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The Turkish Perspective

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ECONOMY | BUSINESS | FOREIGN TRADE | ANALYSIS

THE LEAD ACTORS
IN A WORLD-
ASTONISHING
PERFORMANCE
AIM HIGHER IN
2012



THE ARCHITECTS OF SOUND, **SOLID FINANCE**

The players in the Turkish banking industry claim superiority in applying lessons learned from global financial experience



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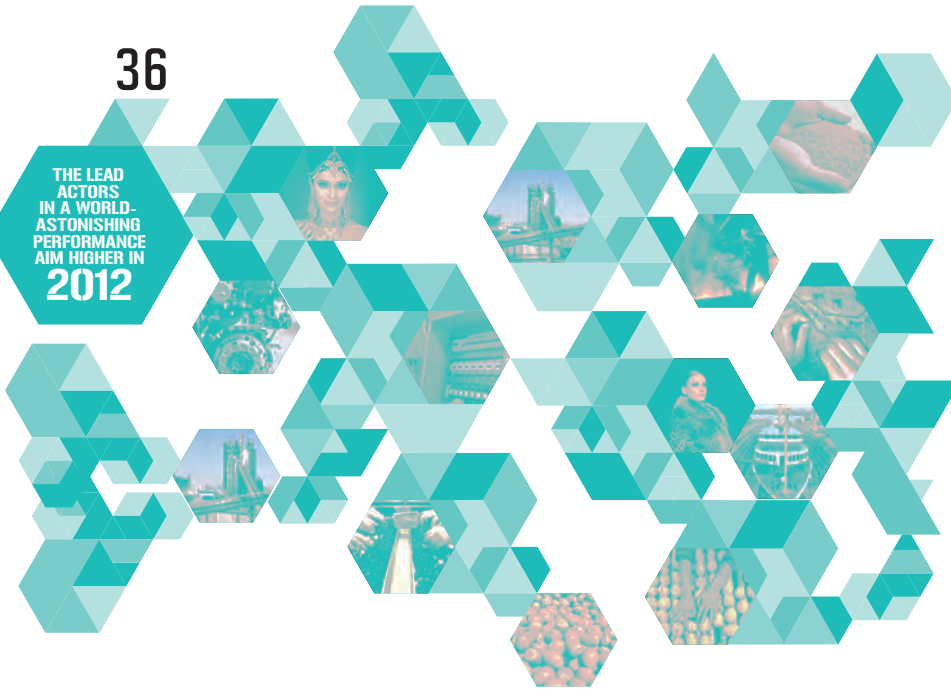
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Editorial



MEHMET BÜYÜKEKŞİ
PRESIDENT (TIM)

TURKEY INNOVATES TOWARD DEVELOPMENT

With its transforming, developing constitution that gains greater dynamism daily, the Turkish economy determined an innovation-friendly economic vision

IN THE PRESENCE OF PRESIDENT Abdullah Gül, we as TIM hosted the Turkish Innovation Conference December 7–8, 2011. We undertook leadership of the Turkish Innovation Conference in order to support innovation and the production and export of R&D-based, high value-added, branded products, succeeding in bringing the public and private sectors together under one roof. At the Innovation Conference, we emphasized the importance of innovation for Turkey to move on to production and export in high-tech industries.

We welcomed such guests who are expert in their fields to the Turkish Innovation Conference in Istanbul as Mike Lazaridis, whose BlackBerry smartphone led to a breakthrough in the world of business; Professor Mary-Clair King, the female discoverer of genetic science; Professor Murat Gürel, the genius Turk who is the rising star of the world of medicine; Lyndon Evans, the genius who is searching for the secrets of the universe at CERN; and Sheikh Hamad bin Khalifa Al Thani, the founder of modern-day Qatar.

We have grasped the importance of innovation for raising our number of exporters from 50,000 to more than 70,000 and achieving quality in our exports. To support Turkey's bid to rank among the world's top ten economies,



the Turkish economy has moved toward innovation. With its transforming, developing constitution that gains greater dynamism daily, the Turkish economy determined an innovation-friendly economic vision. Turkey cemented the groundwork for this vision through its successes.

That we have achieved the levels we targeted in our economic indicators as we approached the New Year is proof of the soundness of Turkey's economy. The economy of Turkey, which has been exhibiting uninterrupted growth since the last quarter of 2009, posted 12% growth in Q1 2011, 8.8% growth in Q2, and 8.2% growth in Q3. With the 9.6%

growth rate we attained as of the first nine months of 2011, we ranked first globally in terms of growth.

The pleasing growth in our economy impacted our employment rates positively too—our unemployment rate fell to 8.8% in September. The increasing growth and decreasing unemployment rates show us that the economy of Turkey is growing with new investments and an employment-friendly model. With our economy, which grew 8.2% in the third quarter of 2011, our exports, which increased 25.7%; and unemployment figures of 8.8%, we have greater courage in our move toward innovation.

Additionally, the economy of Turkey bolstered its public budget with the strong recovery it experienced in 2010, and its public debt fell to levels that compare more than favorably to the rest of the world.

It is a very pleasing development for our economy that the rate to the GDP of the public sector borrowing requirement targeted for the end of this year and the general state deficit will have fallen to the region of 1%. As a result of these improvements in the public deficit, we expect the ratio of our general stock of state debt to the GDP will have been around 39.8% by the end of the year.

With the stability and growth rates it has attained, Turkey is a country that creates value for its investors and partners in trade.

As a strong player in the global economy both as a manufacturing center and with its developing middle class and dynamic investors, Turkey continues to grow rapidly. As a Turkey with a dynamic population of 74 million, 11,000 dollars of annual per capita income, a national income of 766 billion dollars, a strong banking and finance sector, and major goals for 2023, we are progressing toward a brand new era.



Around 30,000 international companies have already invested in Turkey. How about you?



INVEST IN TURKEY

- One of the fastest growing economies in the world with robust GDP growth rates of 10.2% in the first half of 2011 and 9% in 2010
- 17th largest economy in the world (IMF-WEO, 2010)
- A population of 74 million, half of which is under the age of 29
- Access to Europe, Caucasus, Central Asia, the Middle East and North Africa
- 15th most attractive FDI destination for 2008-2010 period (UNCTAD World Investment Prospects Survey)
- Highly competitive investment incentives as well as exclusive R&D support
- Around 26 million, well-trained and motivated labor force
- Approximately 500,000 students graduate from universities annually

REPUBLIC OF TURKEY PRIME MINISTRY
INVESTMENT SUPPORT AND
PROMOTION AGENCY



**YOUR ONE-STOP-SHOP
IN TURKEY**

invest.gov.tr

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Editor: Ceyhan Aksoy

First

EXPORTS, SUMMITS, PARTNERSHIPS, BANKING, INVESTMENTS, AVIATION...



Leading international personalities and executives attended the summit

Global Entrepreneurship FOR SUSTAINABLE EXPORTS

The Second Global Entrepreneurship Summit offered the solutions on what entrepreneurs could do to help establish closer relations and cooperation

THE SECOND Global Entrepreneurship Summit with the overarching theme "Entrepreneurship, Values, and Development: A Global Agenda" was hosted by Turkey, taking place December 3-6, 2011. Launching with opening speeches by Speaker of the Grand National Assembly of Turkey Cemil Çiçek, Deputy Prime Minister Ali Babacan, Minister of Economy Zafer Çağlayan, and

US Vice President Joe Biden, the summit saw participation from leading international personalities and executives.

Bringing together approximately 2,000 successful entrepreneurs both Turkish and international, the summit was held with the aim of building on and furthering the conclusions of the Presidential Entrepreneurship Summit, which was hosted in April 2010 by

US President Barack Obama in Washington D.C. The general objective of the second Global Entrepreneurship Summit in this respect was to determine what entrepreneurs could do to help establish closer relations and cooperation between different peoples and cultures and build dialogues.

Going over Turkey's pluralistic democratic system, strong economy, and sustainable developmental successes,

Cemil Çiçek finished by saying, "With its visionary foreign policy, Turkey is a success story watched with envy by the whole world." Ali Babacan, who drew attention especially to Turkey's vision within the region, said, "Our vision for the region is a region in which people, products, capital, and energy can move freely—a region in which borders have lost their meaning."

Speaking after

Turkish ministers, Joe Biden noted that Turkey grew threefold over the past ten years and will become the world's tenth largest economy. The US Vice President Biden said, "Turkey and Israel (are) two steadfast American allies." After the opening speeches, a number of parallel sessions such as Female Entrepreneurship, Young Entrepreneurs, Social Entrepreneurship, and Ecological Entrepreneurship were held.

NORTH AFRICA

“A TIME OF REBIRTH FOR LIBYA”

The visit to Libya in November organized by TIM and led by Minister of Economy Zafer Çağlayan bore the distinction of being the first visit by a trade delegation to the country in the dawn of its new era



THE TURKISH EXPORTERS Assembly (TIM) is aiming to contribute to the rebuilding of postrevolution Libya. The visit to Libya delegation of 225 businesspersons, organized by TIM and led by Zafer Çağlayan, was of critical importance for the country's rebuilding process. During the visit, Çağlayan told Libyan officials, “We came to support your economy,” while TIM President Büyükekeşi said that they as Turkey wanted to provide great service for the rebuilding of Libya.

Bearing the distinction of bringing the first trade delegation to Libya in the aftermath of the turmoil, the visit included mutual meetings as well as a business forum. TIM President Mehmet Büyükekeşi delivered a speech at the forum expressing their wish for the Libyan people's fight for democracy to be a beacon of hope for all peoples in the world, saying, “It is a time of rebirth for Libya. For Libya, now is the time to leave the past behind and turn over a new leaf. Libya should be known from now on not for armed conflict and turmoil, but with trade, investment, and production. We now want to see Libya making progress toward securing domestic peace and stability.”

Stating that the political and economic restructuring in Libya will take time, and that Turkey will assume an active, effective role in Libya's rebuilding process as a

The free trade agreement that will be made with Libya is being regarded as an opportunity that will expand both countries' trade volume in the future



friendly and brotherly country, Büyükekeşi said, “Turkish companies are now planning to return to Libya within a short time. They will work for the cities to be rebuilt and become livable, and we will support them.” Exporters estimate that Libya's foreign trade volume, which fell to 22 billion dollars in 2011, will rise to 40 billion dollars in 2012. The volume of trade between Libya and Turkey is likewise expected to rise in 2012.

The free trade agreement that will be made with Libya is being regarded as an opportunity that will expand both countries' trade volume in the future. Mehmet Büyükekeşi said that the agreements would, in addition to creating a new opportunity for reciprocal relations, encourage investments as well.

DEFENSE

DEFENSE INDUSTRY EXPORTERS' ASSOCIATION FOUNDED

Efforts began once the Ministry of Economy moved to act by having the declaration of the founding of the Defense Industry Exporters' Association were published in the nation's Official Gazette, after which the association had its first general assembly. The association named Sarsılmaz Silah Sanayi Board Chairman Latif Aral Aliş as its president.

Aliş, highlighting that they will strive for local defense industry players to take as large a share in the global defense industry pie as possible, said, “As the association, we will determine the work we do as work both domestic and international, realized in coordination with the Ministry of Economy, Ministry of Defense, and Undersecretariat for the Defense Industry.” Aliş said their goal as an industry is to increase exports from current levels of around 1 billion dollars to 2 billion dollars. “We all know how important innovation and R&D efforts are to achieve better things, and we will do what we can for this to be done in a coordinated fashion.”

SUMMIT

Summit for Regional Change and Development

The second Bosphorus Regional Cooperation Summit was held in November 2011 in Istanbul



TRADE

RECORD INCREASE IN EXPORTS TO AFRICA

November 2011 was a month of records in terms of exports to many African countries. While exports to Ethiopia increased 311% in November, Turkey's total exports to South Africa grew 229%. Angola ranked third among the African countries to which Turkey exported most with an increase of 206%. Turkey's exports to Ghana and Kenya also grew 172% and 142% respectively.

IN ATTENDANCE AT the summit held in the Conrad Hotel were Turkish Exporters Assembly (TIM) President, Istanbul Chamber of Commerce President Murat Yalçıntaş, International Cooperation Platform (the organizers of the summit) President Ali Coşkun, International Cooperation Executive Board Chairman Prof. Kerem Alkin, PhD, and former state minister Kürşad Tüzmen.

Delivering the opening speech for the summit, TIM President Mehmet Büyükekşi said, "Turkey embraces all the world's countries without

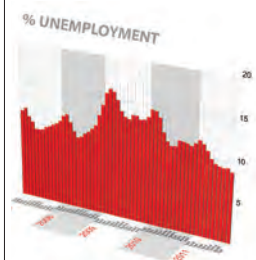
discrimination, and it also gives great importance to international cooperation."

The three-day-long conference was held under the auspices of President Abdullah Gül. Hosted by TIM, the summit's primary theme for this year was regional transformation and development. More than 100 high-ranking bureaucrats and executives attended the summit. The summit helped countries that included Azerbaijan, Turkmenistan, Pakistan, and Egypt to make trade agreements and improve international economic relations.

AVIATION

TURKEY'S BIGGEST EXPORTER

The results of Capital Magazine's 14th Capital 500 Survey of Turkey's Top 500 Private Firms were announced at a ceremony held at the Istanbul Conrad Hilton on December 13. Turkish Airlines took top place in the category of Top Exporting Firms. The airline's Senior Vice-President for Corporate Communication, Zeki Çukur, accepted the award on behalf of the airline president.



MACROECONOMY

UNEMPLOYMENT RATE FALLS

Turkey's unemployment rate dropped to 8.8% in the three months to October from 11.3% in the same period last year, official data showed on Thursday.

Unemployment fell by 536,000 to reach close to 2.4 million individuals on a 12-month comparison, TurkStat said on its web site.

MORE THAN EXPECTED

The volume of exports in the last 12 months reached 134 billion dollars in November 2011. The numbers show that Turkey will exceed 135 billion dollars' worth of exports

10.7

BILLION DOLLARS
TOTAL EXPORTS
NOVEMBER 2011

122.1

BILLION DOLLARS
TOTAL EXPORTS JAN-
NOV 2011

19.7%

EXPORTS GROWTH JAN-
NOV 2011

133.9

BILLION DOLLARS
TOTAL EXPORTS OVER
LAST 12 MONTHS



AVIATION

AWARDS CEREMONY IN THE HOUSE OF LORDS

The Asian Guild in the UK gave Turkish Airlines the “2011 Europe’s Best Airline Award”

TURKISH AIRLINES was deemed worthy of three awards at an awards ceremony held in the House of Lords by the Asian Guild, which was founded by Asians involved in the economic and cultural life of the UK. The opening of a new route

to Gatwick Airport on December 20 was also announced at the ceremony, which was attended by Turkey’s ambassador to London, Ahmet Demirok, and Turkish Airlines’ Senior Vice President for Marketing and Sales, Sezgin Sağlam.



AVIATION

HEARTS BEAT FOR VAN

Following the earthquake in Van, Turkish Airlines did all it could to aid the victims, adding extra flights to the city and transporting relief supplies on its cargo planes. As part of the effort, fixed fares were introduced on all flights to Van from anywhere in Turkey on Turk-

ish Airlines and its subsidiary, AnadoluJet. Close to 42,500 passengers were enabled to reach the city on the 246 flights made up to November 21, and some 1,350 tons of aid were conveyed to quake victims on the 29 cargo flights carried out during the same period.

MACROECONOMY

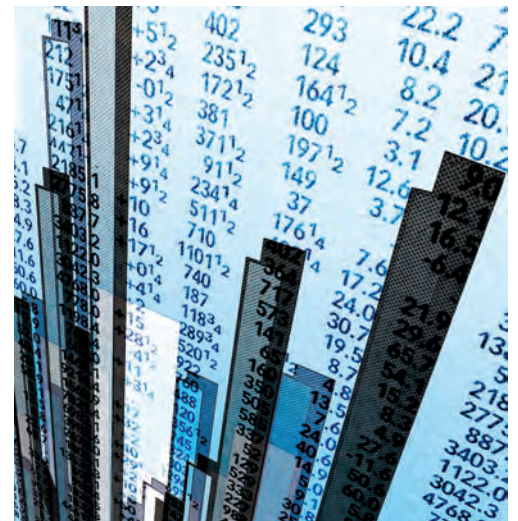
“OUR GROWTH PERFORMANCE IS NOT A SURPRISE”

According to the Turkish Statistical Institute (TurkStat), Turkey’s GDP grew by 8.2% in the July-September period, marking the eighth consecutive quarter of growth for the country’s economy. The third quarter growth rate was far beyond the market expectation of 6.3%. Economy Minister Zafer Çağlayan evaluated Turkey’s growth performance and said, “Turkey, which has differentiated itself from other world economies with the economic growth performance it has shown in the first two quarters of this year, proved once again its difference by growing beyond expectations in the third quarter.

However, that was not a surprise for us nor for others. This is only making everyone else marvel.”

With this latest announcement, Turkey’s economic growth rate for the first three quarters of this year was ascertained to be 9.6%. TurkStat also revised the growth rate in the first quarter to 12%.

High company standards, investments made in advanced technology, and proximity to growing markets are among the leading factors giving Turkish industry an edge. With the great mergers that have been occurring worldwide as of late, it is also expected that the merger process will be speeding up in Turkey as well.



INVESTMENTS

INVITING ENERGY INVESTORS

Turkey aims to attract 1 billion dollars' worth of energy investments in 2012

Science, Technology and Industry Minister Nihat Ergün announced that Turkey is planning to attract more than 1 billion dollars in foreign investments in the petrochemical and automotive industries. Despite the ongoing euro zone crisis and regional turmoil in the Middle East and North Africa, the country will continue to attract a high amount of direct investments next year, Ergün said during a speech at the Industry Congress organized by the Istanbul Chamber of Industry (ISO) in Istanbul.

"There will be two major investments in Turkey in next year," Ergün said. "The world's leading sources of financing are in search of new places to make investments."



PHOTOGRAPH BY A.A.

AVIATION

New Planes for Turkish Airlines

20 Boeing 737-800 and 15 Boeing 737-900 ER model planes will be joining the fleet through 2015



THE NEXT-GENERATION Boeing 737-800 and Boeing 737-900 ER planes with their Sky Interior cabin concept will soon be joining the Turkish Airlines fleet as the airline gears up to accept delivery of the 20 Boeing 737-800 and 15 Boeing 737-900 ER model planes it has on order from the Boeing firm. The first four of the next generation Boeing 737s were delivered in November and December 2011, with delivery of the rest of the order slated for completion by the end of 2015.



THE CHAMPIONS OF NOVEMBER

The automotive, chemical, and apparel industries were the export champions of November 2011



TRADE

SPECIAL ZONES ATTRACT FOREIGN INVESTMENT

Turkey will both boost foreign investments and support local business thanks to a renewed look at special economic zones, according to Economy Minister Zafer Çağlayan. The Ministry of Economy and the Union of Chambers and Commodities Exchanges of Turkey (TOBB) hosted "Special Economic Zones Working Group Toward 2023" event in the southeastern province of Gaziantep to discuss the future of "special economic zones." In particular, the working group focused on how these zones would provide incentives to attract foreign investment.

"By creating tax-free, customs-free zones, we will turn a new page in attracting both foreign investors and allowing local investors to become more competitive," said Çağlayan at the workshop.



Panorama



BY MAHFI EĞİLMEZ, PHD

THE ECONOMIES OF THE WORLD AND TURKEY

While Europe is face to face with a budget deficit problem and public debt burden disaster, Turkey is in a very comfortable position in both of these areas



WE ARE EXPERIENCING THE SECOND STAGE in the economic crisis. In the first stage, the US had entered crisis. Undoubtedly there were various reasons for this turmoil, but foremost among these were the bubbles emerging in the field of real estate. Many paths were tried for an exit, but this exit has not yet been achieved. An exit was not achieved, but in spite of the stagnancy created by the crisis under way, and the money issued to the market to overcome this stagnancy, such economic indicators as inflation and interest did not change much. Part of the factors delaying the exit of the US economy from crisis are caused by the problems of leadership it is experiencing internally, and part are influenced by economic upsets coming from the rest of the world, Europe most of all.

Following the US, the UK similarly entered a financial crisis. There, too, real estate prices had blown up, and credit was concentrated in these areas. The UK started searching for a solution like that of the US. It made considerable progress, but it has not yet overcome the effects of the crisis.

EUROPE BECOMES THE "SICK MAN"

As the US was slowly entering crisis in 2008 (2006 according to some commentators), Europe seemed to be a strong economy. With the economic crisis beginning with Ireland in 2010, this image started to change and break down. After Ireland, the crisis in Greece appeared; it was followed by Portugal, Italy, and Belgium. All of these economies had increased their debt burdens very much by loans in large amounts for low costs, with the effect of the power created by the euro. Table 1 shows the debt and financing situation of Europe's problematic economies as of December 2011.

The table shows that these six economies must find 1.6 trillion dollars in financing to turn their debt around within the next two years. Italy alone must find 793 billion dollars in financing. Another striking matter shown by the table is how high the interest that will be paid for the loans is. Greece must pay 34% interest annually to take loans on ten-year government bonds. This interest shows that Greece no longer has the means to go into debt; this goes for Ireland as well. Although Italy may seem to be indebted at lower interest in comparison to these two economies, 7% interest represents an

unbelievably high rate for Italy. The big picture shows us that the euro zone is in the grip of a serious economic sickness.

CRISIS EXIT EFFORTS

Efforts led to exit the crisis seem to be inadequate. The measures the US applied did not solve the crisis. The fundamental reason for this is that solutions fitting the old paradigm were tried instead of solutions suiting conditions that have changed with globalization. The money issued by the US does not stay in the US—they go wherever interest or returns are high. It is therefore unable to bring a solution to their domestic problem. Because of this, global-scale cooperation is required for solution. We are not yet at that point.

Actors in the market and investors were hopeful of the EU leaders' summit held on December 9. They hoped that the decisions to emerge from this summit would calm the markets. However, the summit resulted in total disappointment. The mountain gave birth to a mouse. All the decisions made are decisions directed toward the future—decisions aiming to prevent the future emergence of a new crisis. Unfortunately, it is no longer possible to solve the picture shown in Table 1 by generating expectations. Furthermore, this summit brought with it the UK's vetoing of these decisions, causing the European Union to fracture.

At the point we have come to today, even the break-up or shrinking of the euro zone are being discussed among options. Because, for example, if Greece had not been in the euro zone and continued using the drachma, its currency would lose value with the effect of devaluation and inflation, and this would development would allow its economy to fit into a new balance. The euro, however, prevents these from happening.

All of these, and the decisions that are very unlikely to contribute to solving the problem, show that it will be right to prepare ourselves to live with a euro zone embroiled in crisis in the coming term.

THE STATE OF THE TURKISH ECONOMY

In spite of this great collapse in the European economy and its close economic relations with Europe, the Turkish economy is exhibiting a very sound appearance. The big transformation brought to the banking industry after the 2001 crisis strengthened the finance sector considerably. The fiscal structure and capital adequacy rates of Turkish banks are so strong as to be incomparable to European banks.

As Europe is face to face with a budget deficit problem and public debt burden disaster, Turkey is in a very comfortable position in both these topics. While budget deficits float around 6% in European economies, Turkey's budget deficit to GDP ratio is around 1%. As we show in Table 2, while the aver-

age ratio of public debt to GDP in Europe is 103%, it is 40% in Turkey. As Europe wrestles with difficulties in growing, Turkey grew by 9.6% over the first nine months of 2011, ranking among the world's top three fastest-growing economies. Meanwhile, the unemployment rate, which rose up to 15% with the effects of the global crisis being felt in 2009, has fallen to under 10%.

The high current account deficit, which stands out as the most important problem, has also slowed down in the last quarter of the year. Besides the devaluation of the Turkish lira against foreign currencies, the measures taken lately have also influenced this slowdown.

Perhaps the only negative aspect of this positive picture is that inflation has started rising again. The devaluation of the Turkish lira against foreign currencies and increases in costs of food and energy inputs are causing inflation to rise.

In Table 2 below, we present a bird's-eye view of the Turkish economy (note that the 2011 values in the table include estimates).

PREDICTIONS FOR THE FUTURE

After every period of great transformation for the world economy, an intellectual transformation emerges to make sense of that period and solve its problems. For instance, the Keynesian model that emerged after the Great Depression of 1929 was a theoretical model showing how such a crisis should be overcome. The world is still trying to solve the crisis under way today with the Keynesian model. The framework, however, has changed—the system in that time was not global and local solutions could thus solve crises. Yet today, the system is global, and

it is not possible to get anywhere through local solutions. Global-scale cooperation is needed to overcome a global crisis.

