of the crisis, we are having difficulties with Croatia entering the Union. We are having a hard time explaining the difficulties that have been created to the citizens of the EU.

### When you look at it in terms of the economic difficulties being undergone by Spain, Portugal, Greece, and Ireland, how do you see the future of the union?

As in the Schengen debates, if EU countries complied with union criteria, these difficulties would not have occurred. For instance, if the 3% criterion for the budget deficit were followed, these situations would not have happened. This shows that the EU must work in a more unified fashion. These criteria must also be applied in the Eurozone. The fundamental problem is that the criteria are not fulfilled completely. For instance, there is a common unit of currency, but every country has its own fiscal policy. This isn't right; this is contradictory. The tax and fiscal policies of countries within the euro must be compatible. There are six reports being prepared on these subjects. I believe that these studies will be done by June. I hope that these studies will incite countries on the matter of applying the existing rules. The EU's biggest problem is budget deficits. We must now solve this problem. Budget deficits must be reduced. This requirement is a prime issue for America too. Normally, a company in this situation would have gone bankrupt. We are spending money we do not have. This is not possible. Unfortunately, EU countries defended this practice. I still have not been able to understand the matter completely. Think about it—we couldn't even talk about this subject before. Talking about budget deficits was not regarded kindly. For instance, Ireland doesn't have a taxation system. If it establishes such a system, it will solve its problems.



Portugal is a small country but it will overcome this difficulty. The biggest problem is in Greece, because Greece has no industry. If you try to do it all though public revenues, it's not possible. Everyone knows this. This is where European solidarity will form.

France also has a big budget deficit: however, France has industry, and this could save it. By 2013, France will reduce its budget deficit to 3% as suited to EU criteria. Later, we will pay our debt that has accumulated as well. I'm sure that people were unaware of this situation until the crisis. The crisis informed people deeply. I couldn't have said what I just said a year ago. The EU and euro will pull through and remain standing, because there is also political resolve. The Germans understood that they couldn't return to the mark. Similarly, France has understood this same matter; they too know that they cannot return to the franc. Only groups with extreme ideas do not believe in this. For now, the EU has to be stricter in economic administration. All decisions must be EU-wide. For instance, if one retires at 67 in Germany, it shouldn't be possible to retire at 62 in France. Even this matter must be brought in line. This can't go on. Countries that are EU members but not party to the euro are also preparing their infrastructures to conform to EU criteria. They have no alternatives anyway; they must conform. If there is no joint economic policy, there cannot be a joint monetary unit. This has been understood by all administrations.

### Budget deficits and the economic crisis do not only threaten Europe economically; they also foster the development of the extreme right. Are you worried about this situation?

We have no choice in the matter. For example, reactionary votes in France after World War II went to the communists. as there also was an economic crisis at that time. The communists' votes went up to the region of 20% in those times. By making the communists a party to power, Mitterrand

solved this extremism. Look at Austria for instance: a coalition government was formed there too. Extreme rightists became party to the coalition. We, including myself, criticized this situation. Some of my friends voted for the far right. When I asked them about it, they said, "They aren't going to come to power anyway; that's why we're voting." These are partly votes of reaction.

### You are a veteran politician and you know the Chirac era well. What differences do you think there are between Franco-Turkish relations then, a time in which they improved, and now, having regressed in the Sarkozy era? We are undergoing a crisis

right now. France must close its budget deficit. If there were no Sarkozy, the savings deposit system could crash. The period undergone was so dire that uncertainty formed in the deposits system. Sarkozy has been wrestling with the crisis since he came to power. He had no luck in this area. Chirac experienced no such difficulties.

# Now, Turkey has an alluring economy that draws investors. Wouldn't investments by French businesses improve some relations?

As far as I know, Sarkozy has no bones to pick with Turkey in the economic sense. If one must seek honesty, Sarkozy is this honest person. As head of state, the French complain of him too, as his honest approach to the French in his presidency can become a subject of complaint. He has never stood in the way of negotiations concerning Turkey.

### But there are restrictions he placed in five headings ...

Yes, but there isn't progress in the others either. Let's talk about these five headings. I'm a friend of Turkey. I think the negotiations should continue. However, for two years, there has been no progress. I would like to tell my Turkish friends that the rules of the EU go for everyone. From what I heard from my Turkish friends, the thought that negotiations would be applied according to Turkey's standards was prevalent. But this is not possible. I said the same to the Croats. For example, the Croats said they wouldn't fulfill the conditions relating to justice. And we said that although we understood them, they couldn't be members if they didn't comply with the rules. I understand Turkey; fulfilling certain conditions can be difficult. If time is needed in this area, we'll set more time aside. However, I can comfortably say that when we place the political and economic criteria side by side, the economic criteria are getting better every day. Political criteria are shaped according to crises. However, the economic criteria are going very well. And this, in my opinion, is

a very nice and important development. If you ask why, then I can say that when economic criteria improve, political criteria cannot stay behind.

### I think that France's expectations of Turkey and Sarkozy's expectations of Turkey are very different. What do you think about this?

Chirac was never clear about Turkey. He wasn't as clear and open as Sarkozy. I would prefer Sarkozy's honesty on the matter of Turkey. This honesty caused the loss of many votes for Sarkozy. Time will prove my point. Rather than one who says "yes" and wastes my time, I would prefer one who says "no" and doesn't.

# What do you think about Mr. Erdoğan, Turkey's Prime Minister?

He is doing a good job at pulling through. He is doing good work in spite of a difficult time. Extreme factions are active in Turkey too, and Erdoğan handles this matter nicely. My desire is for him to hold on and for his efforts to continue. Sometimes he can slide toward the extreme, but I understand him well. The same goes for us too, and Erdoğan is doing as best as he can.

### Some countries in the EU, namely France, Germany, the UK, and Denmark, are more prominent. They also provide for a large part of the EU's budget. Do these countries set the rules of the Union?

That is the case for many of them, yes. But now, another partner is joining these main countries, and that is Poland. Currently, we want the EU's own resources to develop and for it to have a budget. We want to accomplish this even if it is against the interests of these countries.

### Merkel represents a country that emerged profitably from the crisis. Why is Sarkozy following a policy parallel to that of Germany, meaning that of Merkel?

Schröder had previously taken some precautions and put some measures into practice. Germany had very big investments in Greece. This is no loss. The Germans made Athens's airport.

### Greece owes 420 million euros to Germany. What do you think about this?

That's right, but this is an investment. And they did get the return on it. It is not a loss. Merkel is a smart woman. She doesn't want to bring extreme rightists to power. One must give Merkel time. One must give her time to explain this situation to her own public. Merkel has made good use of this time on the matter of Greece. For instance, the issue of selling the islands was one aimed at the domestic public. But if only these supports were there at the very start, we would be overcoming the crisis much more comfortably.

### Along with Greece, it emerged that Portugal and Ireland had serious problems about debt transparency too. What is the union thinking of doing about this transparency issue?

EU members are now required to present their joint yearly budgets to the EU Commission for auditing. This is a very important first.

