lurkish rsnect Economy Minister Zafer Çağlayan told The Turkish Perspective about the details of MAY-JUNE 2012 ISSUE 10



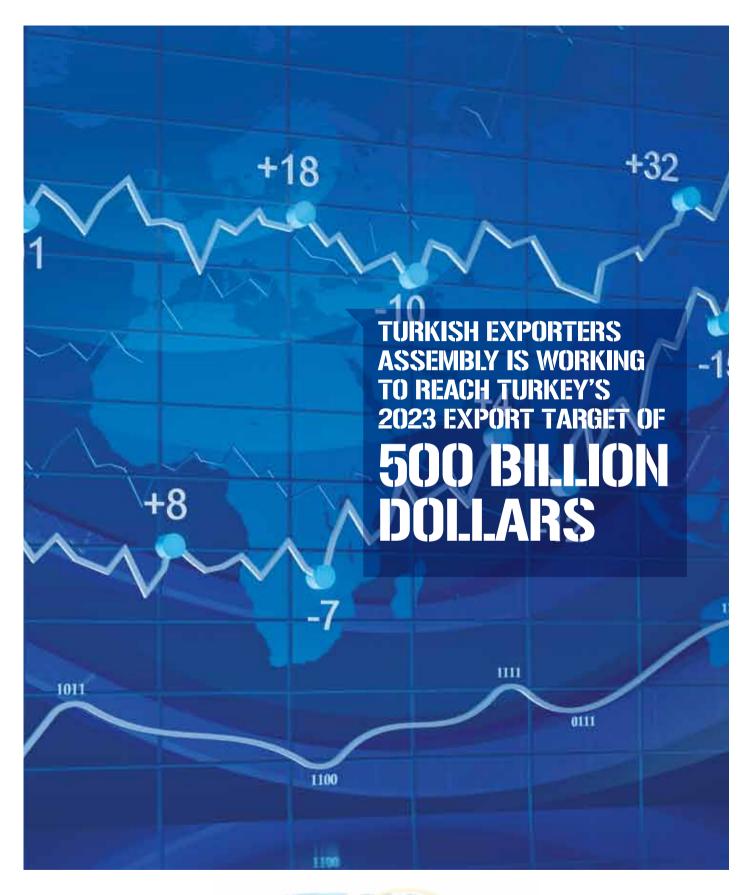














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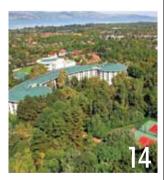
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Editorial



PRESIDENT (TIM)

A Spring Awakening Arriving with THE NEW INVESTMENT **INCENTIVES SYSTEM**

The new investment incentives package will play an extremely important role in helping Turkey to attain long-term, sustainable growth

and slowdown scenarios in the world economy and trade, we see indications of a spring awakening. This awakening in the global economy not only brings with it an air of positivity, but it also started to provoke expectations for larger growth. Having grown 8.5% in the year 2011, the economy of Turkey is undergoing a spring awakening with the growth in which exports, too, were influential. The IMF, for its part, stated that an "air of positivity" has started to blow in the global economy and thus raised its growth estimates. In the report prepared by the IMF and World Bank titled "The World Economic Outlook 2012," it was indicated that the global economy will improve in degrees and that risk is still high, while predicted growth for the world economy was revised from 3.3%

In the US, unemployment continued to fall, increasing expectations for an enlivened economy. The 0.5% shrinkage predicted for 17 countries in the euro zone was pulled down to 0.3%. Despite the recovery process in the world economy, the slowdown observed in world trade is a matter to be watched carefully by countries that value exports, like Turkey. We believe, however, that the effects of this slowdown will be short term. In the medium term, Turkey will increase its exports and continue to grow at an upbeat pace.

In recent years, as the composition of Turkey's exports started to diversify, we

attained important successes in new markets. The Near and Middle East and the continent of Africa stand out as Turkey's new export markets. A significant increase in exports to Asia and America is also occurring. Therefore, Turkey is overcoming the shrinkage in euro zone-bound foreign trade by diversifying its markets.

Turkey is acting quite decisively in bringing its economic reforms to life. New reform packages are constantly being announced to transform Turkish economy and increase our competitiveness. The latest investment incentive system announced in this regard is a great opportunity to propel Turkey further forward.

Together with the implementation of the new investment incentive system, we wish to see more widespread use of technology as well as the synergistic effects if R&D spending.

This investment incentive system will help Turkish industry attain the technological transformation it desires. As TIM, we expect the new investment incentives package to further enliven Turkish economy by exhibiting the effect of spreading through both industry and exports as well as creating positive externality.

Thanks to the new incentives for investment, investments and production will increase. They will also contribute positively to employment. We believe that interregional differences in development will be overcome with the new investment incentives system. We regard the implementation of a province-based regional incentive system in which our provinces are divided into six regions by levels of socioeconomic development as quite a nice development.

The new incentives system will also have the effect of boosting international investments in Turkey. We hear that numerous global firms have put Turkey on close watch with the incentives package. Indeed, this month, we saw the first signs of this in the programs of the trade delegations we sent to China and the US. The new incentive legislation was met with great excitement in China and the US. The two world giants Research in Motion (the maker of BlackBerry) and Chrysler have already set their sights on Turkey for investment.

Being aimed within the scope of the new incentives system, are increasing production of intermediate materials and items for which Turkev imports more, eliminating differences in regional levels of development, supporting clustering activities, and supporting high-tech investments that will facilitate technological transformation. Economies of scale and clustering are being encouraged with the new investment incentives system.

The new investment incentives package will play an extremely important role in helping Turkey to attain long-term, sustainable growth and reach its export targets. This new system will allow Turkey to integrate with new conditions and developments in a much faster fashion and render stronger and more dynamic the fundamentals of the Turkish economy.

The new investment incentives system will draw new international investments to Turkey through the new competitive investing environment it creates. With high employment, a low current account deficit, and a positive investing environment, Turkey will increase its competitiveness even more. We believe that the prevalence of trust and stability in the Turkish environment will be further bolstered by the new investment incentives system.



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 9.2% in 2010 and 8.5% in 2011.
- 17th largest economy in the world (IMF-WEO, 2010)
- A population of 75 million with half under the age of 30.
- Access to Europe, Caucasus, Central Asia, the Middle East and North Africa

- World's 13th most attractive FDI destination in 2012 (A.T. Kearney FDI Confidence Index 2012)
- 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

FIRST ISTANBUL SHOPPING FEST, AUTOMOTIVE, EMPLOYMENT, DESIGN, EXPORTS, NATURAL STONES, AVIATION...



AN INVITATION FOR CHINA TO INVEST

Accompanying Prime Minister Erdoğan on a visit to China, TIM signed a memorandum of goodwill in Shanghai

T URKEY, WHICH spent 2010 and 2011 competing with China in the area of growth, has started to make a partnership out of this competition. In April, Prime Minister Erdoğan conducted a historic visit to China. where he invited local executives to invest in Turkey. His China tour first stopped in Urumqi, after which meetings were held in Beijing and Shanghai. The most notable of

these meetings was the workshop breakfast organized jointly by the Turkish Exporters Assembly (TIM) and the Turkey-China Industrialists' and Businessmen's Association. The president of the Shanghai Chamber of Imports and Exports, the president of the Chinese Food Importers' Association, the president of the Shanghai Marble Industry Association, the CCPIT Fairs Administration president, the Foreign Economic Relations Director of Shanghai Province, the general secretary of the Shanghai Architects' Association represented China at the event, at which representatives of large Turkish companies with presences near Shanghai were also present. TIM President Mehmet Büyükekşi, Prime Ministry Investment Support and Promotion Agency President

İlker Aycı, TIM China Country Desk Coordinator İbrahim Burkav, TÜÇSİAD President Murat Sungurlu, and İTHİB President İsmail Giille each delivered speeches at the meeting.

In his speech at the meeting, Mehmet Büyükekşi noted that businesspeople from the two countries didn't know one another well enough, and he stated that mutual visits should therefore

increase. Büyükekşi indicated that the meeting, at which a memorandum of goodwill was signed between TIM and the Shanghai Chamber of Imports and Exports, was of great importance with regard to improving the two sides' familiarity with one another. He also emphasized the importance of mobilizing to find areas in which to develop opportunities for mutual investment and trade.



SHOPPING FEST

ISF REIGNITES SHOPPING PASSION

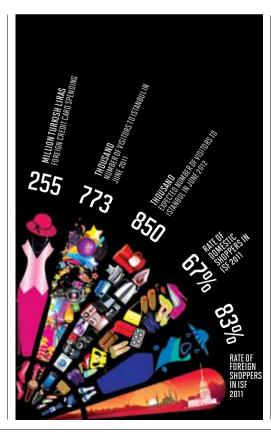
Istanbul Shopping Fest is aiming to raise the 41% increase it exhibited in retail commercial volume last year to more than 50% this year to bring in 7 billion Turkish liras in revenue within 21 days

IRST HELD IN 2011 WITH a 50-million-lira investment, Istanbul Shopping Fest (ISF) is starting this year with opening activities scheduled for June 9, 2012. The festival will be hosting numerous famous brands in the more than 100 shopping centers spread across the city, which is larger than several countries with a population of 14 million and 5,343-square-kilometer-area, and in various other locations including Taksim, Nişantaşı, Şişli, Bakırköy, Fatih, Bahariye, and Bağdat Avenue.

ISF welcomed five million visitors domestically and from abroad over a 40-day period last year, increasing total shopping revenues in Istanbul by 26% over the previous year to 8 billion Turkish liras. Over 252 million Turkish liras were spent via foreign credit cards last year, with nearly 155 million transactions of 40 Turkish liras or above being recorded.

The festival is aiming to embrace millions this year as well, especially Istanbul natives and visitors from neighboring countries. Planned to take place over 21 days, ISF 2012 aims to bring in 7 billion Turkish liras in revenue.

Numerous activities are taking place during the festival in dozens of shopping centers, stores, and other locations all over Istanbul, turning the city into an entertainment center daytime and night-



Numerous activities are taking place during the festival in dozens of shopping centers, stores, and other locations

time for 21 whole days with street festivals, concerts, shows, musical events, parties, contests, fashion shows, and shows by special groups from abroad. In addition to discounts of up to 50% on in-season items, campaigns, and raffles, there will be shopping parties held in one shopping center on Istanbul's European and Asian side each every weekend.

Foreign tourists are able to shop with great advantages outside Istanbul's traditional discount season within the scope of the festival, which aims to make Istanbul one of the world's most important shopping destinations. As last year, international visitors will be able to reclaim part of the duty paid on purchases from shopping centers and tax reimbursement stands set up in certain locations around the city.



INVESTING TODAY IN THE **CHILDREN NF TNMNRRNW**

Adding yet another to its social responsibility projects, Turkish Airlines is going to create a commemorative forest with the aim of leaving the world entrusted to our care to future generations in the most "livable" state possible. Planting a sapling on behalf of the airline's youngest passengers, the reforestation campaign, a joint Forestry Department-Turkish Airlines project, will create a commemorative forest of a million saplings in various forested regions of the country during the year. A sapling will be planted for every child up to age two who flies Turkish Airlines.

AUTOMOTIVE

Auto Industry at Full Throttle

According to results for Q1 2012, the Turkish automotive industry increased its exports by 3% in the first quarter of the year, reaching a volume of 5.1 billion dollars



ESPITE THE CONSTRICTION in the cars market in EU countries in particular, the auto industry succeeded in achieving its targets thanks to its strategy of market diversification. Exports increased by 20% in the bus, minibus, and mediumsize buses group.

According to a report prepared by the Automotive Industry Exporters' Union (OİB), auto parts and components was the largest single branch of exports, reaching 2.2 billion dollars with a 11% increase in the

first three months of the year relative to the same period last year and also growing its share in foreign sales to 42%, with the country receiving the most of its exports being Germany with a 12% increase to 309 million dollars, followed by France with 209 million and Italy with 203 million dollars. Germany ranked first overall as a receiver of the industry's exports in Q1 2012 with an 11% increase to 772 million dollars, again followed by France with 579 million dollars and Italy with 479 million dollars.

EMPLOYMENT



EMPLOYMENT RISFS

The unemployment rate in Turkey fell in January 2012 by 1.7 points relative to the same period last vear, being reported at 10.2%. Unemployment was determined to be 12% in urban areas and 6.5% in rural areas. The number of people employed in January 2012 increased by 1.014 million over January 2011, reaching 23.475 million. Broken down by sectors, the service sector accounted for the largest share in employment-50.9%followed by agriculture with 23.1%, industry with 20%, and construction with 6.1%.

THE HARSH WINDS OF THE ARAB SPRING SUBSIDE

The political crises in North Africa and certain Middle Eastern countries since mid 2011 have been affecting all world trade. Turkey was, naturally, one of the countries affected by the crisis—however, export figures for March 2012 indicate positive developments in this area. Turkey's export to Libya increased by 658% relative to last March. Record increases in exports to numerous other countries were also observed. Some of these increases are listed as follows:

INDUSTRIAL DESIGN

Vestel's Triump 47" LED

TURKEY IS BECOMING THE DESIGN GENTER OF EUROPE



Agt Bench by Hakan Gürsu for Designnobis

Phaeton Electic Vehicle by Hakan Gürsu For Designnobis



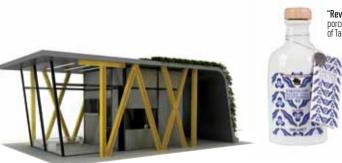
■ HERESULTS OF THE A' Design Award contest, which is considered Europe's most important and comprehensive new design contest, were announced Sunday, April 15. Some 3,653 projects from 140 different countries were entered into the contest this year. Turkish designers once again exhibited eve-dazzling performance at the contest, where a total of 259 projects were granted awards.

Design for Ece Yalım "Twins Seating Units" that has been designed by Ece Yalım for Ersa Office Furniture won a gold A' Design Award in Furniture, Decorative Items, and Homeware.

In Packaging, Tariş won a Silver A' Design Award for its "Çiğ Yağ" olive oil storage container, a long-lasting, hygienic porcelain bottle described as being "revolutionary."

Bien, one of Turkey's important ceramics producers, returned from the contest with five awards-platinum in Furniture, Decorative Items, and Homeware Design for "Lotus: A Bathroom Set Which Comprises Items of





Taxi Taxi Station and Twist Stovetop Kettle by Hakan Gürsu for Designnobis





'Revolutianory' norcelain bottle of Taris

Ceramic Sanitaryware and Acrylic Baths"; platinum in Building Materials, Construction Components, Structures, and Systems Design for "İnci Ceramic, a three-dimensional design produced using digital printing technology; gold in Furniture, Decorative Items, and Homeware Design with "Fracture Ceramic Sanitaryware;" and two more in Building Materials, Construction Components, Structures, and Systems Design.