I expect this kind of global cooperation to emerge after some time. If it does not, it appears difficult for a system trying to solve global problems with local approaches to overcome this crisis.

WHAT SHOULD TURKEY DO?

Turkey entered this crisis with a strong economic position, and it carries on its way without losing much of its strength. There are, however, things to be done—foremost among these are structural reforms. Turkey must now eliminate the unrecorded economy, change the tax system that is based on indirect taxation, and move to act quickly to transform its industrial structure, which is causing the current account deficit, into a structure based on local production.

If Turkey can realize its structural reforms too, it will be an economy with a much more confident outlook toward its future.

TABLE 1

	GDP (Billion USD)	Public Debt (Billion USD)	Debt/ GDP (%)	2012- 2013 Fin. Deficit (Billion USD)	Loan Interest (%)
ITALY	2,246	2,718	121	793	7
SPAIN	1,536	1,029	67	448	6
BELGIUM	529	503	95	146	5
PORTUGAL	242	257	106	66	13
GREECE	312	515	165	129	34
IRELAND	222	242	109	60	8
TOTAL	5,087	5,263	103	1,642	

TABLE 2

TURKISH ECONOMY INDICATORS	2010	2011
GDP (Billion TRY)	1,105	1,281
GDP (Billion USD)	736	766
GDP (USD Per Capita)	10,079	10,363
GDP Growth (%)	9.0	7.5
CPI (Year-End, %)	6.4	10.0
Unemployment Rate (%)	11.9	9.2
Budget Balance / GDP (%)	-3.6	-1.0
Central Government Debt Stock (Billion TRY)	474	511
Private Sector External Debt (Billion USD)	189	193
Total Foreign Debt Stock of Turkey (Billion USD)	290	299
Current Account Balance (Billion TRY)	-49	-65
Current Account Balance / GDP (GDP)	-7	-10
Credit/Deposits Ratio (%)	82	97

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Briefing

TOURISM, AVIATION, AGRICULTURE, PHARMACEUTICALS, INNOVATION...



Over six million foreign tourists visited Istanbul over the first nine months of 2011

URBAN TOURISM

“If the Earth Were a Single State, ISTANBUL WOULD BE ITS CAPITAL”

According to the MasterCard Index of Global Destination Cities, Istanbul increased its revenue from tourist spending by an estimated 30.1% relative to 2010—the most out of any other city in the listing

BY CAN GÜRSU

THE ABOVE QUOTE attributed to Napoleon is enough on its own to explain Istanbul's place and significance within history. With a history of settlement dating

back 300,000 years and an urban history dating back approximately 3,000 years, Istanbul is a world city at a unique location, embracing Asia with one wing and

Europe with the other. Home to various civilizations and cultures throughout the ages, the city preserved its cosmopolitan, metropolitan structure in which people of

many religions, languages, and races lived for centuries, representing an unmatched mosaic that has survived throughout history. Istanbul, one of the few settlements to

remain as a seat of power and place of central importance for long periods, is still significant today as a world capital.

In terms of its historic and cultural foundations as well as its geographic position (and thus its accessibility), Istanbul ranks high among the world's important touristic cities with respect to the development of urban tourism. With renown stretching beyond Turkey, Istanbul ranks 34th in terms of economic size, and first in Europe in terms of metropolitan area population. "The development of tourism is connected to the presentation of a location's historic/cultural potential via the necessary infrastructure and equipment, and finally on its promotion and marketing," says TOBB University of Economics and Technology faculty member Professor Ali Alp, PhD, adding, "Istanbul fulfills almost all of these requirements." With the treasures it offers and its touristic potential, Istanbul is known today as a touristic brand.

A global economic crisis has been raging on since 2008, but Turkey has decoupled positively from this, a situation that likewise influences its tourism positively. One can speak of the same for Istanbul, too. "The stance of the central bank in Turkey is affecting us positively; it is taking measures against attacks other than those expected," says Ritz-Carlton Istanbul General Manager Massimiliano Zanardi. He notes that reductions they expected due to the crisis did not occur, and that they achieved 83% occupancy in 2011, exceeding expectations. Divan Group CEO Marcos Bekhit said, "2011 was the best year of the past ten years; we were calling 2010 the best but this year was much better," subsequently indicat-

ing that the most important factor in this was economic consistency. Both Turkey and Istanbul, which ranks second with the share it takes from tourism, appear to be on the rise toward the top in tourism in coming years with the strength gained from economic stability.

According to figures announced by the Turkish Tourism Investors Association, over six million foreign tourists visited Istanbul over the first nine months of 2011, bringing it to second place Turkey-wide after Antalya. This number represents a 16.5% increase over the same time frame last year. These figures are enough for the continually developing city to enter world listings, but many researchers believe they reflect the existing potential inadequately. "It could be expected for the number of



Istanbul hosted more than 100 international fairs, congresses, and conferences in 2011 alone

foreign visitors welcomed by a city whose brand value and recognition is so high in the world," says Ali Alp. He indicates that Istanbul presents a product geared not toward mass tourism, but urban tourism instead, noting that the process of development in this field is progressing slowly. Alp, emphasizing that tourism should not be assessed on the basis of incoming tourists, says, "I think Istanbul has provided important contributions to tourist spending and income especially in terms of the tourist profile." According to the MasterCard Worldwide Index of Global Destination Cities, Istanbul increased its income from tourist spending by 30.1% relative to 2010 to rank first globally in this category, in which it is followed by Barcelona—the so-called tourism capital of the world—with 28.2% and Dubai, which gained renown especially in recent years for its tourism investments, with 24%. Istanbul, which possesses significant potential especially in terms of the development of urban tourism, stands out not for one particular product but with tourism offerings in many areas ranging from history to culture, nature, shopping, conventions, health care, and to sports.

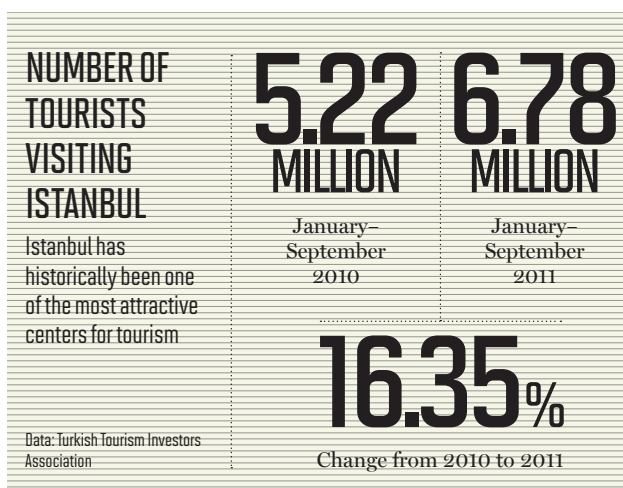
Istanbul has been a capital for many civilizations since prehistory, making its position unique with respect to its historic wealth too. "Istanbul is a city that has made history; it has been an important world center in every era," says Ali Alp, underlining Istanbul's historical importance. Besides its urban importance, this unique city has been important for major faiths throughout history too—other than its historic palaces, museums, parks, and other historical buildings, it is home to historic places of worship for



numerous religions. Istanbul furthermore hosted more than 100 international fairs, congresses, and conferences in 2011 alone—it had proven its status as a hub for such events in 2010, when it was named culture capital of Europe.

Its cultural and historic heritage aside, Istanbul is also medical research center—not just in Turkey, but also on a world scale with its numerous hospitals, clinics, and laboratories. With its high-tech facilities and the world-renowned doctors who work in these facilities, Istanbul is making a mark on global health tourism. According to a study by Euromonitor International, low-income patients in Western Europe countries foremost in the field of medicine, such as the UK and Germany, are coming to Istanbul for high-tech medical care and surgery. Home to more than 200 private hospitals and 10 university hospitals, as well as 20 hospitals accredited by Joint Commission International, the world's largest health care accreditation institution, Istanbul aims to be not just a world cultural center as it was in previous years, but also a capital of medical tourism in the near future.

The role of leadership taken by the government of Turkey and the policies it follows have been having an increasingly large influence on economic relations and therefore tourism. Euromonitor highlights in its latest report on Turkey that Turkey is active and running effective promotional and marketing efforts especially in emerging touristic markets such as Russia and the Middle East. The report notes significant increases in the number of big-spending visitors coming to Turkey from countries such as those



Istanbul has been a capital for many civilizations since prehistory, making its position unique with respect to its historic wealth too

in the Persian Gulf. Such visitors prefer Istanbul most of all and play a leading role in propelling the city to the top ranks in tourism.

The world's chain hotels are responding to Istanbul's growing role on the world stage, working to snatch a share in this pie by opening at least one hotel in Istanbul each. Michael Collini—Hilton Worldwide Vice President of Development for Turkey, Russia, and Eastern Europe—says, “In the year to date in 2011, Hilton Worldwide has opened seven hotels in Turkey, three of them being in Istanbul.” Istanbul is preparing to welcome new hotels by many brand-name hotel chains within the next three years. The number one spot in urban tourism does not appear so far off for the bicontinental city.

THE TOP DESTINATION FOR HOTEL CHAINS

There are approximately 23 hotel chains in Istanbul and the largest players of the industry are planning new investments in 2012



MASSIMILIANO ZANARDI
General Manager, The Ritz-Carlton Istanbul

“Istanbul has become a destination as important as Barcelona. Due to developments in the Turkish economy and culture over the past ten years, The Ritz-Carlton Istanbul ranks within the top four of our global hotels in terms of dynamism. In terms of its quality of service and presentation, The Ritz-Carlton Istanbul is one of the world's three best The Ritz-Carlton hotels.”



MARCOS BEKHIT
CEO, Divan Group

“Turkey is receiving much interest from the region; the development in event tourism is especially very influential. Those coming from Middle East and Persian Gulf countries, which are very hot in the summer, have discovered such aspects of Turkey as its closeness, culture, religion, and shopping, realizing that this is the ideal destination. The market has shifted completely toward here. Cruise schedules increased 25% in Istanbul and occupancy rates are approaching 100%.”



MICHAEL COLLINI
VP Development – Turkey, Russia & Eastern Europe Hilton Worldwide

“We have signed six further contracts for new hotels to be developed in Turkey; two of them are in Istanbul. We also expect to soon finalize several other contracts in the regional cities. This demonstrates that there is significant potential for hotels, particularly in the mid-market and economy segments in the regional cities of Turkey.”

OLIVE & OLIVE OIL

Emerald Harvest

OLIVES AND OLIVE OIL

Turkey moves confidently toward its target of reaching 700,000 tons in production

BY CAN GÜRSU

WE PREDICT OLIVE and olive oil exports worth 300 million dollars for this year," says Turkish Exporters Assembly President Mehmet Büyükekşi at the third Akhisar Olive Harvest Festivities, adding, "We will increase this by 100% next year; and after a few years, we aim to increase it to one billion dollars." Aiming for 500 billion dollars in exports with objectives for 2023, Turkey has its eye on ascending to the top ranks in the industry, in which it is already a global player.

Utilizing the opportunity it gained production-wise well, Turkey is in a good position in terms of product quality and harvest. Tariş Olive and Olive Oil Association President Cahit Çetin says he expects 2012 to be a good year for the industry both in the domestic market and in exports, stating, "Turkey is moving with sure steps toward its target of reaching 700,000 tons in production." Adding that there will never be an issue of oversupply in the world, Çetin notes that if olive oil usage within total world vegetable oil consumption rose by 1%, even this figure would equal 1 million tons of additional consumption.

Together with the increasing demand in the global olive market, interest in olive production in Turkey, which aims to take a bigger slice of the global pie, is increasing



daily. Cahit Çetin says, "With the increase of the industry's production and market potential, many groups have recently decided to enter the industry." He notes that he finds this to be a very significant development, and that he views the future of boutique production to be especially bright. Big players are not the only parties active in Turkey's olive market—there are many smaller boutique or hobby players too. This participation contributes to olive industry output while also facilitating increases in domestic consumption.

The olive and olive oil industry is continuing to develop in a stable fashion thanks to government incentives and TIM's concentrated support. Ali Nedim Güreli, Chairman of the Olive and Olive Oil Industry Board in TIM's Industries Board and

President of the Aegean Olive and Olive Oil Exporters' Association, indicates that Turkey's tree population has doubled in the past eight years, and that the industry will grow rapidly within a few years. If and when Turkey, whose olive tree population rose from 90 million to 170 million over the past ten years, reaches its 400,000-ton production volume target, it could rise from fifth largest to second-largest producer in the world.

The export convenience brought by the advantage of low currency exchange rates is cause for high expectations in the olive industry. Ali Nedim Güreli, noting that they are very pleased with the level reached by the exchange rate, says, "Because we do not import, we do not care about the exchange rate." As a nonimporting industry that produces a net profit, the olive and olive oil industry ranks high among the industries most important for Turkey, which is struggling with its current account deficit. Mehmet Büyükekşi, reminding of Turkey's 500 billion dollar export target for 2023, says, "We'll export 5 billion dollars' worth of exports from this industry in the year 2023," and emphasizes that they have given great importance to agricultural products including olives and olive oil with respect to these targets.

The industry is accelerating its growth not just in production, but also in terms of both quality and quantity thanks to an increased number of facilities with newly built olive processing plants and factories. Exporting to 62 countries, the olive and olive oil industry seems well-positioned to continue its ascent via investments and sharp strategies to achieve its 5 billion dollar exports target for 2023 even earlier than projected.



The olive industry aims for 5 billion dollars' worth of exports in the year 2023



SPICES

Turkey—The Confluence of Spice Routes

With the diversity of its flora and its geographical position at the confluence of exotic spice trade routes, Turkey has been making considerable progress in recent times

BY MERVE KARA

CALLING THEMSELVES “spice hunters,” couple Etne and Philippe Vienne have been searching for the world’s best spices for more than 28 years, wandering from country to country. In their attempt to find the true essence of spices by touch, smell, and—when possible—taste, the couple had come to Turkey some time ago as well. Turning their nose up at the spices in the Egyptian Bazaar, they followed the exotic scents they detected all the way to Gaziantep, where they finally found what they were looking for. The two gurus

came to the agreement that the world’s best red pepper was grown in Turkey, together with Peru and Mexico. Their praise is not limited to red pepper—the couple believes that thyme, bay leaf, marjoram, orchid tubers, sage, and sumac are uniquely flavorful in Turkey. And they are not alone in their belief—confirming the Vienne couple’s conclusion is the daily increasing amount of entrepreneurs who are experiencing the excitement of presenting these unique blends to the world market as they discover them. The volume of Turkey’s spice

market rose to 3.5 billion liras and per capita consumption reached 3 kilograms per year. Just as it possesses a high potential for consumption with the indispensable role of spices in its cuisine, with the diversity of its flora and its geographical position at the confluence of exotic spice trade routes, Turkey has been making considerable progress in recent times.

One of the companies to have recently discovered this rich market is Kotányi of Austria, a 128-year-old Austrian spice company that decided to enter Turkey in 2008. Kotányi

Turkey is positioned as one of the most important suppliers of such products as bay leaves, thyme, and sage

Turkey General Manager Muhittin Eser, speaking about their entry to Turkey, following Russia, Ukraine, and China, says, “Instead of saturated European countries, with the innovations we bring to the market, we prefer to assert ourselves in these markets. Kotányi, which recognizes that urbanization is increasing daily in Turkey, and that its cuisine is quite suited to the use of spices and its people are open to new things, decided to enter the Turkish market in 2008.

Although prepackaged spices on supermarket shelves increase in variety and number each day, a study conducted by international research firm GfK Group shows that traditional loose spices shopping is still widespread in Turkey. This is undoubtedly related to the higher success rate—70%—relative to completely closed packaging of packaging featuring windows through which consumers can see the spices within. Kotányi uses such packaging in Turkey alone, unlike the closed packaging it uses in the 21 European countries where it ranks as a leader. One can also point to the highly developed and continually developing nature of Turkey’s organized retail market as a factor bolstering the decision taken by the company to enter the country, where it will operate within the branded market.

Aegean Wood and Forestry Products Exporters’ Association Chairman and European Spice Association (ESA) Board Member Nurettin Tarakçıoğlu indicates that world spice suppliers are concentrated in three main hubs, namely the Far East, which includes such countries as China, India,

and Vietnam; the Mediterranean, which includes Egypt, Israel, and Turkey; and South America, which includes Chile and Brazil. “Turkey is one of the important suppliers with a share ranging from 20% to 30% within the region in which it is located,” says Tarakçioğlu.

Turkey is positioned as one of the most important suppliers in the world market of such products as bay leaves, thyme, and sage. Recent efforts conducted jointly with the European Spice Association, the American Spice Trade Association, and the International Organization of Spice Trade Associations have helped Turkey to increase its exports. Efforts to set quality criteria for the food safety of spices produced for the export market are being run within the scope of these partnerships as well.



33.6

MILLION DOLLARS

Spice exports over the first ten months of 2011

95%

Percentage of Turkish women who use spices in their cooking.

Source: Gazi University

Kütaş is another leading company in Turkey’s spice exports. Processing thyme, bay leaves, sage, aniseed, cumin, rosemary, and coriander, the company contributes a share of nearly 60% to exports. Continually expanding its product range and market areas, the company pioneered organized cultivation of thyme in Turkey with Kütaş Agro, starting production on an initial area of 100,000 square meters later increased to 3,000,000 square meters. Repeating the success it attained in thyme in mint, rosemary, and sage, the company rose in the last years to become the only such institution in the world to have such an expansive production area. In the company’s Safe Spice subsidiary, established in a 50% partnership with UK firm Euroherb Investments, spices and various dried foods—some imported from various countries—are sterilized with 100% natural methods in high-temperature steam and vacuum, without compromising the product’s quality, and exported after being certified with a microbiological guarantee.

Spice industry representatives aim to increase their current exports worth around 150 million dollars to 2 billion dollars by 2023, the centennial of the Turkish Republic. The export of such naturally occurring, salubrious products as bay leaves, sage, and linden flowers provided a foreign currency inflow into Turkey of 33.59 million dollars over the first ten months of 2011. Nurettin Tarakçioğlu says, “Thanks to such references as our closeness to European culture and our rapid transition to quality standards, there is no reason preventing us from increasing the current annual business volume of 100–120 million dollars.”



FRUIT JUICE

Bold Brands Transform THE FACE OF FRUIT JUICE

Turkish fruit juice producers are creating brands that encircle the whole world

BY CEYHAN AKSOY

WHO WOULD HAVE ever thought that Mustafa Vasfi Diren, who graduated from the Bursa School of Agriculture in 1943, would become Turkey’s first fruit juice producer, and that his company’s small facility in Tokat would be exporting fruit juice to 73 countries worldwide by the early 2000s? “The Far East, Europe, America, the Balkans, the Middle East, the Turkic Republics,” says Ali Rıza Diren, Chairman of the Board of Dimes, as he starts to list the company’s export markets. He adds, “Today, we have reached 95 countries.” Dimes processes more than 80,000 tons of fruit in its facility in the Kemalpaşa, İzmir Organized Industrial Zone—which is

regarded as being among the world’s top ten best-equipped facilities in the world—and in Tokat, totaling 146,000 square meters of production space. Its fruit juice output exceeds 300,000 tons, and by 2010, it had increased its exports by 400% over the year 2000. Dimes exports 21% of its total production. Aiming to preserve domestic and foreign market balances to export 50% of its total production, the company is progressing with sure steps on its way toward becoming a globally accepted, international brand.

Dimes started its rise to prominence in the industry in the 1970s, when investment in the fruit juice industry started increasing as a whole. The



Turkish fruit juice industry, which is worth 1.7 billion dollars in revenue today, has gained noteworthy momentum since it truly started to grow in the 1990s. “There has been very stable growth especially in the past ten years. In these ten years, the industry’s growth averaged approximately 14–15%,” says Fruit Juice Industry Association (MEYED) President Alaaddin Güç. The amount of fruits and vegetables processed into fruit juice was 433,000 tons in 2000. In 2010, this figure approached an estimated one million tons. In this, of course, the progress seen in the production of fresh fruits and vegetables in Turkey has had a great contribution as well. Turkey ranks first globally by a huge lead in apricot production, and in the production of cherries—the strategic fruit of Turkish fruit juice production—it ranks second, right after Russia. After China, the US, and Iran, Turkey ranks fourth in apple production, and in grape and peach production, it ranks sixth. While the fruits processed by the industry increase in amount

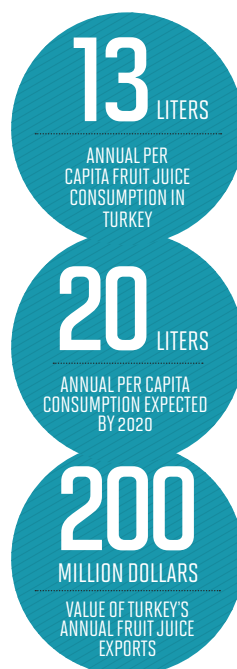
and variety daily, apples, peaches, apricots, and cherries continue to be the mainstays. The carrot, on the other hand, is gaining significance too, and it could become an important export item for Turkey just like the pomegranate, which has been produced and processed in rapidly increasing amounts in recent years.

“The fruit juice industry is piquing the appetite of foreign investors as well,” says Alaaddin Güç, emphasizing how the potential in the industry is becoming realized. Ali Rıza Diren provides the details: “In 2004, per capita consumption was around 4 liters; in 2010, however, it increased threefold to reach 13 liters. The consumer is gaining awareness and diversity in the sector is increasing. Categorization has been done. These have all affected the fruit juice industry positively. I predict that per capita fruit juice consumption will rise to 20 liters by 2020.” There are, of course, investors who have seen this opportunity long ago. Founded in 2009 with the partnership of Anadolu Group, Özgörkey Holding, and Cutrale of Brazil, Anadolu

The amount of fruits and vegetables processed into fruit juice was 433,000 tons in 2000. In 2010, this figure approached an estimated one million tons

THE GROWTH OF A FRESH INDUSTRY

The fruit juice industry’s great potential is attracting interest



Etap processes fruits from all over Turkey at its facilities in Mersin, Bahkesir, and Antalya. Besides producing fruit puree concentrate in these facilities, the company also produces at fruit farms in Şanlıurfa, Adana, and Çanakkale, supplying Turkey’s important fruit juice producers. The partnership in charge of Anadolu Etap is comprised of Anadolu Group, one of Turkey’s largest conglomerates, with activities in the beverage, automotive, finance, and retail fields; Özgörkey Holding which operates in the plastics and packaging industries; and Cutrale, a global giant with activities worldwide. Cutrale Group currently exports to 90 countries. Cutrale, which controls 36% of the global market, has a total of eight fruit processing plants, with five in Brazil, two in the US, and one in Portugal. “Cutrale Group of Brazil is one of the world’s largest fruit juice producers; with the fruit they produce on their farms, which total 1,000 square kilometers, they meet approximately 40% of the world’s orange juice requirements,” says Anadolu Etap CEO Demir Şarman. He summarizes the story of the birth of this joining of powers as follows: “The common denominator of the Cutrale, Özgörkey, and Anadolu Group was the Coca-Cola system and their strategic partnerships spread over expansive territories for many long years, and with the encouragement from Coca-Cola, this common denominator turned in to a partnership that would realize this great project.”

Naturally, as other players in the industry procure materials from suppliers on one hand, they engage in various enterprises to produce at their own fruit farms on the other. Ali Rıza Diren of Dimes, which has a farm run with public-sector partnership in the area

where its Tokat factory is located, says, “We established collection farms there; we raise fruit and vine saplings and investigate industrial-type fruits targeted for the industry.” The fruits are separated into two groups, namely those intended for direct consumption and those for industrial processing. “We absolutely find the fruits suiting the industrial type and encourage the planting and cultivation of these,” says Diren. Demir Şarman of Anadolu Etap says, “The Turkish fruit juice industry’s competitive ability is increasing every day, whether in terms of prepackaged fruit juice producers or producers of fruit, puree, and concentrate like us, who supply raw materials to the sector. The greatest barrier preventing this

increase from reaching hoped levels before was that Turkish agriculture had not shifted toward industrial fruit growing and was unable to supply fruit to the industry at a reasonable cost due to its structural problems.” He adds, “As Anadolu Etap, with the aims of both overcoming this barrier and being competitive in the world fruit juice market, we started our investments in large-scale industrial fruit cultivation in 2010. Our sapling-planting efforts at our four farms, which have expanded to 10 million square meters in the short time that has passed since, continue with intensity. Within the scope of this, as of 2011 we have completed the planting of 350,000 special-variety saplings.”