"There is a common unit of currency, but every country has its own fiscal policy. This isn't right; this is contradictory"

# What do you think about the corruption that has formed within the EU bureaucracy?

Now there are rules. Currently, there is no corruption that I know of. Barosso is very strict on this matter. However, if subventions are being taken from the EU for no return, then there is a problem. For instance, if any country in 2011 does not fulfill the subvention it received in the previous year, it will be dropped from the 2011 budget. Gifts are now given to countries, not to individuals or organizations. Thus, I sometimes turn down those who come to me to ask for subventions and direct them to charity organizations.

# There is a sinking view of the EU globally, caused especially by the events in the Mediterranean and developments in the Middle East. Is the union considering a way to restore its image?

It is said that the EU's foreign relations have a bad image; this is correct. However, its unified foreign relations were established very recently. This is a difficult time for the institution and it is normal for you to criticize it. Germany, the UK, and France criticize it, and that is normal too. However bad it appears, the structure does evolve. People have now started to understand that the EU has gained power; this especially occurred following the Lisbon agreement.

### So, can you see Turkey becoming a member?

We definitely will. However, we will decide on this with Turkey. Speaking openly, what is happening in the Arab world and the Mediterranean shows that Turkey will play a great role in the future. I am sincere about this. I don't know whether this will happen from within, but we absolutely will be together.



# TURKEY: HARD TO GIVE UP FOR INVESTORS

Developing economies once considered too volatile are now paragons of stability with the steady economic order they have attained. With the intense interest shown by the world press, Turkey has become the most popular player in this nascent league

BY GAMZE GÖREN

BY ŞEREF YILMAZ

eveloped and developing economies passed through a tough test with the global crisis occurring in 2008. While the USA failed to rid itself of the recession that has long afflicted it even after the crisis, the Japanese economy experienced harm far greater than that inflicted by the global crisis due to natural disasters. Meanwhile, the European Union, considered the world's largest economy, it is working as best as it can so that the worrying trend of bankruptcies does not spread Union-wide. As the above difficulties occur in developed economies where a long-term beacon of hope is yet to appear, developing economies are drawing the attention of global economic actors—credit firms most of all—to themselves with their unexpected resilience, and tendency to grow at ever higher rates in economic terms. Developing economies once considered too volatile are now paragons of stability with the steady economic order they have attained.

With the intense interest shown by the world press, Turkey has become the most popular player in this nascent league. An improvement in Turkey's credit rating was expected after the election; credit rating firm Moody's announced that it raised the scores of Turkish banks'. Adding to this positive development was the recent announcement that Standard and Poor's will be opening an office in the country. Having achieved an 8.9% rate of economic growth in 2010, Turkey continues to draw international investment and credit firms to itself with the expectation of positive growth in 2011.

Jemma Green, Vice President of Sustainable Development at JP Morgan Chase, evaluated these developments and explained how Turkey stands out from the crowd of developing countries for The Turkish Perspective.

### Can we have your general observations and assessment on the Turkish economy?

It can be said to have quite a strong economy. While many countries, including developed countries, are still experiencing the negative effects of the crisis even after it, Turkey managed to emerge from the crisis with increased growth. That it had completed its integration with international markets was an advantage for Turkey in the crisis period. However, in the following period, it is expected that the integration in international markets will be accelerated and completed, and that financial markets will become deeper. The natural process for a country like Turkey, which has shown high economic growth, is securing depth in financial terms. I believe that this will be realized as the next step. Additionally, a consolidated democracy and a stable political environment are musts for the sustainability of all these economic developments.

### What kind of country is Turkey for foreign investors?

Considered as a developing economy, it is a country with a quite a high economic volume. And we can say that is alluring for foreign investors in several

"TURKEY COULD BE A LEADER IN THE ECONOMIC SENSE, AS THERE EXIST ECONOMIC SYSTEMS THAT ARE YET UNCONSOLIDATED IN THE REGION'S COUNTRIES"





ways. The most important thing for the foreign investor is "trust." In this regard, with the stable position it has maintained for quite some time, it is in a position of preference in the eyes of the investor. Considering its geographical position, Turkey is a country that truly has been able to attain and maintain stability. Furthermore, because it has advantageous prices compared to a good number of markets, Turkey will be a market foreign investors will not be able to give up for a long time.

### What should Turkey do to develop financial markets?

The existence of an active market is something that is needed for the current savings deficit. Secondary markets are also quite important with respect to the transformation of small savings into large enterprises. As you know, capital markets play a significant role in the distribution of capital stocks. Turkey could take the model applied in America as an example in the development of capital markets and especially the secondary market, making revisions according to its own conditions of course. Securing financial depth is a long-term process. So long as you can keep conditions stable, it is possible to realize this step by step. Though not as much as in the past, inflation in Turkey's economy can be cause for alarm in the coming term. To improve the investing environment, its economy must be kept under control and the focus should be on reducing inflation. There is a general election in Turkev in the days ahead. I'm sure that the country

"WITH THE STABLE POSITION IT HAS MAINTAINED FOR OUITE SOME TIME. TURKEY IS IN A POSITION OF PREFERENCE IN THE EYES OF THE INVESTORS AND BECAUSE IT HAS ADVANTAGEOUS PRICES COMPARED TO A GOOD NUMBER OF MARKETS. TURKEY WILL BE A MARKET FOREIGN INVESTORS WILL NOT BE ABLE TO GIVE UP FOR A LONG TIME"

will emerge strong from the elections in terms of both the economy and stability. Personally, I don't think there will be radical changes after the election.

### What do you think about the ongoing debt crisis in the European Union?

It is a difficult process that does not look like it will be resolved easily. We have time to see how much the European Union can progress in this area by itself. Greece in particular is being tested heavily in this process. The cost of the crisis, as a process that slows down both the union in general and its member countries, will be heavy. The European Union must truly be a "union" in economic terms to overcome this crisis.

### Which countries will be the ones to rise and fall in the next ten years?

Brazil stands out especially. From being a country that borrowed from the IMF up until a few years ago, it became a country saying it could give loans to the IMF. There are companies working with 400% profits and productive markets vielding big figures in Brazil. It can also stand against many countries with its social policies. Brazil will thus continue its ascent in the days to come. Although it hasn't started to fall, there is China. which might not realize the rise expected of it. The rising price of goods and the increasing inflationist effect will continue to challenge China in the days ahead. The risk of it becoming a structural problem requires immediate intervention.

### What is your evaluation of the region following the events in the Middle East/?

I am hopeful because of the elections that are to be held in the region. It is a natural right for people everywhere to be able to vote in a democratic fashion. While being hopeful for the elections, I prefer to be cautious. We will all wait together and see how the people will determine their own fates. Economically, Turkey is a great example for countries in the region. Turkey could be a leader in the economic sense, as there exist economic systems that are vet unconsolidated in the region's countries.