Another Turkish company that came home this year from the A' Design Awards with five prizes was electronics maker Vestel, which is known for valuing R&D and innovation and is likely to become one of Europe's most-talked-about electronics companies. Vestel Id Team won one silver, one platinum, and three gold awards in Digital and Electronic Devices Design. One of its notable designs was "La Torre," described as "a high end TV design that aims to carry the familiar TV approach to a different perception with minimalism and futuristic display technologies."

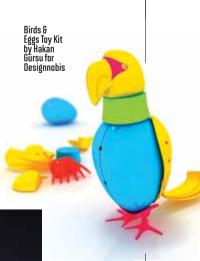
The real record, however, was set once again by Designnobis founder and METU faculty member Hakan Gürsu. Returning from A' Design Awards with 15 awards, Gürsu became the European award champion in the field of design. Including these, he has won 65 awards over the past five years.







Lotus: A Bathroom Set Which Comprises Items of Ceramic Sanitaryware and Acrylic Baths by Bien



Triton Warning System by Hakan Gürsu for Designnobis

EXPORTS

EXPORT EXPECTATIONS RISE

Producers predict constricted markets will expand

he results for **1** Q2 2012 of the Ministry of Economy's quarterly Foreign Trade Expectation Survey have been published. The Export Expectation Index increased by 17.1 points from the first quarter to the second quarter, rising from 97.9 to 115. According to the results, the expectation that exports to all groups of countries will rise continued to pick up strength. Last quarter, only the expectation that exports to African countries and the

Turkic nations would increase remained high. The trend for this quarter in other country groups shows that the expectation for growth in exports has picked up strength. The number of companies expecting exports to European countries to fall was reduced by roughly 13 points. Companies' expectations for their exports, export orders unit export prices, and market share gains rose, whereas the expectation for export order levels to increase continued at reduced levels.





NATURAL STONE

NATURAL STONE SHOW IN THE US

The Istanbul Minerals Exporters' Association (İMİB) facilitated the participation of 17 Turkish companies in the US trade show Coverings: The Ultimate Tile + Stone Experience 2012

he Turkish natural stone industry made significant progress over the past ten years, raising exports from 189 million dollars in 2000 to 1.7 billion in 2011. Leaving Italy behind in the export of marble/travertine with its broad selection of colors and patterns and the quality of its products, Turkey attended the trade show held in the

US—the world's largest market, valued at 2.5 billion dollars—with 17 companies. Eight hundred firms from all over the world appeared at Coverings, which was held April 17-20 this year in Orlando, Florida in a 300,000-square-meter space. Turkey gained the opportunity to expose itself to new markets at the show, which welcomed thousands

of visitors. The Istanbul Mineral Exporters' Association organized national participation for the 11th time with this year's Coverings 2012 show, which is considered one of the world's largest such events in the field of covering materials. The space allocated for Turkey's stand has grown continually, with this vear's reaching a size of 455 square meters.

TURKISH MINING INDUSTRY IN CHINA

The mining industry accounted for 62% of Turkey's exports to China

China, the world's fastest-growing economy, is a global exports behemoth. The Turkish mining industry, however,

appears to have homed in on one area where China is dependent on imports—according to an announcement by the Aegean Mining

Exporters' Union, the mining industry accounted for 62% of Turkey's 2.5-biliondollar volume of exports to China.



INTERNATIONAL TRADE

CHINESE WILL ALSO "BUY FROM TURKEY"

Having come to an agreement with alibaba.com, Turkish exporters are determined to sell to China

The "Buy from Turkey" e-commerce website pitched by the Ministry of Economy is launching. The Turkish **Exporters Assembly** (TIM) is adding the names and contact details of 45,000 exporters to cooperate with alibaba.com. A link to "Buy from Turkey" will be provided on alibaba.com, which has 430 million members. Istanbul Ferrous and Nonferrous Metal Exporters' Association Chairman Tahsin Öztirvaki, who led the project, met with alibaba.com Viice President Brian Wong in Hong Kong, where he went to attend a kitchen and housewares fair. Öztiryaki says they achieved positive results from the meeting and adds that he thinks being on alibaba.com will prove to be a significant boon to promotion.

TURKISH EXPORTS OF KITCHENWARE IN 2011

.....

AVIATION

Airex Istanbul Approaching

A comprehensive exhibition in every respect, the Istanbul Airshow aims to become one of the world's leading aviation events



S TARTING OUT IN 1996 with the participation of two planes, the Airex Fair is gearing up to host upwards of 150 firms and over 50 aircraft this year. Held every two years, Airex Istanbul is taking place September 6-9 on the General Aviation Apron of Istanbul Atatürk Airport. With primary sponsorship by Turkish Airlines, TAV Airports Holding, and Turkish Technic, Airex Istanbul is being transformed this year into the Istanbul Airshow and

Civil Aviation and Airport Exhibition. Held with the backing of all relevant institutions and agencies, including the Transport Ministry, the State Airports Authority, and the Department of Civil Aviation, the event is aimed at further consolidating Istanbul's position as an international airline hub. All the world giants have already confirmed their participation in the September fair—a sure sign that it is going to be an effective aviation platform.

AVIATION

ANTALYA IS GOLF CAPITAL AGAIN

Turkish Airlines is sponsoring the Turkev leg of the Ladies' European Tour for the third time. The Turkish Airlines Ladies Open is taking place once again in Antalya, a favorite with professional and amateur golfers alike from many regions around the world. A total of 126 golfers from 30 countries will be playing in the tournament May 10-13. As sponsor of the event, Turkish Airlines is continuing to promote Turkey and create value-add for its tourism industry.



ILLUSTRATION BY SEDAT GIRGIN

Panorama



BY PROF. DR. SEYFETTIN GÜRSEL

THE TURKISH ECONOMY IN PERSPECTIVE



BELIEVE THAT THE TURKISH ECONOMY IS AT A historic crossroads. In the aftermath of the turmoil of the lost decade of '90s, which peaked with the drastic homemade crisis of 2001, the Turkish economy entered a new era under the government of the Justice and Development Party (AK Party) after the general elections of November 2003. The average annual growth rate from 2003 to 2011 exceeded 5%, whereas in the 1990s it remained well below 4%. Per capita income, in terms of PPP, rose from 9,000 to 15,000 dollars between 2003 and 2009, narrowing the gap with EU and increasing the ratio against average income in the EU from 36% to 48%.

To be fair, one should note that favorable ground had already been established through the "Kemal Derviş reforms," like the independence of the Central Bank and the cleansing and purification and strengthening of the Turkish banking system in the aftermath of the 2001 crisis. Nevertheless, the merit of the AK Party government has been its perseverance regarding the IMF program, the first one ever brought to completion successfully in Turkish economic history. Thanks to insistence on fiscal discipline, the budget deficit was reduced from 8.8% in 2003 to 1.4% percent last year, providing a stable macro-

economic environment. It therefore became possible to drive double-digit inflation—close to 20%—down to one digit and to slash treasury bond real interest rates down to 2–3% from 7–8%. The natural outcome of this stabilization was a reduction to the public debt ratio, which went down from 65% of the GDP to 38%, outperforming most EU countries in this regard. These achievements in public finances gave the AK Party government enough room to improve social support for the poor and to increase health and educational spending. Let me just note that the number of individuals classified as being in poverty (earning per capita income below 4.30 per day) fell from 18% to 4% within eight years.

The high growth in the 2000s and after the 2008-2009 global crisis (which affected Turkey, too) was led by domestic demand. The straightforward consequence of this kind of growth was a ballooning current account deficit. In 2011, the deficit share to GDP reached 10%, its historical record level. An investment and consumer durables boom accompanied by an appreciation of the Turkish lira are principally responsible for this huge current account deficit. Obviously, the high growth of the last two years at 8-9% was not sustainable.

A correction, therefore, was inevitable. The correction took start with a new monetary policy of Turkish Central Bank (CBRT) aimed at decelerating bank credit, which had reached a 40% increase on yearly basis, and also to provoke a controlled depreciation of the Turkish lira without creating dangerous pressures on prices. To do so, the CBRT used (and still is using) daily monetary rates as well as reserve requirements in addition to its classical policy rate. This was, of course, a perilous exercise and, as one could expect, it provoked hot debate among economists. But after all, it worked. The Turkish lira started to depreciate in August 2011, but as rising inflationary pressure led to a tightened monetary policy, this process was halted. At the same time, the growth of banking credit was decelerated to 10% through various constraints placed on the banking system. Let me note that government lent a hand to CBRT in the correction process by tightening fiscal policy. As noted above, the budget deficit was slashed to as low as 1.4% percent last year.

Amid this new mixture of policies, the growth changed in

both intensity and nature in Q3 2011. This change is still under way. The yearly growth rate fell to 5.2% in Q4 2011. Leading indicators show that it can be lowered to less than 4% in the first quarter of this year; this is what we have predicted at Betam (Bahçesehir University Center for Economic and Social research). A slowdown in growth is not good news, obviously, especially since it can reverse improvements seen in unemployment. Nevertheless, this slowdown was desirable in the sense that it works to prevent a violent and uncontrolled correction. The new policy mix began started to affect not only on the rate of growth, but also its nature. The contribution of net exports to the growth turned positive starting in Q3 2011. In other words, exports

are increasing while imports are more or less stagnating despite oil price increases. The result is already palpable: the current account deficit is diminished in absolute terms (going from 78 billion to 74 billion dollars on an annual basis) as well as in its ratio to the GDP—Betam estimates that the deficit ratio would have fallen from 10% to 9% in Q1 2012.

These achievements are limited, of course, but the correction is still under way. The inflation rate is expected to decrease from its current level above 10%, and it should be possible to stabilize the growth rate at around 4%with a current account ratio close to 8%. This is the famous "soft lending scenario," and the key to this scenario is to increase of exports. This is not an easy task as since the European market—the largest market for Turkish exports, account for 42% share—is heading toward recession. But I can say that the perspective does not seem that bad. The damages seems to be quite limited for the moment—Europebound exports fell only 3% during the first months of this year. Exports to the Middle East, on the other hand, particularly to

Iraq and to North Africa, are growing strongly. These booming markets for the Turkish Industry increased their share from 12% to 28% in the last decade, and the boom is continuing. The so-called "Arab Spring" did not hurt Turkey's exports even though an adverse impact was widely expected. Unsurprisingly, the only two countries to which exports decreased were Libya and Syria, while exports to Egypt, Tunisia, and other Middle Eastern countries increased. The Libyan market is coming back in a big way and a great explosion in exports to Iraq was observed too, with the latter importing 38% more Turkish goods in 2011. Iran's imports from Turkey also increased by 18% despite an embargo. Exports to Middle East may continue to outpace imports if the Israelis are wise enough not to strike Iran.

Beside this external risk factor, some internal structural problems still exist, and they can prevent the Turkish economy from switching to a more balanced, sustainable growth path. The first challenge is the savings gap. Domestic savings declined dramatically in the 2000s. From more than 20% in the 1990s, the domestic savings rate fell under 13% in 2011, with

household savings accounting for the bulk of this decline. As pointed out by the World Bank, households have had better access to bank loans due to the greater availability of international liquidity; they did not want to miss the occasion offered by the falling interest rates and there now are fewer worries about unexpected health expenses thanks to improved and extended social coverage by the state. This is, for sure, a correct diagnosis, but it isn't of much help in designing policies to reverse the falling savings rate. Nevertheless, let me remind that the government decided very recently to subsidize private pension savings to a level of up to 25%. This is sure to have a very positive impact on domestic savings.

The second challenge is the competitiveness of the Turkish Industry. Turkish exports are composed mainly of mediumtechnology goods, which forces Turkish firms to compete in the international market on price. Given the relatively high inflation and the obligation to pull it down, exchange rate (the depreciation tool) manipulations cannot occur often. The other way to increase competitiveness goes by the labor market and reforms that enhance productivity. The new investment incentive scheme announced recently is already capable of encouraging technological progress and lowering labor costs to some extent, but more is needed. There is good news on this front: some weeks ago, the Ministry of Finance revealed its determination to fight tax evasion in order to decrease labor costs. Additionally, the Labor Minister seems determined to implement a radical severance pay reform. If the AK Party government is able to implement these and some other politically difficult structural reforms, we can assume that a successful decade will be in store for Turkey.



Content: Emotional Capital P17 Strong as Concrete P19 An Airline of Firsts P22 Turkey Enters New Year Upbeat: Increasing Confidence with Soaring FDI Inflows P24 Turkish Carpets Are Being Sold to the World P26 Editors: Ceyhan Aksoy

Briefing furniture and forestry products, cement, foreign investment, carpets...



Turkey is attracting attention in its region with its geothemal and natural resources

TOURISM

The wealth beneath:

GEOTHERMAL RESOURCES

Geothermal tourism is expected to be the most advantageous branch of tourism in Turkey

BY CEYHAN AKSOY

E xactly one year ago, Ertuğrul Günay, the Turkish Minister of Culture and Tourism, was discussing Turkey's rich geothermal resources as he spoke to The Turkish Perspective, saying, "We expect investments in this area to increase rapidly, because we have completed our geothermal master plan. There will be significant investments particularly in Afyon and

Denizli." He then moved on to the topic of how conference and convention tourism would take off.

Just one year has passed since. The new investments show that smart investors are developing a multifunctional approach to running hotels in Turkey by joining two tourism concepts under one roof. Serving as "wellness and convention hotels," these hotels present the infinite comfort of Turkey's geothermal resources to the guests it hosts for meetings held by many companies both local and foreign. One of these operators is NG Hotels & Resorts Group. The company made its first foray into investing in tourism when it opened Güral Harlek Thermal Resort & Spa in Kütahya Province in 2005. In 2008, it opened the largest

wellness and convention hotel of the time in Turkey by the shores of Lake Sapanca in Sakarya, the Güral Sapanca Wellness & Convention Hotel, which is the only five-star hotel that possesses six different quality awards in its field. Most recently, in May 2012, NG Group opened its third investment to visitors. Located in Afvon Province, it is now Turkey's largest geothermal

resort. NG Hotels & Resorts Group Tourism Coordinator Kamil Berk says Afyon is a very important destination in terms of its geothermal resources. He says the group has taken the idea of a geothermal resort to a brand new dimension with its most recent investment, adding, "We will make the resort a center of focus not only for middle-aged visitors and above, but for tourists of all ages also, with its 9,500-square-meter thermally active area, the hotel's high standards, and service approach catering to the highincome segment." Güral Afyon Wellness & Convention Hotel features specially designed family rooms, thermal Jacuzzis, Turkish baths, steam rooms, and ice fountains among its thermal facilities, and it has also been designed to serve as a conference and convention center. There are 13 meeting halls of various capacities in the hotel, as well as more than 2,200 square meters of recreational and social spaces. "But it's not just the products we offer in our hotel that are important," savs Kamil Berk," "Afyon's shopping centers, social life, and cultural values also make the city one of the most important destinations for geothermal tourism."