The players active in the industry, numbering more than 40, continue to expand their export targets and markets every day

The players active in the industry, numbering more than 40, continue to expand their export targets and markets every day. Tamek, which was founded in 1955, has been undergoing a process in which it is renewing itself completely—from its business model to its organizational structure, and from its logo to

its products—for around a year. Tamek Holding declared 2011 the “Advent of Change” and prepared a five-year business plan encompassing the period until 2016. It aims to grow by buying companies both locally and abroad to complete its product range. The breakfast-oriented “Kahvaltım” series that the company released to market last year helped raise its market share in fruit juice to 16%.

Meanwhile, Aroma, which has been active since 1968 and today has a fruit processing capacity of 225,000 tons per year, plans to expand its export markets—numbering around 50—as it simultaneously prepares to bring its new investments to life. Meystu, on the other hand, with an annual 50,000-ton annual juice production capacity and 15,000-ton fruit processing capacity, exports to more than 30 countries, and the share of fruit juice in its export products is continually growing. Besides Turkish brands, there are also such giants as Coca-Cola among the industry’s biggest players, of course. Active in Turkey since 1994 with its Cappy brand, Coca-Cola has succeeded in becoming one of the industry’s most significant players today. “In terms of consumption per capita, the Turkish fruit juice industry has grown nearly fourfold over the last ten years, catching up with the average for Mediterranean countries,” says Demir Şarman, adding, “Producers have made important advances in quality and capacity investments within this time frame and have increased their competitiveness in world markets.”

It is clear today that the fruit juice industry will continue to grow volume-wise into the future and present even healthier products to Turkish consumers in line with increasing standards of quality,



ALAAADDİN GÜÇ

Fruit Juice Industry Association
President

“This is an industry that is growing continually because it started from the bottom up. Industries like fruit juice, milk, and so on are exhibiting the same development anyway. There has been very stable growth especially in the past ten years. We could say the average for these ten years is 14–15%. I cannot say that our industry is being affected seriously by the various ongoing political and economic crises in the world. As the healthy living trend continues to rise, per capita consumption in Turkey rises too. And as awareness in the Turkish public rises, consumer tendencies will follow a trend of growth. We have seen that we have achieved this trend with various studies, too. Therefore, it is very attractive as an area of investment. The local and foreign players in this area are searching for investment opportunities in Turkey.”



ALİ RIZA DİREN

Board Chairman, Dimes

“The industry in Turkey is developing day by day. The consumer is gaining awareness, and diversity in the industry is increasing. Categorization has been done. These have all affected the fruit juice industry positively. Dimes, which increased its exports by 400% relative to 2000 according to the data for sales that took place in 2010, exports 21% of its total production. Aiming to preserve domestic and foreign market balances to export 50% of its total production, Dimes is progressing with sure steps on its way toward becoming a globally accepted, international brand. Dimes, which realizes approximately 60% of Turkey’s branded fruit juice exports, raised the number of countries to which it exports to 93 by 2011. We are continually increasing our share in foreign markets with the export strategies we developed especially in the past ten years.”



DEMİR ŞARMAN

CEO, Anadolu Etap

“Although Anadolu Etap concentrated mostly on its farm investments in 2011, we did improve our operational results considerably over 2010 as well; this year, we increased the total volume of fruit we processed by 70% to the level of approximately 80,000 tons. We are leaving behind a year in which we were active in export markets as well, in Western European countries most of all; despite the crisis in these economies, we succeeded in increasing our exports, and we gained approximately 20% of our 2011 revenues from export markets. In 2012, our fruit cultivation investments will continue at full speed; we set for ourselves the challenging target of raising the number of planted trees we have to one million, and we have started to take the steps needed for this. We will continue contributing to the development of agriculture-based industry in Turkey as well.”

FAIR COMPETITION

ENSURING FAIR COMPETITION

In addition to the new rules enacted in Turkish law, the laws issued in the US concerning unlicensed software usage will prevent unfair competition

BY MUSTAFA ÇAĞAN

TURKEY IS SEEN AS ONE of the global players of the future thanks to its thriving economy, dynamism, young population, and entrepreneurial spirit. Turkey's production power has the potential to move its economy one step ahead in a world that is increasingly focused on innovation. The success of the manufacturing industry in Turkey will have a major impact on the development of the Turkish economy; increased employment opportunities will result in improved economic growth and contribute toward creating a better lifestyle for the average Turkish citizen. By competing more effectively in global markets, manufacturers in Turkey will be in a position to help drive improved growth in the local economy, and local businesses have started to increase investment in the IT infrastructure of their organizations, understanding that they can differentiate themselves from other local competitors using the innovation and efficiency offered by a well-managed IT infrastructure.

The increased use of IT and other technology has, however, resulted in issues such as a lack of understanding of the associated intellectual property rights, and more specifically, the use of unlicensed software. The use of pirated software violates Law No. 5846 on Intellectual Property and Artistic Works.



According to the Turkish Statistical Institute, the contribution of the manufacturing sector to the national GDP increased to 25.8% in the first quarter of 2011. While Turkey was economically one of the fastest growing countries in the world in the first nine months of 2011, unemployment among young population stood at 17.3%. To create new jobs and opportunities for the young population, Turkey is working hard to increase its manufacturing and exports. Its focus on exporting to large consumer markets like the US also helps build financial relationships that will open up other economic opportunities around the world. An IDC study suggested that a 10% point reduction in pirated software in Turkey will contribute an additional 2,180 jobs to the economy and 1 billion dollars in added GDP.

The lack of respect for or understanding of legal software use can also cause unfair competition in the market, with some manufacturers competing unfairly with other Turkish companies by using unlicensed software.

However, recent laws passed in one of our most important export markets, the US, present us with a real opportunity to address this issue. Yasin Beceni, Legal

By competing more effectively in global markets, manufacturers in Turkey will be in a position to help drive improved growth in the local economy

Counsel of Turkish Informatics Industry Association (TUBISAD) points out that these US state laws (already enacted in Washington and Louisiana) are designed to tackle unfair competition and provide a level playing field for manufacturers selling goods in these states. "The laws require all manufacturers to ensure they are using legal IT throughout all of their systems. That includes hardware as well as legal, properly licensed software. They are designed to prevent one company gaining a cost advantage over another by using stolen IT. Any of Turkish manufacturers who do business in the US or want to do business in the US in future need to understand the implications for them and their future access to these important markets," said Beceni. Additionally, the articles concerning unfair competition in the New Turkish Trade Law, which will take effect in 2012, include the use of unlicensed software within the scope of unfair competition. The Turkish Penal Code furthermore imposes penal measures for the use of unlicensed software, and the dissuasive capabilities of Turkish laws that concern the use of unlicensed software are being improved.

Ensuring that software on PC systems is properly licensed will provide a competitive advantage to the local manufacturing ecosystem and lead to economic growth, create stronger incentives for entrepreneurship and innovation and increase employment opportunities. "Respect for IP and legal IT are good for our economy, and with the passage of these laws in the US, they are essential for our manufacturing companies. We should collectively seize this opportunity," adds Beceni.



PHARMACEUTICALS

BIG PHARMA'S MOVE TOWARD GENERICS TO BENEFIT TURKEY

Turkey's strong generic drug industry was one of the aspects that made its pharmaceutical industry so attractive. The global rise of generics is making the opportunities in the country clearer

BY MERVE KARA

THE GOOD OLD DAYS OF the pharmaceutical industry are gone forever. Even an improved global economic climate is unlikely to halt efforts by the developed world's governments to contain spending on drugs. Emerging markets will follow their lead and pursue further spending control measures." This passage from management consulting firm McKinsey's report titled "A Wake-Up Call for Big Pharma" is an excellent snapshot of the drug industry today. The stagnation

experienced by Big Pharma, a moniker for the world's largest and most innovative drug companies, has been stifling the pharmaceutical industry for quite some time. The number of new discoveries has been falling, innovating companies are being challenged by cuts in state budgets due to fiscal pressures, patents on the blockbuster drugs these companies owe a considerable proportion of their income to are expiring, and no replacements for such drugs are in sight. The stagnation in the discovery of

new drugs has, however, created new activity on the generics front. Drug manufacturers among the companies that lead in R&D spending have, one by one, started focusing on the generics market. According to McKinsey's report, the pharmaceutical industry's composition evolved considerably over the last decade. The most obvious transformation occurred in generic drugs, whose market share increased to 11%. Big Pharma started increasing its clout in emerging economies during this period,

With an industry that controls 42 manufacturing plants, Turkey has the 13th-largest drug market revenue-wise in the world

beginning a trend of mergers with and acquisitions of generic manufacturers especially in these areas.

"Pharmerging" is a concept unique to the pharmaceutical industry, encompassing the seven economies in which the industry has been growing fastest over the past ten years. Turkey—as well as China, Brazil, India, Russia, South Korea, and Mexico—is one of the "pharmerging" markets. According to data from International Medical Statistics (IMS) Health, which conducts market research in the health care sector, these seven markets, which have been exhibiting astonishing growth double the world average in the global pharmaceutical industry, will have accounted for a 20% share in the global pharmaceutical industry in the years 2006–2011. These countries are expected to provide 11% of global pharmaceutical industry income. As financing R&D spending—the drug industry's largest expense—becomes more difficult with the economic crisis, these markets in which consumption is rising rapidly are becoming critically important for the survival of drug giants. According to the PricewaterhouseCoopers report titled "Pharma 2020: The Vision," by 2020, the global pharmaceuticals market will be worth about 1.3 trillion dollars, with the E7 countries accounting for about 19% of sales. China will be the second or third biggest market in the world, and Turkey and India might well be in the top ten. As stated in the report, "One thing is clear from these broad-brush calculations; the financial clout of the E7 countries is improving significantly.

The economic, demographic, and social changes of the next decade will make them very much more appealing places in which to make and market pharmaceuticals." In another PwC report, "Pharma Deals," the firm emphasizes Turkey's strong local generics industry as a factor in its becoming a center of attraction for Big Pharma, together with its high consumption potential and population advantage. Gülden Berkman, General Manager of leading drug company Novartis in Turkey, says, "In the years 2005–2009, original drugs grew faster than generic drugs. In the years 2009–2010, however, we see that market balances changed. As the market share of original drugs fell, generic drugs especially gained a 2.3% market share in 2010."

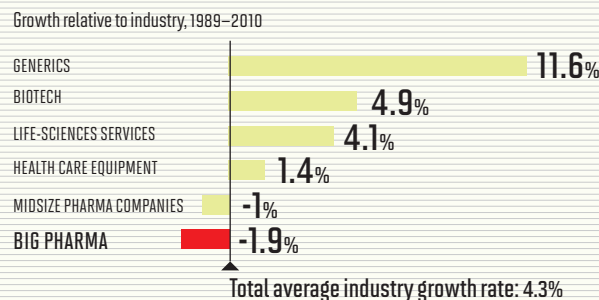
There are more than 300 countries active in the Turkish drug market, 55 of which are financed with foreign capital. With an industry that possesses 42 manufacturing plants, Turkey has the 13th-largest drug market revenue-wise in the world and the sixth largest in Europe. The Turkish drug industry, which is growing faster than the world drug industry, is expected to reach a size of 15.2 billion dollars in 2013. Among the factors in this growth are the growing senior population, the extension of patent periods, the development of personal drugs, the expansion and spread of the scope of social security institutions, and increased production and use of biological and biotechnological products.

The increased liveliness in the generics market since 2008 seems like it will benefit the country. In 2008 Glaxo-SmithKline cut a deal with a South African manufacturer to sell off-patent drugs in the developing world; at the same



GENERIC DRUGS CONTINUE RISING

The pharma industry's composition has evolved considerably



Sources: S&P Capital IQ Unit, McKinsey Analysis



ENGİN GÜNER

General Secretary, Association of Research-Based Pharmaceutical Companies

Turkey's Significant Capacity

"The pharmaceutical industry employs approximately 25,000 people and is active with 300 enterprises. Multinational companies own 14 of 42 manufacturing facilities. There is significant manufacturing capacity and developed infrastructure in the pharmaceutical industry of Turkey. According to a recently conducted study, approximately 75% of the pharmaceuticals sold in boxes in our country are produced in Turkey."



MELTEM KURTISAN

Chairwoman, Kurtsan Group/OTACI

Innovative Brands Are In

"With the 2000s, the generic drug industry started growing in all markets. Because the generic drug industry is growing faster than the reference product market, the market share of these products is increasing continually. According to data from the Pharmaceutical Industry Employers Union, while the global drug market grew 4% in value in 2010, the generic drug market grew by 11%. Many innovative markets are entering this market within this scope."

time, a deal was in the works for Japan's Daiichi Sankyo to buy a majority stake in generics giant Ranbaxy. Novartis, meanwhile, has been selling generics since before it was all the rage with its Sandoz unit. The generics industry in Turkey has seen many mergers and acquisitions over the past ten years. Eczacıbaşı's generics division was bought by Czech company Zentiva in 2007. A year later, the company Yeni İlaç was bought by Recordati of Italy. Similar enterprises in the merger of generic drug companies occurred in the past as well—Hexal of Germany bought İhsan İlaç in 1999, Menarini of Italy bought İbrahim Ethem in 2000, Actavis of Iceland bought Fako İlaç in 2003, and Citi Venture Capital bought Biofarma İlaç in 2006. The interest in the industry is helping Turkish manufacturers bolster their successes in the international arena. Abdi İbrahim, the leader of the local drug industry with a 7.8% market share in 2011, is listed as the world's 20th-largest generic drug company.

Considering the increase of generic drug sales from 40 billion to 80 billion dollars between 2004 and 2009, it appears that interest in the industry will remain high. IMS Health predicts that the generic industry will grow by 7.8% on average annually for the next few years. This projection for growth—almost double the predicted rate for the drug industry as a whole—has been an important level for plans by Bilim İlaç, one of Turkey's largest generic drug producers, to gain momentum in recent years. With exports worth 30 million dollars to 42 countries of 67 drugs in 176 formulations, the firm has been strengthening its presence in foreign markets as well as

domestically. Bilim Gebze facilities that became active last year contributed significantly to its international sales. The company next moved toward the EU and America markets. With its investment in the new factory, which has a production capacity for 250 million boxes, Bilim grew its power to the level of being able to produce 17% of the Turkish drug industry's output. Bilim İlaç General Manager Dr. Erhan Baş states that they aim to become the local drug producer that exports most by the end of 2014.

With its developing drug industry, Turkey, a strong exporter of generics with its local brands, is becoming both a regional administration and a manufacturing hub for Big Pharma. "With its strong and developed drug industry, role of leadership in the region, market open to growth, and positive investing environment, Turkey has the potential to become a manufacturing hub in which both locally financed and multinational companies will invest in manufacturing heavily," says Meltem Kurtisan, head of the Women Entrepreneurs Association of Turkey and Chairperson of Kurtisan Group, whose drug division conducts exports to more than 25 countries. Speaking immediately after his company bought Sun Pharma—a local giant in India—last year, Kevin Ali, Emerging Markets President of Merck Sharp & Dohme, the world's second-largest pharmaceutical company, had announced his company's plans to manufacture in Turkey. "Experts expect developing markets to mobilize 90% of the growth of the global drug industry within the next ten years, and that 75% of growth in these markets will be provided by branded generic products," said Ali.

TURKEY'S REAL POTENTIAL

Novartis Pharmaceuticals Europe President Eric Cornut explains Turkey's rise in the pharmaceutical industry and its significance for Novartis



How is Turkey positioned within Novartis's overall worldwide portfolio?

We as Novartis have a particularly long and proud history and presence, celebrating our 55th year of providing health care solutions to patients in Turkey. Novartis currently employs 2,300 people in Turkey and has three manufacturing facilities from which the products are exported to 90 different countries. Turkey is an important market for Novartis not only for its size, substantial population, and market potential, but also—and perhaps more importantly—for Turkey's strong leadership beyond its borders in the Middle Eastern region and increasingly in the broader European region.

How do you view the importance of emerging markets in the pharmaceutical industry?

Taking into account that 17 emerging markets are expected to grow by 15–17% according to IMS 2011 and the global pharmaceutical market by only 5–7% only, the importance of emerging markets is increasing significantly. Interna-

tional pharmaceutical companies have been moving their investments from mature markets like Germany, France, Italy, Spain, the UK and Canada with a slow growth rate to emerging markets like with a double-digit growth rate. And they will continue to invest in R&D and production in markets showing fast growth and higher profitability. From this perspective, countries like Turkey, China, India, and Russia seem to be in positions that are more advantageous.

Can you evaluate the potential of Turkey among other emerging economies?

Being in the top five emerging countries, Turkey is growing economically, its population is increasing, the aging of its population is clear, and access to doctors and medicine has been increased very significantly from 2004 onward as a result of the implementation of the Health Transformation Program. That is why the CAGR of pharmaceutical investments increased by 13.5% from 2004 to 2009 and spending per capita reached 140 US dollars in 2009. We as Novartis commend the Turkish government for its significant efforts in increasing the widespread access and the quality of health care services since 2004. But it is very crucial for Turkey to create a predictable environment through sustainable methods to prevent itself from being positioned in an unfavorable ranking relative to countries that seem to be more preferable as options for foreign investments. Turkey's share from the investment in the pharmaceutical and biotechnology industries is only 45 million US dollars per year whereas it is around 100 billion US dollars per year overall globally, which is a significant example concerning the potential of the country. To parallel to its population, this should be multiplied by at least 20.

AVIATION

Following Up on a Successful Year

The successful results for the third quarter indicate that the new investments made by Turkish Airlines will bear fruit in the years to come—years that will be filled with success

BY CAN GÜRSU

THE YEAR WE HAVE LEFT behind, 2011, was one of major success for Turkish Airlines, which sustained its growth spurt that began in 2006. Turkish Airlines is becoming one of the world's highly appreciated airlines in every aspect—from the number of its destinations to the size of its fleet, and from its new partnerships to its infrastructure investments. Turkish Airlines focuses on maximum customer satisfaction in everything from its flight safety to its product quality, and from its gamut of accommodating prices to its amiable service. The airline's dividends on its successful service came as the close to 20% average annual increase in passenger numbers that it achieved in recent years.

The fact that Turkey is right in the middle of the Europe-Asia-Africa air corridor—through which a massive proportion of intercontinental traffic passes, geographically speaking—has had a great share in the success of Turkish Airlines, which was named best airline in Europe last year. Turkey, which has been expanding its influence not just geographically, but also regionally and globally in recent years, is contribut-



“One more factor that makes Turkish Airlines a global trademark is its close to 15 partnerships and affiliates, which give it a voice in every area of the aviation sector” says Chairman of the Board, Chairman of the Executive Committee Hamdi Topçu

ing positively to the booming success of Turkish Airlines, the country's flag carrier and largest airline company.

Turkish Airlines aims to continue the growth trend it has achieved in recent years in 2012, despite the strong impact of economic, political, and natural crises during the aforementioned period. In spite of such negative developments, Turkish Airlines is once again succeeding in turning a crisis into opportunity with its 33 million passengers.

In June 2012, Turkish Airlines is preparing to open its narrow-body airplane hangar at its new 380,000 square meter Aviation, Maintenance, Repair and Modification Center (HABOM),

currently under construction at Istanbul Sabiha Gökçen Airport. Turkish Airlines will have taken a major step toward becoming a maintenance and repair center for the entire region, putting it in a position to address the maintenance-repair market not only of Turkey, but also of the European, Asian, North African, and Middle Eastern countries. Turkish Airlines is also opening a flight school, again international, in Aydın.

“One more factor that makes Turkish Airlines a global trademark is its close to 15 partnerships and affiliates, which give it a voice in every area of the aviation sector” says Hamdi Topçu, Chairman of the Board and of the Executive Committee. Able to have a say in every aspect of the aviation industry, Turkish Airlines has nearly 30,000 employees, granting it





In June 2012, Turkish Airlines is preparing to open its narrow-body airplane hangar



even more power atop its existing power.

With the investments it made in 2010 and 2011, Turkish Airlines is ready for 2012. As a result of these investments, it aims to continue growing as it opens new routes that will make it seventh worldwide. With the 19 previously contracted planes it will add to its fleet in 2012, the airline is aiming to carry 38 million passengers in 2012, hopefully resulting in 14.6 billion Turkish liras in revenue.

Turkish Airlines has increased its passenger numbers from 10 million annually in 2003 to approximately 33 million. The airline increased the number of its flight destinations to 189, and the number of airports to which it flies to 196. As a member of Star Alliance, the largest and most important

airline grouping in the world, Turkish Airlines has taken a massive step in making Turkey a significant point of connection between Europe and Asia. Today, with its passengers coming from all over the world, it transports them with its own planes to so many locations with its connecting flights.

Having always prioritized flight safety, along with the size of its flight network and the quality of its service, Turkish Airlines is the only airline company in the nation to possess an operational safety auditing certificate, which it earned thanks to not only its

high standard of flight safety, but also as a member of the International Air Transporters Association (IATA) since 2005. By starting a Regional Instruction Partnership with IATA, Turkish Airlines realized yet another first in Turkey, becoming an IATA-approved training center.

All training provided by IATA will be available at the Turkish Airlines Istanbul Training Directorate—an IATA Regional Training Partner—from now on, with classes taught by IATA-authorized instructors. With the increased ability brought by having an IATA-approved training center, the Turkish Airlines Directorate of Training will be able to organize IATA-approved classes with its own crew of instructors, persistent training, and diploma programs that are respected and accepted worldwide. The training programs that will take place in Istanbul—centrally located in terms of a region stretching from Asia to the Balkans and Europe, and from the Caucasus to the Middle East and North Africa—will be formed with the consideration of the academic requests in regional aviation. Together with increasing the quality of the service it offers and the international agreements it has signed, Turkish Airlines continues to expand its network and rapidly grows its fleet.

Framing all these initiatives within the scope of the strategy for 2023, Turkish Airlines aims to rise to the position of number one globally within the scope of the long-term program for the centennial of the Republic of Turkey. Progressing toward challenging targets with the strength it takes from its employees and Turkey as a whole, Turkish Airlines continues on its way to present the best to its customers and deliver the best to its nation.

189

The airline increased the number of its
FLIGHT DESTINATIONS

33
MILLION
PASSENGERS

INVESTING

Energize with Turkey: INVESTMENT ROAD SHOW

Investors from the US showed great interest in the energy road show coordinated by the Investment Support and Promotion Agency of Turkey

BY CEYHAN AKSOY

SPEAKING TO THE press in the second week of November, the US Commercial Counselor to Turkey Michael Lally said in early December 2011, 17 US-based energy companies would come Turkey to attend the partnership discussions and investigate investment opportunities. Lally said the US energy companies are “very comfortable” in Turkey, adding that the Americans’ belief in Turkey’s future and its potential for growth played a role in their wish to invest. This visit indeed took place on December 5. The manifestation of American investors’ interest in Turkey is not limited to this visit, of course. The great interest they also showed toward the event organized in the US by ISPAT for investors clearly showed that Turkey, one of the world’s fastest growing countries, is drawing the attention of all kinds of investors.

ISPAT held a road show between October 28 and November 4, 2011, with the purposes of promoting opportunities in the Turkish energy sector, discussing plans concerning the sector for the near future, and addressing potential partnerships with companies from the US. Information about the structure of the energy market in Turkey and current policies was provided at the road show, in which participation



ISPAT held a road show in the US with the purposes of promoting opportunities in the Turkish energy sector

from high-level officials and executives was considerable, and market projections and targets were explained as well. Many firms were met with in all three legs—New York, San Francisco, and Houston—of the road show. The firms’ needs were discussed and ideas were exchanged on how and in which areas ISPAT could support them.

Detailed information on coal power plants, the nuclear power plant projects, and the

natural gas market was shared first at the meeting. Some companies newly starting to be interested in Turkey requested information about establishing local partnerships and finding partners in matters related to geothermal energy. A company already working with Turkey in the geothermal field expressed its need for support to engage in the generation of electricity from waste heat. Another American energy company—which noted that it had around 2,000 employees in the Middle East and 4,000–5,000 in Europe, and that it is involved with the design and manufacturing of natural gas turbines, conducts projects concerning air quality in coal-burning power plants, and runs engineering efforts for the first natural gas field in Iraq—highlighted their excitement with having investment opportunities in Turkey

explained to them. Meanwhile, the interest felt for the Turkish market by a company producing small modular nuclear reactors also drew attention. This company was told about the things planned to be done concerning the energy sector and nuclear energy in Turkey. US companies involved in nuclear energy as a whole emphasized how important legislation relating to the matter is for the construction of nuclear power plants.