### It is being said that the yuan could replace the euro or dollar in world trade. Do you think this is possible?

Yes, it's true that the dollar is experiencing a drop currently. As you know, the USA has been in recession for years. In terms of investments, the dollar is going through a risky time. But on the other hands, there are the many years of market dominance to speak of. I don't know if it will replace the dollar, but in the next ten years, we could see the rise of the East in terms of currency.

### Do you think Turkey could be the tenth largest economy?

Since its founding in 1923, The Republic of Turkey has exhibited great progress, undergoing an unbelievable process of modernization in the meantime. A country with the potential to realize this process of modernization is also at a level at which it can achieve its economic goals.

# Brands textile, residental products, ceramics.



## Competing Against the World IN INDUSTRIAL DESIGN

The company that brought many international awards to Turkey is preparing for worldwide sales with the support of the nation and Endeavor Global



**7** ENOW HAVE products that are being imitated," began Mehmet Büyükekşi, President of the Turkish Exporters Assembly, on the evening that the 2010 Design Turkey Design

Awards met their recipients. He continued, "We broke out of our shell." Present that night was Ilio, one of the companies that played a significant role in Turkey breaking out of its shell in the field of design. "Cube,"

its flatware set consisting of 12 serving dishes that form a rock-like cube when stacked, was deemed worthy of an award for outstanding design at Design Turkey 2010.

A number of consecutive

successes started rolling in; the brand, having successfully reached a certain point already, started reaping the rewards of what it had been sowing for years. Demirden Design/Ilio, named as one of Turkey's most successful entrepreneurs by Endeavor Turkey on January 19, was one of the two Turkish brands selected as Endeavor **High-Impact Entrepreneurs** -with Çiçeksepeti, an online flower delivery service—out of companies entered from nine countries. Becoming an Endeavor Entrepreneur is of quite some significance for companies, because before receiving this title, they are assessed in terms of both

entrepreneurial spirit and their business models. Role model potential, growth potential, innovation, and the ability to adapt are perhaps the most difficult criteria to pass in order to become an Endeavor Entrepreneur.

But for a brand like Ilio, such things are not so hard. "All of the panelists who joined our selection panel were very valuable people that are experts in their fields. Important evaluations were made and we received great praise; these things made us very happy," says Demir Obuz, one of the founders of Demirden Design, adding that three months ago. Robert Polet, CEO of the Gucci Group, characterized the brand as one of the two finest design groups he has seen on the planet so far. Having had the chance to meet not only with panelists, but also with many high-level executives thanks to Endeavor Global, the company gained the opportunity to work with two important figures within this group as mentors. Polet, now a mentor to Ilio, is working with the company for the brand to advance. With a unique, innovative approach to housewares and tabletop items, the company has a presence in the world's important design stores, such as Gilt Groupe and the Museum of Modern Art in New York. The brand, which takes its name from Ilios, the sun deity of Troy (which is now in modern-day Turkey), takes inspiration from nature in creating a brand new



Interpreting housewares and tabletop items with an innovative approach, the company has a presence in the world's important design stores, such as Gilt Groupe and the  $Museum\ of\ Modern\ Art$ in New York

look for the functional objects in our daily lives. Its flatware and furniture collections incorporate a balance of such sensitivities as functionality, courage, and beauty. Developing products in the fields of tableware, accessories, and furniture, the company managed to collect highly regarded global design awards like the IF Gold, Red Dot, and Design Plus within a short time. The company also bears the pride of being the first company to bring the IF Gold award to Turkey. When they received

the IF Gold award, says Demir Obuz, one of the other award winners was Apple for the iPhone; they competed against such global giants as Volkswagen and Samsung, and also against increasingly more Turkish participants each passing day.

Demirden Design is a family design firm founded by Mehtap, Sema, and Demir Obuz. Mehtap Obuz is a graduate of METU in Industrial Product Design, Sema Obuz of Marmara University in Product Design, and Demir Obuz of Mimar Sinan University in Industrial Design. "The significance of us being siblings is an important factor in our excellent understanding of each other's design language, our supporting each other in this way, and the formation of teamwork within the company," says Demir Obuz.

The company, founded in 1994 with Mehtap and Demir Obuz, entered the world of design with the design of furniture. "We worked on

statuesque, individual objects that we did both the design and production of; and two years later, we added exhibit and stand design to our range of services," says Demir Obuz. Exhibition design is still a field in which they are active. Expanding its product range in time, the company started creating products in all fields of design in which a brand has needs, such as event design, corporate identity design, brand communication strategy, and graphic design.

In 20087, Demirden Design started trying to do something different in the field of product design, seeking to develop products with an innovative and creative side. Ilio was born as a result of this searching. "In September 2008, we launched Ilio and created the Ilio brand." Within its first year, the brand started appearing in many trend-following magazines and blogs, rising to the top of the pack in this field within a short time. Later, its products started being exhibited at Le Bon Marché Paris, New York, San Francisco, and the Museum of Modern Art in Japan.

"As successful as it has been in the international arena, Ilio also has a broad customer base domestically," says Demir Obuz, pointing out that they have worked with many national, corporatized firms for several years. Such sector leaders as Turkcell, Nokia, and Kale are among the customers of the company, which provides services to many companies in various fields. Among Ilio's latest projects is the renewal and transformation of more than 400 of Kale's retail locations









The significance of us being siblings is an important factor in our excellent understanding of each other's design language, supporting each other in this way, and the formation of teamwork within the company," says Demir Obuz both domestic and international. In addition, Demirden Design plays an important role in ad campaign design, print advertising design, and television advertisement design with regard to the development of the Karel brand's corporate identity and brand communication strategy. Turkcell, one of the pioneers of the communications sector, has been their customer for six years, says Demir Obuz, adding that they have appeared together at many events domestically and assisted in their exhibitions at the most recent CEBIT fair.

Demirden Design/Ilio is also one of the first companies to gain the privilege to receive the incentive provided to design firms and agencies by the Undersecretariat of the Prime Ministry for Foreign Trade (DTM). The incentive provided by the DTM within a program aiming for Turkish design to be promoted to the world and for it to contribute to export targets by developing design-based value-added products is split into three groups, namely design agencies, design firms, and design associations. State support is given to companies with export-oriented objectives for expenses ranging from their consultancy fees to trademarking costs, events abroad,

and printed or published documents at rates of up to 50%. Demir Obuz states that Demirden Design/Ilio is taken as a case study in this effort and that the DTM is working to determine what needs design companies have during their development and what the solutions could be, and that they later gained the right to benefit from the incentives program. Within the scope of this program, the international competitive ability of Turkish design companies is being supported too.

As the significance of design in Turkev rises, one also observes a notable increase in the number of schools. Over 15 schools graduate hundreds of students every year. A sizeable increase is expected to follow in the number of design agencies and firms in the coming years. After 2008, international interest in Turkev started rising too, a process in which the successes of such companies as Demirden Design and Ilio in the global arena have naturally played an important role. Demir Obuz emphasizes that many companies from abroad wish to open design bureaus here and that they themselves have received offers.



adding that there is a significant increase in the number of internship applications coming from abroad.