Afvon is just one of the destinations that clearly display Turkey's potential in the field of geothermal tourism. There are more than 1.500 thermally active sources of water in Turkey, which is located on a young mountain chain called

There are more than 1,500 geothermally active sources of water in Turkey, which is located on top of an important geothermal belt



the Alpine-Orogenic Belt and also on top of an important geothermal belt. These waters possess highly desirable qualities in every way from flow to temperature and various physical and chemical characteristics. Turkey, which has the highest potential in the geothermal area out of all countries in Europe, ranks seventh worldwide in the field. Turkey has a number of significant general advantages, including its year-round suitability for

tourism, workforce, investment and business profitability, high domestic tourism demand, status as a mediator of regional development, and proximity to Europe (and therefore its aging population). "International investors are showing great interest toward geothermal tourism investments in Turkey," says Cumhur Güven Tasbası, Director of Promotion at the Ministry of Culture and Tourism. He adds, "Middle Eastern countries in

Güral Afvon Wellness & Convention Hotel features specially designed family rooms, thermal Jacuzzis, Turkish baths, steam rooms, and ice fountains among its thermal facilities

particular are highly interested in this field."

One of the investors that have noticed this potential is Özak Global Holding. Operating in the fields of textiles, tourism, energy, construction, and real estate investments, Özak Global Holding opened Ela Quality Resort Hotel in Belek, Antalya in 2007. Today, the hotel is one of the most important examples of geothermal resorts in Turkey and it was named Skalite Golf - Health - Spa - Beauty Hotel of the Year in 2011 by Skal International Istanbul, the largest Skal Club in the world, thereby distinguishing the hotel's Ab-ı Zen Spa. Özak Global Holding President Ahmet Akbalık says, "As we all



CUMHUR GÜVEN TASBASI

Director of Promotion, Ministry of Culture and Tourism

"I can say that geothermal tourism ranks first among the most advantageous branches in tourism currently, as one can speak of serious government-provided incentives and discounts toward this area. Our efforts to encourage investment in this area through our marketing and promotion efforts, in addition to incentives and support measures, continue. To this end, we attend fairs organized all over the world and explain the potential of geothermal tourism in Turkey. I hope geothermal tourism will account for one of the largest shares within total tourism revenues in the near future.



KAMIL BERK

Tourism Coordinator, NG Hotels & Resorts Group

'As part of tourism strategy Turkey followed for years, any mention of Turkey would bring to mind the sea and sun. But after achieving a certain level of success in this field, Turkey's other products had to be presented. One of the first of the areas to come to mind here is to bring our cultural values out; another is geothermal tourism. As NG Group, our aim is to show that geothermal tourism is a field of tourism that caters not to the middle-aged and older segment alone, but to all age groups. We are opening the third of our hotels in Afyon. Of course, the fact that we've received six different awards for quality has had a great influence on this



AHMET AKBALIK

Chairman, Özak Global

A member of the Turkish Spas Thalasso and Health Resorts Association (TÜRKAP), our spa center also possesses international status as a member of the European Spas Association (ESPA). Ab-1 Zen Spa & Rituals Lounge, an Ela Quality Resort brand, has had the quality of its service and infrastructure certified with the EuropeSpa Wellness stamp of approval, which serves as a document of quality and standards for European spas. Ab-1Zen uses 100 per cent organic and natural products in the more than 160 different therapy and massage ser vices it offers to its guests! It uses nothing that would harm nature in any of its therapies.

know, nature is the source of life for all living things, and it is the greatest healing power. We are aware of what nature offers to us and we respect this." He adds, "And this is why Ab-ı Zen's greatest virtue is that it uses nothing that would harm nature in any of its rituals and therapies."

Significant support by the public sector is being provided to help fuel increased investments in geothermal tourism. For instance, the Ministry of Culture and Tourism has committed to channeling public resources toward the establishment of quality infrastructure for geothermal tourism centers and the creation of regional therapy parks via environmental decrees. Additionally, it is facilitating the creation of land development plans on all scales in geothermal tourism centers, allotting public plan as per these plans for the use of tourism, in sizes that suit the integration of accommodation facilities, therapy centers, and therapy parks. "Incentives and discounts from the government for geothermal tourism are on the agenda," says Cumhur Güven Tasbası, and he continues, "In my opinion, geothermal tourism is the most advantageous of all tourism investments at the moment."

The application of incentives for geothermal tourism are envisioned within the Geothermal Tourism Master Plan. which covers a time starting in 2007 and ending in 2023, the centennial of the Turkish Republic. Among the plan's aims are fostering the development of special project areas where geothermal resources can be put to use, especially near coastal regions, and to add geothermal attractions to existing touristic facilities. Four main regions are being targeted in the plan; namely the Southern Marmara, South

SPECIAL PROJECT AREAS

Four main regions are being targeted in the plan; encompassing a total of 17 provinces and 121 geothermally active sites



GEOTHERMAL TOURISM MASTER **PLAN**

Short-, medium-, and long-term geothermal tourism bed capacity targets show Turkey's resolve to become the world's center for geothermal tourism



Aegean, Phrygia, and Central Anatolia Geothermal Tourism Regions, encompassing a total of 17 provinces and 121 geothermally active sites. A bed capacity of 50,000 in geothermal tourism has so far been achieved within the scope of the plan; in the medium term—meaning between 2012 and 2017—the goal is raise this to 100,000, and to 500,000 in the long term covering 2017-2023. The eventual goal is clear: making Turkey the world's most important health and geothermal therapy destination. Cumhur Güven Tasbası says the Ministry of Culture and Tourism has placed emphasis on geothermal tourism within the health tourism platform created within its corpus. He is hopeful that geothermal tourism will soon surpass other fields of tourism to account for a larger share within overall tourism revenues.

"But for this to happen, promotional activities abroad must be increased in particular, and it must be explained that geothermal tourism isn't a touristic activity that caters

only to the middle-aged and above segment," says Kamil Berk. He continues, "Therefore, besides adding physiotherapy centers and social spaces to the amenities offered in hotels, social and cultural spaces that increase the quality of time spent outside a hotel must be created." The Ministry of Culture and Tourism must have been well aware of this earlier, having designated target regions for promotion within the scope of the Geothermal Tourism Master Plan. Activities focused on geothermal tourism—including local and international promotional events, conventions, and workshops—are matters of priority in the ministry's agenda to draw visitors from countries in Europe and Scandinavia, in the Black Sea region, and in the Middle East, as well as the Turkic nations. Cumhur Güven Tasbası savs they most recently attended a geothermal tourism convention held in Chicago and indicates that the ministry has accelerated its efforts in this area. He adds, "Our marketing and promotional efforts will continue with the same speed later, too."



FURNITURE & FORESTRY PRODUCTS

Emotional Capital

As per its employee-focused strategy, AGT supports its staff in numerous ways, providing training seminars, smoking cessation assistance, psychological counseling, and help for overcoming obesity

BY CAN GÜRSU

TONE POINT, every A child who grew up in times when cities didn't place as much emphasis on heavy concrete blocks as they do today is sure to have picked up a branch, likening it to something and playing games with it. All who were truly children during a certain period will have learned that tovs were to be found not in stores, but in life and on the streets. And wood, in particular, is the fundamental construction material of the fairy-tale world of childhood. Certain kinds of work must be embedded in people's genes, they say. If you were to ask me, woodworking-that

is to say, carpentry—ranks foremost among such kinds of work," says Mehmet Metin Söylemez in the beginning to "Duygusal Sermaye" (Emotional Capital), his book in which he shares his business and life experiences.

AGT started in Antalya-Turkey's tourism paradise—as a small woodworking shop founded in 1984 by Ahmet Sövlemez, the family patriarch. Today, at a modern facility in the Antalya Organized Industrial Zone in which the company's global vision is evident in every little detail, AGT engages in the production of all sorts of furniture accessories required by the furniture

Exporting 50% of its production, AGT increased its roughly 46,000 dollars' worth of exports in the early 2000s to over 61.5 million dollars in 2011

industry. AGT's manufacturing facilities span 360,000 square meters. Currently, the company ranks as Turkey's largest producer of furniture components; worldwide, it ranks third.

The progress exhibited by Turkey over the three decades that have passed since transitioning to a free-market economy in the early '80s is made very clear by the world-class brands that have emerged since.

"Making plans in 1980s Turkey was both difficult and easy," says Mehmet Söylemez. "It was hard—there was no manufacturing tradition," he says, yet continues, "It was easy-the country had a hunger." AGT adopted a philosophy of producing whatever was needed by the market at that time, a strategy it continues today. A pioneer in introducing mass production to domestic carpentry, then regarded in Turkey as a small-time craft, AGT engaged in production in its tiny tenperson workshop with the idea, "Whatever you manufacture, be sure to employ mass production techniques." At that time, it produced round tables with natural coating over woodchips and lathed table legs. This was when it was an "underground workshop," as they themselves call it now. In spite of this monicker, AGT produced 100 tables per shift around the time it was founded, rivaling conveyor-belt production with its productivity and speed and hinting at its future successes. In terms of production quality and capacity, AGT is one of the world's three largest companies in the industry today. With the budget it allocates for R&D and its approach to design in product development, AGT presents a range of products in a contemporary style. The company has several certifications to prove the quality of its products and management. Among AGT's consultants are world-famous industrial designer Hakan Gürsu and Kamil Fırat, a top Turkish photographer. Most recently, AGT once again communicated its success to the world as it won an award in the A' Design contest run by the European Union for its bench titled "AGT Chair," which was designed by Hakan Gürsu. AGT has grown since the day it was founded by

reinvesting its profits solely in its own field of activity, and behind the company's success is family patriarch Ahmet Söylemez's principle of growing in a single area before making forays into other industries.

Exporting 50% of its production, AGT increased its roughly 46,000 dollars' worth of exports in the early 2000s, supplied by 40 employees



"Certain kinds of work must be embedded in people's genes, they say. If you were to ask me, woodworking that is to say, carpentry-ranks foremost among such kinds of work," says Söylemez in his book

working in a 20,000 squaremeter space, to over 61.5 million dollars in 2011, now working with 624 employees on a 360,000 square-meter production floor and sending its wares to more than 60 countries. Mehmet Sövlemez states that one of their top priorities is to help Turkey in taking a larger slice of the pie in the furniture and forestry products industry, an industry of significant importance in the world economy. "As AGT, we will continue to invest and grow. Technology isn't the only factor behind this innovative stance—the value AGT places on its employees accounts for an important share as well,"

As per its employee-focused strategy, in 2000 AGT started to probe the relationship between employee happiness and manufacturing productivity and run various efforts





concerning this. As part of these efforts, the company provides training seminars, smoking cessation assistance, psychological counseling, and help for overcoming obesity. In his book "Emotional Capital," Mehmet Söylemez writes about how employees respond to such programs and how this reflects positively on manufacturing productivity. Söylemez is a rare example as a manager who looks out not only for his company's interests, but also for his employees.

AGT appears ready to meet, exceed, and mount up its targets in the years ahead. Possessing three manufacturing campuses in the Antalya Organized Industrial Zone, AGT has completed a 40-million-dollar investment for a door and panel facility that constitutes the first stage of its AGT-3 factory project, for which it started investing in 2010. Manufacturing is already under way in this factory, with 150 personnel being dispatched staff the operation. AGT aims to establish two more factories for the production of raw material by 2015 with a further investment of 140 million dollars, which would bring the total investment to 180 million dollars and provide employment to 500 more people.

As a boy, after chopping wood, Mehmet Söylemez would sweep away the resulting splinters, shavings, and sawdust using a broom. Today, he says, "If someone said that these would constitute the foundation of the work we would do later, I wouldn't have believed it." Having continued to grow stably since the day it was founded as a family company, AGT aims to rise from its current rank in the top three to world leadership—and for this task, it will have the strength of Turkey behind it every step of the way.



CEMENT

STRONG AS CONCRETE

Turkey ranks first worldwide in the export of cement. Now, it is aiming to rise from fourth to first in cement production, too

BY CEYHAN AKSOY

¬ HE CONSTRUCTION sector grew by 17.1% in 2010, being one of the Turkish economy's backbone industries. In 2011, it continued to grow in the double digits. Housing demand, triggered by infrastructures under way all over Turkey—particularly Istanbul—and private financing methods provided by construction companies fueled 14.7% growth for the industry in Q1 2011, 13% in Q2, and 10.6% in Q3. The true drivers of this growth, however, were infrastructure investments and industrial projects. The construction industry is not one that grows independently, however-it elevates a number of very important auxiliary industries together with it, like the cement industry.

According to data provided by the Turkish Cement Manufacturers' Association (TCMB), cement production in 2011 totaled 63.4 million tons, with 4.5 million tons being produced per month. Cross-examination shows that Turkey has bolstered its position among the world's largest manufacturers of cement. According to International Cement Review data, Turkey ranked as the fourthlargest producer of cement in the world in 2010 with 62 million tons produced, and as the largest exporter of cement with 19 million tons exporters. Especially due to political turmoil in the Middle East and North Africa, rising energy prices, and the financial crisis in Europe, Turkey's exports remained at 11 mil-



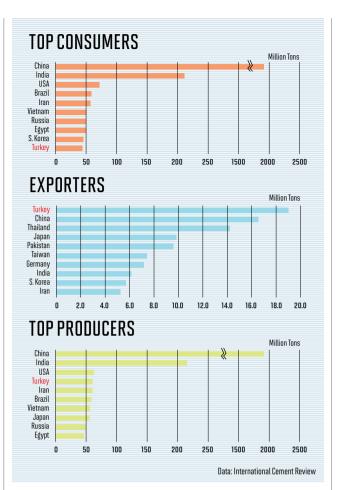
Turkey's cement production in 2011 totaled 63.4 million tons, with 4.5 million tons being produced per month

In the January-March 2012 period, the cement industry exported three million tons worth 175 million dollars

lion tons in 2011. However. the high rate of sales in the domestic market played a large role in this too. Still, despite negative developments in the poor world market, the positive decoupling exhibited by Turkey's economy in 2010 and 2011 reflected upon the cement industry as the continuation of growth, just as it did on other industries. Turkish Exporters Assembly (TIM) Cement, Glass, and Ceramics Exporters' Union Chairman Ali Özinönü savs exports in 2011 totaled 15 million tons valued at 914 million dollars. For this year, he says, "In the January-March 2012 period, the cement industry exported three million tons worth 175 million dollars."

Cement companies active in Turkey naturally benefited from this positive decoupling . Oyak Cement Group—Turkev's largest cement producer-closed the books on 2011 with 1.1 billion Turkish liras in revenue. Posting 324 million Turkish liras EBITDA (with a 29% margin) and 247 million Turkish liras in net profits, Oyak Cement Group operates in six regions in Turkey with five publicly traded limited companies. Oyak Cement Group Chairman Celal Çağlar says Oyak Cement Group is the market leader with its factories in Mardin, Ünye, Adana, Bolu, and the Aslan Cimento factory-Turkey's first cement factory-it acquired in 2009 capacitywise with a 13.3% share and in terms of market share with 17%. "We are the only company in Turkey that produces 10.5 million tons of cement annually," he adds.