Of foremost noteworthiness at this road show, which was geared toward energy investors, was the diversity of opportunities present in Turkey for investors in all energy fields. While the potential of renewable energy in Turkey was discussed in addition to conventional energy sources, companies which have investments in wind, solar, and geothermal energy and transmission systems were informed by ISPAT about all kinds of investment opportunities in the energy sector. ISPAT informed the companies about the local contributions and the licensing process in Turkey. Also standing out among the US investors’ fields of interest were biomass and biofuels. Some companies investigating investment opportunities especially in biomass indicated that they were running efforts related to biomass co-firing and wished to visit the Ministry of Energy in Turkey to gain information about the potential for biomass in the country and related technological developments. Additionally, the matter of how companies seeking local partners in energy would be supported was discussed. By organizing this event, ISPAT provided support to many US companies that are seeking to invest in Turkey and have questions concerning the sector.

INNOVATION

Aiming for 2023 with an INNOVATION-BASED STRATEGY

The Turkish Innovation Conference held with the purpose of provoking Turkey's creative power welcomed prominent guests, each an innovative expert in his field, as speakers.

BY CAN GÜRSU BY GÖKHAN GEZİK



HAVING ATTAINED rapid growth over the past eight years outside the global crisis period, Turkey is leaving world giants behind in terms of economic size too. According to International Monetary Fund (IMF) estimates, Turkey will have reached a natural income of 789.6 billion dollars in 2011, overtaking the Netherlands to take 16th place. Aiming to attain 500 billion dollars' worth of exports in its 2023 objectives through a strategy of innovation, Turkey intends to increase its innovation investments and R&D budget to levels surpassing those of other countries.

The Turkish Innovation Conference was held under the auspices of the Presidency of the Republic of Turkey and organized by the Turkish Exporters Assembly (TIM) in a strategic partnership with Turkcell. From the first moment President Abdullah Gül entered the hall on the first day of the conference until he took to the stage, he received continuous standing applause from local and international members of the press, businesspersons, and numerous scientists—an excellent example of the world's commendation of shining star Turkey.

"Innovation is the fundamental impetus driving development and advancement" said President Abdullah Gül



The congress was aimed to bring Turkey's business sphere together with political decision makers, bureaucratic elements, and the academic sphere under the umbrella of the concept of innovation. One of its objectives was to emphasize the need to use the concept of innovation as a part of daily life in the competitive world we are in. Abdullah Gül, starting his speech by stating that the history of invention and human advancement is actually the history of innovation, emphasized the importance of innovation for societies with the words, "Innovation is the fundamental impetus driving development and advancement." Gül's words are clearly being proved today, and for Turkey, which is playing for leadership in advancement at this time, the importance of innovation is just as clear. Pointing out that Turkey must assume a form in which it will be able to export the knowledge it produces abroad, Gül said, "Innovation is one of the most important elements that will shape our nation's future; however, in the area of innovation, we must no longer walk, but run," emphasizing that Turkey should lose no more time in acting.

Stating that Turkey has no choice but to view science, technology, and innovation policies as the fundamental dynamics shaping the nation's future and continuation,

President Gül said, “Science and research are actually Turkey’s continuation.” Noting that the term “continuation” has always been used in military and political contexts when saying “a country’s continuation,” Gül pointed out that he is constantly striving to revise this terminology today. Emphasizing that the continuance and future of countries and nations—and therefore of Turkey—is tied to success in science, research, and innovation, Gül said, “If we are unable to be very successful in these matters, then it means our continuance will not be very successful either.” Because of this, said Gül, Turkey has to place such policies at the center of its economic growth strategy. Receiving another round of great applause from the audience at the end of his speech, President Gül left the podium.

Also speaking at the opening was Qatari Emir Sheikh Hamad bin Khalifa Al Thani, who began his speech by emphasizing the importance given to innovation in his country. “We live in a world . . . where competitiveness has become its first symbol . . . He who has knowledge has the ability to influence people,”

said Al Thani, who noted that his country earmarks 2.8% of its GDP for innovation. He also said, “We would like to cooperate more with Turkey through our universities and scientific institutions,” pointing to the trust-based relationship between Qatar and Turkey.

Starting his speech by noting that he has experienced four-and-a-half years out of the past nine years as an industrialist himself, Minister of Economy Zafer Çağlayan said that Turkey exhibited performance not expected from it. He added that while Turkey was the 27th-largest economy globally nine years ago, it is the 16th largest by buying power parity today. He said, “While Turkey’s exports totaled 26 billion dollars in 2002, today, even just two of our industries export more than that.” Çağlayan stated before ending his speech that this success was attained through Turkey’s sound economic administration, the timely decisions it made (as backed up by many international institutions too), and coordination among ministers.

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Zafer Çağlayan: “Turkey was second worldwide with economic growth of 10.2% in the first half of the year, and it meanwhile is realizing an increase in exports of 20%”

“It’s great to be back in Turkey,” said Mike Lazaridis—the Turkish-born founder of BlackBerry maker Research in Motion—as he began his speech for the Turkish Innovation Conference titled “The Apex of the Innovative Mind.” “The focus on innovation and education inspires confidence in Turkey’s future,” continued Lazaridis, noting that innovation is very important to him and is what underlies BlackBerry’s global success. He added that education is his most important possession in this respect. Highlighting Turkey’s importance for RIM, Lazaridis stated that the first real banking application of the BlackBerry was in Turkey. He also spoke about the Fatih project, a state-run initiative to provide tablet computers and interactive whiteboards to K12 students all over the nation, declaring the importance of updating technology and investing in the future as his chief reasons to attend the conference.

Mehmet Büyükekşi, President of the Turkish Exporters Assembly, which hosted the event, said that Turkey is transforming into a country that invents and delivers innovation, a country in which those who stray from the proverbial flock will not fall victim to wolves. Büyükekşi indicated that thinking innovatively is a strict obligation for Turkey. He stated that they are seeking answers to the question of how to turn the consciousness they are trying to create for innovation into a societal lifestyle. He continued, “If we handle this process well, we will reach the target quickly.” He emphasized that turning innovation into a systematically integrated core cultural value is key for this goal. He continued, “We must support those who are trying to innovate at school, at



“The focus on innovation and education inspires confidence in Turkey’s future”
said Mike Lazaridis



“We must support those who are trying to innovate at school, at work, and in daily life”
said Mehmet Büyükekşi

work, and in daily life to such an extent that we should not only be supporting them, but also make them the apple of our eye, so everyone should think ‘What could I innovate that will give me wealth and recognition?’ Innovation is present in the genes of Turkish people and unearthing and clearing the way for this, and supporting it materially and intangibly, is more important than anything, he said. Büyükekşi emphasized that Turkey’s competitiveness in exports depends on innovation and that innovative development is their goal, finishing his speech with the words, “If we manage this process well, we will reach the goal for 500 billion dollars’ worth of exports in 2023 with ease.”

Turkcell CEO Süreyya Ciliz highlighted the convenience of accessing information via the mobile devices everyone carries. The mobile giant’s helmsman continued, “Living in Turkey is no longer a disadvantage with respect to technology; it is an advantage.”

Turkey, which decoupled positively from the global economic system that has been combating crisis since 2009, is aiming to distance itself from the collapse in the financial outlook of European countries too. Turkey, the world’s second fastest-growing country after China, aims for stable growth together with the value-add and technological contribution created by innovation.





THE ARCHITECTS OF SOUND, SOLID FINANCE

The players in the Turkish banking industry are perhaps the best in the world of finance to apply the lessons they learned from global experience. It is no coincidence that Turkish banks are so well grounded in spite of the financial sickness now troubling Europe after initially hitting the US

BY CEYHAN AKSOY

BY SEDAT GİRGIN

IN LATE OCTOBER, a step unseen in close to 12 years was observed in the Turkish banking industry with the granting of an operational license to a foreign bank: Lebanon-based Bank Audi succeeded in securing permission to open a bank in Turkey based on 300 million dollars' worth of capital in Turkish liras. This permit is an important part of the 170-year-old bank's strategy to grow in this region, in addition to the 11 countries in which it currently operates. For Turkey, it is just one of the unsurprising results of the high performance it is exhibiting in an environment in which the entire world wrestles with financial and economic crises. "With its continually di-

versifying sources of funding and strong customer deposits base thanks to its high level of profitability, structure of capital, active quality, bond issuance, and foreign borrowing, the Turkish banking industry possesses fairly sound fundamentals," says Faik Açıkalın, General Manager of Yapı Kredi, one of Turkey's largest banks.

Underlying the Turkish banking industry's sound standing are cautiousness gained through experience and a consistent operational approach. Following the capital adequacy, risk management, and liquidity regulations placed after the deep fiscal crisis occurring in Turkey in 2001, and the monetary policies supporting growth in domestic demand in that era and the rapid creation of active regulatory

institutions like the Banking Regulation and Supervision Agency (BRSA), the industry was restructured from the ground up. While uncertainty rose worldwide due to the global financial crisis that began mid-2007 and peaked in 2009, with the banking industry in developed countries posting especially great losses, the Turkish banking industry, which gained resistance to all kinds of crisis thanks to its 2001 experience, exhibited a confidence-inspiring stance. The industry's net profit in 2008 fell by 10.5% relative to the previous year. In 2009, however, reacting much more quickly to the need to recover, the industry increased its net profit by 50%. The increase in net interest income and in the buying and selling of securities,

the turnaround of the previous year's currency exchange losses, and cautious policies played a great role in this. Turkish Central Bank and BRSA policies have an unquestionable influence on the strong stance of the banks, which make up 76% of the total actives in Turkey's finance sector, whose total active size was 1.37 billion Turkish liras by March 2011. "Thanks to these efforts, while most OECD countries today have been obliged to support their banking systems, Turkish banks continued to prosper with no public support," says Ergun Özen, General Manager of Garanti Bank—Turkey's second-largest private bank.

A foremost example among these arrangements is the capital adequacy ratio.

Though the requirement to facilitate an 8% capital adequacy ratio, the international standard set by the Bank for International Settlements (BIS), the BRSA recommends for this to be at around 12%. Although the recommendation to satisfy a 12% capital adequacy ratio was subject to various criticisms initially, thanks to the banks' supporting policies, the ratio is higher than 12% in the industry. "Turkish banks' capital equity and capital adequacy ratio is currently at the level of 15%. These ratios are at much higher levels than those of European banks," says Faik Açıklan. By reducing the effects of the global crisis, these levels bolster the position of the Turkish banking industry. Akbank General Manager Ziya Akkurt lists the primary sources of this strength as follows:

- After the financial crisis experienced in 2001, the Turkish banking and finance sector underwent a successful period of restructuring. The Turkish banking industry continues operating within a framework of regulations and discipline.
 - In many developed and developing countries, debates continue on closing the capital gap. In such an environment, the Turkish banking industry has a capital adequacy ratio of around 16.6%.
 - The industry's indebtedness/leverage ratio is low.
 - The industry's equity profitability is at around 15%, and it exhibits sustainable growth.
 - There is no liquidity problem in the industry. (The transformation ratio of deposit to credit is 94%.)
 - The industry is comprised of executives and professionals with high levels of education and experience in management and crisis handling.
 - Penetration rates in fundamental banking products are still low in comparison to indicators in developed countries.
 - In the European debt crisis, too, which has been on the agenda for the past two years, we see that our industry has a very limited position in highly indebted countries. According to BIS data, the total risk of Turkish banks in Italy, Greece, Portugal, Ireland, and Spain is around 738 million dollars. With the inclusion of France, this figure rises to 1.9 billion dollars, a fairly limited level.
- In any case, it would have been impos-



A Great Year with BBVA

ERGUN ÖZEN

General Manger, Garanti Bank

When compared to many developed countries and most of the other emerging economies, Turkish economy exhibited eye-catching growth performance mainly driven by strong domestic demand in 2010 and in the first three quarters of 2011. Implementation of macroprudential and structural reforms in the aftermath of the 2001 crisis and close monitoring of and strong policy response to volatilities during the recent financial turmoil were the key factors behind this success story. Turkish banks were restructured and new standards and regulations aiming to improve transparency and the quality of corporate governance were set after 2001. Thanks to these efforts, while most OECD countries today have been obliged to support their banking systems, Turkish Banks continued to prosper with no public support. The main features that helped Turkish banking industry to decouple from its peers were strong capital base continuously enhanced by high profitability leading to high internal capital generation, robust credit quality, low exposure to high-risk countries, having no toxic assets, and strong human capital capable of crisis management. In addition to these features, going forward, the strong stance of the

Turkish economy underpinned by strict commitment to healthy public finance, structural growth dynamics, and the low indebtedness of Turkish households, together with a clear vision laid out by the Medium-Term Economic Program, will continue to differentiate the Turkish banking industry from many of its global peers.

BBVA Group is one of the most respected global financial institutions, recognized for its emerging markets expertise and innovative business model. On the other hand, Garanti is one of the leading private banks of Turkey, and it has operations in other countries as well. For BBVA, Turkey is one of its strategic markets with its young population and strong growth prospects. Furthermore, they stress the fact that Garanti, which has been a pioneer in most areas of the Turkish banking industry, is the perfect bank to partner with. In the first year of this partnership, I believe both banks have proven to be ideal partners, poised to generate enduring value for each other. Management committees have functioned effectively with a common business strategy and customer vision; know-how sharing between two banks has already started paving the way for the sharing of best practices.

sible for this strength not to draw the interest of foreign investors. However, all these financial reforms and regulations aside, it cannot be said that this interest is independent from political stability either. The government's overture in the Middle East and its economic rise that has attracted the attention of the entire world are drawing heavy interest from countries in the Middle East and Persian Gulf. Among Middle Eastern and Persian Gulf investors who have realized highly significant purchases in the Turkish banking industry since 2003 is the Hariri family of Lebanon, which bought MNG Bank in 2006 for 160 million dollars. Also that year, the National Commercial Bank of Saudi Arabia made a fast entry into the industry by buying Türkiye Finans Katılım Bankası for 1.8 billion dollars. NBK of Kuwait, too, entered the market by buying a 40% partnership share in Turkish Bank—a small-scale bank—in 2008. "After the investments that investors from Persian Gulf countries have long continued successfully in Turkey in such industries as telecommunications, health care, and automotive, I see no reason for the same performance not to actualize in the finance sector as well," says TEB General Manager Varol Civil, underlining how natural this interest is. TEB is also a bank that has recently received a share in the interest shown toward the industry—French banking giant BNP Paribas's search for a suitable partner in Turkey lasted until it came to an agreement with TEB.

TEB legally completed its merger with Fortis on February 14, 2011. According to the first joint balance sheet issued on March 31, 2011, after the operational merger on September 30, 2011, TEB's active total rose by 27% to reach 40 billion Turkish liras. TEB's equity reached 4.2 billion Turkish liras, and its capital adequacy ratio is 13.7%. TEB's total net profit over the first nine months of 2011 reached 124 million Turkish liras—in spite of the merger costs still being reflected on its fiscal tables. Managing the merger process in a quick, problem-free fashion, TEB attained rapid growth momentum as of the second quarter of 2011.

TEB is just one of the examples of the interest shown by foreign investors in the Turkish banking industry as of late. Such investor interest, however, is not actually that new—UniCredit, the first

UNDERLYING THE TURKISH BANKING INDUSTRY'S SOUND STANDING ARE CAUTIOUSNESS GAINED THROUGH EXPERIENCE AND A CONSISTENT OPERATIONAL APPROACH



foreign bank to enter Turkey, became a 50% partner with Koç Financial Services (which would later merge with Yapı Kredi Bank in 2006) in May 2002. Today, as an organization that earned 1.65 billion Turkish liras in net profit and had its average equity profitability reach 21% over the first nine months of 2011, Yapı Kredi is the Turkish banking industry's fourth-largest private bank. By Q3 2011, Yapı Kredi's total active size grew by 25% relative to year-end 2010 to reach 106 billion Turkish liras. Strong especially in the retail banking segment, Yapı Kredi succeeded in increasing its market value by 128% between 2006—when it merged with Koç Financial Services—to 2010. "With our 'Smart Growth' strategy, we continue focusing on products and segments with high sustainable growth potential, such as consumer credit, SMEs,



A Significant Contribution to UniCredit

FAİK AÇIKALIN

General Manager, Yapı Kredi Bank

"Foreign investors are aware that there is strong potential for growth in the Turkish banking industry. Among the fundamental causes for this growth, we can list Turkey's demographic structure, which gives it an advantage over other countries, and the still-low level of banking penetration. The ratio of credit to GDP is, as of the end of 2011, at 52%, a low level that indicates low household indebtedness. Considering that this ratio is at levels of around 60% and 140% in the East/Central Europe region and Western European countries respectively, there currently exists great growth potential for Turkey. Especially when looking at consumer credit, we can say that this ratio is at relatively quite low levels in comparison to other countries.

That Turkish banks are, unlike European banks, in a close relationship with the real economy and give weight to real banking products and services is being watched with envy by foreigners. Furthermore, the strengthened structure of the industry with the establishment of a regulation and auditing infrastructure (BRSA and the

Banks Association of Turkey) and central risk management systems thanks to the measures taken after the 2001 crisis is drawing the attention of foreign investors too. The strong quality of actives in the banking industry and the lowness of the foreign currency position risk are among other factors foreign investors evaluate positively.

Expectations such as raising the credit ratings of both the country and its banks, and income levels increasing in the coming term are also keeping foreign investors' interest in the banking industry alive. In spite of all these positive factors, at such a time, even if they follow Turkey closely and are thus ready to take advantage of attractive opportunities, the financial uncertainties in Europe—the true trigger of investments—will gain clarity. With this, in the case that the crisis experienced in EU economies deepens, most foreign investors believe that this will reflect inescapably on Turkey. Therefore, as they make their assessments on Turkey, they also question Turkish banks' preparations for the worst of scenarios.

and project financing especially,” says Faik Açıklan, the bank’s general manager. He adds, “Furthermore, as a matter of priority, we are focusing on making correct pricing by adapting most effectively to changing conditions, gaining customers and strengthening present customer relations, diversifying sources of funding, increasing productivity, cost management, and sustainable improvement in active quality. Especially in the area of funding, we place high importance on sources other than bank loans, and we aim to preserve the strong liquidity and funding structure as well.”

UniCredit of Italy, one of the world’s 29 largest banks, is of course aware of the strength of Yapı Kredi and the Turkish market. “In the current economic situation, Yapı Kredi has a significant contribution to UniCredit, whether in terms of incomes or profitability. Yapı Kredi is in a position of industry leadership in many segments in the field of banking,” says Faik Açıklan, emphasizing this awareness. He says that UniCredit regards Turkey as a country in which it will continue its investments in the future, and that it has been expressed countless times that the Italian finance giant’s long-term plans always feature Turkey and Yapı Kredi.

Another European finance giant that is keeping Turkey in its plans is Banco Bilbao Vizcaya Argentaria SA (BBVA) of Spain, which took a 24.8% share in Garanti Bank in November 2010. BBVA Chairman and CEO Francisco Gonzales, in an announcement he made in October, said, “We could not have found a better partner than the Doğu Group, one of Turkey’s most successful and internationally acclaimed industrial conglomerates and financial services providers.” He added, “Turkey is one of BBVA’s strategic markets.” With its 11.9% equity market share and 164.1 billion lira active size, Garanti Bank is Turkey’s second-largest private bank, employing 16,785 people. The bank closed Q3 2011 with 2.46 billion liras in profit. Concerning the bank’s partnership with BBVA, Garanti Bank General Manager Ergun Özen said, “I believe this partnership will prove to be mutually beneficial. Garanti’s and BBVA’s business strategies have so much in common as both banks place utmost priority to customer-oriented banking.” He added, “While BBVA’s valuable know-how in both emerging

and developed markets will definitely add value to Garanti Bank and will lead the way for Garanti Bank’s long term vision of being the best bank in Europe, BBVA will take advantage of Garanti’s benchmark applications and reinforce its growth profile in Turkey with high growth prospects and high profitability.”

Garanti Bank has been continuing its growth not just in Turkey, but also abroad. With partnerships in the Netherlands, Romania, and Russia at present, the bank took its first step in its strategy to grow abroad in 1990 in Amsterdam. Later in 1996, it became one of the 80 foreign-partnered banks operating in the Russian banking industry with GarantiBankMoscow (GBM). In Romania, it is aiming to double its active size within three years, increase its market activity via ATMs, become a small player standing out with its technology, products, and

services in the short term, and in the long term to become an important player. Like Garanti Bank, other Turkish banks are actualizing their plans for global growth rapidly. “As of September, our banks have locations in 31 different countries, and 136 organizations in the form of partnerships and representative offices. And when we consider the present situation of Turkish banks as well, we wish for and encourage them to take more action in countries where we have historic and cultural ties, especially in surrounding countries,” says BRSA President Tevfik Bilgin, adding, “We gave permission to five banks in Northern Iraq. Turkish banks in Russia are being pointed to as examples for other Russian banks. In Bulgaria, Turkey has made the biggest investment other than Bulgaria itself, and our banking is developing there. Two of our Turkish banks have their own



Enhancing Partnership with Citi

ZIYA AKKURT

General Manager, Akbank

We are going through lively period during which new balances are being established in the international economy.

Behind the latest shake-up are issues caused by the banking industry and financial sector in many developed and developing countries. The developments under way indicate that stability in global markets will be achieved after a longer time than expected.

When we look at our country, we see that the situation in the sector is completely different. While the economic administrations of other countries are aiding the financial sector, the sound, strong Turkish banking industry continues its activities in this period without feeling any need for government help.

As Akbank, we feel great happiness for working with Citigroup, one of the global finance sector’s most important players, and feel great happiness for carrying our partnership to other platforms both international and local that will create value for our customers. Together with Citigroup, we will continue working in

fields of partnership that will add value for the customers of both banks, and producing new projects.

Furthermore, in May 2011, Akbank and Citi put their signatures on a partnership and product of exemplary nature for the world with a new project. As a result of the great collaboration between the two banks, Wings (the credit card) started offering brand new advantages to its customers, which they are able to use all over the world. Wings, which offers unmatched opportunities and advantages to cardholders, had four new Citi global features added to it with this project, and Wings became more globalized. Citibank, which brought global features to Wings, presented the Citi Wings credit card to its customers in Turkey as part of this collaboration. Through this, both Wings and Citi Wings gained global features and advantages Citibank offers in more than 100 countries worldwide on one hand, while gaining Akbank’s strong business member network and select travel privileges on the other.

locations in all of Romania's provinces. We are active in Germany, and in spite of certain limitations in the Netherlands, we are active there too."

Generally European-focused previously, Turkish banks have already started shifting the routes in their growth plans toward the Middle East and Persian Gulf countries. Akbank, which started its activities abroad in 1998 in Germany, has become the first Turkish bank active in the Dubai international financial center as part of its expansion strategy. Akbank—Turkey's third-largest private bank—is also a partner of global giant Citigroup. Citigroup bought 20% of Akbank in 2006, paying 3.1 billion dollars for this partnership. The value the global finance giant paid for the bank's shares then exceeded the value of Akbank's shared by 16.5—despite the fact that there were articles in the partnership agreement preventing Citi from having more than a 20% share in Akbank. Akbank, whose total deposits today exceed 77 billion liras, had a net profit of 1.96 billion liras over the first nine months of 2011. Its nonaccruing loans rate is just 1.6%, and its active size is 132.9 billion liras. Akbank General Manager Ziya Akkurt indicates that they, as Akbank, feel great happiness for their partnership with Citigroup, one of the global finance sector's most important players, and for developing this partnership by taking it to platforms both international and local that will create value for customers. He adds, "This year, we left behind the fifth year of the strategic Akbank-Citi partnership. With the strategic partnership that started in 2006, we fused Akbank's expertise in Turkey and expansive distribution channels with Citigroup's global expertise and its best-in-the-world practices. Thanks to this, we continue offering innovative, modern products and services to customers in various segments."

In addition to sound, sustainable economic growth, the Turkish banking sector's growth potential continues increasing daily with the rising national income per capita and the young Turkish population. "The Turkish economy, upholding its fiscal discipline and stable stance, continues to present high growth potential and attractive investment opportunities. Our country remains on the radar especially of foreign investors with these characteristics," says Ziya Akkurt.