The company now plans to open "Ilio Corners" in multi-story stores over the next few years, after which it will continue these plans with "Ilioshops." Demir Obuz, who says that they were advised to move toward e-trade at the Endeavor panel in London, states that they will solve this issue within a short time too, and will start Internet sales with the likes of Internet giants such as Amazon. Already producing the majority of its products domestically, the company plans to move the entirety of its production to Turkey through cooperation to come from local partner. Within its first year, Ilio gained acceptance or invitations from stores that many companies have not managed to enter at all. Ilio, which is open to offers for partnership, progresses with the strength of its brand toward becoming a world brand.

In 2008, Demirden
Design started trying
to do something different in the field of product design, seeking to
develop products with
an innovative and
creative side







### $Li\, \ensuremath{\mathfrak{C}}$ Fung Spreads to the World via Istanbul,

# THE CAPITAL OF THE **FUTURE**

The world-famous procurement chain Li & Fung does not hesitate to invest in Istanbul, which it sees as the capital of the future

BY GAMZE GÖREN & AYŞEGÜL SAKARYA

BY ŞEREF YILMAZ

ONDON AND HAMBURG are the capitals of the past, whereas Istanbul is the capital of the future," said William Fung, co-founder of Li & Fung, at the opening of the company's Istanbul

headquarters around 1½ years ago. He added, "In terms of both of fabric and product development, Turkey could replace Italy. And I believe Turkey could be the new Italy." William Fung, one of

the co-founders of Li & Fung, a giant supply chain company with 15 billion dollars in revenues, is confident in Turkey's potential. The company, which engages in procurement for famous brands with its 14,000 employees in 80 countries, has been facilitating around 750 million dollars of exports with its 300 employees in the free zone in Istanbul for close to ten years. The company, which opened a new headquarters in Istanbul at the start of 2010, aims to make Istanbul the center of its operations in Europe, the Middle East, and Africa. Offices in Egypt, Portugal, Morocco, Italy, Lithuania, and Romania report directly to Istanbul.

"Turkey has great potential in textiles. By increasing its performance over the past 15 years, it answered the requirements of the market,"

says Li & Fung Istanbul Hub Operations Senior VP Kadri Akdemir. Li & Fung is reaping the rewards of the investments it made in Turkey as well. The company's business volume in Turkey, having increased by 20% over the past year, is rapidly nearing 1 billion dollars.

Although the Chinese Li & Fung Group, founded in Guangzhou in 1906 by Fung Pak-liu and Li To-ming, is mostly active in Turkey in the field of textile distribution, it is also active in many various fields of business ranging from glassware to the procurement of many different products and retailing. The majority of the company's products are made up of "soft goods," or items like clothing, while the rest consists of "hard goods" like glassware. With revenues of over 15 billion dollars, the company employs 27,000 people globally.

Li & Fung, which represents many significant brands and retail chains worldwide, makes the bold claim that everyone in the world will possess at least one of their products within a few years. In their book titled "Competing in a Flat World"—a nod to Thomas Friedman's "The World Is Flat"-Victor and William K. Fung state that they are leaders in a world in which geography no longer has any importance, writing on the new role models of multinational corporations while providing important hints on their own business models. The brothers Fung manage a giant network made up of over 15,000 suppliers in 40 countries.

Turkey plays a strategic role within this network. Li & Fung works with many brands in Turkey, including the likes of Mudo, Collezione, and Seven Hill. The company, together with the Aslan Companies Group, rebooted their idle factories in the Southeastern Anatolia region around two years ago, laying the foundations for a project able to provide employment to 100-150.000 people. Directing its customers' purchases to the region, Li & Fung believes that the textile sector will become much more competitive with production in Anatolia.

Turkey's status as an important hub within the global supply chain and the aims and potential of its textile sector reflect positively upon Li & Fung's growth targets. The textile sector in Turkey has been exhibiting significant progress for the past few years. The number of conventions and events stimulating the textile sector—such as Collection Premiere Istanbul (CPI), Istanbul Fashion Week, and Shopping Fest—is



Exports that Li & Fung has annually facilitated with its 300 employees in the free zone in Istanbul for close to ten vears

increasing rapidly. Exports made to such markets as Romania, Kazakhstan, Tunisia. Iran, and most of all the US and Russia are expected to provide growth in exports ranging from 60 to 23%, and in 2011, with alternative markets, exports of ready-towear clothing and apparel are expected to gain momentum.

Turkev is also an active country in textiles in the field of raw materials. Geographically, it is proximate to Russia and the ex-Soviet states, and is at a logistically important location. Its educated, skilled workforce is also an important factor Li & Fung's decision to invest. "We began a long-term investment in Turkey for these reasons. We will promote Turkish products in Africa, North Africa, the Middle East, and the Mediterranean," said Victor Fung in the speech he made at the opening of the Istanbul headquarters. Although costs are higher, Turkey produces fashion. "This is the preference of our customers who value quality and trends," says Fund, adding, "A good number of countries are making a mistake by writing off this sector because of rising labor costs." According to Fung,

who states that the sun has not vet set on the sector. Turkev is aware of this. Kadri Akdemir says, "The Turkish textile sector has several advantages. European retailers and brands especially want to work with producers who respond quickly and follow fashion. By understanding their customers very well, Turkish producers are able to satisfy their needs. And this makes the textile sector strong." He adds, "While our headquarters in Istanbul provides a fantastic location for our worldwide customers, it also increases Li & Fung's operational productivity. Thanks to the resulting synergy, Li & Fung surrounds the whole world with its global network."

Li & Fung works with many brands in Turkey, including the likes of Mudo, Collezione, and Seven Hill





### The Sector BRIGHTENED BY CONSTRUCTION

The qualitative and quantitative improvement in housing production spurs the development of the bathroom systems sector

BY SINAN KOPARAN

NTIL 1999'S EARTH-QUAKE, there were no significant developments in terms of production in the Turkish building sector. High inflation, high interest rates, and muddled policies both slowed down production and prevented the realization of expected sales. However, as controls and state-supported projects applied within the building sector after 2000 incited companies to produce higher-quality work, it also brought about improved relations between these companies and the rest of the world. The bathroom sector, occupying an important spot within the building sector, has also improved visibly as of the

year 2005. Especially with building companies gained strength, the three-year period between 2005 and 2008 was quite lively. Then, in 2009, the slowdown occurring in the construction sector due to the crisis affecting the entire world also hit the building sector and, therefore, bathroom systems. However, the sector is today regaining the quality of being one of the most profitable areas within the construction sector.

The growth in bathroom systems is directly tied to the construction sector. The housing sector comprises 60-65% of construction activity in Turkey. Real estate and construction were among the



As consumers' lives, tastes, and preferences change along with the world itself, bathroom fixtures and accessories become more than just necessities

fastest-growing sectors in recent years and also boosted related sectors like iron, cement, and glass.