In addition to its cement factories, Ovak Cement Group holds a concrete facility, an integrated paper and bag production facility, and an international trade company. It also manages an 8.4-million-ton clinker capacity. The group aims to increase its sales by 8% and its net profit by 15% in 2012. Celal Cağlar says they have no plans to purchase a new factory in the current competitive conditions, noting, "In addition to our plans for organic growth—that is to say, within ourselves, we are aiming for growth paralleling the rise of the construction industry. Oyak Cement also seems to have discovered one of the most environmentally friendly paths to growth within the cement industry, a typically energy-intensive industry. The group has started test production at a waste heat energy generation center that cost 10 million Turkish liras and enables roughly 50,000 tons of nonhazardous waste to be recycled as energy per year. Çaplar says that once this facility becomes operational, coal and fossil fuel consumption will be cut by about 40,000 tons as thousands of tons of industrial waste that needs to be stored as garbage today is processed into a form usable as fuel. "We will therefore be providing a contribution to the country's economy of nearly five billion dollars," he says. Çağlar also points out the value-add that the industry will create for the Turkish economy with its 48 integrated cement factories operating with 63 million tons of clinker manufacturing capacity. "We think that such infrastructure investments as the reciprocity law that clears the way for selling real estate to foreigners, the third (Istanbul) bridge





TURKEY'S LARGEST CEMENT PRODUCERS

Five companies account for 46.6 million tons of total production capacity

PRODUCER	Production Capacity (million tons)	Clinker Capacity (million tons)	
Oyak Cement Group	13.3	8.4	
Heidelberg-Sabancı	10.3	6.5	
Limak Holding	8.5	5.3	
Sabancı Holding	7.5	4.6	
Nuh Çimento	6.9	4.4	

Data: Company Reports

project, the Canal Istanbul project, the Marmaray (underwater rail transport) project, and the Metrobus (BRT) connecting lines will facilitate around 5 percent growth in the cement industry in 2012," he says.

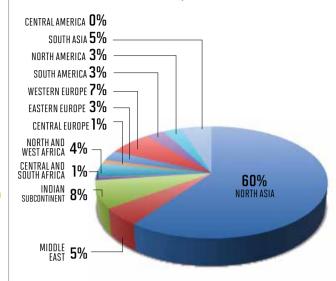
Nuh Cement, another cement giant in Turkey, is also of the opinion that the various large-scale public investments under way or about to start in the Marmara region (such as the Marmarav and Anadolurav rail projects, the İzmit Coat Passageway and İzmir Highway, the third bridge over the Bosphorus, the Tekirdağ-Akyazı Highway, new stops in the Istanbul Metro, and the Ankara-Istanbul rapid railway line) and the continued strong demand for housing-as well as urban transformation projects that have become par for course in Istanbul especially—are reasons for hope in the industry. These factors are, of course, only those that are directed toward the domestic market. The cement industry awaits significant developments exportswise too-for example, the Russia and Black Sea markets, which will grow livelier with the Sochi Olympics, are among the areas in which the industry is preparing to make advances. Additional positive developments for the industry include continued strong demand in western Africa and increased exports to South America, as well as the end of the civil war in Libya—an important market for the Turkish cement industry—in October. Turkey is ready to be the most important supplier of cement to Libva, which is expected to return to the market as a cement importer in the years ahead. Ali Özinönü savs the countries that received the

The countries that received the most exports in 2011 were, in order, Iraq, Syria, Russia, Israel, and Italu while Iraa. Brazil. Russia. Israel. and Benin received the most exports in Q1 in 2012

most exports in 2011 were. in order, Iraq, Syria, Russia, Israel, and Italy. In Q1 2012, Iraq, Brazil, Russia, Israel, and Benin received the most exports, states Özinönü, adding. "As the cement industry seeks new export markets due to the constriction of the European market with the global crisis, the West African market became one of the most important regions in this new search. We expect the west African market, to which exports were begun in the years 2009 and 2010, to remain lively in the period ahead as well."

Nuh Cimento is a similar example. With a 4.4-millionton clinker manufacturing capacity per annum in a single facility, Nuh Çimento has Turkey's largest cement factory. It is also planning to bring to life a fourth production line with a 2.4-ton per vear clinker and 2.5 ton per year cement production capacity in 2012. Another goal for the company in 2012 is to complete the investment it began in 2011 for the generation of energy from waste heat in the final quarter of the year. Nuh Çimento's clinker capacity is 4.4 million tons and its annual total manufacturing capacity is 6.9 million tons. The company's EBITDA margins came in at 16.5% in 2011, with a net profit margin of 9%.

REGIONAL CONSUMPTION. 2010





ALİ ÖZİNÖNÜ Chairman - Cement, Glass, and Ceramics Exporters' Union

"Our industry, which is a high value added one, ranks first among the industries that use local resources most and are least dependent on imported products in exports. Capacity utilization rates hover around 70-80 percent despite exhibiting variance based on its subfields and according to conditions such as crisis periods and election seasons. As the cement industry develops new export markets due to the constriction of the European market with the global crisis, the West African market became one of the most important regions in this new search. We expect the west African market, to which exports were begun in the years 2009 and 2010, to remain lively in the period ahead as well.



CELAL ÇAĞLAR Chairman - Oyak Cement Group

"Ovak Cement Group, which encompasses five cement factories, one concrete factory. an integrated paper and bag manufacturing facility, and an international trade company, finished the year 2011 as leader in terms of capacity in market share. The cement industry is developing in parallel with the construction industry, one of the Turkish economy's driving industries. The construction sector grew rapidly with building, housing, and infrastructure investments over the past five years. This growth is close to three times higher than growth rate of Turkey's economy. I am optimistic about 2012 due to expectations and the infrastructural investments that have been announced. I predict that our industry will grow by around 5 percent in 2012.

The Turkish cement industry is attracting interest from international investors. too, thanks to its performance that puts it in the uppermost parts of lists in world rankings. Akçansa, which was born of the merger of Akcimento (founded 1967) and Canakkale Cimento (founded 1974) in 1996, today satisfies 10% of Turkey's cement needs. HeidelbergCement Mediterranean Basin Holding and Sabancı Holding each possess 39.7% shares of Akçansa as partners. In 2010, the company increased its total exports by 9.4% to reach 2.8 million tons. Additionally, Akçansa increased its domestic sales by 17% to sell 4.9 million tons of goods. Cimsa, another Sabancı Group cement factory, is noted for its production of white and calcium aluminate cements in addition to ordinary gray cement. Besides being one of the world's three most important brands in white cement, Cimsa has taken on the duty of being a driving force in increasing the recognition of Turkish cement in the international arena, marketing its products under its own brand in 46 countries with companies and terminals in Seville (Spain), Emden (Germany), Constanta (Romania), Trieste (Italy), Novorossiysk (Russia), and Gazi Mağusa (Northern Cyprus). Limak Holding, too, which is active in almost every area in Turkey with its ten cement factories, produces 8.5 million tons of cement every year as the industry's third-largest player. The giants of the Turkish cement industry are progressing confidently toward their goal of elevating Turkey, which is the world's largest exporter of cement, from the rank of fourth in worldwide cement production to even higher levels.

AVIATION

An Airline of Firsts

Turkish Airlines, which strides with confidence on its way to being a powerful global player, is preparing to stamp its name on the aviation industry in 2012

BY CAN GÜRSU

R ollowing a Fairly challenging year in 2011, 2012 is expected to be a year in which investments and business volume in the aviation industry increase and competition heats up as the pressure of costs on the industry is expected to intensify. According to global data, international scheduled passenger traffic is expected to increase together with economic recovery in 2012. Turkish Airlines, which strides with confidence on its way to being a powerful global player, is preparing to stamp its name on the aviation industry in the year 2012, too, whether with its above-industry-average growth performance and strong business results or its marketing communications and brand investments.

Turkish Airlines achieved successful results in 2011, increasing its sales by 40% to reach 11.8 billion Turkish liras. The airline also exhibited remarkable performance in the second half of the year, earning 339 million Turkish liras in real operating profits. In addition to this strong financial performance, Turkish Airlines painted a similar picture in its traffic results for 2011, with the number of passengers it carried increas-

ing by 12% over the previous year to reach 32.7 million. Turkish Airlines also proved that it is favored not just by tourists traveling to Turkey but also by people flying to other countries, with the rate of international transit passengers traveling between destinations outside Turkey increasing by 12% within the total volume of international passengers carried. With the goal of bolstering its identity as a global network carrier and presenting a broader range of options to its passengers, Turkish Airlines continued to expand its flight network in 2011, too.

Turkish Airlines' fleet. which is Europe's youngest, numbered 180 planes by the end of 2011. The airline also added 19 new international cities during the year to its flight network to total 149 destinations in 82 countries, which made it one of the top ten airlines worldwide by number of destinations. The addition of 18 more destinations is planned by the end of 2012. With every new destination opened, Turkish Airlines gains access to new markets and the opportunity to introduce its brand to more passengers. Turkish Airlines is also planning obtain 55 more planes within three years for

route of aviation itself. On September 23, 2011,

Turkish Airlines achieved successful results in 2011, increasing its sales by 40% to 11.8 billion Turkish liras

its fleet; together with these and the technological innovations it has been bringing to life, the airline is setting the

when it received the B777-300ER aircraft it ordered from Boeing, Turkish Airlines introduced live television on intercontinental flights. It is now adding a new entry in the list of services it has pioneered in the world. With the Global Communication Suite (GCS) system developed by Panasonic Avionics Corporation, which allows passengers to communicate with the rest of the world during flight, Turkish Airlines is preparing to offer Wi-Fi Internet connectivity through the PLANET entertainment system on aircraft equipped with GCS.

Use of Wi-Fi Internet





service will initially be offered to Turkish Airlines passengers free of charge. Passengers will be able to use high-speed uninterrupted Internet, exchange e-mails with large attachments, and establish Virtual Private Network (VPN) connections on their personal laptops, tablets, and other devices with Wi-Fi connectivity including iPhone, iPad, and BlackBerry. All passengers will be able to utilize the system, which will make communication with the rest of the world much easier especially for business travelers. by using their credit cards and then entering the username and password provided in flight. Together with wireless Internet, passengers will be able to access the latest news from the world and Turkey. their Miles&Smiles membership accounts, and online customer services via the PLANET portal on the seatback displays (again brought to life for the first time in the world by Turkish Airlines) and be able to continue watching live TV broadcasts.

As Turkey's flag carrier in civil air transport, Turkish Airlines is an airline preferred for

its flight safety, trustworthiness, product range, quality of service, and competitive position. A globally active, leading airline in Europe, Turkish Airlines was named Best Airline Southern Europe by Skytrax in 2010, and in 2011, it was named Best Airline in Europe. Turkish Airlines aims to maximize passenger



Turkish Airlines' fleet, which is Europe's youngest, numbered 180 planes by the end of 2011

comfort and to accomplish this with minimum cost.

Turkish Airlines prepared a very special gift for its employees—the real owners of the success achieved in recent years—as an expression of its gratitude. With a project that again will be a world first, Turkish Airlines decorated one of the Boeing 737-800 aircraft in its fleet with roughly 17,000 photographs in representation of its employees serving in various positions in 191 locations around the world, assisted by project partner Boeing. With this project, Turkish Airlines aims to emphasize once again what its motto, "Globally Yours," means for the Turkish Airlines family and to underline the fact that every member of this giant family is in the service of all passengers in various locations around the world. The project also serves to highlight the success Turkish Airlines has achieved as well as its power in the aviation industry.

Turkey's "rising star," Turkish Airlines continues the journey it started with five aircraft 78 years ago with 180 aircraft and all the excitement and determination it set out with on its first day. Aiming to sustain its long-term growth strategy through the integration of operational and financial discipline, Turkish Airlines is preparing to surpass last year's achievements in 2012 without compromising on effective fiscal management. With the new planes it will receive this year, Turkish Airlines' fleet will become even vounger, and with the new destinations it will launch, its quality of service will soar to the top of not only Europe, but of the whole world.

FOREIGN INVESTMENT

Turkey Enters New Year Upbeat:

INCREASING CONFIDENCE WITH **SOARING FDI INFLOWS**

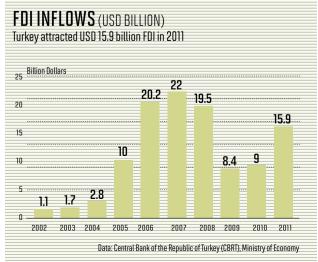
At a time of global economic and financial uncertainty, Turkey continues to offer confidence and unique opportunities to foreign investors

2011 was a year of soaring foreign direct investment (FDI) for Turkey. The country attracted USD 15.9 billion FDI in 2011, which represents a 76 percent increase when compared with 2010. Similarly, the number of foreign companies reached almost 30,000, up from 5,600 in 2002.

While 71 percent of FDI inflows came from the EU countries in 2011, countries like Azerbaijan and Russia also increased their investments in Turkey. Top investors in 2011 included Austria and Spain, while financial intermediation was the top sector which attracted the highest amount of FDI in 2011 with around USD 6 billion, followed by electricity, gas and water supply with more than USD 4.2 billion.

The recent figures are a clear indication of the increasing foreign investors' confidence in Turkey. At a time of global economic and financial uncertainty. Turkey continues to offer confidence and unique opportunities to foreign investors, thanks to its booming economy. Impressed by Turkey's economic performance, global investors' confidence in Turkey has been increasing dramatically in recent years. For example, according to a very recent survey conducted





by A.T. Kearney among the top executive managements of multinational companies. Turkey ranks as the 13th most secure and attractive FDI destination in the world for

As noted above, foreign investors continued to flock to Turkey in 2011. The year ended with announcements of various strategic greenfield investment projects. Many companies are now using Turkey as an investment base in order to have a competitive edge in global markets. In early December 2011, German FEV GmbH, the world's leading high-tech powertrain and motor vehicle technologies developer, commenced its operations in Turkey. In accordance with its global growth strategy, FEV GmbH is aiming to seize the market opportunities with its operations in Turkey, one of the largest vehicle production hubs in Europe. On December 20, 2011, The Dow Chemical Company and Aksa Akrilik Kimya Sanayii, its local partner, signed a definitive agreement to form a joint venture to manufacture and commercialize carbon fiber and derivatives in Turkey. The investment value within the agreement is expected to reach USD 1 billion in five years and create up to 1,000 employment opportunities. The Executive Vice President and Chief Commercial Officer of Dow, Heinz Haller said, "With this agreement, we are aiming to create a competitive advantage in the global markets, in which carbon fiber composites are used."