"OVERCOMING DIFFICULT TIMES WITH MINIMAL LOSSES"

The Turkish banking industry is in a position enviable for its strength and it is attracting interest of foreign investors. One of the most recent example is BNP Paribas' acquisition of TEB. TEB CEO Varol Civil explained the background of the banking system in Turkey to The Turkish Perspective

BY MERVE KARA

HOW WAS 2011 for the banking industry? Can you assess the growth in the industry together with such factors as credit risks and profitability?

Before assessing the banking industry, I first want to mention briefly the economic situation we are in.

As you know, the global economy was subject to many shocks in 2011. The impact of the tsunami occurring early in the year in Japan on production channels was heavier than expected. Rapidly rising oil prices over the process of the "Arab Spring" occurring in the Middle East right after that constricted consumer purchasing power on one hand while inciting inflation on the other. When we came to the summer months, we saw deep political bickering in the US, and after than an unexpected credit rating drop. In the last few months, we have been experiencing a European debt crisis that has remained on the agenda perpetually. And in parallel to these shocks, the global economy slowed down year-round, and expectations for the future were upended.

In spite of all these difficulties, Turkey continued its economic growth from where it left off in 2010. According to the figures announced most recently, the economy of Turkey has been growing 8.2% annually as of the end of the third quarter. This performance is the highest growth rate seen worldwide after China's 9.1% growth.

One of the most important driving forces behind our economy's eye-dazzling performance has been the finance and banking industry. Thanks to its sturdy composition, the Turkish banking industry has both supported the country's growth, and has continued its own growth as an industry in a secure and sustainable manner, without being harmed by negativity abroad.

The Turkish banking industry is in a position enviable for its strength. It is important to note that this has had a large share in the limited nature of the effects of the crisis, also considering that one of the important reasons for the crisis was deregulation. How do you find



the balance of regulations in Turkey's banking system? Is enough space provided for banks to move around? What are your expectations concerning this subject for 2012?

The crisis being experienced in the world's most developed countries show how indispensable long-term approaches are for the stable growth of the financial sector.

Although extreme growth and profit-focused strategies can appear quite attractive in the short term, it can—as has been seen in the US and Europe—bring the sector to the threshold of bankruptcy and take the entire economy of the country hostage.

I think it will be beneficial to look at developments in Turkey from this perspective. For the country's economy and banking industry to grow sustainably, the Banking Regulation and supervision Agency (BRSA) and the Central Bank (CBRT) have taken a series of measures with the aim of providing the macroenvironment required for this. As a result of these arrangements, credit growth has been brought to levels more sustainable than the high rates of late 2010 and early 2011.

Our estimate is that the credit growth in the industry will have reached 25% by the end of 2011, and that it will continue this progress in 2012 as well. I am of the opinion that the banking industry in Turkey will continue growing in a healthy, balanced fashion with the conclusions it made from the crises occurring in 2001 domestically and outside in 2008.

In consideration of the entry of foreign capital into the banking industry, how do you expect the crisis in the euro zone to affect Turkey?

Our national savings, unfortunately, are not enough to finance our soaring economic growth, and this gap in savings is being closed with financing secured from abroad. A constriction that could occur in external financing options has always been an important risk factor for Turkey's growth performance.

In this respect, how the uncertainty in the euro zone will be resolved is of great importance for the state of the Turkish economy too. The latest in developments give hope that the concerned countries have understood the seriousness of the extent of the crisis and have started tak-

IN ANY CASE, THE TURKISH BANKING INDUSTRY WILL MOVE ALONG IN 2012 IN A CONDITION THAT IS QUITE SOUND IN TERMS OF PROFITABILITY, LIQUIDITY, AND CAPITAL SUPPLY

ing the steps necessary to achieve a more integrated structure by speeding up their efforts toward fiscal union.

We, in our base scenario, expect the euro zone to assume a more integrated structure in the approaching future, and for the European Central Bank to shape its monetary policy in a way that is supportive of growth. In this regard, it seems likely that global liquidity in the long term will be abundant. However, it appears that the full resolution of the euro zone's problems, and therefore the acceleration of capital inflow into Turkey, will take time. We thus expect economic growth to slow down somewhat in 2012, and for the 7% GDP growth we expect for 2011 to fall to around 3–4% in 2012. This soft landing we expect in the economy will make it possible for the balances of inflation, the current account deficit, and growth to assume healthier levels.

Can you evaluate Turkey's export of securities? How do you regard the progress attained this year? Is this growth sustainable?

I believe the Turkey's Undersecretariat of Treasury has run a very successful loan program in 2011. If we were to base our assessment on a few statistics, while the average loan term was 43.7 months in 2010, it rose to 45.5 months in 2011; meanwhile, the new loan/amortization ratio fell from 89.3% in 2010 to 84.4% in 2011. However, as a result of the interest increases in the debenture bonds created due to the rise seen in overnight loan interest rates, the average discounted bond export interest rate rose from 8.10% in 2010 to 8.50%.

Banks, meanwhile, sped up their export of bank bonds in 2011. The funds banks have been securing from the bonds they export in the past year have increased 752% to reach 16.4 billion Turkish liras. I expect this progression to continue in the

coming term as well. As the public need for loans falls, I think that financing private sector gains by way of exporting value will increase both in terms of quantity and in terms of interest structuring. This, in turn, will support the balance of active/passive interest in the industry's balance sheets.

Can you assess the position of banks in the Medium-Term Plan to gradually reduce the current account deficit?

The measures taken with the aim of getting the current account deficit under control in the short term have first targeted limiting credit growth and slowing down domestic consumption. In this scope, the CBRT has enacted important increases in required reserves ratios starting as of November 2010. However, the desired slowdown in credit growth has not occurred in this period, and the current account deficit continued to grow. Furthermore, the lack of interest payments on required reserves has brought a burden upon the banking system.

In June, the BRSA moved toward changing the regulations concerning consumer credit. Finally, as of the second half of the year, a serious slowing in consumer credit growth has been observed. We can say that the regulatory measures taken to limit credit growth have been more effective in this scope.

In the final quarter of the year, with the aim of overcoming the loss of value in the Turkish lira and rendering the slowdown in credit permanent, the CBRT allowed interest rates in the money market to form within a broad spectrum and reduced the Turkish lira funding it conducts via weekly repurchasing agreements. This policy has been partially influential on the currency exchange rate, while simultaneously reflecting on credit interest rates by way of increasing funding expenses in the banking system. As a result, credit growth has approached around 25%, considered an acceptable

level making it possible for the current account deficit to fall gradually.

Permanently reducing the current account deficit without limiting economic growth meanwhile requires a number of structural transformations in the long term. Some of the factors first coming to mind are increasing our national savings rate, increasing our domestic energy generation, and having our exports provide higher value added.

From this perspective, the banking industry truly is contributing to the process of combating the current account deficit. For example, if one were to look at energy projects, which have been intensifying in recent years, the long-term financing necessary for these projects is mostly being provided by Turkish banks.

In spite of all these measures, resolving the current account deficit issue between today and tomorrow and having Turkey's need for foreign financing disappear suddenly are not being expected. And considered from this perspective, too, the banking industry will play an important role.

Thanks to its sound public balance sheet and healthy financial system, Turkey will continue to be one of the countries to which global capital will want to come. And the banking industry, by way of channelizing this capital abroad into the national economy, will continue to provide significant contributions to the financing of the current account deficit and, therefore, economic growth.

How will the austerity policies that came with the crisis in the euro zone and recession in the American economy and are expected to continue affect the Turkish banking industry in the coming term?

The most important reflection of developments abroad on the Turkish banking industry will be through the channel of fi-

ancing. In this period, one might see difficulties in the quantity of funding our banks find abroad and transfer to our economy and in the costs of this funding. Together with this, if we also note our experiences during the 2008–2009 crisis, even if costs rise somewhat, I believe bank syndication will be turned around successfully in 2012, and that no significant hardship will take place in the level of the industry's funding. Beyond this, of course, in line with the uncertainties abroad, there could be a drop in investing and consumption demand domestically, and a slowdown in our exports performance. In any case, the lower levels of growth we predict for 2012 emerge as the consequence of these risks.

To what do you ascribe the expansion of Turkish banks' local power to the regional level? How much distance has been covered in this regard?

The visionary players of the Turkish banking industry took on a driving role in investments made abroad as well. Though we even have banks active in China, the industry has concentrated mostly on countries in the region near to us. Being active abroad, in my opinion, is an ability. When you attain this ability, new markets become more accessible, and your confidence rises.

Looking from another perspective, Turkish banks have entered some markets naturally through their foreign partnerships. To give ourselves as an example, as TEB, we are able to use BNP Paribas's global network effectively. Furthermore, with our TEB Kosovo brand in Kosovo since 2008, and TEB NV, which resides in the Netherlands, we have gone beyond our borders and are focusing on growth.

How do you assess the increasing interest shown toward the Turkish finance sector by Persian Gulf countries? What are your expectations?

This is not a situation unique to Turkey. Persian Gulf capital is invested in the entire world without distinction of country or continent. Both private sector companies and national investing agencies are always taking advantage of opportunities suiting their investment criteria in order to diversify their portfolios.

After the investments they have successfully maintained for a long time in such industries in Turkey as telecommunications, health care, and automotive, I see no reason for the same performance not to occur in the financial sector too. These investments can come in the form of both strategic partnerships and passive financial investors. On the other hand, I want to emphasize that creating a banking brand and business model from scratch and gaining market adoption in the current market balance requires an investment of much time and capital, whereas the alternative—partnering with existing players in finance—necessitates cash investment with higher premiums and costs.

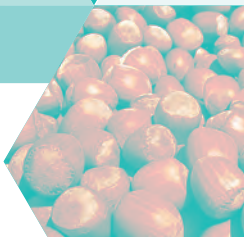
In summary, whatever the source may be, these investments are investments in our country. In an industry in which there is intense competition within the free economic order, it will be cause for service of a higher standard to be offered to the public.

Can you discuss your expectations for the banking industry in 2012 other than what you have discussed above?

To summarize it briefly, the first half of 2012 is particularly likely to be difficult due to the shocks we may be subjected to from abroad. It is probable that the second half of the year, however, will be more positive for both the banking industry and the country's economy. From this perspective, after a cautious first half, I expect a more active, faster second half.

In any case, the Turkish banking industry will move along in a condition that is quite sound in terms of profitability, liquidity, and capital supply in comparison to that of many advanced economies. With this healthy composition, the banking industry will continue transferring the sources of financing it will acquire from abroad to our economy, supplying the support necessary for our country to overcome this difficult time with minimal losses.

THE BANKING INDUSTRY TRULY IS CONTRIBUTING TO THE PROCESS OF COMBATING THE CURRENT ACCOUNT DEFICIT. THE LONG-TERM FINANCING NECESSARY FOR BIG PROJECTS IS MOSTLY BEING PROVIDED BY TURKISH BANKS.



THE LEAD ACTORS IN A WORLD-ASTONISHING PERFORMANCE AIM HIGHER IN 2012

Turkey's export industries finished 2011 with an increase in exports that surpassed expectations. Now, they are using all their energy to exhibit similar performance in the new year. Exporters are determined to be the driving force of growth this year too



BY CAN GÖRSÜ-DOĞAÇAN SİLİVRİ-MERVE KARA

“Turkey’s economy strides confidently toward its objectives for 2023 thanks to its stability and the trust it has gained.”

ZAFER ÇAĞLAYAN
Minister of Economy



MINISTRY OF
ECONOMY

Developing countries including Turkey have contributed significantly to the revitalization of the global economy and world trade, the former having entered a period of recovery in 2010 following 2009’s global economic crisis. Such countries have today assumed leading roles in global trade.

Turkey, too, proved through the performance its economy exhibited in 2011 that it is one of the world’s star countries. Turkey was one of the countries to free itself of the effects of the global financial crisis of 2008–2009 the fastest. The year 2011 was a year in which the economy of Turkey grew by casting off the effects of the global financial crisis and increasing manufacturing and exports. Exhibiting 9% growth in 2010 and 9.6 % growth in the first three quarters of 2011, Turkey’s economy was the fastest growing in Europe. Growing 12%, 8.8%, and 8.2% in the first, second, and third quarters of the year respectively, its nine-month growth even exceeded that of China (9.4%). Overall, the year-end growth figure for 2011 will be 7.5%.

Our manufacturing output matched our growth, increasing 9.4% January through October 2011 compared to 13.1% for all of 2010.

Turkey’s striking growth over the first nine months of 2011 impacted employment too, with the unemployment rate falling to 8.8% in September 2011.

In 2011 Turkey will have surpassed its previous export figures in the entire history of the Turkish Republic. We will have broken records in exports to more than 60 countries. In 2012, it is expected that exports and imports will total 148.5 and 248.7 billion dollars respectively, corresponding to an exports-to-imports ratio of 59.7%.

The economy of Turkey has become a safe harbor for international investors by exhibiting such performance. Foreign direct investment in Turkey over the first ten months of 2010 totaled 6.3 billion dollars; over the same time in 2011, it reached 11.5 billion dollars, increasing by close to 84%.

The political and economic stability secured in Turkey stands in contrast to the instability in these areas in North Africa and the Middle East. Together with the debt crisis in Europe, this has made Turkey an attractive center of investment in the region at large.

We predict 4% economic growth for Turkey in 2012 as per the Medium-Term Program. We have set objectives to reach 822 billion dollars in GDP and conduct 148.5 billion dollars’ worth of exports.

Turkey’s economy strides confidently toward its objectives for 2023 thanks to its stability and the trust it has gained. Our aim is to make Turkey one of the world’s ten biggest economies by 2023—an economy with 500 billion dollars in exports, a foreign trade volume in excess of 1 trillion dollars, a 2-trillion-dollar GDP, and a per-capita income of 25,000 dollars.

148.5
BILLION DOLLARS

EXPORTS TARGET FOR 2012



“Thanks to Turkish exporters so adept in adapting to crisis conditions, Turkey maintains its rhythm in growth and job creation.”

MEHMET BÜYÜKEKŞİ
President, Turkish Exporters Assembly

Whether in terms of growth or exports, the Turkish economy had a great year, also experiencing significant improvement in employment. At the same time, Turkey has left behind a year important in terms of public debt. Falling interest thanks to fiscal discipline supported the improvement of the investing environment. The increase in the entry of foreign capital thus helped the Turkish economy to decouple positively from many countries in crisis. The Turkish economy grew 12% in Q1 2011, 8.8% in Q2, and 8.2% in Q3. Turkey's growth rates exhibit striking success in comparison to the world economy.

Thanks to its low rate of indebtedness and strict fiscal discipline, Turkey protected itself from the effects of the crisis, proving itself as a safe harbor for success. This is shown clearly by the fact that Turkey attracted 11.5 billion dollars' worth of foreign direct investment over the first nine months of the year. The importance of Turkey's exports has once again emerged in this economic projection set forth by economists focusing on Turkey. Turkey's exports increased 19.7% over the first 11 months of 2011. Turkey will shatter the exports record of its entire Republican era with a 135-billion-dollar figure. In a time when it faced the crisis of global economies, a time in which the turbulent environment in the Middle East and North Africa affected trade negatively, Turkish exports grew significantly.

Thanks to Turkish exporters so adept in adapting to crisis conditions, Turkey maintains its rhythm in growth and job creation.

Here we see the falling unemployment rate as a natural reflection of the rhythm of growth and exports. The figures announced most recently show that unemployment in Turkey has fallen to 8.8%.

To put such great results aside for a moment, we see that the two primary dials of the Turkish economy are not at favorable levels. One is the current account deficit; the other is increasing inflation. The current account deficit rose up to 65 billion dollars over the first ten months of the year, and the inflation rate announced most recently was 9.48%. We expect significant improvements in 2012 both in the current account deficit and in inflation figures. We believe that Turkey will continue its strong economic and exports performance in 2012.

We believe that the Turkish economy will grow by more than 4% in 2012. We are aiming for 150 billion dollars in exports. In spite of all the problems in European economies, we will secure the increase in growth and exports via China, India, Australia, Canada, Indonesia, Brazil, and Argentina, focusing on these markets.

2012 will be the year of transforming these opportunities we gained into reality. By reducing the current account deficit gradually and securing stable growth for the economy, we believe we will have a successful year in which we can continue our export victories.

TİM
TURKISH
EXPORTERS
ASSEMBLY



19.7%

INCREASE IN EXPORTS
JAN-NOV 2011

2011 AT A GLANCE

2011 may not have been so bright for the world economy in general.

Turkey, however, was the stage for several developments that impressed the world both in real economic fields like production and exports and in the financial field. Here is a short summary in figures of the Turkish economy in 2011...

22.67%

According to Turkish Exporters Assembly (TİM) data, exports in January 2011 totaled over 9.65 billion dollars, increasing by 22.67% over January 2010.

The Industrial Production Index exhibited an 18.9% increase in January 2011 relative to January 2010, reaching 118.2%.

January

January 2



In the first half of 2011, the Istanbul Chamber of Commerce Industrial Development Index reached 130.9, its highest level since 1998. The expected value for the index in the second half of the year is 138.8.

The amount of gold extracted from underground over the first six months of the year was announced to be more than 10 tons, a figure expected to have risen to 25 tons by the end of the year.



Auto exports increased 40%. With exports in July just shy of 2 billion dollars, the industry's performance exhibited a 31% increase over the previous July.

August 30

August 7

August

The number of tourists visiting Turkey over the first seven months of the year increased by 10.64% relative to the same period in 2010, reaching 17.62 million tourists.



July

76.7%

Capacity utilization rates in the manufacturing industry as a whole increased in June by 3.4 points relative to June 2010 and 1.5 points relative to the previous month, reaching 76.7%.

8%

TurkStat announced that the economy of Turkey grew 8.8% in Q2 2011 relative to the same quarter last year. Experts predicted that growth could reach 8% at the end of 2011. Market expectations were that growth would be around 6.8%.

June 24

August 31

Exports increased by 29.9% relative to August 2010 to reach 11.78 billion dollars, breaking the all-time record for the month of August. Exports over the first eight months of the year increased 21.63%, reaching a record 88.55 billion dollar level. According to TIM data, a 17.48% increase occurred over the last 12-month period, with exports totaling approximately 129.63 billion dollars.



Focusing on R&D, 100 companies earmarked 541 million liras for such purposes. Investment in R&D spending in Turkey exceeded 500 million liras this year too, with the auto industry taking the crown in this area.

Industrial production increased 6.9% in July according to the industrial production index results announced for July 2011 by TurkStat.

September

September 9

September 12

October 21

Light jet manufacturer Eclipse Aerospace—of which Turkish aviation company EA Aerospace is a founding partner—partnered with famed helicopter maker Sikorsky. The company aims to create a 100% locally manufactured plane in the near future.



Then-Minister of Industry and Trade Nihat Ergün announced the “Industrial Strategy Document and Action Plan” prepared by his ministry, stating that the time to enact the reforms needed microeconomically atop the trust and stability that was secured macroeconomically had arrived.

January 5



Supermarket chain giants Migros Ticaret and BIM entered the ranks of the top 50 fastest-growing retailers in the world.

February 1



The Banking Regulation and Supervision Agency (BRSA) released its report titled “Overview of the Turkish Banking Industry—December 2010.” According to this, the banking industry’s net profits in 2010 increased by more than 1.74 billion dollars (8.7%) to reach 21.93 billion dollars by year-end 2010, based on improvements in the quality of its holdings.

February 6

11.7

BILLION DOLLARS

According to data announced by TIM, exports rose to 11.7 billion dollars in March 2011, increasing by 22.81% relative to the same month in 2010. The data also showed that Turkey’s exports in the first quarter of the year increased by 20.7% over Q1 2010 to reach 31.4 billion dollars.

March

STANDARD & POOR’S

Standard & Poor’s confirmed that it raised its credit rating for Turkey from BB- to BB+.

April 16



TIM announced its project titled “The Implementation and Performance Management of Turkey’s 2023 Exports Strategy,” which it began with the aim to propel Turkey’s exports, which gained momentum in the 2000s, toward the grand target of 500 billion dollars in exports for 2023. The report puts forth Turkey’s road map for achieving its 2023 objective.

April 18

The Organization for Economic Coordination and Development (OECD) announced that Turkey was the world’s seventh-largest agricultural producer and world leader in certain products.

April 30



Credit card purchases during Istanbul Shopping Fest (March 18–April 26) grossed over 8.15 billion dollars, representing a 26% increase over credit card spending in the same time frame in 2010.

May 12



The budget posted a surplus of 2.835 billion liras.

June 16

November 10

Egg exports raced toward 250 million dollars. According to the records of the Turkish Fishery and Animal Products Exporters Associations, Turkey conducted egg exports increased by 87% between January 1 and October 31, 2011, totaling nearly 223.65 million dollars.



November 11

Industrial production exhibited an increase of 12% in September 2011 relative to September 2010. On a month-by-month basis, industrial production in September had increased by 6.9% relative to the previous month.

November 28

The OECD announced that Turkey would grow at a 3% rate—faster than Europe and the US—in 2012.



December 12

TurkStat announced that the GDP grew 8.2% in Q3 2011, surpassing the expected figure of 6.5–7%. Turkey ranked second globally with its growth in this period.

8.2%

“Turkish automotive components industry companies are in a country that can present solutions optimal in quality, price, and time to their customers”

ÖMER BURHANOĞLU
Automotive Industry, TIM Sectoral Council



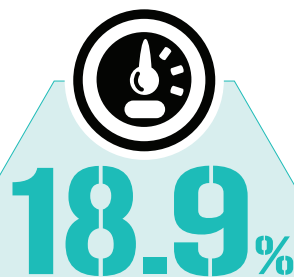
AUTOMOTIVE INDUSTRY

Supplying products with “zero errors” to global brands, our components industry does not just send its products to car factories in Turkey; it also exports to factories in EU countries at a high rate.

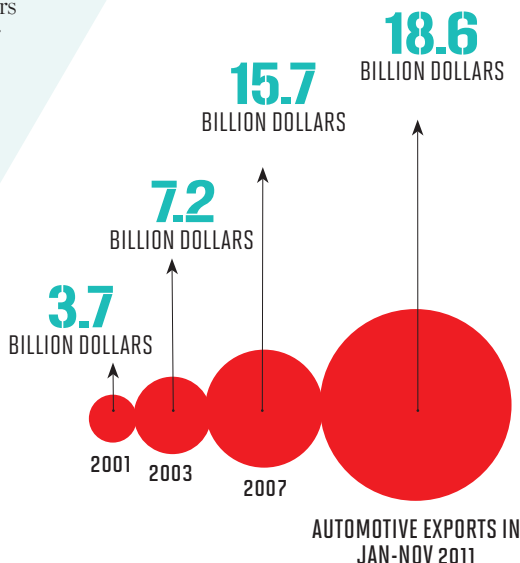
As the Association of Automotive Parts and Components Manufacturers, our total production estimate for the end of this year is 1.2 million units. As of the end of October, our production reached the level of 987,000 units—an increase of 14% in comparison to the first ten months of last year. Truck manufacturing ranked first in this increase, rising 100%. The increase in bus manufacturing was at 35%. Domestic sales broke a historic record for the first ten months to exceed 70,000 units, an increase of 26% relative to the same time frame last year. In the sale of light commercial sales, the increase in the special consumption tax was felt immediately and a 15% regression was seen in the sales of vehicles in this class. Our industry’s exports in the first ten months of 2011 reached a total of 18 billion dollars, with 10.8 billion of that being from our primary industry and 7.2 billion dollars from our components industry. The primary industry’s exports increased by 11% and the component industry’s exports increased by 30%. Our expectation for the end of the year is to exceed the level of 20 billion dollars, 12 billion being for the primary industry and 8.5 billion for the components industry. Compared to the same time frame last year, we see that our components industry companies especially have facilitated above-average growth for themselves by creating new business opportunities in different markets outside EU countries. Looking at imported inputs, we see that the car, engine, transmission, and tire groups account for the majority. Interest in imported products in heavy vehicles is quite low. Vehicles sold domestically accounted for 72% of heavy vehicle sales. With the consideration of automobile and light vehicle sales, this ratio falls to 39%.

Today, we rank first among EU countries in the production of light commercial vehicles, second in bus production, and fifth in trucks. The export of commercial vehicles—most of all to the EU—accounted for a 25% share within total automotive exports over the first ten months of 2011. Significant exports are also made to the US market. With their broad product range, high capacity, and standards, Turkish suppliers produce parts and components for cars produced in global markets, the original equipment manufacturer (OEM) market, and the renewals market.