The economy's 8.9 % growth rate and the construction sector's 22% growth rate in 2010, together with the subsequent rise in demand, put a smile on bathroom system producers' faces. Reductions in housing credit interest rates and Turkish companies' expansions abroad could be interpreted as evidence that this positive state of affairs will continue. In terms of both product quality and product range, Turkev's competitive ability in all global markets has improved, says N. Bülent Onur, General Manager of Ece, one of Turkey's leading producers of bathroom system. He adds, "Reinstatements to be made by the government with the intention of increasing exports by drawing the various taxes and funds on the prices of energy and laborthe sector's primary inputs used only for the production of exported products to levels especially of countries that are our rivals (like Egypt, China, India, Vietnam, and Indonesia) will be a driving force that will double the sector's exports within a very short time." Today, Ece produces over 15.000 kinds of products at its five production facilities, four of which are in Corum and one in Moldavia, exporting them to 47 countries.

Ercan Bunyak, General Manager of Petek Banyo, which exports 30% of its production to a total of 28 countries, says, "The economy has started recovering with slow but sure steps. Meanwhile, 2010 was a year in which techniques were improved too. R&D efforts, quality, and branding acquired importance. Efforts geared toward markets targeted abroad were conducted. Our suggestion is

for incentives directed to the building and construction sector to be increased before this year ends; then there could be a serious increase in the private sector's investments."

At the foundation of the increase in investments, changes in consumer expectations stand parallel to the construction sector's development, as together with economic developments, the renovation and modernization of existing bathrooms also becomes an issue.

"We are making serious innovations in production processes. Through these, we are creating a system that can respond faster to demands in custom and upper-segment products," says N. Bülent Onur. He continues, "By ensuring rapid service to our procurement system via technological investments, we are becoming able to produce in a way that reduces the burden of stock, whether on ourselves or our customers."

As consumers' lives, tastes, and preferences change along with the world itself, bathroom fixtures and accessories become more than just necessities. "Bathrooms have become important spaces in which people breathe. Facing this situation, consumers have started to give their bathrooms brand new lives," says Ercan Bunyak, and continues, "They rebuild the bathroom of a house they just purchased according to their tastes without even thinking about it. The usual concepts are about to be shelved. Stylish, aesthetic, and practically useful bathrooms are being preferred. Harmony, creativity, and freedom are used in unison. Products and models incorporating these are being preferred."

These changes in the sector also bring increased activity on the production side. The growth occurring in many fields accelerate the solving of Turkey's primary issue, its current account deficit. Underlying this issue is the fact that production based on local resources is too low and consequently that the majority of product manufacturing continues with a dependence on imports. However, the situation in the field of bathroom systems exhibits some differences, as the use of domestically-produced raw materials is quite widespread. "Because our products are made 100% of Turkish raw materials, we have no difficulties in procurement,"

with companies in Turkey that are able to manufacture to their standards, European countries are supporting the growth of the Turkish sector. If no significant setbacks occur, Turkish companies are aiming to raise their quotas up to 40%. Because of this, leading manufacturers in Turkey's sector are appearing in force at such conventions as UNICERA, CEVISAMA, and ISH Frankfurt. "These conventions are just a start. We plan to participate in many other conventions" says Ercan Bunyak.



says Haluk Hadi Esen, Exports Manager at Damla Banyo. The sector's high-quality and modern products make it possible to export to many countries in nearby territories, Europe most of all. Belgium, the UK, Hungary, France, Greece, Moldavia, Bulgaria, and Ukraine are the sector's chief markets in Europe.

Because labor costs for metal bathroom accessories are quite high in the European market, producers in the region mostly manufacture in China. In light of this, in order to protect its own market, the EU imposed high taxes on products imported from China. European producers started searching anew due to this move, and Turkey has emerged as one of the two preferred countries. Working

The economy's 8.9 % growth rate and the construction sector's 22% growth rate in 2010, together with the subsequent rise in demand, put a smile on bathroom system producers' faces

Meanwhile, the sector is creating important markets for itself in countries known for their activeness in the construction sector, such as Russia, Iran, Libva, Malta, Lebanon, Jordan, Iraq, Saudi Arabia, and Qatar. The region is not just being pursued by Turkey, but also by many other producers too, Still, Middle Eastern and African countries, known for their closeness to Turkish society, exhibit more demand for Turkish products, and positive activity is being seen in the exports of Turkish companies. But lately, due to events occurring in North Africa and the Middle East, the bathroom systems sector has had to take a pause along with the construction sector at large. However, one cannot say that region, which maintains constant growth potential, has lost its allure due to the incidents. Once the incidents come to an end and regional populations secure the stability being awaited, an economic upturn can become a possibility once again. Haluk Hadi Esen says, "In coming years, it is expected that with the ending of the civil wars in the Arab world and democracy being put into full effect in these countries, there will be an increase in our country's exports averaging around 25%."

Increased construction sector activity, an important indicator of recovery from crises, shows that Turkey has left many economic difficulties behind. Besides fulfilling the country's building needs, the construction sector causes increased activity in dozens of subsectors too; bathroom systems can be considered to rank first among these. Being supported today not only by activity in the domestic market. but also by foreign markets, it can be said that the sector will enter a much brighter period in the days to come.



### A TRADITION TRANSFORMED TO BRAND VALUE

The year 2011 is an important litmus test for the ceramics sector which is now taking significant steps in branding and reaching important levels in international platform

BY MERVE KARA

**▼** HE VOYAGE OF CERAM-**ICS** in Turkish history stretches from Central Asia to Anatolia. Ceramic works, omnipresent in all layers of this lengthy history, is regarded as being quasi-sacred as the favorite decorations of the Ottoman Empire's symbols from Sultanahmet to Süleymaniye. The worldwide renown of Turkish china is also regarded as a reflection of progress in the ceramic arts. Having thus inherited a rich heritage, Turkish ceramics is quite popular today too thanks to the original, modern style it has acquired. Ceramics is an industry in which Turkey is strongest both in the domestic and international market. The

Turkish ceramic sector, with an 11% share in total European production, is third in the region and ninth in the world. Close to 35% of the production in the Turkish ceramic sector, the fourth largest in global ceramics exports, is exported to around 65 countries. Moreover, it gains admiration for the modernity it achieved through the emphasis on design as of the early 90s. For the sector, which achieved a 20% increase in production in 2010, the year 2011 is an important litmus test. The industry, having shifted eastward in response to the crisis its main buyer, the European market, is struggling against, is trying to cope with difficulties in its new markets. In spite of this, it is estimated that exports in Turkey will increase by 13.7% to hit 127 billion dollars.