Not that long, around a week later, there came another investment announcement by the Indian company, the Aditya Birla Group, which announced its plans to build a USD 510 million worth production plant with an annual capacity of 180,000 tons of viscose stable fiber (VSF) in Turkey. The USD 510 million investment will be spread over five years, and will have the potential to generate direct employment for 550 people. The facility will not only address Turkev's domestic demand, but will also have the potential to export about 20 percent of its production. Currently, Turkey meets its VSF demand completely through import, which is around USD 500-600 million per year. Therefore, this investment will help Turkey to narrow its the current account deficit. Speaking at the press meeting, the President of the Investment Support and Promotion Agency of Turkey (ISPAT), Mr. M. İlker Aycı, stressed how they strive to bring vital materials' production that account for a big portion in Turkey's foreign trade deficit to Turkey.

The FDI boom in Turkey has continued into 2012 as well. On 10 January 2012, another German automotive supplier company, Muhr und Bender KG (Mubea), opened a production facility in Turkey. Commenting on

TOP 10 COUNTRIES AND SECTORS

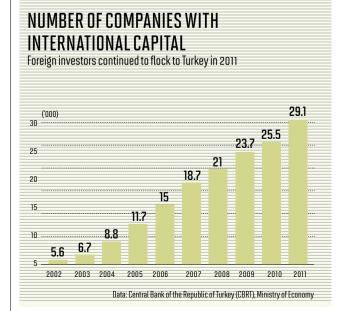
Top investors in 2011 included Austria and Spain, while financial intermediation was the top sector which attracted the highest amount of FDI in 2011

2011 - TOP 10 COUNTRIES Investing in Turkey		2011 - TOP 10 SECTORS ATTRACTING FDI				
	Country	USD million		Sector	USD million	
1	Austria	2,235	1	Financial intermediation	6,031	
2	Spain	2,230	2	Electricity, gas and water supply	4,259	
3	Netherlands	1,623	3	Manufacture of coke, refined petroleum products and nuclear fuel	1,256	
4	Belgium	1,474	4	Manufacture of food products, beverages and tobacco	649	
5	USA	1,403	5	Real estate, renting and business services	578	
6	Azerbaijan	1,265	6	Wholesale and retail trade	523	
7	France	985	7	Manufacture of electrical and optical equipment	435	
8	UK	917	8	Manufacture of chemicals, chemical products and man-made fibers	316	
9	Russia	761	9	Construction	319	
10	Germany	605	10	Transports, storage and communication	239	

Data: Central Bank of the Republic of Turkey (CBRT)

the significance of the investment, Dr. Thomas Muhr, the Chief Executive Officer and General Partner of Mubea. said, "Turkey is one of the largest automotive markets in Europe. We see that Turkey is a very important, competitive country with high potential." Meanwhile, the President of ISPAT, Mr. Avcı said, "Mubea, as a global company, preferred to invest in Turkey. This investment underlines once again that Turkey remains a gateway to opportunity, and that it will continue to attract foreign investments. This is not surprising, considering that Turkey is seen among the fastest growing markets in the next decade."

It is important to note that ISPAT has been instrumental in all of these investment projects that were announced in late 2011 and early 2012. The Agency, established in 2006 under the auspices of the Prime Ministry in order to attract FDI into Turkey, has been providing assistance to global investors before, during and after their entry into Turkey and instrumental in facilitating many investment projects in Turkey.







Investing in design provides a substantial, positive returns to Turkish

Turkish Carpets Are Being

SOLD TO THE WORLD

Turkey shines brightly with carpet brands that prioritize both design and technology

BY AYNUR ŞENOL ALTUN

F OLLOWING UPONA successful exports year in 2011, the carpet industry has achieved an excellent start to 2012. With exports worth 1.63 billion dollars in 2011, the industry exhibited aboveaverage exports performance, increasing its exports by 27%. In Q1 2012, the industry achieved a 39% increase with 453 million dollars' worth of exports. In addition to the traditional markets of Saudi Arabia and the US, Turkey's largest carpet customers, Libya was an important market in 2011. According to İbrahim Yılmaz, Chairman of the Carpet Industry Board in the TIM Industries Council, high demand for Turkish products following the Arab Spring influenced Libya's

increased importance. A visible increase is also present in exports to Egypt.

TURKISH BRANDS INCREASE IN NUMBER

Carpet brands that are entering the international arena and working to diversify their products have doubtlessly played a great role in the increases in carpet exports. Step, one of several brand success stories, is perhaps the first to come to mind among these brands. Founded in 1998 within Şengör Halıcılık, which has been involved in carpet making since 1919, Step achieved renown with significant successes within a short time. The brand started to concentrate on international market when İş Private Equity

became a partner with a 33% share and made an entry into more than 20 countries with STEPEVille. Now, having signed a contract with private equity company Swicorp, it is advancing confidently toward becoming a global brand with its STEPEVİ brand. The brand exports to more than 50 countries today. As Step continues its activities in Turkey as well as in Beirut, the STEPEVI brand is sold at locations in London, Paris, Milan, Istanbul, New York, Dubai, Baku, Johannesburg, Cape Town, and Florida. Stepevi-branded items are sold at more than 1,000 stores worldwide. Revenues of the companies in the group totaled 85 million Turkish liras in 2011. For 2012, they are aiming to surpass 110 million Turkish liras, Combined. they produce 20,000 square meters of carpet per month and 240,000 square meters annually.

Sarav Halı, one of Turkev's important carpet brands, has a deep-rooted history just like Step. Through distributorships abroad, the brand exports its products to 45 countries mostly in Europe, the Americas, and the Middle East. The company engages in production in a 100,000-squaremeter indoor space built on a 500,000-square-meter open area. Employing 1,200 people, Saray Halı is capable of producing roughly 7 million square meters of Wiltonand Axminster-type carpets annually. Its 2011 exports were worth 12 million dollars.

CONSUMERS VALUE DESIGN

One of the elements distinguishing Turkish carpets in the international arena is design. Ibrahim Yılmaz points out that investing in design provides a substantial, positive returns to brands. Saray Halı General Manager Avberk Menevse says the rate of carpet changes has fallen from 15 years on average to six or seven years, adding that the reason for this is consumers' need to seek change in colors and designs. The carpet industry has therefore become more dynamic and today keeps a close eve on fashion, says Menevşe. She adds that Saray Hali is engaged in intense exchanges of ideas with trendsetting consulting firms particularly in design, in addition to other consultants locally and internationally, to support their in-house design team of 25 people.

MACHINED CARPETS SURPASS HANDMADE CARPETS

The presence of companies in Turkey that have become brand names in machined carpets is a sign that bodes well for the industry's future. New technologies are one of the first elements to come to mind on mention of machined carpets. Machines based on cutting-edge technology produce machined carpets of high quality, which is an important plus in terms of exports. In support of this view, İbrahim Yılmaz says, "Technological investments especially influence the machined carpet industry very positively. "Speaking on behalf of Saray Halı, Avberk Menevşe says they possess Turkey's oldest and largest machined carpet manufacturing facilities, emphasizing that everything from dyeing to thread production and from weaving to ready-made fabrics is handled in integrated facilities equipped with high-end technology.

The other facet of the business is handmade carpets. Although advances matching those in machined carpet making have not been attained in this field, it is possible to develop projects and therefore gain significant results with some focus. The views of İbrahim Yılmaz. Chairman of the Carpet Industry Board in the TIM Industries Council, guide the industry toward its future: "We produce and export high-quality products with machines that possess the latest technology in machined carpet making. With the contributions of technology, we see a significant increase in the export of design-focused products. The situation isn't so heartening in handmade carpets, however, as the support provided to manufacturers by the governments of our rival countries such as India, China, Afghanistan, and Pakistan is preventing us from being able to compete with these countries." Saray Halı General Manager Ayberk



Carpet exports in 2011 were worth 1.63 billion dollars in total, a new record in the history of Turkey

Menevşe, however, says Turkish handmade carpets have proven themselves and that handmade carpets in the styles of Hereke, Yağcıbedir, Ladik, Milas, Yahyalı, Sivas, Döşemealtı, and Uşak are recognized worldwide.

Another issue of focus in carpets is the repair of old carpets. According to İbrahim Yılmaz, although Turkey has significant potential in repairing old carpets, difficulties in importing such old carpets causes extremely limited utilization of this potential. Yılmaz says it would be possible to make significant progress by making the system more convenient to provide higher value-add to both employment and exports.

GAZIANTEP: THE BASE OF PRODUCTION

Gaziantep Province, a notable production center for important brands in Turkey, is now a hot location for multinational companies as well. The increase in production costs in Belgium and the Netherlands in particular is causing important companies in these countries to shift manufactur-

ing to Gaziantep. İbrahim Yılmaz shared his views on this matter, expressing that certain companies have gone beyond mere subcontracted manufacturing to contribute significantly to exports with brand- and design-focused products. Yılmaz also points out the fact that some Turkish companies have started to complete infrastructure work for wall-to-wall carpet production, which is in serious demand in the US in particular, saving, "I believe we will attain significant successes in the very near future concerning the export of wall-to-wall carpets, too."

Turkish carpet brands are presenting world-class innovations in terms of both design and technological sufficiency. Although Turkey may be behind certain other countries when it comes to handmade carpets, it is possible to rejuvenate this field through the development of projects—restructuring historical experiences in handmade carpet making to suit the needs of today should not be especially hard.



IBRAHIM YILMAZ

Carpet Industry Board Chairman,
TIM Industries Council

"In 2012, I believe the Turkish carpet industry will increase its exports in terms of both machined carpets and handmade carpets. Thanks to the touristic retail industry, the most important exports channel particularly for handmade carpets, our exports will unavoidably continue to increase. I believe we will realize two billion dollars' worth of exports in 2012. With this performance, I think we will exceed five billion dollars with regard to our our target for 2023."



AYBERK MENEVŞE General Manager, Saray Halı

"Carpets have started to become a fast-moving durable consumer good particularly as the rate of changing them has fallen from fifteen years on average to six or seven years. The prime reason for changing them is consumers' need to seek change in colors and design. Because of this, the carpet industry has become more dynamic and has started to follow fashion. We therefore take care to keep our design processes strong."



CEO, Step

"With the STEPEVI stores it opened in London, Paris, New York, and Dubai, the world's luxury fortresses, Step brought its brand project through which it showed that a Turkish brand could compete with world brands while still maintaining its roots and true identity to Turkey in 2010. Step carpets are manufactured in Isparta, Turkey using special technology developed in-house. The factory has the largest integrated autotufting carpet manufacturing facility in Europe and the Middle East."

The new system is aimed to establish unity in investment, production, employment, and export policy



INCENTIVES SYSTEM,

Reducing imports dependency and the current account deficit are top priorities

The new incentives system brings a transition to a new regional map and region-based incentive grants



ORE COMPREHE

institutions including TOBB and TIM INDUSTRIES THAT ARE

Many meetings and bilateral discussions were held with umbrella

THE NEW INCENTIVES SYSTEM WILL PROVIDE A BETTER BALANCE IN THE DISTRIBUTION OF WELFARE THROUGHOUT TURKEY ERNATIONAL COMPETITIVENESS OF THE COUNTRY'S KEY INDUSTRIES WITH THE SUPPORT GIVEN TO THEM. FURTHERMORE, REDUCTIONS OF THE CURRENT ACCOUNT DEFICIT WILL BE ACCOMPLISHED AS IMPORTED PRODUCTS ARE REPLACED WITH THOSE MADE LOCALLY

The new system stands four pillars—general and regional incentive practices, and incentives for large-scale and strategic investments

HE HIGHLY anticipated new incentives system was announced in detail to the public on April 5, 2012 by Prime Minister Recep Tayyip Erdoğan. Economy Minister Zafer Çağlayan, Deputy Prime Minister Ali Babacan. and Prime Minister Erdoğan described the new incentives system as a system designed in light of new conditions, new needs, and new developments in the national and international economies, adding that the new system was prepared to serve a strong, resilient, and solid economy that grew at the record level of 8.5%, reduced unemployment, and increased its exports during the global economic crisis. Having conquered the headlines with its final announcement. the incentive system was welcomed quite warmly by almost all of the actors that make up the backbone of the economy. Unlike its predecessor, the changes introduced by the new incentives package

play a significant role in this. Effective January 1, 2012, the new incentives package was designed to satisfy three of Turkey's fundamental needs: namely the facilitation of unity in investing, production, employment, and exports policy; the facilitation of domestic production of intermediate wares and raw materials for which Turkey currently depends on imports; and the facilitation of a transition from labor-intensive technology to information-intensive technology in exports.

Designed to satisfy these requirements, the new incentives system is based on four main categories of incentives: general incentive programs, regional incentive programs, the incentivization of large-scale investments, and the incentivization of strategic investments.

Within the scope of these programs, investors will be given support in the form of VAT exemption, customs duty exemption, tax reduction, social security premium support, interest support, land

allocation, and income withholding tax exemption, VAT returns. The new incentives package allows investors to benefit from some or all of these encouragement measures at levels and for durations varying depending on the size, region, and field of investment.

GENERAL INVESTMENT **INCENTIVE REGIME**

Fields of investment that will not be incentivized and investments that do not fall within the scope of other investment programs and satisfy designated minimum fixed investment costs will continue to be supported through VAT and customs duty exemptions under the general investment encouragement measures. Investments in Region 6 will be provided with income withholding tax exemption and social security premium support calculated based on the minimum wage, which is a new measure.

THE NEW INCENTIVES SYSTEM The new incentives system is based on four pillars **INCENTIVES GENERAL INCENTIVE** INCENTIVES FOR LARGE-REGIONAL INCENTIVE FOR STRATEGIC **SCALE INVESTMENTS PRACTICES PRACTICES** INVESTMENTS ✓ VAT EXEMPTION **✓** VAT EXEMPTION **✓** VAT EXEMPTION ✓ VAT EXEMPTION ✓ CUSTOMS DUTY EXEMPTION ✓ CUSTOMS DUTY EXEMPTION ✓ CUSTOMS DUTY EXEMPTION ✓ TAX REDUCTION ✓ TAX REDUCTION ✓ SOCIAL SECURITY EMPLOYER'S ✓ TAX REDUCTION SOCIAL SECURITY EMPLOYER'S SOCIAL SECURITY EMPLOYER'S SHARE SUPPORT SHARE SUPPORT ✓ LAND ALLOCATION ✓ LAND ALLOCATION ✓ LAND ALLOCATION ✓INTEREST SUPPORT ✓INTEREST SUPPORT ✓ VAT RETURN

REGION-BASED INCENTIVES

THE NEW INCENTIVES SYSTEM BRINGS A TRANSITION TO A NEW REGIONAL MAP AND REGION-BASED INCENTIVES SYSTEM. IN ADDITION. ATTRACTIVE INCENTIVES ARE BEING PROVIDED FOR INVESTMENTS IN REGION 6. WHICH IS THE LEAST-DEVELOPED REGION SOCIOECONOMICALLY.



Varying durations and levels have been envisioned for investments that fall within the scope of these incentives. The list of supported industries has been updated from that in the previous incentives package, and certain kinds of investments take priority.