The vehicles produced in Turkey and exported to over 120 countries have managed to secure the title of best-quality cars within their own brands.



GROWTH IN AUTO INDUSTRY EXPORTS, JAN-NOV 2011





**AQUATIC AND
ANIMAL-DERIVED
PRODUCTS
INDUSTRY**



2011 was an extremely successful year for our industry. We realized an exports increase beyond what we hoped. Especially in both eggs and aquatic products, we had a year beyond our expectations. Partially in connection with currency exchange rates, we expect an increase in our exports again in 2012. We are quite optimistic. As the aquatic products industry, we are second in Europe in terms of production, after Norway. Norway has a farmed salmon production of approximately 650,000 tons. We, in terms of gilthead seabream, seabass, and trout have a production of 130-140,000 tons. Our aim in parallel to the 2023 targets is to increase our production threefold.

“As the aquatic products industry, we are second in Europe in terms of production, after Norway.”

SINAN KIZILTAN
Aquatic and Animal-Derived Products Industry,
TIM Sectoral Council

1.4

BILLION DOLLARS

**GROWTH IN CARPET
INDUSTRY EXPORTS,
JAN-NOV 2011**

Machined carpets account for a 1.1 billion dollar portion of exports and hand-woven carpets account for a 154.5 billion dollar portion. In the first ten months of 2011, on the other hand, our carpet exports increased by 28.5% to reach 1.46 billion dollars. By the end of 2011, it can be seen that exports surpassing the 1.5 billion dollar annual export target will have been realized. Together with the technological investments that have been made and capacity increases, Turkey has become one of the world's important centers for the production of machined carpets. In machined carpets, Turkey possesses a production capacity of more than 250 million square meters.

“Together with the technological investments that have been made and capacity increases, Turkey has become one of the world's important centers for the production of machined carpets.”

İBRAHİM YILMAZ
Carpet Industry, TIM Sectoral Council



**CARPET
INDUSTRY**

243%

SHARE OF CEMENT AND SOIL PRODUCTS INDUSTRY IN ALL EXPORTS

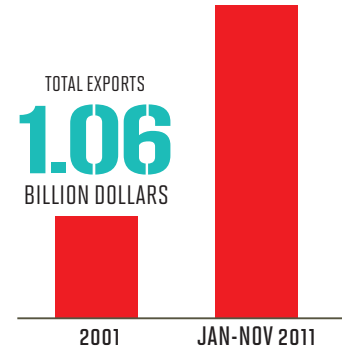
The Turkish cement industry, which ranks first in Europe and fourth globally after China, India, and the USA, has left China and many Southeast Asian countries behind to rank first worldwide with its 12.5% share in exports. It is estimated that exports will have reached 950 million dollars by the end of 2011. The most important product subgroups of the ceramics industry are ceramic coating materials, with the 56% share it has in the industry's total exports, and ceramic health utilities with a 19% share. The ceramics industry's exports showed a 15.9% increase in 2010 relative to 2009, totaling 838 million dollars. In the first 11 months of 2011, exports increased 14% by value, reaching the level of 885 million dollars. It is estimated that the ceramics industry's exports will reach 980 million dollars by the end of the year. The company that is the leading institution in Turkey's glass industry ranks seventh globally and fourth in Europe in pane glass; third globally and second in Europe in glass housewares; and fifth globally and fourth in Europe in glass packaging. This company conducts approximately 3% of world glass production. In 2010, glass industry exports increased by 6.8% relative to the previous year, totaling 856 million dollars. In the first 11 months of 2011, it increased by 9.5% in value to 812 million dollars. It is expected that exports will reach 900 million dollars by the end of the year.

The Turkish cement industry, which conducts exports to over 100 countries with its high-quality production, continues its search for new markets. In terms of quality and productivity, our industry ranks within the top three in the world, after Italy and Spain. One of the main goals for the industry in 2012 is to surpass Spain, whether in terms of exports volume or in terms of perception. As the industry, we have a prediction of 3.5 billion dollars for 2023. This means an average increase in exports of 11% next year and increasing exports fourfold in 12 years.

One of Turkey's oldest, most important branches of industry, our industry can be regarded as the most important building block of our country's industrialization. In terms of the value-add it creates and employment, it is one of our country's economy's most important industries. With its structure constantly being renewed, whether with the accumulation of knowledge over the years, or its rich raw materials, or in the sense of compliance with international quality and standards, the industry has an important place in Europe and in the world as a whole.

2.96

BILLION DOLLARS



TOTAL EXPORTS
1.06
BILLION DOLLARS

2010

JAN-NOV 2011



CEMENT AND SOIL PRODUCTS INDUSTRY



“In terms of quality and productivity, our industry ranks within the top three in the world, after Italy and Spain.

İ. ALİ ÖZİNÖNÜ

**Cement and Soil Products Industry,
TIM Sectoral Council**



“Just as in the economy of Turkey, great change is under way in the chemical industry too. It is no coincidence that we are surpassing longtime exports giants and playing for leadership.

MURAT AKYÜZ
Chemicals and Chemical Products Industry,
TIM Sectoral Council

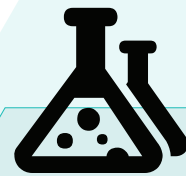
With the announcement of the export figures for November came the news that things in the chemical industry were going well. Leaving longtime exports leader textiles in the dust once again, chemicals ranked second right after automotive. Chemical exports in the first 11 months of the year increased by 33% to 15.26 billion dollars. By the end of the year, chemical exports are expected to have exceeded 16 billion dollars.

Rapidly increasing its share in Turkey’s total exports, the chemicals industry sent a considerable amount of its January–November exports to Egypt, Iraq, and the United Arab Emirates. Germany, Russia, Italy, Greece, Azerbaijan/Nakhichevan, Malta, and Romania were the other countries in the top ten for chemical exports. The stagnancy in Italy and Greece also worked to the benefit of the Turkish chemical industry. There are significant increases in orders coming from these countries.

Taking a closer look at November’s exports, the top ten countries to which the 1.27 billion dollars in exports were made are listed as thus: the United Arab Emirates, Iraq, Egypt, Germany, Russia, France, Italy, Azerbaijan/Nakhichevan, Romania, and South Africa. While our exports to France were observed to increase by 146% in that month, South Africa exhibited a record increase to make a surprise appearance in the top ten. Just as in the economy of Turkey, great change is under way in the chemical industry too. It is no coincidence that we are surpassing longtime exports giants and playing for leadership.

While our exporters search for new markets for themselves on one hand, they are in pursuit of capturing existing opportunities on the other. That our export to countries we neighbor and countries in the region has increased and that our export markets have diversified are an indicator of this. There is a serious stagnation in Europe. Orders in countries going through very difficult times—like Italy, France, and Greece—are shifting toward Turkey.

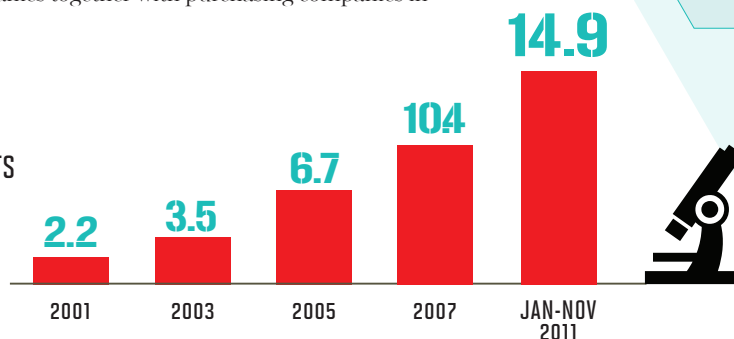
We are also researching potential markets to open doors for chemical exporters. In addition to China and India, we are interested in South American countries. Besides organizing national participation in important international industry fairs, in November, with the foreign purchasing delegation visits to Venezuela, Colombia, and Peru in the home products and cosmetics categories, we have been bringing Turkish companies together with purchasing companies in these countries.

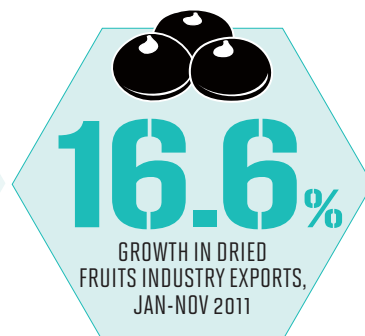
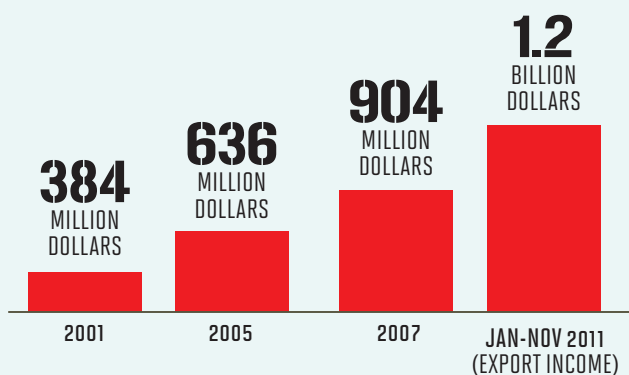


32.9%

GROWTH IN CHEMICAL
 INDUSTRY EXPORTS,
 JAN-NOV 2011

**CHEMICALS AND
 CHEMICAL PRODUCTS
 INDUSTRY
 YEARLY EXPORTS**
 (BILLION DOLLARS)





We can say that 2011 went well for our industry. At the end of the year, we will have had recorded a 10% growth. Our countrywide dried fruit exports in the January 1–November 15, 2011 period are listed in the table below in their primary groupings.

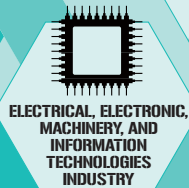
We are expecting a similar growth of around 10% for 2012 as well. Under the influence of the healthy eating trend, which is becoming more and more widespread in the world every day, interest in and demand for figs, grapes, and apricots—our industry's primary export products—are rising continually. Furthermore, these products will continue to be indispensable inputs to the cake and cookie industries. Meanwhile, increasing interest in our products in markets that have crowded populations and continually rising purchasing power and consumer awareness, like China, Indonesia, Japan, and Russia are giving us strength and determination. Because of this, we are planning to participate more intensely in fairs in the aforementioned target countries and to accelerate our promotional efforts.

Our country is in a leading position both as a producer and as an exporter in seedless raisins, dried apricots, and dried figs, which are our industry's primary export products. Furthermore, the country is also among the foremost producing and exporting countries in pine nut and pistachio products. Our share in the total world dried fruit trade of around 10 billion dollars is (not including hazelnuts) is in the vicinity of 12–13%.

“Our country is in a leading position both as a producer and as an exporter in seedless raisins, dried apricots, and dried figs, which are our industry's primary export products.”

ELIYA ALHARAL
Dried Fruits Industry,
TIM Sectoral Council





“The positive results of the strategy begun in the past by the Ministry of Economy to develop trade with neighboring countries have arrived.”

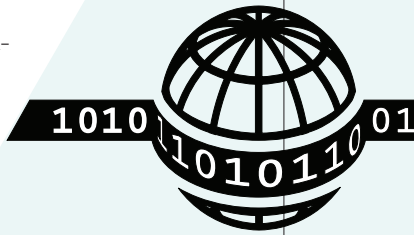
GÜVEN UÇKAN

Electrical, Electronic, Machine, and Information Technologies Industry, TIM Sectoral Council

The shrinking that began in EU countries—the industry’s big market—has been made tolerable with the positive results of the efforts conducted in the alternative markets that have partially been accelerating. However, in the last part of the year, the social movements that also affected the neighbors to which we have started to export on a large scale and were named the “Arab Spring” has led to a reduction in our exports to these countries. In spite of all of these difficulties, the industry realized exports at the level of last year’s exports. As of today, cable exports alone increased by 30% over last year, largely with sales made in the first half of the year. Our exporters, who are trying to maintain their market shares amid great competition in markets abroad, have taken on additional costs due to economic measures taken to cut down demand in the domestic market. We can say that our industry will maintain its approximate 10% share in Turkey’s exports this year too, and that we will finish this year as the industry that had the fourth or fifth largest exports.

Because of the industry’s structure and conditions of competition, it is an industry in which R&D and innovation must be given great importance. The industry’s manufacturing processes and technologies are changing rapidly and product lifetimes are diminishing continually. Efforts continue for state-industry-university cooperation to be actualized quickly for international success. The industry possesses strategic importance in terms of the country’s economy. It is not possible to be successful in other areas of industry without a presence in this industry. By organizing delegations to world markets that are important but in which we do not yet have a presence because they are distant to us, we will attempt to overcome the difficulty caused by our shrinking markets. The creation of mechanisms that will facilitate access for our companies to shrinking means of credit on suitable terms bear great importance for realizing this year’s import targets.

The project we have begun jointly concerning R&D and innovation continue. However, the results and gains of these efforts will be had in the medium and long term.



7.9%

SHARE OF INDUSTRY IN ALL EXPORTS

INDUSTRY EXPORT FIGURES

	2009-2010	2010-2011
ANNUAL GROWTH RATE	12.53%	11.54%
	2009	JAN-NOV 2011
TOTAL EXPORTS RATE	8.5 BILLION DOLLARS	9.6 BILLION DOLLARS



64

BILLION DOLLARS

FERROUS AND
NONFERROUS METALS
INDUSTRY EXPORTS
JAN-NOV 2011

In light of the Ferrous and Nonferrous Metals Exporters' Association's 5.9 billion dollar exports in 2010, we thought we would finish 2011 with 7 billion dollars, and we are currently approaching these targets; we will close 2011 as an industry with 7 billion dollars in exports. In spite of economic problems in the European Union, economic problems in the world, and a number of handicaps, our exports continued to increase in all industries of the ferrous and nonferrous metal exporters' association, in such areas as aluminum, copper, kitchenwares, and metal items. Underlying this, of course, is both the forming of companies with the capability to do everything relating to exports, and Turkey's having become a country experienced in searching for new markets instead of countries that are experiencing economic crises or have problems. With the Ministry of Economy and the Turkish Exporters Assembly, we moved toward new markets—toward countries in which we will conduct new sales.

As the outcome of efforts to turn these trade delegations to direct sales, we will have closed 2011 with 7 billion dollars, having had another successful year, and we will continue on the way toward our 25 billion dollar target in 2013.

I think that the ongoing problems in the world will straighten out in 2012, not get worse. The European Union countries experiencing crisis will change their own buying principles and habits to think more about buying products more serially and working with lower stocks. They will act with the logic of buying more often and buying goods again as they sell. In my opinion, Turkey is a country from which all countries from China to Italy, and all of Europe's industries, can procure goods and trust the most. Therefore, European Union countries that will buy more often and purchase with lower stocks could perhaps contribute added value to Turkey. In past years, Turkey had emerged from these crises successfully. By doing the work that will turn these crises into benefits for us, I think on behalf of my own industries that we will continue to increase our exports in 2012 as well.

Every industry in the Ferrous and Nonferrous Metals Exporters' Association stands in different positions. In terms of aluminum, we are at an important point in the global market. Our industries are thus always within the top fives in the world. Therefore, as Turkey, we are at a very fortunate position. Because our industry and enterprises adapt themselves according to the world over time, and because they have brought their quality and standards to world standard, we can say we are at a good position. This is a very global thing to say, but it's true. Turkey is in a position to sell all our products to the world very easily, and it is in a place where its name is spoken worldwide.




FERROUS AND
NONFERROUS
METALS
INDUSTRY

"In my opinion, Turkey is a country from which all countries from China to Italy, and all of Europe's industries, can procure goods and trust the most."

TAHSİN ÖZTIRYAKI

**Ferrous and Nonferrous Metals Industry,
TIM Sectoral Council**

“Turkey has had very important developments in the export of fresh fruits and vegetables in recent years, and as a result of these developments, it has come to the position to guide the market in certain countries.”

AHMET HAMDİ GÜRDOĞAN

**Fresh Fruit and Vegetable Industry,
TIM Sectoral Council**



While the 11% quantity and 7% value increase in our fresh fruit and vegetable industry over the first 11 months of 2011 relative to the same time frame last year may be below the industry's true potential and the overall 20% growth in Turkey's exports, and in spite of the significant barriers before the industry, it must be evaluated as a success.

Citruses, the shining star of our industry in the first 11 months of 2011, increased its exports by 30% relative to the previous year to 823.9 million dollars, followed by fresh vegetables at 639 million dollars and fresh fruits at 534.7 million dollars.

With this powerful perspective that it draws, the fresh fruit and vegetable industry is one of the important actors in the 500 billion dollar target set for 2023—the 100th anniversary of the founding of our Republic—in terms of providing a net inflow of foreign currency to our country. We have thus determined our target as an industry for 2023 as 10 billion dollars.

We think that our industry, which aims for 3 million tons and 2.3 billion dollars by the end of 2011, will reach the level of 2.5 billion dollars in 2012.

We expect the 2011–2012 season to be a highly fertile season due to the high quality of the products. In particular, we think that the promotional efforts for citrus products conducted in certain countries by our Citrus Promotion Group have contributed greatly to our exports and will reflect positively on our exports later as well.

The ecological conditions and geographical position of Turkey, the fourth-largest producer in agriculture after China, India, and the USA, as well as its proximity to markets and the fact that produce of natural taste and flavor is produced, allows our country to take an ever-greater share of global markets each passing year. Turkey has had very important developments in the export of fresh fruits and vegetables in recent years, and as a result of these developments, it has come to the position to guide the market in certain countries.

Furthermore, with its daily increasing potential in the export of fresh fruit and vegetables, our country is among the world's most important supplier countries. The shipment of grapefruit last month to Japan, which had placed an embargo on Turkey 40 years ago due to the Mediterranean fly, and the fact that we conducted exports to 93 different countries when we look at the first 11 months of 2011 are the best indicators of this. Having solidified their place in the Japanese market, our exporters' new target will be other Far Eastern and Asian countries. Promotional efforts in EU countries, meanwhile, will continue increasingly.

1.08
BILLION DOLLARS

502
MILLION DOLLARS



2011

JAN-NOV 2011

In the fresh fruit and vegetable industry, at the end of the first 11 months of 2011, 2.7 million tons in quantity and 2 billion dollars' worth of exports were realized in all of Turkey. Compared to the same time frame last year, there is an 11% increase in quantity and a 7% increase in value. By country, Russia receiving the most exports with a 35% share. Considering that the total production of fresh fruits and vegetables is 45 million tons, one sees that only 6% of production is utilized in exports. The rest of the output is consumed in the domestic market, and an important part is used as raw material in the production of derived products.

Our country's products are quite preferable in our traditional markets. For instance, our exports to Russia, whose limits on acceptable levels of pesticide residue are even lower than those of the EU, are increasing each passing year. Meanwhile, more than half of the production in European Union member countries takes place in Italy and Spain. A significant proportion of the production in these countries is, as in our country, used as raw material in the production of derived products.

In the fruit and vegetable products industry, exports of 963,000 tons worth 1.1 billion dollars took place over the first 11 months of 2011.

More than half of our fruit and vegetable product exports are to EU countries. When we look at world trade, we see that France is the most important exporter of such products. France is followed by Italy, the Netherlands, and the UK. Although agriculture's share in the total GNP has tended to fall over the years, because production takes place with nearly zero raw material imports in the derived products industry, because the industry's main direction is exports, and because it provides a significant amount of employment, the derived products industry occupies a privileged position within agriculture.

It can be said that the year 2011 generally went by with no problems for the industry. However, the excessive demand forming for the procurement of certain raw materials required by the domestic and foreign markets caused prices to rise. Other factors raising prices are—with the additional influence of heavy rains—regional reductions in the production of certain products and producers shifting toward alternative products instead of the products needed by the industry. In spite of the increase in the currency exchange rates, exporters have not been able to turn this to their advantage, and 2011 prices remained high. Looking at 2012, it is thought that producers will move back toward producers required by the food industry due to the difficulties in marketing and producing alternative products, and that production will increase with last year's expectation of prices.



1.08

BILLION DOLLARS

FRUIT AND VEGETABLE PRODUCTS
INDUSTRY EXPORTS,
JAN-NOV 2011



FRUIT AND
VEGETABLE
PRODUCTS
INDUSTRY



“The fact that quality and hygiene are of higher importance in consumer preferences in the countries to which we export is our country's products' most significant advantage.”

RIZA SEYYAR

**Fruit and Vegetable Products Industry,
TIM Sectoral Council**



“It is highly pleasing that irrigable lands have exhibited a great increase in the last four–five year and will rise to around 70–80% in the next three years.”

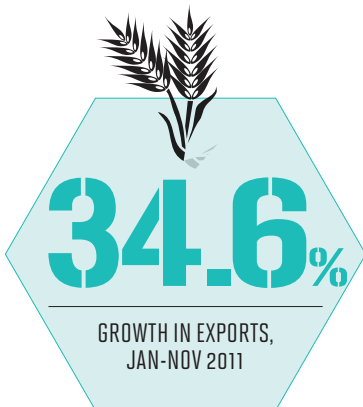
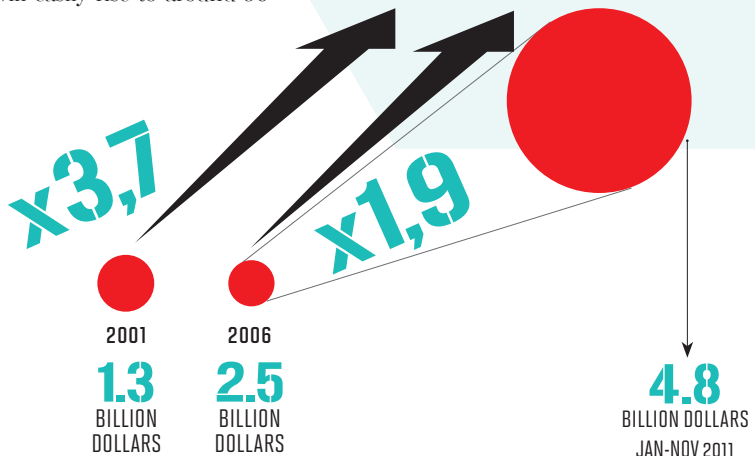
MAHMUT ARSLAN
Grain, Legume, and Oil-Bearing Seed Products Industry,
TIM Sectoral Council

Although 2011 may have been a poor year in terms of certain products, I would like to state that we had a very good year relative to previous years in terms of quality and far exceeding previous years in large-volume commodity goods like wheat and barley.

As is known, our grain, legume, and oil-bearing seed exporters’ association is an institution that includes Turkey’s largest agricultural products. Thus, guesses for the future here, just as in the rest of the world, are only guesses. While expectations for future years are always positive, our productivity as an industry is tied tightly to weather conditions. We hope that 2012 will be a year with very good conditions, with very good climate conditions. We know that the farmer, too, will look at past years and make a choice to plant accordingly. However, the very important initiatives the Ministry of Agriculture took in recent years, especially the increase in the relevant irrigation areas in connection with their arrangements concerning irrigation in the dry season, are highly influential too. With the fact that irrigation canals in the Southeast Anatolia region will be completed by 2014 and that a part of them will become active within this period, I believe 2012 will be much better than 2011. As an industry, too, our expectations are in this direction.

Turkey ranks seventh in the world in terms of agricultural output. Considering that being in the top three is quite difficult due to the composition of Turkey’s lands, I can say that Turkey is in a very good position globally in terms of agricultural products. The measures the governments have taken in the past ten years and especially the contributions made by our Minister of Food, Agriculture, and Animal Husbandry in connection with his origins in agriculture are unforgettable for our industry. It is highly pleasing that irrigable lands have exhibited a great increase in the last four or five years and will rise to around 70–80% in the next three years. We nourish great hopes for the future. When you look at this business globally, there is a considerable potential in Turkey for exports; or, if not for exports, for production. It is clear that Turkey will conduct much more exports in the future. I can say that we will easily rise to around 50 billion dollars in 2023.

EXPORT IN GRAIN, LEGUME, AND OIL-BEARING SEED PRODUCTS



When we look at the hazelnut and hazelnut products industry's export figures for 2011, one sees that 223,827 tons (of kernels) were exported by Turkey from January 1 to November 28, 2011, in return providing an inflow of foreign currency exceeding 1.5 billion dollars.

There was a 17.28% increase in value despite a 1.07% increase in quantity. This is because the average export price of 680 dollars per 100 kg in the first eight months of 2011 increased in September 2011 by 13% to around 770 dollars due to the low 2011 harvest, which ripened that month.