For quite some time, companies in the Turkish ceramic industry have been taking significant steps in branding; and today, whether with their technological investments,

The Turkish ceramic sector, with an 11% share in total European production, is third in the region and ninth in the world

Today, even digital Technologies are used in the production of ceramics in Turkey which exports to 65 countries

designs, or manufacturing technologies, many Turkish companies have managed to become brands, attain stability, and reach important places in the international platform. Looking at Turkey as a whole, the ceramic coating sector received revenues of 1.321 billion TL with approximately 160 million square meters of the material sold domestically in 2010. In 2010, when 245 million square meters of ceramic tiles were produced, production increased by 20%, domestic sales by 11%, and exports by 25% over the previous year. An important factor in the momentum gained by the booming sector is the eastern breeze that has had the Turkish exporter under its effect for some time now. In addition to the great significance that the EU market carries for the sector, the dynamics directing world trade bore expectations that the countries to the east and south of Turkey would start having a great effect on the world economy from 2010 onward. During the crisis. Asian and African countries drew much attention to themselves for their lively demand. When the importance of logistical costs in the export of ceramics product is considered, proximity to the aforementioned markets both made the countries more advantageous and allowed countries to use their financial resources more productively and make new investments. "Turkey used its advantage of being close to the countries of Asia and Africa well," savs Metin Savcı, General Manager of

Bien Seramik, stating that although the violence and conflict ongoing for some time in the Middle East is affecting the markets negatively, there has been growth of around 10-15%. These expectations are supported by the first data to be released this year, which show growth of 25%. A young brand in a sector that includes such enterprises belonging to Turkey's largest holdings like Eczacıbası and Sinpas and firmly established brands such as Canakkale and Ege, Bien stands out with its distinct style, which is visibly influenced by the digital era. Bien is one of the first three firms to use digital ceramic printing systems in Turkey and is among the leading companies using digital technology in the production of wall ceramics.

As much as new markets make room for new brands, they can also be said to help the sector push the limits of creativity. Recently promoting Serra, the new brand of Sinpas Holding's Seranit, Sinpaş Board Chairman Avni Celik was highlighting how they passed a new threshold with Seranit's new investment in the field of ceramics. Seranit, which started producing ceramics with the Serra brand created by fashion designer/ designer Bahar Korçan, entered the Algerian market with a 190 million dollar investment. One of the pillars of the Sinpas Group, Seranit exports to 65 countries worldwide. With capacity increases and factory purchases by the end of 2012, the firm's investments are expected to reach 90 million euros. Seranit, which will invest in 24 million square meters of ceramics production,





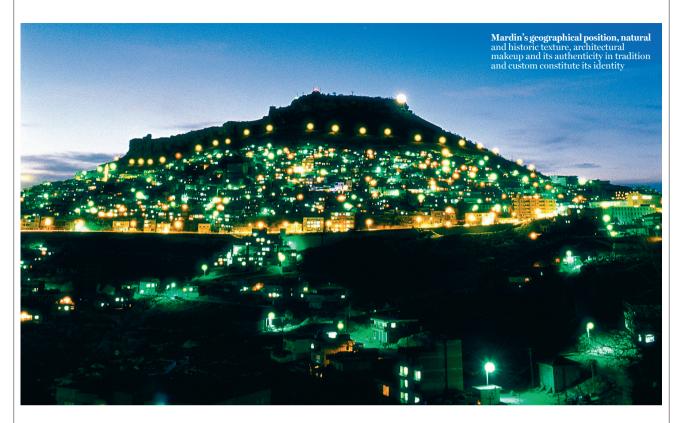




New markets help ceramics industry push the limits of creativity. Seranit which has a brand created by fashion desinger, Bahar Korçan, is one of the companies that give priority to innovation will bring a manufacturing complex with a total output capacity of 45 million square meters to life by the end of 2012.

Ceramics exporters, although struggling with various crises in the East and West, regard this year as hopeful, with experience gained on an international scale, the high competitive ability of Turkish companies in the countries of the region, the fact they procure raw materials locally, their world-class production based on advanced technology, their geographic position, and the advantages they gain by way of cultural ties. The sector determined Israel, Germany, the UK, Canada, and Azerbaijan as the top five targeted export markets. and their exports to Israel, Germany, Canada, France, and Iraq are now indeed on the rise. TÜYAP Executive Committee President Serdar Yalcın states that the ceramics sector, which has undertaken responsibility for 3.5 billion dollars of the 500 billion dollar exports target for 2023, contributes five to eight times more value added in production than that of such leading high-value-added industries as the automotive and electronics industries. This year, a total of 60.841 people visited UNICERA's 23rd International Ceramic Bathroom and Kitchen Fair, which was hosted by TÜYAP. With a 23% increase in international visitors, the fair was among Europe's top two this year.

Now, it is the right time to turn Turkey's strong heritage and tradition in the ceramics sector into brand value, a point made ever clearer by the intense efforts in the recent term.



### CARRYING HISTORY UP TO TODAY

Mardin, one of the symbolic cities of world history and a candidate to be on the UNESCO World Heritage list, is like a bridge connecting the past to the future

BY NİHAT ERDOĞAN 🖒 BY FETHİ İZAN

ARDIN IS A CITY that has been home to numerous civilizations throughout the history of humankind. starting from prehistory up to this day. In light of the fact that it contains works and knowledge belonging to many such civilizations as the Subarids, Hurids, Akkadians, Hittites, Assyrians, Scythians, Babylonians, Persians, Macedonians, Abgarids, Romans, Byzantines, Umayyads, Abbasids, Hamdanids, Great Seljuks, Artukids, and Ottomans, calling Mardin a museum town would be no exaggeration. Mardin's

geographical position, natural and historic texture, architectural makeup, the economic and cultural way of life of its people, and its authenticity in tradition and custom constitute its identity. This identity emerged after thousands of vears of accumulation and development. The city now opens its arms to local and foreign investors, complementing this identity with the vision of a contemporary business

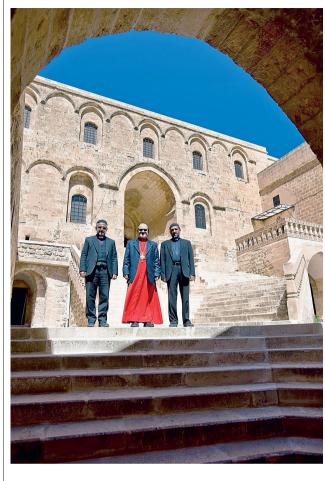
For millennia, Mardin has been a self-sufficient city. This identity is what makes the town unique and this identity

is hidden in the city's memory. Mardin's urban memory lives on in the stones set by the skillful hands of architects and muralists in its peerless temples, khans, baths, caravanserais, and houses. Its cultural constitution is alive in the names of places. It is alive in its bazaars, passageways, fountains, madrassas, and mosques. The traces of tolerance and wisdom live on in its churches and monasteries. the names of its streets and neighborhoods, and in family nicknames. The architectural makeup of the town, which has been under official protec-

Mardin's economy has seen significant activity as a result of the lifting of visas with Syria, and the best proof is that 30 factories have been opened in the city's Organized Industrial Zone in the past nine months

tion as an urban conservation area since 1979, makes it one of the strongest candidates for the UNESCO World Heritage List together with its ethnic diversity and cultural richness.