CHANGED ENCOURAGEMENT MEASURES TAX REDUCTION

In the new system, tax reductions can now be applied to gains earned during the period of investment and from investors' other activities as well. This measure is in effect in all regions except Region 1. Tax reductions aren't only applied to gains earned in the period of doing business or only to investments within the scope of the incentives document in the new system—when the tax owed is being calculated, the gains from all activities of the investor in the investing period are taken into consideration.

SUPPORT FOR INVESTMENT ZONES AND CLUSTERING

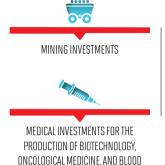
One of the aims of the regional incentive measures is to support investment zones. For this purpose, initiatives to concentrate investments in organized industrial zones, the establishment of strategic partnerships among investors, and to commercialize products discovered or developed through investors' R&D efforts are being supported as well. The new incentive system therefore provides tax reductions and social security premium employer's contribution support measures in accordance with the levels and durations applicable in the subregion of the region in which they are located for the types of investments listed below:

- Investments to be made in organized industrial zones
- · Investments that are being realized by at least five investors operating in the same industry and will facilitate vertical or horizontal integration in the joint field of operations
- Investments for the production of products developed as a result of R&D projects supported by TÜBİTAK

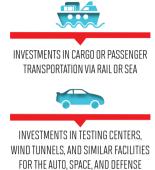
Additional important changes being imposed include support for iron ore and brown coal investments within the scope of the region-based incentives system and a subsidy by the Ministry of Economy for the employer's social security premium share corresponding to the minimum wage.

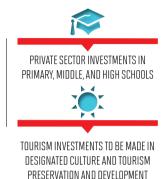
THE SUPPORT OF KEY INDUSTRIES

ANOTHER REMARKABLE CHANGE INTRODUCED BY THE NEW INCENTIVE SYSTEM IS THE CHANGES TAKEN TO SUPPORT THE KEY INDUSTRIES THAT ARE OF CRITICAL IMPORTANCE TO SUSTAINABLE ECONOMIC AND SOCIAL DEVELOPMENT. WHICH WILL GIVE THEM GREATER POWER TO COMPETE AGAINST THE WORLD'S LEADING TECH GIANTS, INVESTMENTS PRIORITIZED IN THIS RESPECT ARE:



PRODUCTS



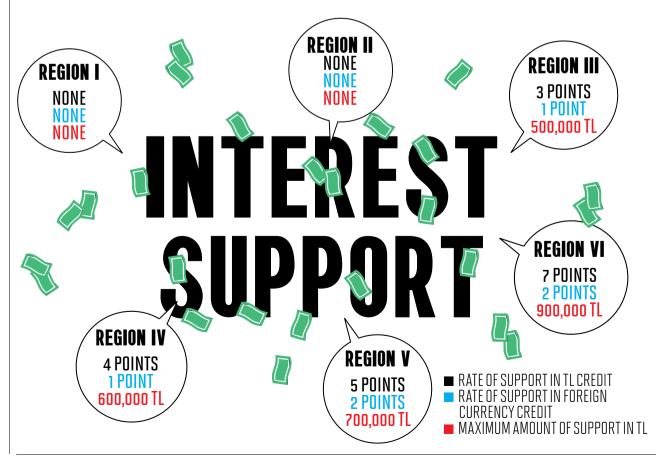


Some of the investments in these industries, namely those in tourism and mining, are projected to be made in regions that possess certain resources. For instance, the planned tourism support will contribute to the development of the 27 designated Culture and Tourism Preservation and Development Regions in Turkey.

INDUSTRIES REGIONS

INTEREST SUPPORT

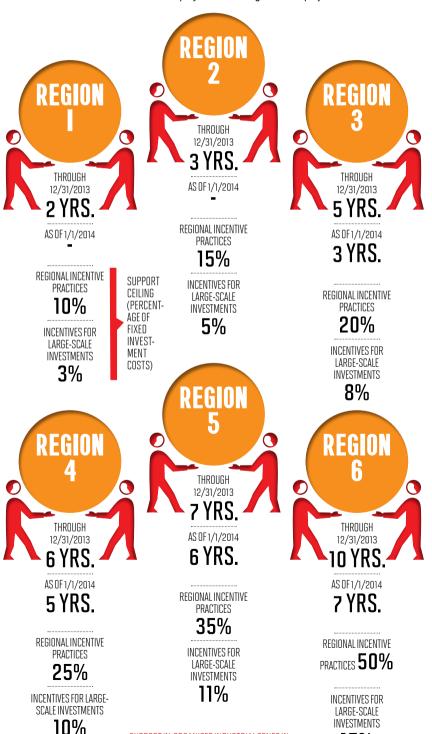
INTEREST SUPPORT IS ANOTHER TOOL OF MAINTAINING FINANCIAL OPPORTUNITIES IN THE NEW INCENTIVE SYSTEM



EMPLOYER-PAID SOCIAL SECURITY PREMIUM SUPPORT

IN THE NEW SYSTEM, EMPLOYER-PAID SOCIAL SECURITY PREMIUM SUPPORT IS PROVIDED FOR 2-12 YEARS WITH PROGRESSIVE RATES. THE DURATION OF THIS SUPPORT IS BEING INCREASED IN ALL REGIONS.

In Region 6, the burden of labor costs upon investors is being reduced through social security employee premium support and income withholding tax support calculated according to the minimum wage. Through these measures, Region 6 is being turned into Turkey's most advantageous area for investment in terms of labor costs, and employment in the region is thus projected to increase.



SUPPORT IN ORGANIZED INDUSTRIAL ZONES IN

REGION 6 IS EXTENDED TO 12 YEARS

15%



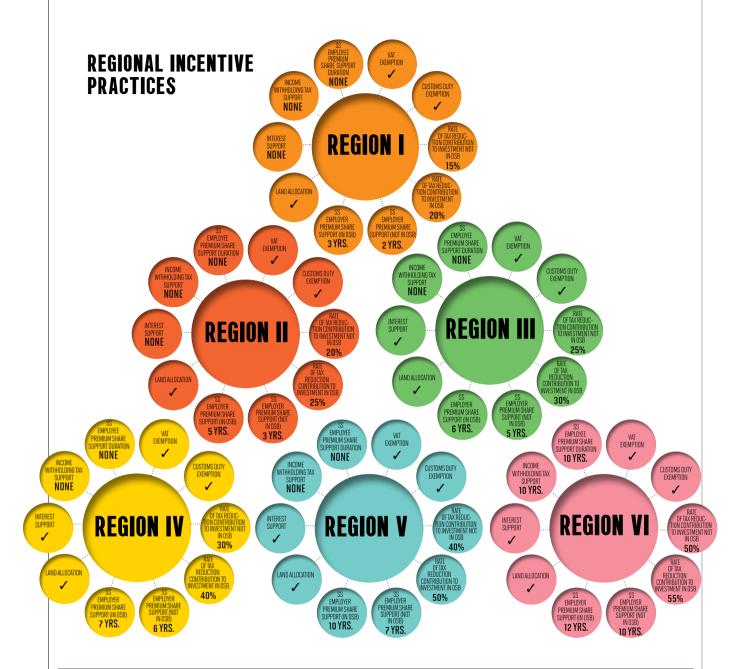
ZAFER CAĞLAYAN

ECONOMY MINISTER

It is necessary for Turkey to start producing intermediate goods and raw materials for which it depends on imports on one hand, while transitioning to a production system that will increase Turkey's exports of products based on high and medium-high technology. On this score, a "strategic investment" concept that will reduce intermediate goods import dependency in industries that have the potential to grow and encompasses high-tech, highvalue-added investments has been integrated into the new incentives system.

These investments will consist of investments that are directed toward the production of intermediate wares of products for which more than 50% of demand is satisfied through imports and are of a certain size. Investments that will facilitate the production in our country of high-tech products will also be supported within the scope of this practice.

In light of the changes brought by the new investment incentives system especially for less-developed regions and increased intensity of support, significant leaps relative to the past are expected to take place in terms of investments in these regions as of 2012.





The new investment incentives package will play an extremely important role in helping Turkey to attain long-term, sustainable growth, continually reduce its current account deficit, and reach its export targets. Strategic incentives to be implemented in the iron and steel, auto, machinery, textile, chemical, agriculture, and food industries, which account for 70% of importation, is quite compatible with Turkey's 2023 Exports Strategy. This new system will allow Turkey to integrate with new conditions and developments in a much faster fashion and render stronger

and more dynamic the fundamentals of the Turkish economy.

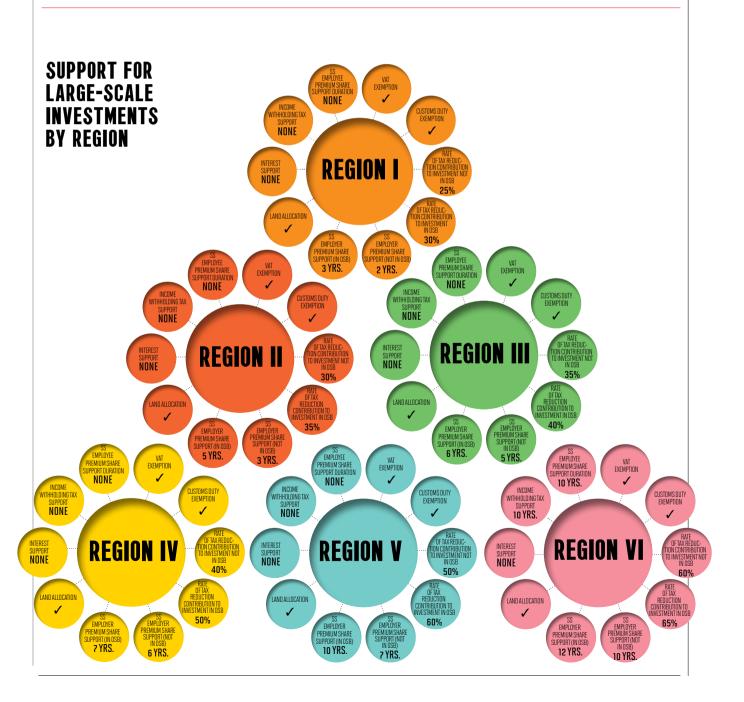
Strategic industry incentives will be provided for investments of more than 50 million Turkish liras regardless of the target region. The energy, automotive, chemicals, pharmaceutical, medical devices, oil, shipping, transportation, electronics, mining, aviation, and machinery industries will be provided special incentives within the scope of large investments of more than 50 million Turkish liras. Within the scope of large investments, increasing the number of large exporters is one of our greatest aims.

SUPPORT FOR LARGE-SCALE INVESTMENTS

THIS MEASURE IS ALREADY IN EFFECT WITHIN THE SCOPE OF THE CURRENT INCENTIVES SYSTEM. IT IS AIMED TO EXPAND TURKEY'S TECHNOLOGICAL AND R&D CAPACITY AND TO DRAW INVESTMENTS—PARTICULARLY DIRECT FOREIGN INVESTMENTS—THAT WILL PROVIDE A COMPETITIVE EDGE.

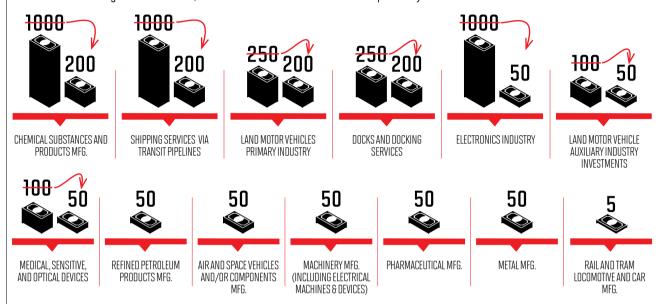
Such investments will continue to be supported by way of VAT exemptions, customs duty exemptions, tax discounts, social security employer contribution subsidies based on the minimum wage,

and land allotment. Additionally, investments in Region 6 will be provided with social security employee contribution subsidies and income withholding tax support based on the minimum wage.



AREAS OF INVESTMENT AND MINIMUM FIXED INVESTMENT COSTS

It is notable that minimum fixed investment costs have been reduced for chemical materials and products manufacturing, land motor vehicle manufacturing, harbor and harbor services investments, electronics industry investments, and pharmaceutical production investments. (Fields of investments for which minimum fixed investment costs have been reduced have their previous costs crossed out.) This change is expected to fuel a continued inflow of foreign direct investment, which has neared 110 billion dollars over the past nine years.



INCENTIVES FOR STRATEGIC INVESTMENTS

FOR TURKEY TO REACH AND SURPASS ITS 2023 TARGETS. AS STATED BY ECONOMY MINISTER ZAFER CAĞLAYAN, IT MUST SWITCH TRACKS BOTH IN INDUSTRY AND IN THE SERVICE SECTOR

The concept of strategic investments investments that will reduce import dependency on intermediate wares for industries with potential to grow, produce high levels of R&D, and represent high-tech and high value added investments—was therefore integrated into the new incentives system. This group of investments is planned to be made up of investments that are directed toward the production of intermediate wares of products for which more than 50% of demand is satisfied through imports and are of a certain size. The primary motivation for this inclusion is to facilitate the production in Turkey of high-tech products. Additionally, investments in energy that are not based on natural gas and are geared toward satisfying the energy needs of strategic investments will also be given support with the same conditions.

Another important characteristic of this program is that its support measures are applicable regardless of the region in

The essential aim of the program is to encourage investments that will allow domestic production of Turkey's most significant imports. *In connection with* this, the total import value of the item to be produced must be at least 50 billion dollars as of the past one year

which the investment is made-regardless of the province investors choose to invest in, they will receive the same level of support. The two foundational studies for the program to incentivize strategic investments are the Inputs Procurement Strategy and the Import Map. In light of the information obtained from these studies, investments that will reduce intermediate goods import dependency in industries that have the potential to grow, produce high levels of R&D, and are high-tech, high value added investments will be supported as strategic investments.

The essential aim of the program is to encourage investments that will allow domestic production of Turkey's most significant imports. In connection with this, the total import value of the item to be produced must be at least 50 billion dollars as of the past one year. This condition will not be sought for items of which there is no domestic production.

Another criterion concerning these investments is minimum fixed investment costs—investments that will reduce import dependency and will facilitate the transfer of technology to Turkey must be above a certain size, with minimum fixed investment costs being designated as 50 million Turkish liras. Furthermore, such investments must be set up so as to create 40% value added.