When we compare average export prices for 2010 and 2011, one sees that the average standard price for hazelnut kernels, around 630 dollars/100 kg for 2010, rose by 10.8% to around 698 dollars/100 kg in 2011. The increase in prices caused by the low level of the 2011 harvest constitutes the reason for this.

Meanwhile, our 2011 export is expected to come in at 250,000 tons in exchange for 1.8 billion dollars.

As the hazelnut industry, our priority in 2012 is to keep the reduction in the quantity of our exports at a minimum level by concentrating on Far East countries—such as China, especially—less affected by the economic crisis.

As the natural outcome of the climate conditions in the last three years—during which area-based income support has been practiced—bearing harvests at levels that did not create supply pressure, prices on the free market reached levels exceeding producers' expectations. With the addition of area-based income support payments, they have been able to earn satisfying incomes. Therefore, the number of producers transitioning to alternative products has remained as low as to be essentially zero.

In order to continue our competitive stance in global markets, firstly the hazelnut strategy practiced during the past three years must absolutely be continued in the upcoming period. Furthermore, in order to allow the industry to compete with other countries' industrialists, industry incentive policies must be redesigned in a way that will reduce production costs and increase productivity. For instance, reducing the tax burden on energy prices—one of the main inputs in producing export goods—and pulling them down to that of rival countries, increasing Eximbank credit limits especially to encourage and support long-term exports and setting a limit particular to the hazelnut industry, drawing export insurance premiums down to modest levels, and facilitating industry-specific means for inexpensive credit that make it possible to keep stocks for the purpose of signing long-term contracts would increase our exporters' ability to compete globally.



16.6%

GROWTH IN HAZELNUT AND
HAZELNUT PRODUCTS
INDUSTRY EXPORTS,
JAN-NOV 2011



“As the hazelnut industry, our priority in 2012 is to keep the reduction in the quantity of our exports at a minimum level by concentrating on Far East countries such as China, especially less affected by the economic crisis.”

DURSUN OĞUZ GÜRSOY
Hazelnut and Hazelnut Products Industry,
TIM Sectoral Council



IRON AND STEEL
INDUSTRY



“According to 2010 data, we are the second-largest exporter in the steel industry in Europe, and the sixth largest in the world.”

MUSTAFA ÇIKRIKÇIOĞLU

Iron and Steel Industry, TIM Sectoral Council

2011 was a good year for our industry in terms of both production and exports. In the first ten months of the year, our raw steel production increased by 18.1% over the same time frame last year, reaching 28.1 million tons. Therefore, among the top 15 steel-producing countries, we were the country attaining the highest increase in production together with South Korea. And when we look at exports data, while we exported 1.43 million tons of steel product worth 10.07 billion dollars in the first ten months of 2010, in the same time frame this year we attained exports of 15.05 million tons in quantity, with an increase of 4.87%, and 12.81 billion dollars in worth, with an increase of 27.29%. Additionally, 2011 was a year in which our export products gained diversity and our market breadth increased.

We predict that we will have reached a production of around 33 million tons and an exports rate of 17.5 million tons worth 16 billion dollars by the end of the year.

We are aiming to increase our steel production in 2012 to 38 million tons. The world's steel industry players are generally making cautiously optimistic predictions for 2012. Especially due to the continuation of the debt crisis in the euro zone and the global economic recession, a surplus in the steel industry's supply—and thus a reduction in prices and profit margins—is expected. However, this shrinking is not expected to be as intense as the one in 2008. Due to the product diversity and flexible production that have gained momentum in our country's steel industry in recent years, we think that this negative outlook will not affect us as much as it will other steel industries in the world. In this regard, so long as a sharp crisis situation does not become the case, we estimate that our steel exports in 2012 will be around 20 million tons.

Turkey is the world's tenth-largest and Europe's second-largest steel producer. As is known, Turkey is a country that exports a significant portion of its production as well. According to 2010 data, we are the second-largest exporter in the steel industry in Europe, and the sixth largest in the world. New investments toward flat, high quality, and stainless goods are entering play and increases in capacity utilization rates are being observed. By diversifying our product range to shift toward high value-added products with the facilities that will be opened and investments in the coming years, and by increasing our market share within the world steel market, we are aiming to become one of the world's five biggest countries in the steel industry.

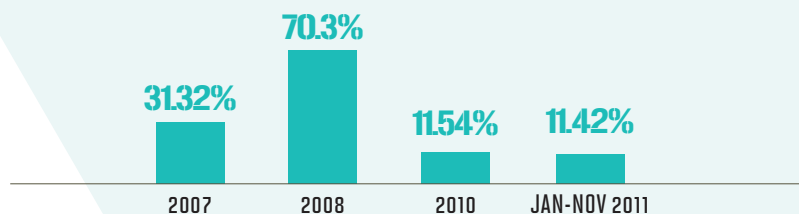
13.9

BILLION DOLLARS

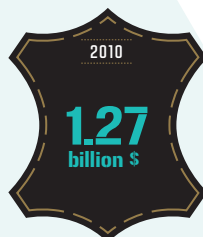
IRON AND STEEL
INDUSTRY EXPORTS,
JAN-NOV 2011

IRON AND STEEL INDUSTRY GROWTH RATES

The sector has been growing rapidly



The industry, which has a relatively small share in Turkish exports, has modest aims for 2023



Although 2011 created an exports increase of 15%, it was a very challenging year for the Turkish leather and leather products industry. Together with the leather industry being intensely laborious, with the unexpected rise of raw material prices on world markets, sharp increases in energy costs, and the high level of social inputs, there were difficulties especially in the production process. Shrinking in target markets and changing consumer habits were other factors that posed difficulty for the leather industry.

The Turkish leather industry is structured traditionally. It works entirely based on a labor-intensive production system. Because there is no possibility for technology and robotization, it is the first industry to accomplish conglomeration. In organized leather industry zones, the industry conducts production suited to environmental health and order with such infrastructure as the most modern filtration pools and dust-collecting facilities. Environmentally suitable practices that are respectful of human health are also conducted in such leather product subsegments as shoes, accessories (bags, belts, wallets, etc.), and apparel. The most modern leather industry infrastructure in the world is located in our country. Because of this, our country has become the manufacturing hub of the world's well-known brands.

2012 appears to be a year that will be very challenging economically for all countries and industries in the world. The Turkish leather industry, too, could enter a period in these conditions, within the same trend, that will not be so easy. Shrinking in traditional markets (the EU area, the USA, Russia, and CIS countries) could also impact the leather industry. As upper-segment goods with high value added, Turkish leather products could experience shrinkage proportional to shrinkage in luxury consumption. On the other hand, it is true that the Turkish leather industry is filling the void in manufacturing created as Italy, Spain, and France—once the EU's leather and leather products manufacturing areas—drew out of production due to high costs. In this respect, we hope 2012 will be a year full of hope for the Turkish leather industry.

The Turkish leather industry takes a share of around 1.5% from global leather and leather products trade. Together with this, in terms of production capacity, Turkey ranks fourth globally in straight leather and first in sheep furs and suede. Our export target for 2023 has been determined as 5.2 billion dollars, and we aim to have a share of around 2.5% in the global trade.



“The most modern leather industry infrastructure in the world is located in our country. Because of this, our country has become the manufacturing hub of the world's well-known brands.”

LEMİ TOLUNAY
Leather and Leather Products Industry,
TIM Sectoral Council

“2011 was a good year for the machinery and machinery accessories industry in both the domestic and foreign markets. The domestic market was lively, and the growth trend in our exports to foreign markets continued.”

ADNAN DALGAKIRAN

**Machinery and Machinery Accessories Industry,
TIM Sectoral Council**



**MACHINERY
AND MACHINERY
ACCESSORIES
INDUSTRY**

We think 2012 will be somewhat harder compared to 2011 due to efforts to constrict the economy in Turkey and moves to cool the economy with the purpose of reducing the budget deficit. What will really determine how 2012 will be, however, is global developments. We know that a number of difficulties await us in 2012. The Turkish machinery and machinery accessories industry is Europe's fifth-largest producer, and the real goal in 2012 should be to increase the share we taken from the global market even more.

In 2010, our country's mining and minerals exports totaled 3.66 billion dollars. This value accounts for approximately 1% of the world's total mining and minerals exports. Especially because of China's high growth and the raw material need of its industry, a 46% increase in our mining and minerals exports exceeding that of all other industries has taken place, reaching the highest export value of all time. We predict that our industry's exports will have exceeded 3.85 billion dollars by the end of 2011.

The production of approximately 90 kinds of minerals and ores is practiced worldwide today, with the production of 60 kinds being practiced in our country. According to data from the General Directorate of Mineral Research and Exploration (MTA), our country ranks 28th in terms of total mining production value among 132 countries in the world, and 10th in terms of variety in minerals and ores. In industrial raw materials most of all, our country is rich in terms of certain metallic ores and energy raw materials like lignite and geothermal resources.

“Especially because of China's high growth and the raw material need of its industry, a 46% increase in our mining and minerals exports exceeding that of all other industries has taken place, reaching the highest export value of all time.”

AHMET KELEŞ

Mining and Minerals Industry, TIM Sectoral Council



**MINING AND
MINERALS
INDUSTRY**

“...the industry will grow to triple or quadruple its current size within few years.”

ALİ NEDİM GÜRELİ
Olive and Olive Oil Industry,
TIM Sectoral Council

Because we will attain a better harvest in 2012, our exports will rise quickly. As Turkey's tree population doubled over the past eight years, the industry will grow to triple or quadruple its current size within few years. Turkey, which is currently the world's fifth-largest producer, will rise to the rank of second-largest producer.



The ornamental plants industry is yet a young, dynamic industry. Its production and exports are exhibiting stable increases every year. This year, we attained a faster growth momentum relative to last year. The export of ornamental plants in the first 11 months of 2011 increased by 41% to reach more than 71 million dollars. Ornamental plants was the industry in which the highest exports increase was seen in plant products among all industries. With this increase, we will have realized even more than our year-end target of 75 million dollars in exports.

Worldwide, we are seeing that such rival countries as Italy and Spain—important producers in our industry—have abandoned production due to high production costs. Contrarily, in Turkey, the production and export of ornamental plants is exhibiting a positive increase. Despite the continuation of the crisis in Europe, we expect 10% growth in Turkey's cut flower exports and 30% growth in its outdoor plant exports. And this means an average growth for our exports of 20%. Our target for next year is to conduct 100 million dollars' worth of exports.

There are numerous opportunities before the industry that we can exploit. There are projects we run in the ornamental plants industry with the aim of sustaining the increases in our exports and gaining new markets. Through these, we will reach new markets, especially those whose imports we could not take any share in previously. The Ornamental Plants Promotion Group will also continue its efforts with the aim of conducting promotion in new markets.

41%

GROWTH IN
ORNAMENTAL PLANTS
INDUSTRY EXPORTS,
JAN-NOV 2011



“The crisis in Europe, our main market, will continue in 2012. However, this crisis will create an advantage for us.”

OSMAN BAĞDATLIOĞLU
Ornamental Plants Industry, TIM Sectoral Council



PRECIOUS METALS AND JEWELRY INDUSTRY

“Russia, Ukraine, the Balkans, the Middle East, and the Turkic republics favor Turkey in gold jewelry, and we are good enough to compete with everyone worldwide.”

AYHAN GÜNER
Precious Metals and Jewelry Industry,
TIM Sectoral Council

In 2011, we recorded a 25% increase for the jewelry industry. This was due largely on the interest shown toward us by North Africa and the Middle East. We are finishing 2011 with an exports increase of around 30% due to the events in the Middle East. However, we have much greater goals, and we are working for them. We want to make Turkey the world’s jewelry production and distribution hub. We have succeeded in doing this for gold, and we want to do the same in gems.

It will help us very much if certain barriers before recovery in the Middle East and exports are lifted in 2012. We have very big goals. If we focus on production domestically, becoming Europe’s and the Middle East’s hub is not a distant dream. We are already in good shape in gold—70% of Dubai’s import is produced here, and our jewelers’ infrastructure is in decent condition. Russia, Ukraine, the Balkans, the Middle East, and the Turkic republics favor Turkey in gold jewelry, and we are good enough to compete with everyone worldwide. And when we do what befalls us in precious stone jewelry and gem jewelry, I believe we will rise to the top ranks in the world.

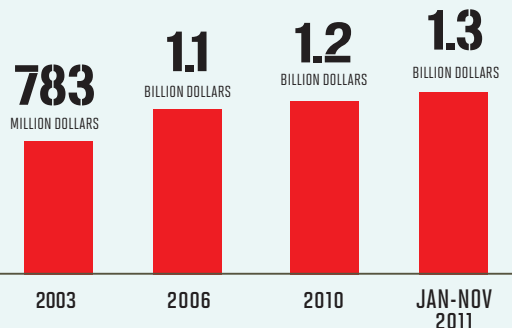
There are 62 gold refineries of international standard in the world. Three of these are in Turkey and I say this proudly. These purify approximately 100 tons of low-carat gold. All the Middle East’s gold is coming to us. This is a very important advantage for Turkey because the gold from this refinery passes everywhere in the world. There are few gemology laboratories in the world. One of them opened their first location after Belgium in Turkey. The Gemological Institute of America (GIA) is entering Turkey soon. A gem exchange market has already been set up in Turkey. If we can lift the barriers before exports, jewelry will have come around with its entire infrastructure; all of Russia and all of the Middle East will come to shop. We are pursuing bigger goals.



25.66%

GROWTH IN PRECIOUS METALS AND JEWELRY INDUSTRY EXPORTS, JAN-NOV 2011

YEARLY TOTAL EXPORT FIGURES



One could speak of an overall shrinking in the ready-to-wear clothing industry worldwide in 2011.

Despite the general reduction in consumption, in Europe, there was growth compared to 2010, and this reflected positively upon Turkey as well. Due to Turkey's geographic proximity, rapid supply, and logistical advantages, the choice was in favor of Turkey. Since 2008, due to the crisis, many European companies shifted toward different strategies, and rapid orders had Turkey breathing easy. Long-term plans are being discussed now, and the brief exercises that were to our advantage are being extended.

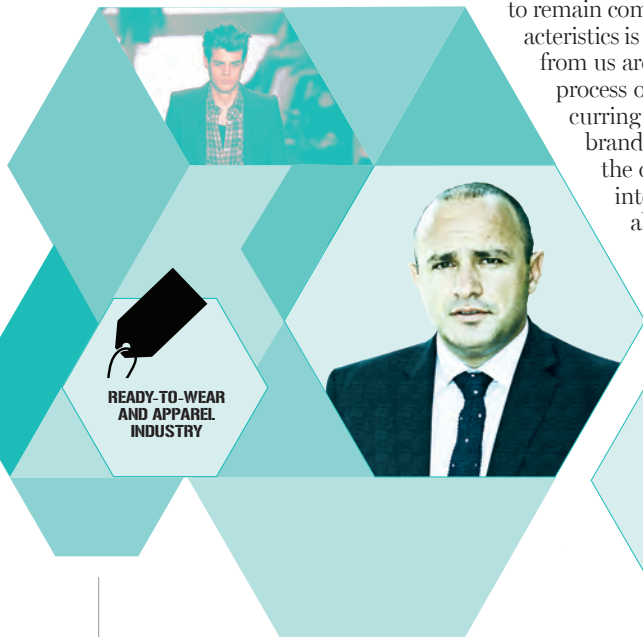
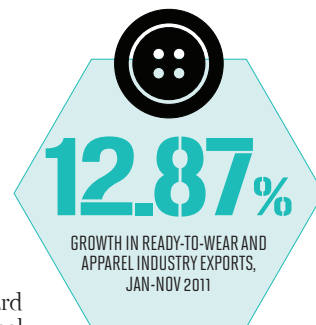
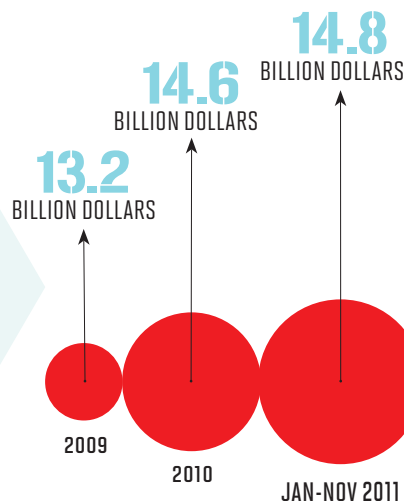
The momentum we achieved in the last two years facilitated the restructuring of the industry. After the crisis, as we studied the costs, we discovered Turkey's advantage. A significant capacity formed concerning the year ahead. The producers built up with the transformation, and companies producing quality work gained importance.

We are developing our quality product capacity; we are producing high value-added products that will create trends and are of the latest fashion. Our expectations regarding 2012 are quite positive.

It looks like business will be better. There are companies that have specialized in weaving and knitting. Weaving and knitting companies have become wrapped up in the integrated structure. There is progress in the R&D field, and Turkey is moving toward becoming a center of attraction for brands with its use of technology.

Together with their own designs, brands are also able to find such products as cloth and buttons. The demand for quality products exhibits less fluctuation in crises, too.

Increasing competition over the last five years has guided us toward being productive; I can say that we have succeeded in this by making great use of technology and using quantitative models in labor-intensive tasks from cutting cloth to sewing it. Although production costs increased in this period, the increase in productivity allowed us to remain competitive on prices. Another of our indispensable characteristics is our location. The products of European brands that buy from us are distributed worldwide. Recently, the industry entered a process of transition; the period of branding is starting. This is occurring in a way that can be broken down in two wars—industrial branding in ready-to-wear clothing production on one hand, and on the other a transformation toward becoming ready-to-wear brands internationally. My prediction is that this transformation, which will allow Turkey to have global-scale brands, will be completed between 2015 and 2020.



“We are developing our quality product capacity; we are producing high value-added products that will create trends and are of the latest fashion.”

AHMET AKBALIK
Ready-to-Wear and Apparel Industry,
TIM Sectoral Council

“With its proximity to European countries, Turkey is quite advantageous and its quality standards are suitable for built-to-order production.”

BAŞARAN BAYRAK

Ship and Yacht Industry, TIM Sectoral Council



**SHIP AND YACHT
INDUSTRY**

Although an increase close to 20% compared to the previous year was exhibited in 2011 in the export of ships and yachts, this increase was formed due to connections made in previous years, meaning we could not make much progress in terms of new orders. The reasons for this are that the crisis in the maritime business has not yet settled down and the efforts of other players in the industry to increase their market shares with the incentives and supports provided by their countries.

I am of the opinion that 2012 will be a difficult year for the ship and yacht industry globally. Almost all predictions concerning the maritime business are in the way that the unstable situation in the industry will last at least one more year. However, we are expecting some improvement in the Turkish yacht industry. If, together with this, the improvement in the new incentives system will be at the expected level, our industry will show rapid recovery and increase its world market share. Our industry is in quite an advantageous position in built-to-order production.

2011 was a year in which the recovery that started after 2008 and 2009 leapt up in terms of export figures once again. Especially in the first quarter of the year, together with the demand that shifted over from Asia, or to put it more correctly, returned, exports started to signal that they would have a good year.

The rate of increase in exports for the first three quarters of the year was 27.7%. Recorded textile exports totaled 6 billion dollars. This shows us that we had a record exports year of 8 billion dollars. The 27.7% increase is six points above that of Turkey's exports in general.

Textiles' share in total exports has thus come to the level of 6% again.

Our industry is showing increases in all the country groups it exports to. Even more importantly, almost half of our exports (approximately 3 billion dollars' worth) in the first three quarters were to the 27 EU member countries.

The increase in exports of branded and high value-added products will continue. 2012 will be a year of improvement in which the industry will reach the stage of real growth. We think that the demand turning back from Asia will especially be influential in growth. We possess one of the world's largest installed capacities especially in the thread field. We are growing simultaneously in all markets and in all product groups. The industry is progressing faster in the production of fashion and brands than everyone else. The industry's and country's position presents great potential.

“Just as it determined Turkey's past, the textiles industry will play a big role in its future.”

İSMAİL GÜLLE

**Textiles and Textile Raw Materials Industry,
TIM Sectoral Council**



**TEXTILES AND
TEXTILE RAW
MATERIALS
INDUSTRY**

5.8
7.3
2010 JAN-NOV
2011
**TEXTILE EXPORTS
(BILLION DOLLARS)**



TOBACCO
INDUSTRY

“Turkey has the potential to be a logistics center for leaf tobacco; with legislative changes, this potential could be activated.”

NOYAN KAZIM GÜREL

Tobacco and Tobacco Products Industry, TIM Sectoral Council

Turkey is a world leader in the production of Oriental tobacco. Although the production of Turkish-type tobacco has been attempted in various countries around the world, none were successful in their endeavor. Turkish tobacco has thus maintained its leadership in terms of its aroma and qualities. As an industry and in terms of state oversight, if we can continue to produce the right strategies and policies, we can sustainably bolster our position in this area. Turkey has the potential to be a logistics center for leaf tobacco; with legislative changes, this potential could be activated. Our global position could be strengthened if such legislative changes are enacted.

3.7

BILLION DOLLARS

**WOOD AND FORESTRY
PRODUCTS EXPORTS IN
2010**

Our industry has conducted 3.7 billion dollars in exports in the last year. Our industry, which has a 2.5% share in Turkey's exports, has had its exports increase by around 17% in the past year. Assessing the exports performance of the three sub-industries that have the largest shares in the export of wood and forestry products over the past year, one can see 1.5 billion dollars' worth of exports for paper and cardboard with a 19.5% increase, 1.3 billion dollars for furniture with a 17% increase, and 660 million dollars for wood and forestry products with a 14% increase. According to figures for the year 2011, Near and Middle East countries and EU countries are the foremost recipients of our wood and forestry product exports. We predict that once reforms expected to occur next year in North African countries take effect, our exports to these countries will increase rapidly.



WOOD AND
FORESTRY
PRODUCTS
INDUSTRY

“Offering products to the market is not enough to be competitive on international markets. You must develop original products and offer these to the market.”

ABDULLAH TEVER

**Wood and Forestry Products Industry,
TIM Sectoral Council**

Brands

ARCHITECTURE, FASHION DESIGN, HOME APPLIANCES, GASTRONOMY...



How Turkey's Architecture Firms **TOOK THE COUNTRY TO THE "NEW CENTER"**

As the structural transformation of Turkey is making the country a new favorite of world architecture, internationally acclaimed local architecture firms are constructing an advent in Turkish architecture

IRAQI-BORN FEMALE English architect Zaha Hadid, who won the Pritzker award—considered the Nobel of architecture—in 2004, is among the world’s best-known architects with her daring approach that pushes the limits of architecture and design. With dozens of projects in places from Tokyo to London, and from South Korea to Azerbaijan, she is one of the most popular contemporary architects. What brought her to Istanbul a few years ago was the fact that she was designing the Urban Transformation Project of Kartal, one of the city’s rising industrial centers in the ‘60s and ‘70s. Kartal was becoming a new center of business within the project, and in addition to a harbor where giant ships would moor, there was also an oversea cable car line that would connect the district to the Princes’ Islands. Istanbul Metropolitan Municipality Mayor Kadir Topbaş had announced that Hadid planned to reside in Istanbul for some time as well when he announced Hadid’s project... Hadid was just one of the successful architects whom Turkey, which has become a popular architectural destination as of late, welcomed recently. Another architect, Brigitte Weber, has been living in Istanbul for about ten years. She is known as the first famous international architect to open an office in Turkey. Weber’s signature appears on approximately 80 projects, including the Istanbul Kanyon Residences, the transformation of Yusuf Ziya Pasha Mansion in Rumelihisari into the headquarters of Borusan Holding, and famed painter Ahmet Oran’s studio. Meanwhile, 9 of the 14 companies that competed to design Zorlu Center in Zincirlikuyu,

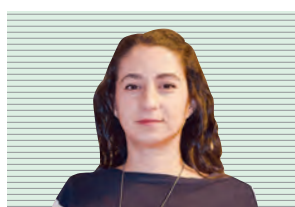


Together with transformation, the gradual growth and expansion of the region—a “center” seated at the core of architecture—made Turkey a new international hot spot



which will become one of the city’s largest such complexes, were foreign. Construction on Zorlu Center, which is one of the city’s hottest architectural designs and will be one of the country’s largest such complexes, is rapidly under way.