The Historic Transformation Project run by the Governorate of Mardin for the past two years has become a hope for Mardin to be reacquainted with its historic and cultural past. As its infrastructure is renewed according to this urban memory, reinforced concrete buildings are removed and historic buildings are restored. We could also call this the infrastructural work for Mardin's urban memory to be integrated into tourism. The Mardin Museum, as the center of the town's urban memory, serves as a bridge that connects the past to the present and the future, collecting Mardin's and the region's past cultural values, and then accumulating, documenting, exhibiting, and preserving them. The museum is conducting efforts aiming to introduce the city's past to the

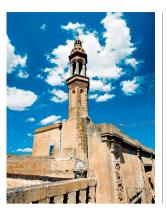


masses who have become foreign to the town they inhabit and for society to correctly make the connection between yesterday and today and today and tomorrow, be aware of the culture in which it lives. and not lose its memory. Also aiming to promote Mardin's archaeological and contemporary cultures from the Paleolithic age to this day to the world and to present the lifestyles, handcrafted items, eating and drinking culture, style of dress, industry, economy, social life, and architecture to people, the museum is aware that they way to keep the urban memory alive goes through preserving such "memory lanes."

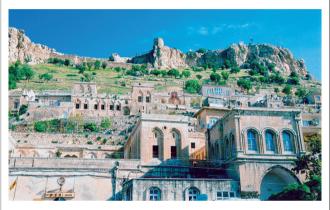
In fact, the city's rewritten memory also reflects the memory of the people of Mardin. As structures are knocked down, rebuilt, and restored in Mardin, where one



can see the place of masonry in human life and how human labor has shaped stone, one must mention the water system that lives on in the city's memory. Mardin's water channels were formed beneath the city over the thousands of years that they gave life to it. One can comfortably stand up in these two-meter-high waterways that once carried water to thousands of cisterns



Mardin is one of the strongest candidates for the UNESCO World Heritage List together with its ethnic diversity and cultural richness



built beneath houses and fed fountains and baths Twentysix waterways have been identified by the Museum of Mardin so far.

The fundamental structures of modern life now rise. above this infrastructure. It is estimated that the amount of investment in the town, which attracted 1.64 billion liras' worth of it in the past two years, will reach 2.47 billion liras by the end of 2011. Additionally, applications were made for 60 factory investments within the first six months of 2011. The city's economy has seen significant activity as a result of the lifting of visas with Syria, and the best proof is that 30 factories have been opened in the city's Organized Industrial Zone in the past nine months. Now, the governorate is completing the process of assigning land for a second zone. "There is a flurry of activity in organized industry too. Production of parts for Iraq and Syria is quite high," says Mehmet Ata

İletmiş, President of the Mardin Chamber of Architects. He adds, "Europe's third largest perfume factory is being built; soon, it will enter operations too."

The city's exports exhibit an increase in parallel with these developments, and employment in the city, whose exports in 2010 neared 400 million dollars, is increasing simultaneously too. In addition to 1,500 jobs to be created at a ceramics factory planned to be built with Turco-Italian partnership, around 1,000 people are expected to be employed at eight hotels whose foundations were laid within the past two years. Furthermore, when the two 100 MW power plants are brought to life, it is certain that the city, currently seventh in Turkey's unemployment ranking, will take great strides in this area. Now, Mardin fuses its historical and cultural heritage with its development strategy and emerges before both investors and tourists with a brand new face.

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



# eal Capital of Fashion

Istanbul Fashion Fair, the best platform where all national and international brands and companies in the process of creating their own brands will get together. Brand equities are brought into sharp relief in the glamorous atmosphere created by the organization of a single type and brand new special construction stands. Istanbul Fashion Fair will be the top most events to be held in the industry related to the fashion, clothing and textile industry. The event will be hosting

### **AUGUST 18-20**

İstanbul Fashion Fair Yeşilköy- CNR (World Trade Center Exhibition Area)

the various top most designs of fashion accessories and clothing. The Fair will host all varieties of product jewelery, hand bags leather goods, women's wear, Menswear, Kids wear and fashion accessories. This fair will provide an excellent opportunity for all the entrepreneur and new companies to work along with topmost established and contemporary brands to get an international exposure and to find their target customers, retailer and manufactures.



Bursa 6<sup>th</sup> Baby and Child Ready Wear and Child' Requirement Fair TUYAP Bursa International Fair & Congress Center.

#### 30 JUNE- 3 JULY 2011

The fair is performed with the participation of 100 leading companies of the sector including representatives from 9 countries.

Konya 27<sup>th</sup> Shoe, Side Industry and Fashion Fair TUYAP Konya international Fair Center

#### 7-10 JULY 2011

The fair provides an platform for exhibitors to display the latest product in front of thousands of domestic and international visitors. The motto of this event is to bring together all the professional and experts under the one roof for exchange the ideas.

Ordu 15<sup>th</sup> Karadeniz Industry and Trade Fair Ordu Municipality Fairground

#### 8-14 JULY 2011

If your company designs and provides solutions that enable the industry to bring down costs for environmental equipment and techniques, or offers environmental technology innovations in compliance with the environmental legislation, then exhibiting at the fair is a must!



4<sup>th</sup> Tarımtech (Agriculture Fair)

Orion Shopping Center and Exhibition Area - Çorlu

### 27-31 JULY 2011

The fair can be the best practice for capturing sales leads from Agriculture trade shows. The trade show is opening in Tekirdag. In the show you have the opportunity to get cheap trade show giveaways.

Trikonfex 1st Tricot, Tricot Yarm, Clothing and Technologies Fair

### Middle East Exhibition Center- Gaziantep 21-24 JULY 2011

Profile for exhibit in Trikonfex include fabrics for women's wear, men's wear and children's wear, laces, embroideries, knitted and woven fabrics but also accessories, yarns and clothing etc.



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30<sup>th</sup> Turkey Book and Culture Fair Sultanahmet Mosque - İstanbul 7-26 AGUST 2011

Traditionally held by the Religious Foundation of Turkey, the 30<sup>th</sup> Book and Culture Fair of Turkey will take place in Beyazit Square this year instead of Sultanahmet Square.

International Conference On Matematical finance and Economics

### İstanbul Technical University -Süleyman Demirel Cultural Center

#### 6-8 JULY 2011

The primary goal of the conference will be to provide opportunities for business related academicians and professionals from various business related fields in a global realm to publish their paper in one source.



Days of Agriculture and Technology

### Karaevli Village Open Field

### 21- 24 AGUST 2011

Machinery and agricultural implements will be presented on campus grass and at machinery demonstrations. The live demonstrations will take place on areas specially prepared for this purpose. With an expected 15,000 visitors from Turkey and neighbouring countries, Agriculture and Technology Days 2011 will be a very attractive event for visitors and specialists.