These investments will be provided with the following support as part of this

- Customs duty exemption for imported machinery and equipment needed for the investment
- VAT exemption for said machinery and equipment
- Support for social security premium employer contributions for seven years following the completion of the investment (extended for ten years in Region 6)
- Tax reductions of up to 50% of the investment cost
- Up to 50 million Turkish liras with a maximum level of 5% of fixed investment costs in interest support for the investment credit utilized by investors
- · VAT returns for building and construction spending of investments of at least 500 million Turkish liras

Additionally, one of the notable—and new-measures of support for strategic investments is support in the form of VAT returns. With the new program, the problem of significant increases to the financial burden in the investing period is solved by allowing the netting process to take place after a five- to six-year-long investing period particularly in completely new investments. This financial burden was lessened somewhat by VAT exemption for machinery and equipment costs; however, as VAT exemptions for building and construction costs were not factored in, investors had to bear that burden. The reason there was no VAT exemption in place for building and construction costs before was that such spending is high and difficult to trackand therefore, in the new system, VAT returns are only in place for investments that are classified as strategic and are of a certain minimum size. Should these investments take place in Region 6, investors will again be provided with social security employee premium support and income withholding tax support calculated according to the minimum wage.

INCENTIVES FOR STRATEGIC INVESTMENTS

Measures of encouragement for strategically designated investments by region



CRITERIA FOR EVALUATING STRATEGIC INVESTMENTS

STRATEGIC INVESTMENTS ARE EXPECTED TO:

- ▶ BE GEARED TOWARD THE PRODUCTION OF INTERMEDIATE WARES OR PRODUCTS FOR WHICH IMPORT DEPENDENCY EXCEEDS 50% AND IS WORTH AT LEAST 50 MILLION DOLLARS OVER THE PERIOD OF THE LAST ONE YEAR (THIS CONDITION WILL NOT APPLY TO ITEMS FOR WHICH THERE IS NO DOMESTIC PRODUCTION)
 - ► HAVE A MINIMUM INVESTMENT COST OF 50 MILLION TURKISH LIRAS
 - PRODUCE 40% VALUE-ADDED MINIMUM

THE NEW INCENTIVES SYSTEM ANSWERS JOINT REQUESTS

NGO REQUESTS FULFILLED IN THE INCENTIVES PACKAGE ARE AS FOLLOWS:

- EXTENDING TAX REDUCTION COVERAGE TO THE PERIOD OF INVESTMENT
- ► A NEW REGION MAP
- INCREASED LEVELS AND DURATIONS FOR ► SUPPORT. WHICH HAD BEEN REDUCED BY THE END OF 2011
- A REVISION TO THE LIST OF FIELDS BEING SUPPORTED

- SUPPORT FOR STRATEGIC INVESTMENTS AND INVESTMENTS THAT WILL FACILITATE TECHNOLOGICAL TRANSFORMATION
- INCREASED SUPPORT FOR REDUCING LABOR COSTS FOR INVESTMENTS IN REGIONS THAT ARE LESS DEVELOPED SOCIOECONOMICALLY
- THE NEW INCENTIVES SYSTEM SATISFIES NEARLY ALL OF THESE REQUESTS.

HOW WAS THE NEW INCENTIVES PACKAGE **RECEIVED BY THE BUSINESS SPHERE?**

THE NEW INCENTIVES PACKAGE ANNOUNCED APRIL 5 RECEIVED FILL MARKS FROM LEADING NGOS AND INDUSTRY LEADERS.

TÜSİAD BOARD OF DIRECTORS

"The New Incentives System brings a strategic approach toward eliminating structural problems that prevent our country's economy from entering a sustainable growth path. We believe that the new system, incorporating increased productivity in all industries and infrastructure industries in particular—as well as entrepreneurship, economies of scale, R&D and innovation, and regional development, bears promise to a large extent to satisfy this need. We find the New Incentive System, which we believe will contribute to overcoming structural problems that stand before entering a sustainable growth path, to be particularly positive in four ways, namely:

- That it encourages economies of scale and clustering, particularly in the transition from the small to the medium scale and the medium to the large scale
- That it is based on a more distinguishing, more flexible structure in terms of regional development and improvement
- iii) That the region and province classification it is built on a system that is more open to evaluations that are dynamic and objective
- That it encourages R&D, innovation, and technological development and transformation.



BÜLENTAYMEN

President, Mediterranean Exporters' Unions (AKIB)

The new incentives system announced by the Prime Minister seems like a system that can be both much more comprehensive and much more successful in reaching the target in comparison to those announced up to this day. Measures like social security support, tax exemptions, interest support, and land allotment for strategic investments put in place especially to eliminate the current account deficit problem and differences in regional development are the incentive instruments we as exporters have desired for a long time.



TAHSİN ÖZTİRYAKİ

President, Ferrous and Nonferrous Metals Exporters' Association (IDDMIB)

We generally regard the new incentive system as a positive effort. In particular, supporting strategic investments geared toward the manufacture of raw materials to replace imports regardless of location is an important development. Besides this, that those with investments in the region will be provided tax advantages matching their investments in Regions 2, 3, and 4 is important too. VAT exemption and returns in production and investment and the reduction of the burden of production labor upon the employer will increase investments. Lastly, the support to be given to products produced based on the fruits of R&D will provide positive development.



ÖMER CIHAD VARDAN

General Director, MÜSİAD

"The timing of these measures, which we think will be a significant move and a new push for Turkey particularly as EU countries and the US have not yet escaped the effects of the global crisis, is right on the mark. That this new incentive system, which aims with the primary intent of reducing the current account deficit to increase investment in and production of intermediate wares and products for which there is a high dependency on imports, is quite comprehensive and that it provides great support to domestic manufacturing are highly positive developments. These incentives to support industry will bring trust and speed to the real sector. Additionally, particularly with incentives for manufacturing in strategic industries, the incentive logic covering the goals of investment, manufacturing, and exports will provide a corporate motive paralleling the real economy. The serious support being given to strategic investments is particularly important in the sense that our country is having its needs in necessary fields fulfilled."



ORHAN SABUNCU

President, Automotive Industry Exporters' Union (OIB)

The most important difference for us in particular is that the automotive industry is considered to be one of the strategic investments. Additionally, such details as the fact that investment discounts will also be applied to companies, land allotment, and support for testing centers are important incentives for us. Furthermore, as the number of regions was raised from four to six and that the incentive groups were increased from three to four, we understand that investments will be supported more. I find the fact that automotive was named among the strategic incentives group to be positive for our industry.



ISMAİL GÜLLE

President, Istanbul Textile and Raw Material Exporters' Association (ITHIB)

An inciting incentives package was announced. As the industry, we didn't take the lack of our name in the list of investments to mean that incentives won't be provided to our industry. We especially found how an investor in Region 5 can make use of the opportunities an investor in Region 6 has to be highly positive. This article means that added investments will also be made in that region. The incentives package is filled to the brim with content. We only saw the lack of incentives regarding energy as a deficiency. Generally, however, we think it is quite a satisfying incentive. Even we, who don't have short-term investment plans, are looking at investing in these conditions warmly.



MIIRAT AKYÜ7

Chairman, Chemicals and Chemical Products Exporters' Association (İKMİB)

The definition and support of investments geared toward the production of highly importdependent intermediate wares with the purpose of reducing the current account deficit as "strategic investments" concerns the chemicals industry deeply. The path will be cleared for new investments in subfields of the chemicals industry, pharmaceuticals most of all, as well as plastics, rubber, paint, and cosmetics. IN particular, the fact that investments in pharmaceuticals and oncology are assessed within the scope of strategic investments will facilitate investments in medicine that have not taken place in our country for a long time and the production of cancer medications that were never produced. In addition, we will make use of the support provided to investments in pharmaceutical industry production in Region 5.



NAMIK EKİNCİ President, Steel Exporters' Association (ÇİB)

We found the fact that it is quite a comprehensive incentive package to be positive. We heard most of what we wanted to hear. There are sections in the packet that reduce costs in our industry. However, we hope to see such matters that hamper our export capability and are among what we want to hear as the environmental contribution share; reductions to the TRT, MCT, and ECT added taxes on energy; and artificial loads like the Resource Usage Support Fund among the details that will be announced by the minister.



MEHMET ÖZER

President, Istanbul Mineral Exporters' Association (IMIB)

That mining industry investments were placed in the Region 5 incentives is a very correct decision and a great opportunity for mining. It is important for both our industry and the national economy. We desired this—and expressed our desire for this—in previous years too. The mining industry is a pioneering industry and the incentivization of investment, no matter where, will increase production. Through this, procurement of raw materials for our industries will speed up and imports will fall.



ADNAN ERSOY ULUBAŞ

President, Mediterranean Ferrous and Nonferrous Metals Exporters Association

May the new incentive system go well for Turkey. It is a seriously comprehensive system, and these incentives have boosted the morale of our manufacturing industry a bit.

A PRODUCT OF PUBLIC COOPERATION

He has been working on it for a long time. His greatest goal is to have Turkey produce the raw materials and intermediate goods for which it currently depends on imports, which would in turn reduce current account deficit. Economy Minister Zafer Çağlayan explained the process of developing the new incentives system, which he refers to as one of the greatest projects of the world, to the The Turkish Perspective







Can you provide a general assessment of the fundamental strategy and aims of the new incentive system? What inadequacies necessitated the introduction of such a comprehensive support system? For how long have efforts concerning the system's infrastructure been going on?

As you may know, we are aiming to become one of the world's tenth largest economies, to export 500 billion dollars' worth of goods, and to reach a per capita income of 25,000 dollars by 2023. the 100th year of our Republic. For achieving these goals, the matters of establishing unity in investment, production, employment, and export policies; the production in Turkey of intermediate and raw materials for which we depend on imports; and the facilitation of a correct transition from labor-intensive technologies to informationintensive technologies in our exports are key. Additionally, requests relating to the current investment incentive system coming from various private-sector platformsinvestors most of all-also supported our decision to increase the effectiveness of the investment incentive system. Efforts concerning the new investment incentive legislation were begun after the General Directorate of Incentive Implementations and the General Directorate of Foreign Investment became attached to the Ministry of Economy in June 2011.

Coordination and interaction among ministries is

of great importance in the process of preparing the new incentives system. Can you discuss this process?

Many meetings and bilateral discussions were held in particular with the Union of Chambers and Commodity Exchanges of Turkey (TOBB) and the Turkish Exporters Assembly (TIM)our private sector's umbrella institutions—as well as other institutions representing the private sector such as the Turkish Industrialists' and Businessmen's Association (TÜSİAD), Independent Industrialists and Businessmen's Association (MÜSİAD), Turkish Confederation of Businessmen and Industrialists (TUSKON), International Investors' Association (YASED), and the Anatolian Lions Businessmen Association (ASKON); the Chambers of Industry, Chambers of Commerce, and Chambers of Industry and Commerce; industry associations; exporters' associations; and individual investors. More than 800 written and verbal requests received by our ministry were examined individually and recorded so as to assess view, requests, and expectations of the system by all parties. Meanwhile, coordinated efforts for the construction of the investment incentives system were conducted with all concerned ministries and public institutions, and the structure for the system was finally presented to our prime minister after numerous meetings in the Economic

Economy Minister Zafer Çaglayan shared the details of the new incentives system with businessmen through several meetings and



Coordination Council. The outcome of this was that the new investment incentives system, a product of public and private sector cooperation, was announced to the public by Prime Minister Mr. Recep Tayyip Erdoğan on April 5, 2012.

It was announced that changes to the date the incentive system was planned to be put into effect, which was January 1, were possible. Why was it necessary to postpone the date of putting it into effect?

In July 2011, when efforts concerning incentive legislation began, it was envisioned that the efforts in question would be completed by the end of the year and come into effect as of 2012. The designated calendar was applied in this regard and no talk of pushing the date back came up within this process. Therefore, the date the investment incentives system came into effect—as discussed in the **Economic Coordination** Council and as announced by the Prime Minister-is January 1, 2012.

Overcoming dependency on imports and reducing the current account deficit are among the issues highlighted in the new incentives system. What kinds of changes have been introduced to tackle these matters?

The issues of reducing imports dependency and the current account deficit are among our most important priorities. On that score, by





Prime Minister Recep Tayyip Erdogan announced the new incentives system on April 6, together with concerned cabinet ministers



"As the new system comes into effect, the input of foreign direct investment, which has neared 110 billion dollars in the past nine years, is therefore expected to increase continually"

way of including the implementation of "incentivizing strategic investments" within the scope of the incentives investment system, investments directed particularly toward intermediate materials for which there is a dependence on imports or toward product manufacturing have specifically been allowed to benefit from the elements of support in the system at maximal levels and durations.

A new map was created with the intent of narrowing the gap in development among the regions. How was this map prepared? How were the provinces split into groups?

In 2003, the Ministry of Development prepared a study titled "Ordering of

the Provinces and Regions by Socioeconomic Development." The incentives system currently in practice was shaped according to the results of this study as well. Revising this study, which has been valid for roughly ten years, using updated data and in consideration of the economic and social conditions that developed and changed in this process was among the most important issues communicated to our ministry by investors. In this regard, an update by the Ministry of Development and the Turkish Statistical Institute to the social and economic development index and the work begun to reorder provinces and province groups as part of this has been completed, and the criteria used for this work have been determined by the concerned institutions. The results of this study were used in preparing the new regional map that will constitute a basis for the implementation of the investment incentives system.

What were your goals with respect to incentives targeting the provinces in the east and southeast of Turkey? What will the most important factors drawing investors to these regions be?

The new investment incentives system—the details of which were shared with the public on April 6, 2012—will appear in the Official Gazette and come into effect in the days ahead. One of the fundamental aims of the system, which includes practices

based both on region al and industry-based selectiveness. is to reduce interregional differences in development. For this purpose, based on consideration of the region in which the investment will take place, a support mechanism has been created in which both the elements of support that will be utilized and the levels and durations of benefiting from the support exhibit variability. With regard to implementing this system, the entirety of Turkey has been split into six regions that will constitute the foundation of support practices, using the socioeconomic development indexes updated by the Ministry of Development. The new incentives system envisions application of support levels and durations differentiated based on provinces and on six regions. The provision of proportionally intensified support as the level of socioeconomic development falls in the province where investment will be made has been projected in this scope. In other words, a system by which investments in lessdeveloped regions will be provided with more support will be practiced. Also in this regard, industry limitations in Region 6—comprised of our least-developed province—have been lifted and the support of all investments (except matters of investment that cannot be evaluated within the scope of the incentives system) through regional incentive practices that incorporate more elements of support has been facilitated. In addition, with the pur-

"The new system facilitates the concentration of investments in organized industrial zones and encourages investments that are geared toward establishing strategic partnerships among investors



pose of reducing investors' labor force expenses, social security employee premium and income withholding tax support schemes with tenyear durations have been put into place, and additionally the duration for the social security employer premium support scheme has been extended to ten years (or 12 years for investments in Organized Industrial Zones). As a result, in light of the changes brought by the new investment incentives system especially for less-developed regions and increased intensity of support, significant leaps relative to the past are expected to take place in terms of investments in these regions as of 2012.

Why did you introduce the "strategic investments" concept prioritized in the new system? Turkey's plan to transition from the product of labor-intensive industries to products that are more sophisticated and require greater knowhow occupies a significant position in the incentives system. Can you discuss this plan and how it will be put into practice?