One reflection of the interest Turkey is receiving architecturally is that projects in the country are occurring with greater global participation. What’s more is that the number of Turkey-based architecture firms with international success is continually rising. With projects acclaimed by the world’s most prestigious institutions from Barcelona to Dubai and from London to Chicago, these firms are also realizing a very important breakthrough in the history of modern Turkey. “An advent is taking place right



GÜLSÜMBARAN

Designnobis Chief Architect

“The expansion of the borders brought with it an exit from the repeating cycle within a closed system and new initiatives, and competition is influencing the increase in quality. When we look at it as a target market, we see that Turkish construction companies have expanded their fields of operation.

We aren’t making a distinction between local or global; what is important is to produce quality work. We have reservations in matters not yet considered in the foreground in Turkey, and we are trying to work in this direction.”

now in Turkish architecture,” says Arif Suyabatmaz, a partner in Suyabatmaz-Demirel architecture, one of Turkey’s leading architectural agencies as of late. He adds, “We showed within one generation that it is possible to have a say in the international arena, and this is a young generation that we speak of. This is a total success and an understanding that changes architecture in Turkey.” Suyabatmaz-Demirel was founded by visionary architect Arif Suyabatmaz in 1995 after he returned to Istanbul from Vienna. He had worked with various architects in Vienna prior to establishing his own practice in Istanbul. In 2008, Hakan Demirel, a Yıldız Technical University School of Architecture graduate, formed a partnership together with Arif Suy-

abatmaz and the office name hence changed to Suyabatmaz–Demirel. Since then, with the numerous residential, public, and conceptual projects their architectural firm was responsible for, the duo has won dozens of awards worldwide, including five in the 2011 European Property Awards.

Hakan Demirel, the 28-year-old talented partner of Suyabatmaz–Demirel who was the recipient of a Europe 40 Under 40 Award in 2011, which are given to the best young architects of Europe under the age of 40, comments on this success of a whole generation: “I think there are enough good things produced here (in Turkey) and that this will become more visible thanks to such tools as advancing technology. Today is perhaps a near-term start.”

One of the contemporaries of architect Arif Suyabatmaz—who said, “What is really important is for a generation to share this success and create it collaboratively”—that has achieved similar successes is Tabanhoğlu Architects, whose Loft Gardens project received the International Award from the Royal Institute of British Architects in 2011. With more than 50 years of experience in architecture, Tabanhoğlu is searching for new efficiencies in terms of global and environmental needs and developments. The office works encompass a wide range of building types, and like Suyabatmaz–Demirel, they have been awarded several international and national prizes. The company ranked 79th in the

“BD World Architecture Top 100 list” in 2009. Partners Melkan Gürsel and Murat Tabanhoğlu were named Architect of the Year in 2010’s Middle East Architect Awards. Astana Arena, one of their projects, was given the award for best public building in the Asia-Pacific region in the International Property Awards.

Another firm, EAA (Emre Arolat Architects), entered the finals with four projects in two categories in the World Building of the Year 2011 awards at the World Architecture Festival in Barcelona, known as the architectural event with the broadest global participation. Awards continue pouring in for many such architectural firms, including Çamoğlu Architecture, which won “Best Mixed Project” at the International Property Awards 2011 held September in London. These achievements by architectural firms show that they know how to utilize the advantage brought by the countless opportunities in the new projects required by Turkey’s continually growing real estate sector.

Together with transfor-

mation, which one could characterize as an advent, the gradual growth and expansion of the region—a “center” seated at the core of architecture—made Turkey a new international hot spot.



“We are within this center too now; we can produce in accordance with its standards,” says Arif Suyabatmaz. He adds, “Of course, for the generation which achieved this to know the world and be aware of what’s happening has a very important effect. The architects of this generation spent part of their lives in this place we call the ‘center’ and were able to give globalization the required response, by way of which we are at this point today. There are indeed regions that remain outside the line even if they are in the center.

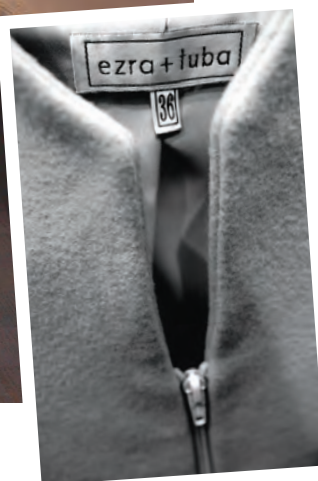
With projects acclaimed by the world’s most prestigious institutions from Barcelona to Dubai, Turkish architects are realizing a very important breakthrough in the history of modern Turkey



Varyap Meridien Project won Best Project Award in several categories in 2010



Ezra+Tuba is a brand that aims to show the strong, civilized standing of Turkish women to the world, together with a Turkish touch



THE HARMONY OF SISTERHOOD

The story of a brand created by two sisters with Turquality support

BY CAN GÜRSU BY ŞEREF YILMAZ

THE SISTERS EZRA AND Tuba Çetin, who give their names to the brand Ezra+Tuba, are two young, talented names coming from a family with a history in the textile business. The two complemented the experience they acquired through working with their families from a young age with college degrees. Ezra Çetin graduated from the painting department after first studying graphic design, and Tuba graduated from the department of textiles and fashion design after having started in the painting department. The sisters went their own

ways at first, which proved to be a great experience for them. They gained the opportunity to acquire experience at different companies abroad, and this experience and accumulated knowledge play an important role in the process by which they took the brand they created toward success.

Today, Ezra+Tuba is a brand that aims to show the strong, civilized standing of Turkish women to the world, together with a Turkish touch. It is a brand that, in their words, keeps “the sovereignty of female power” and the existence of

women at the foreground. All of its employees are women. The two sisters, who have attained success in Turkey and take inspiration from women who have produced significant output, include the stories of women successful in their respective fields in their collections. For the brand, which has so far worked to shine a light on such names as renowned pilot Sabiha Gökçen and opera singer/artist Semiha Berksoy via biographies printed on labels, telling the stories of these women to the world is as important as design.

Sabiha Gökçen, who

exhibited incredible success in the Turkish air force at a time in which even men were fearful of piloting planes, is one of the women to have inspired the duo. Stating that they found a piece of themselves in the decisiveness and way of thinking of these strong female figures, Ezra Çetin notes that this harsh clarity is immediately apparent in the collection. Going into details, she indicates how soft they regard the love

lives and emotionality of these women to be, and that they try to show these in the collection through fine details.

The Sabiha Gökçen collection, which first appeared before viewers in 2009 in Paris, made waves with its design. It furthermore attracted much attention with Sabiha Gökçen’s story. Pointing out that history as written abroad erroneously recorded an American pilot as the first female pilot,

Ezra+Tuba pushed for the publication of Gökçen’s story in newspapers and magazines, playing an important role in the correction of a historical inaccuracy. “As people think about fashion, if you can squeeze in a small message in that time, it’s quite important,” says Ezra Çetin, adding that there still is a perception of Turks in certain places that needs to be demolished.

As in the Sabiha Gökçen collection, the duo wanted to make the Semiha Berksoy collection stand out for its harsh lines, emphasizing this harshness with metal staples, prints, and large metal accessories. The generally hard, clear, and flat-edged lines of the collection are complemented by chiffon and other fabrics referring

to the artist's emotional side. Conducting intense study before conveying the lives of important women through their collections, the duo always talks with the families of the concerned persons, exchanging views with them. Carrying out all the work they do with harmony and care, the two sisters are talked about not just for their designs, but also with the messages they deliver.

It is very interesting how the sisters, having went their separate ways after graduation, reunited in time. When, during an exhibition she opened in the years she was involved in painting, Ezra noticed a T-shirt designed by her sister being worn by a woman walking on the street, she understood that they had to get together again. Ezra+Tuba is not the first brand created by the duo, which reunited after providing consulting and design services to various brands for many years—in 2006, before creating Ezra+Tuba, they created a brand geared more toward sporty, casual streetwear.

The Ezra+Tuba brand aims toward consumers who have become increasingly individualized with wars and economic crises. This niche segment emerges as even large distributorships that conduct purchases see their budgets constrict and search for different designs. The significant drop in consumer buying power meanwhile causes 8,000-dollar dresses to remain on shelves. Many Turkish brands that offer unique designs for reasonable prices are making a name for themselves globally in this time of crisis. Ezra Çetin says, "Every crisis creates its own stars and extinguishes precrisis stars," indicating that they have been

watching this crisis carefully and are moving cautiously. The duo has adopted two complementary strategies: an individually focused sales technique together with individual-targeted designs.

Although it attends conventions and works actively with agents, the brand is uncompromising in its commitment to face-to-face sales. When you meet with a boutique owner from Russia or have a meal with Bloomingdale New York's buyers, this has an absolute positive effect.

The harmony between the two sisters, who have been together in every field since childhood, is a leading factor in the brand's success. "Ezra's artistic side weighs heavy, whereas for me it is



Ezra+Tuba adopted two complementary strategies: an individually focused sales technique together with individually targeted designs

my commercial perspective," says Tuba Çetin, expressing how well they balance one another. Regarding this harmony, which emerges especially during the process of designing the brand's collections, Tuba Çetin says, "We start designing separately, but when we get together at the end of the day, we see that we were thinking of the same things and created elements to complement each other; we are a great crew." The sisters' unified strength appears to reach its apex as two other women from two different countries join the team —although Eva Simmons and Morgane Banquey-Toker come from fields rather distant from fashion, namely law and political science, the two are of critical importance for the brand's work abroad. A multinational brand with the addition of these two names, Ezra+Tuba employs five others in fashion —two assistants and three interns, all of whom were educated in Turkey.

A participant in the Turquality program, which supports young and successful designers, the company receives full support from the

Undersecretariat for Foreign Trade and the Istanbul Textile and Apparel Exporters' Associations. Morgane Banquey-Toker, who is responsible for the firm's fiscal operations abroad, states that the support they receive from the state is used for fairs and shows they enter abroad, as well as international advertising and promotional efforts. She adds, "It gives an advantage for Turkish brands to make foreign countries know what is good and what is made in Turkey." For the Turkish textile industry, with the strength of high-quality textile education in Turkey and the state's support behind it, goals for leadership in the global market seem not to be so far off.

For Turkey, which has had a very bright history in textiles, a young population is an important advantage. Thanks to a young generation studying in the fashion academies and university departments being opened, or leaving to study the subject abroad, Turkey is preparing to use the potential of its young most productively in the field of fashion.





Time For GLOBAL CONTENDERS

Turkey's strongest electronics and home appliances brands succeeded in increasing their market shares even in markets that shrank this year, giving great hopes for the year ahead

Turkish producers are continuing to increase their market shares in spite of last year's shrinkage in the home appliances segment

BY MERVE KARA

ARÇELİK—TURKEY'S largest and Europe's third-largest home appliances brand—had been seeking to acquire a premium brand in developing markets to gain access to the high-end segment, as it looked for acquisitions or greenfield investments in the Middle East, Africa, and South Asia to add capacity. Last year's acquisition of Defy in South Africa within the latter objective was one of the most exciting developments in the home appliances and electronics industry in 2011.

The South African home appliances market, for which there are promising economic expectations, stands out as a dynamic market that is serving as the arena of battle between local producers such as Defy and international players like Samsung and LG. Arçelik enters South Africa with its geographic expansion strategies and strong infrastructure in such durable consumer goods as refrigerators and washing machines. Based on Arçelik's previous OEM partnership with Defy, İş Investment—one

Arçelik, Turkey's leading home appliances company, owns global brands Beko and Grundig, which are among the best-selling brands in the European market

of Turkey's biggest investment companies—forecasts that the impact of full-year consolidation of Defy on Arçelik's 2012 turnover will be an 8% increase. Research firm Frost & Sullivan assesses Arçelik shifting its gaze toward Africa as a strategic move as great as the added revenue it will bring. Arçelik, which decided to open up to the international market after trade barriers between Turkey and Europe were lifted in the 1990s, became the largest house appliances brand in Romania and the

second largest in the UK. By 2010, it had built 11 production facilities in Romania, China, and Russia as well as Turkey, and it attained 6.9 billion Turkish liras in sales that year. According to Frost & Sullivan analysts, the big investment in South Africa is the most tangible indicator of Arçelik's and the Koç Group's plans to grow in global markets. According to İş Investment, Defy Appliances has a 40% market share in South Africa, and Arçelik wants to penetrate the sub-Saharan market through Defy. This region is expected to add additional 3-4% top line growth to Arçelik in the long term. This is a fragmented market with no local manufacturers, dominated by Chinese and Korean players. Consolidation of Defy will add 8% to Arçelik's top line in 2012.

In the home appliances industry just as in other industries, developing countries like South Africa are one of the most important drivers of growth. For Turkish companies like Arçelik, which is among the world's largest producers of home appliances, gaining a stronger presence in these markets is continually becoming more critical. However, this doesn't mean that producers are losing blood due to the crisis felt most strongly in developed economies. To the contrary, Turkish producers are continuing to increase their market shares in spite of last year's shrinking in the home appliances segment. Home appliances sales in Western Europe fell 1.5% over the first nine months of 2011, and they are expected to have reached 2% by the end of the year. The UK market has had a flat year to date. Spain and Italy shrank by around 5%,

Arçelik's sales in Spain grew by 30% despite a 7% contraction in the overall market. In 2009, the Western European market contracted by 5%, yet Arçelik's sales went up by 17%

whereas northern countries posted positive growth rates. Arçelik sales in Western Europe, however, are up by 10%, as consumers trade down to lower-cost brands. In fact, Arçelik's sales in Spain grew by 30% despite a 7% contraction in the overall market. In 2009, the Western European market contracted by 5%, yet Arçelik's sales went up by 17%. A similar 5% contraction may be expected in Western Europe in 2012.

Today, thanks to the success of its home appliances and electronics brands in the global market, Turkey

has become one of Europe's foremost producers of home appliances. With a production capacity exceeding 25 million units per year, the Turkish home appliances industry (producing fridges, washing machines, dishwashers, and ovens) has the largest capacity in Europe after Italy and provides employment to two million people. A significant proportion of exports go to European countries, including the UK, France, Germany, and Italy.

The size of Turkey's electronics industry was around 8.7 billion dollars in the first 11 months of 2010. In the first 11 months of 2011 it reached 9.7 billion dollars, increasing by over 11%. In 2012, when the effects of the crisis are expected to become harsher, Turkey's home appliances output is still expected to increase. Besides its rising competitiveness around the world, domestic consumption trends in the home appliances industry are also promising—figures



İHSANER ALKİM
CTO, Vestel

Since its founding, Vestel has been export focused and has thought and produced on a global scale. It has formed all of its investments according to this. In 2011, we produced 8.5 million TVs, exporting nearly 8 million of these and allotting only 10% of them for the local market. Although the local share in fridges, washing machines, and home appliances is somewhat higher, the exports rate is still around 70%. Whatever investment we make, we analyze the markets in our surroundings and the Turkish market, determine our target for market share, and plan our investment according to that. Today, we export to 127 countries, most of which are in Europe. By diversifying our markets, we are trying to go everywhere and be more active in surrounding countries with our logistical advantages, and we are working more intensely in North Africa, the Middle East, the Turkic republics, Russia, Ukraine, and Europe. Strategically, Vestel values R&D highly, developing new products in home appliances with its approximately 1,000 engineers. It is very important to develop and deliver a requested product quickly. Your R&D has to be at an advanced level both to provide the prices the market wants and to deliver the product the market wants. One of the most important factors in Vestel's great success in exports is its successful R&D.

Strong R&D is one of the most important factors underlying the success of the Turkish home appliances industry

for the first ten months of 2011 point to a 20% growth in volume compared to the same period last year. Growth in construction activity in 2010 and 2011, the replacement of the products sold during 2004–2007, and pent-up demand are the major drivers behind the strong growth figures. According to İş Investment, the replacement cycle is expected to play a larger role in 2012. The number of construction contracts is expected to have exceeded 700,000 in 2011, the second-highest reading of all time after 2010 (800,000), which will also drive home appliances sales. The domestic volume growth forecast for 2012 thus is 3.5%.

With the progress it made over the past ten years, Turkey increased its production in the home appliances industry by 400%, becoming the largest producer in Europe after Italy with a 22% market share. According to Economist Intelligence Unit (EIU) data, the demand in Turkey's home appliances and electronics market is expected to continue rising until 2013. Sound and imaging equipment is expected to grow most in the industry, with a compound annual growth rate of 12%. The CAGR for electronic items and home appliances is predicted to be 10%. Among Turkey's leading home appliances producers are Arçelik, Vestel Appliances, BSH Home Appliances, Indesit, and Kumtel. The most important factors driving the rapid growth in the home appliances industry—in which the utilization of local goods is around 70%—are the support and quality production provided by components



9.65

BILLION DOLLARS

GROSS EXPORTS IN FIRST
TEN MONTHS OF 2011

Source: TIM

With the progress it made over the past ten years, Turkey increased its production in the home appliances industry by 400%

industry companies, which are developed and produce at international standards, to primary equipment manufacturers.

Ihsaner Alkim, Chief Technology Officer (CTO) of Vestel, a local brand that is Turkey's exports champion in home appliances and electronics, underlines the importance of being able to respond to customer demands rapidly to succeed in exports. "Providing the product the market wants quickly and at the price it wants is one of the things Vestel does best," says Alkim, adding that this is only possible thanks to the company's more than 1,000 engineers and R&D-focused structuring. Vestel, which today exports to around 127 countries, bears the title of largest producer in the production of LCD TVs and digital TV receivers with a capacity exceeding 30 million units a year, and fastest-growing producer in home appliances.



GÜVEN UÇKAN

TİM Electrical Goods Industry
Council President

"I can say that we received positive results from the strategy the Ministry of Economy began to develop trade with neighboring countries. However, the events of the Arab Spring, which have affected the neighbors to which we started exporting on a large scale, caused our exports to these countries to fall late in the year. In spite of all these difficulties, the industry realized exports at the same level as last year. The way to success in the global market is through creating a difference. You can only create a difference with R&D and innovations, which provide you a sustainable ability to compete. Our concentrated efforts in this area continue."





Hacı Bekir, which was found in 1777, is active in 17 provinces in Turkey and 18 countries worldwide

A Turkish Miracle: **TURKISH DELIGHT**

Local Turkish delight producers preparing to enter the international arena are striving to make Turkish delight a sweet consumed daily worldwide

BY CAN GÜRSU BY ŞEREF YILMAZ

TURKISH DELIGHT, considered one of the best examples of Turkish gastronomic taste, is one of the first items in Turkey's expansive heritage of sweets and deserts to come to mind. As one of the few delicacies to retain its significance from the time of the Ottoman Empire to present day, Turkish delight—"lokum" in Turkish—is a sweet accepted worldwide. Available in a rich range of flavors including hazelnut, mint, rose petal, and everything else that one could imagine, Turkish delight attained its worldwide renown through the foreigners who visited the Ottoman Empire. The person who brought Turkish delight—which has

a history estimated to stretch back to the 15th century—to its current form and introduced it to the enjoyment of the Ottoman dynasty was Hacı Bekir Effendi, Chief Confectioner of the Ottoman Empire.

Made from water, flour, and molasses in the oldest known recipes, Turkish delight assumed the soft consistency it is known for today with the acquisition of starch from Europe. Hacı Bekir Effendi appears in world confectionery literature as the person who brought Turkish delight to its current form. Today, Turkish delight reaches a flexible solid consistency when it cools after a two-day-long, laborious process of production. Once it is

sprinkled with powdered sugar and cut into small cubes, it has taken its final form.

The story of Hacı Bekir Effendi, who practiced confectionery in a small shop in the Ottoman Empire, began after he was called to the imperial court by the dynastic family due to the fame he earned from the sweets and Turkish delight he produced in Istanbul. When the sweet so loved by the public gained the appreciation of the palace staff and the sultan, Hacı Bekir Effendi was named Chief Confectioner of the palace. He and his family have been bearing this title proudly since the twilight period of the Ottoman Empire and through the founding of the Republic

of Turkey. Hande Celalyan, the sixth-generation granddaughter of Hacı Bekir Effendi and Vice Chair of the Board of Ali Muhiddin Hacı Bekir Şekerçilik, says, "The title of Chief Confectioner was not one passed down from father to son once it was acquired, remaining in the family perpetually," and adds, "Every time the Sultan would change, or when a new person from the Chief Confectioner's family would come to the helm, you had to earn this title again." The store opened in 1777 by Hacı Bekir, who had started then to uphold his standards of quality in order to maintain the title of Chief Confectioner; is where he began writing the history of Turkish delight. Located in Istanbul's Golden Horn district of Eminönü, the store is still kept open for business by the company.

Hacı Bekir, which took Turkish delight to fairs and competitions abroad since the day of its founding and was instrumental in the global renown the sweet would later acquire, is active in 17 provinces in Turkey and 18 countries worldwide. İlyas Tunaoğlu—the general manager of Hacı Bekir, the company that imbued cultures in places ranging from America to New Zealand and from China to the UK with a love for Turkish delight—says, "We have been working with many of the world's countries for years; for instance, we have been with the same company in our activities in America for 60 years." The brand, which is able to produce 1,500 to 2,000 tons of the product each year, is producing 29 different kinds of Turkish delight, as well as any custom orders of Turkish delight. Hande Celalyan says, "On the request of a large date company in Dubai, we made date Turkish delight specially for them," adding, "It was a very popular product in that country." As a 234-year-old company, Hacı Bekir has been

managed by six generations of directors, and with the master confectioners with which it has worked for three generations, it is a true family company. Due to high global demand for Turkish delight, the number of companies producing Turkish delight in Turkey is increasing continually.

Another company that has made a name for itself in Turkish delight is Güllüoğlu, which entered the Turkish delight market in the late '90s. Founded in 1871, Güllüoğlu is known best for its baklava, which has brought it recognition not only in Turkey, but also worldwide. Producing Turkish delight with wholly local ingredients and excluding any kind of adulterant substances, the company has a broad product range that appeals to all palates. The company, which makes such innovative products as coiled Turkish delight and Turkish coffee flavored Turkish delight, uses real cherries in producing cherry Turkish delight, and not rosewater or rose flavoring in its rose Turkish delight, but real rose petals. "Our most preferred Turkish delights are our coiled, double-roasted, and rose varieties," says Güllüoğlu Board Chairman M. Nejat Güllü, who indicates that they never shy from using high-quality yet expensive raw materials to maintain quality.

Having earned its fame solely by producing baklava 140 years ago, Güllüoğlu assumed its better-known form with the store Mustafa Güllü opened in Istanbul in 1940. Güllüoğlu has 18 stores in Turkey; and seven abroad, five of which are in preparation. The company started exporting in 1996; today, it exports its products to locations worldwide. With its nearly 350 employees locally and abroad, Güllüoğlu is able to produce 2–2.5 tons of Turkish delight every day on average. "When foreigners used to



NEJAT GÜLLÜ
Board Chairman, Güllüoğlu

"Making money is not what is important; until now, Turkish products offered abroad were second-rate goods. We broke this practice; Güllüoğlu is a Turkish brand and Güllüoğlu sells quality goods—whatever we have made, we made the best."



HANDE CELALYAN
Deputy Chairwoman, Hacı Bekir

"If you do something for longer than two or three years, you run the risk of monotony at some point. We, by both renewing ourselves constantly and not compromising our traditional nature, strive to continue this tradition."

With more than 10,000 tons of daily output, the Turkish delight industry continues its rapid ascent aided by government support



come to our stores, they would ask for Turkish delight; they would buy the baklava from us, and the Turkish delight from elsewhere," says Nejat Güllü. He notes that Turkish delight and baklava complement one another, and that since they started producing Turkish delight, they began exporting to many countries. Utilizing the international fame of Turkish delight, Güllüoğlu now has the opportunity to market such products as its baklava, pişmaniye, cookies, and other delicacies in markets it has entered by way of its Turkish delight.

Güllüoğlu aims to have increased the number of its stores to 100 in 2015. This target is not far-fetched—the company has received franchising proposals from many companies abroad, with five proposals arriving in November 2011 alone to open a store in California. Nejat Güllü states that they have been avoiding rapid growth due to their sensitivities regarding quality. He says, "To grant franchises, we must first complete our own internal efforts." Aiming to have its company be listed on a global stock exchange by 2023, Güllüoğlu represents its family heritage and Turkish delight excellently.

The number of Turkish delight producers in Turkey, the eponymous home of Turkish delight, increases continually. With more than 10,000 tons of daily output, the Turkish delight industry continues its rapid ascent via the support provided by the government. Local producers that have started to be included within Turquality—the world's first and only state-supported branding program—and are preparing to enter the international arena are striving to make Turkish delight a sweet consumed daily worldwide.



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