International Bodrum Yacht Show Turgutreis Marina- Muğla

#### 27-31 JULY 2011

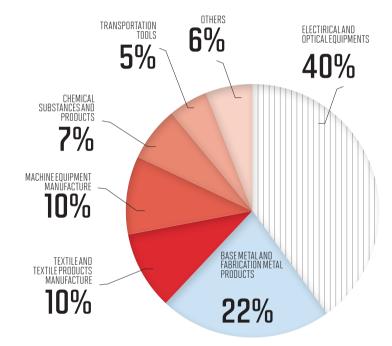
International Bodrum Yacht Show is the largest yacht show in Eastern Mediterranean which will be held in between 27-31 July at Turgutreis Marina.



# FIGURES FOREIGN INVESTMENTS; THE SURVEY OF EXPORTERS' TENDENCY, EMERGING TRENDS IN REALESTATE

### INTERNATIONAL DIRECT INVESTMENT IN MANUFACTURE INDUSTRY IN THE FIRST QUARTER OF 2011

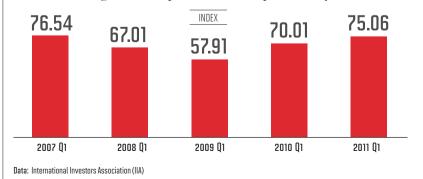
Turkey's attracted the interest of international investors in the first half of 2011 thanks to its comparative advantages. Especially electirical equipment manufacturing and metal products industries have shown a significant stride in this period



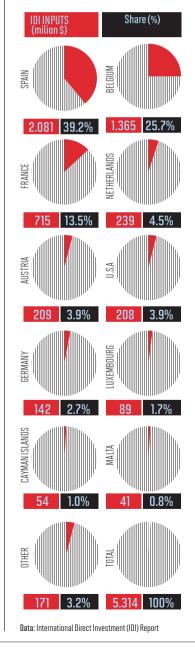
Data: International Direct Investment (IDI) Report

### INVESTORS' EXPECTATION INDEX

Investors' Expectation Index by International Investors Association reflects investors' economic views, expectations and plans for the next period. The index shows that the confidence of international investors in 2011 is in a rising trend compare to the same period last year



INTERNATIONAL DIRECT INVESTMENT SHARES BY COUNTRIES IN THE FIRST OUARTER NF 2011



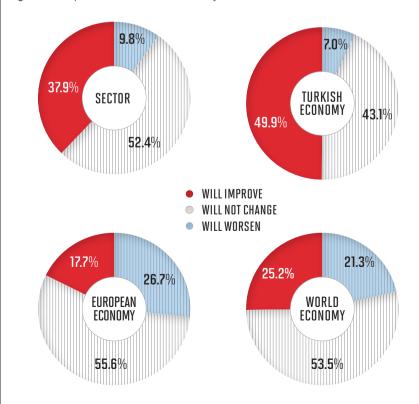
### EXPORT AS A BEACON OF HOPE FOR TURKEY IN 2011

Turkey aims for 135 billion dollars in 2011. According to the Exporters' Tendency Survey conducted among 520 companies in May 2011, companies believe they would even exceed this target

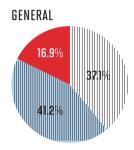
The table shows the rate of the companies that have declared that they have seen improvement in their businesses in the first quarter of 2011

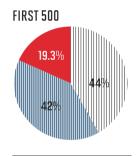
	General	First 500	Second 500	Other
Production	54,20%	66,00%	55,10%	47,50%
Exports	56,30%	71,30%	60,80%	45,60%
Capacity utilization rate	48,80%	60,30%	47,50%	43,30%
Stock situation	30,00%	33,30%	33,10%	26,80%
Input costs	81,30%	80,90%	86,40%	79,30%
Unit export price	48,80%	57,30%	45,80%	45,20%
Imported input usage rate	25,00%	21,30%	29,70%	24,90%
Raw material unit import price	63,30%	70,20%	69,50%	56,70%
General profit level	19,40%	30,70%	21,70%	11,90%
Exports profit level	19,40%	30,70%	21,70%	11,90%
BASE	531	150	120	261

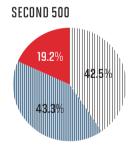
Turkish exporters are optimistic for the next quarter. Most of the exporters in Turkey expect a significant improvement in both the country's and their industries' economic conditions

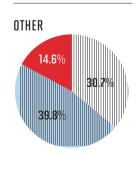


%41.2 of the exporters employed new blue collar empolyees in first quarter of 2011

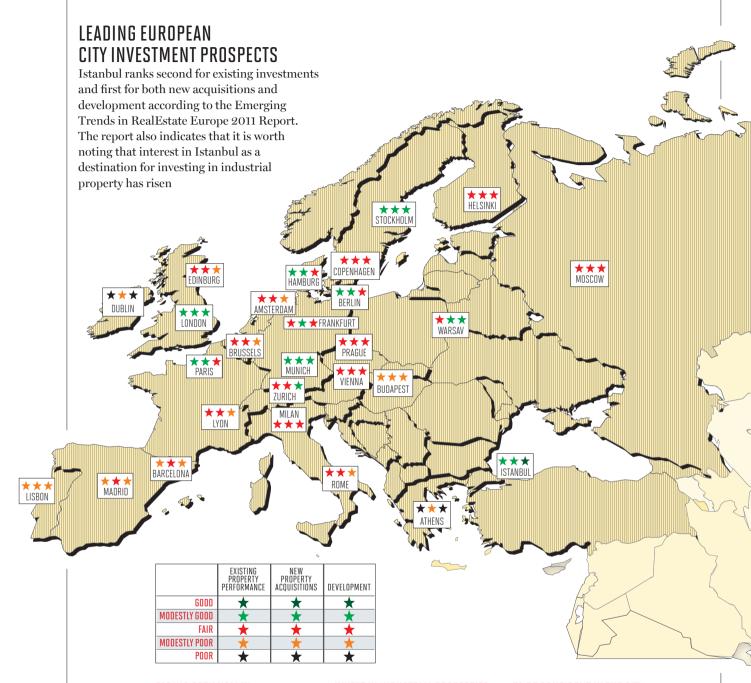








Data: TIM Survey of Exporters' Tendency



### FADING OPTIMISM IN 2010

The report shows that Istanbul had ranked high in the tables in 2009, based on the view that it would be less affected by the economic problems besetting the rest of Europe, But that optimism had faded somewhat, and Istanbul had slipped to seventh for existing investments and fifth for new acquisitions

Data:Emerging Trends in Real Estate Europe 2011

### **INVEST IN INDUSTRIAL PROPERTIES**

According to the Emerging Trends in RealEstate Europe 2011 Report, both local and international investors have become more positive about Istanbul since last year. It is also worth noting that interest in Istanbul as a destination for investing in industrial property has risen. It is mentioned in the report that for those investors who selected industrial as the preferred investment for any city, the largest number chose Istanbul

### TO BE CONFIDENT IN THE CITY

The report explains Istanbul's strong performance by investors' reasons for optimism about investments in the city. In the case of Turkey, those investors who remain fans do so because of the underlying fundamentals. It is one of the few markets where investors remain confident in the city rather than in their own ability to buck the generaltrend through superior real estate investment skills



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