As you know, Turkey has set a number of tangible macroeconomic targets geared toward the 100th anniversary of the founding of the Republic. In order to reach our targets of becoming one of the world's tenth largest economies, exporting 500 billion dollars' worth of goods, and attaining a per capita income of 25,000 dollars, there are three fundamental steps that must be taken accordingly.

These are:

- 1. Facilitating unity in policies of investment, manufacturing, employment, and exports
- 2. Facilitating the production in Turkey of intermediate and raw materials for which we depend on exports
- **3.** Facilitating the transition toward high and medium-high technology in our exports

Turkey's imports can be broken down into 71.9% as intermediate goods (including energy), 15.5% as investment goods, and the remaining 12.3% as consumer goods. According to this, the import of goods of which there is no or very little production in Turkey and of goods that are produced in Turkey, but at levels that do not meet demand entirely accounts for approximately 84% of total imports, or in other words, approximately 202 billion dollars of our 241 billion dollars' worth of imports. The "Imports Map" study, the results of which were shared with the public by our ministry on February 14, 2012, and which is a first, showed that Turkish industry's rate of dependency on imports by the end of 2011 was 43%.

Meanwhile, the Inputs Procurement Strategy created by the Exports-Geared Production Strategy Evaluation Council, which was founded in 2012 with Prime

Ministry Circular dated December 2012 and which I preside over, has shown the fundamental industrial import dependencies in six industries. According to it, on examining export figures for 2011, it can be seen that intermediate wares were imported at rates of:

- 28.% in the iron, steel, and mining sector
- 17.7% in automotive and machinery
 - 21.4% in chemicals
 - 8.8% in agriculture
 - 8.6% in textiles

It can therefore be concluded that it is necessary for Turkey to start producing intermediate goods and raw materials for which it depends on imports on one hand, while transitioning to a production system that will increase Turkey's exports of products based on high and medium-high technology. On this score, a "strategic investment" concept that will reduce intermediate goods import dependency in industries that have the potential to grow and encompasses high-tech, high value added investments has been integrated into the new incentives system.

These investments will consist of investments that are directed toward the production of intermediate wares of products for which more than 50% of demand is satisfied through imports and are of a certain size. Investments that will facilitate the production in our country of high-tech products will also be supported within the scope of this practice. The investments in question will be supported through VAT exemption, customs duty exemption, tax reductions, social security premiums with worker's and employer's shares calculated on the basis of the minimum wage, interest rate support, the provision of places to invest, income withholding tax support, and VAT returns. The social security employee premium and income withholding tax support envisioned as new measures of support in the scope of the new system and calculated based the minimum wage will only be in effect for strategic investments in Region 6, Turkey's least-developed region in socioeconomic terms; the VAT Return Support, on the other hand, another new element of support, will be provided for the building and construction spending of strategic investments valued at more than 500 million Turkish liras. Investments in energy that are not based on natural gas and are geared toward satisfying the energy needs of strategic investments will also be given support with the same conditions.

How is the incentivization of economies of scale and clustering important in the new system?

The fundamental aims of the regional incentive programs, one of the programs within the scope

The new system presents attractive support measures in all of Turkey's regions and for all types of investments thanks both to measures put in place to increase the effectiveness of existing practices and the practices newly added to the system

of the new system, are to minimize developmental differences between regions and to support basins of investment and clustering. Apropos the aim of supporting clustering, investors' efforts toward concentrating investments in organized industrial zones, establishing strategic partnerships among investors, and the commercialization of products discovered or developed as a result of R&D activities will be supported with intensified levels of support. Accordingly, the new investment system will provide options to utilize tax reduction and social security employer premiums at levels and durations applicable in the subregion of the region in which they are located to the following types of investments:

- Investments to be made $in\ organized\ industrial$ zones
- Investments that are being realized by at least five investors operating in the same industry and will facilitate vertical or horizontal integration in the joint field of operations
- Investments for the production of products developed as a result of $R \mathcal{E}D$ projects supported by TÜBİTAK

Through this program, investments in organized industrial zones will utilize the support at higher levels and for longer durations. The fundamental aim of the program is to incentivize the concentration of investments in organized industrial zones,

ON FOUR PILLARS

The new incentive system is comprised of four major components, namely:

- General Incentive Practices
- Regional Incentive **Practices**
- Incentives for Large-Scale Investments
- Incentives for Strategic Investments

Within the scope of these practices, the following support measures will be provided to investors:

- VAT exemption
- Customs duty exemption
- Tax reductions
- Social security employee and employer premiums calculated according to the minimum wage
- · Interest support
- Land allocation
- Income withholding tax support
- VAT returns

as there are provinces in our country whose organized industrial zones have very low occupancy. In this respect, in terms of being able to present better investment opportunities to our industrialists and minimize environmental effects caused by industry. the new system envisions a more advantageous approach in how support is provided to investments in organized industrial zones.

The inclusion of education investments are included among measures supporting regional incentives is notable. Can you discuss your intent here?

The new system is projected to allow primary-, middle-, and high school-level investments by the private sector to make use of the support given in Region 5 no matter where the investment is. This program is aimed to support and incentivize increasing the quality of education and supplying the needs that are likely to emerge within the scope of the new educational system. Programs concerning such investments will be run in cooperation with the Ministry of Education.

Will new packages to support the new incentives system be announced? If they are announced, which industries will they target?

With the annex in the decree concerning the Ministry of Economy's organization and duties in the Law no. 637 coming into effect, the General Directorate of Incentive Implementations and the

General Directorate of Foreign Investment operating within our Undersecretariat of Treasury were reorganized as a single General Directorate in 2011 and, together with the Undersecretariat of Foreign Trade's related departments and Export Promotion Center, absorbed into the newly established Ministry of Economy. The matters of service trade negotiations and practices and investments abroad were also included within the scope of the ministry's duties with the law in question. Therefore, the export of services has also become one of the Ministry of Economy's areas of operation.

The new investment system does not contain support solely for investments in the manufacturing center; there are also support measures targeting the service sector within the scope of the new system. For example, tourism investments in Culture and Tourism Preservation and Development will be able to make use of Region 5 support measures no matter which province they are in. Additionally, in terms of services that bring in foreign currency, a new support package geared toward health care, education, TV shows. and film will be announced in the near future. With such programs, we aim to direct investors toward alternative areas for tourism, transform existing areas into centers of attraction, increasing income from tourism, and further increasing the export of services, which in 2011 reached 40 billion dollars.



"WATER IS THE NEXT OIL; IT IS THE NEXT BIG STRATEGIC RESOURCE"

Erik Peterson is director of A.T. Kearney's Global Business Policy Council, a strategic advisory service specifically designed for the world's top CEOs and leading business thinkers. He joined the firm in February 2010. He is also a senior advisor at CSIS, the Washington-based bipartisan, nonprofit think tank on foreign policy and national security issues. Peterson expresses his views on US domestic policy as the country counts the days until it elects a new president and a new senate. He also shares his thoughts about the new resource games (in water and energy) around the world

BY MERVE KARA

S BY ŞEREF YILMAZ

The US economy is in recovery and we have been seeing positive results for a while. Do you have any indication on how this relates to the lead-up to the election?

We are happy with the positive results we have been seeing so far. But we still have a long way to go. It is probably the result of a combination of some of the programs that were designed to stimulate the economy and reduce unemployment in the lead-up to the presidential elections. And while the organic recovery in the economy is said not to be happening fast enough, there are some positive signs that we can see right now. So it remains to be seen after the election whether we can carry this momentum forward into the next presidency, whatever it ends up being.

Do you think Obama stands a chance for reelection?

I believe that right now there are no guarantees in terms of election results. Our

friends in Turkey should be watching not only the presidential elections but also the elections in Congress and the Senate—we may see some shifts in balances there that would have a big impact on American policy.

What do you think about US foreign policy during Obama's presidency?

I won't commit on the regional issues, but what I would say that this administration began racing toward the future from behind the starting line. In other words, when it came in, it inherited a situation that was very, very difficult. The economy was in trouble. And clearly, the entire first part of the administration was spent not only trying to get the government together, but also in dealing with the serious challenges faced by the economy. Tim Geithner, the Secretary of the Treasury and Ben Bernanke, the Federal Reserve Chairman and a number of other people

were working overtime simply trying to stabilize the economy, which you'd remember was a very sick patient after that serious crisis. Therefore, by the time this administration got to the midterm elections, it had just started to attain more success in keeping the patient alive. It hasn't been able to do the more proactive things that President Obama suggested in his candidacy.

So now the question is whether he'll have that possibility for going forward if he is reelected...

If he is reelected, it depends on how the senate goes. If we have a majority-Republican Senate and House of Representatives, it would be very difficult for him to move his agenda forward. But if we get a Republican president, he would redefine where he wants to take the country and the kinds of changes we could expect to see.

What about the tensions at public level, what should be drawn from the Occupy movements?

I think we should take these movements very seriously because they reflect strong public distrust with a lot of our institutions: the government, the financial sector, and more generally. With respect to the government, I think the Occupy movement has focused primarily on how the elections are conducted and how the and voting process works. They do have a point in that there are number of distortions in the system that have yet to be taken out.

What kind of distortions?

For example, consider Super PACs—they create significant distortion. We have seen in the Republican contest that there is not a lot of accountability, which is precisely what I think the Supreme Court is trying to achieve with its rulngs. We may see changes to that in the future, I hope. But I think that the Occupy movements go beyond that. The middle class is smaller than it used be. The extremes between rich and poor are getting wider and wider. And I think most political leaders are really worried about the fact that in the end they are presiding over a country that has these stratifications of wealth, of income, and of opportunity. And a lot of people are saying, "Wait a minute, there is something fundamentally wrong with this system." So I think leaders need to be thinking more fundamentally in that context.

Will the Occupy crowd be pleased with how political figures respond to their requests?

Probably not. We have a long way to go to fix America's problems. I hope we can make some progress.

What are the primary challenges America will face after the elections?

Whoever wins the presidential election will need to think about four or five key issues. First of all is the competitiveness of the country. The second is our level of debt. The third is fiscal reform—we need to think about how we spend money. The fourth is probably education, which in my view is critical. And there we have big challenges from K to 12. Our universities are strong but we now face much greater competition around the world, including from countries like Turkey. And finally, there is health care—it's a huge priority for us right now.



"THE STORY OF THE TURKISH ECONOMY HASN'T FINISHED YET. AND WE HOPE THAT IT CONTINUES TO BE AS POSITIVE AS IT HAS BEEN"

You mentioned maintaining the US' competitiveness as a challenge. One reason for this is the major shift in global economy in favor of developing markets. How do you regard this change and the responses to it?

In my view, we have entered a long and historical period. We have seen countries with larger populations that used have a very small per-capita income mature quite significantly, in the case of China for example. What this means is that the countries that used to be dominant-you know, advanced economies—now have less than a 50 percent share of the global economy. And my guess is that this process is going to continue in the future. And it should; that is to say that we have a relative evening-out of opportunities available to developed and developing countries. It is natural that China is growing in terms of aggregate economic output, as is India and Turkey. In my view, it's a very good, healthy, and important phenomenon for people across the world.

China is moving into a new era by shifting its economy via policies such as boosting the minimum wage. How can a win-win situation in international labor markets be satisfied?

What we are doing is we are reaching a new equilibrium. There is little doubt that the low cost jobs have migrated from the advanced economies to some emerging economies for good reason. They have a very large population that is able and willing to work for low labor costs. Therefore, that is a normal development; you get challenges on both sides then. What happens on side of the developing countries is more and more demand—vou have wage increases, in and we are seeing this in China right now. And then on the other hand, if you don't have skilled workers in the advanced economies, if they are not sufficiently educated or sufficiently agile to move into other occupations that utilize their skills, then you get social dilemmas on both sides. But in can and should be a win-win proposition. In the end, you see the convergence of wage rates and you move both societies toward innovation in services in manufacturing, in a range of many areas. This is why I say competitiveness has to be an issue in the US right now. We can help competition in the world of low-cost manufacturing, for example. We have to be well educated, and we have to be thinking about the constant innovation that is necessary to keep up in this world. And my guess is that you are doing exactly the same thing in Turkey.

As you said, Turkey's growth calls a lot of attention. The country is taking solid steps to help sustain this growth. How do you regard these steps?

Turkey has made such remarkable progress. We are watching it very carefully as one of the most dramatically improved economies of recent years in the world. So then the question is, "Can you sustain your growth here?" This city—Istanbul—is known as a crossroads. Turkey and Istanbul may continue to be at the crossroads with respect to converting its economy into a modern structure with sustainable long-term prospect. And I'm very interested to learn about this. My impression is that Turkey is connected with Middle Eastern, Central Asian, and European countries not just by virtue of its position, but also from a political, social, economic, and commercial standpoint.

The question is this: to what extend does Turkey leverage its remarkable position in a very dynamic and volatile economy. And so the story of the Turkish economy isn't finished yet. And we hope that it continues to be as positive as it has been so far.

You have deep expertise in issues related with scarcity of natural resources. How is the world economy evolving with the issues in the environment and natural resources today?

For the US, for Turkey, for all countries, resources are going to be a more important issue in the future. We have entered a new period of competition for scarce resources across the world. If we begin with the triangle that we can call the food, water, and energy resource triangle, in energy we had significant volatility in recent times, moving into a new higher price period in terms of gasoline and oil now, and supplies will continue to be volatile in the future.. We talk a lot about shifting to alternative energy resources. But the reality is that we probably need a phase in the meantime as a percentage of total energy use that fossil fuels that oil, natural gas, and coal will make up 80% share of energy use in the year 2035 at least the projections suggest that. We need to be thinking about ways to substitute nonfossil fuel, alternatives for fusel fuels. But we also need to adjust our expectations; fossil fuel will be with us for quite some time. In my view it also means we need to think about new strategies; for example, producing unconventional gas from shale, and a range of new technologies could help us to deal with technological rather than energy in the future. In my country right now, we are looking at shale gas as potential game changer if we can get it right. It could happen in China, in India, in Eastern Europe, and in a number of other areas. So this is very, very significant. My second point is the competition for resources is likely to rise. China's role in Africa, Latin America, and other areas is likely to continue. In the end, highgrowth economies that use more energy per capita are going to push up global demand.

Energy is a real challenge...

Absolutely—even if we stick with fossil fuel, there is the question about whether we can invest to extend its capacity into

the future. It is going to take much higher level of cooperation than we have now. Then there are significant political risk issues. For example, the concern over the Gulf region is pushing up current energy prices considerably, and this is likely to happen again and again in the future. In agriculture, the FAO (Food and Agriculture Organization) in Rome is projecting that we probably we need 70 percent more agricultural production to meet global demand by the year 2050. This is because the Chinas and Indias of the world are taking more calories per person, which is a good thing, but it requires us to think about agricultural production on a much larger scale. As I look at where this is going, I see six big

starts to disturb market prices, creating a kind of volatility. And there is finally one more big one, which also applies to Turkey, and that is water.

Do you believe that water will be the next oil?

Water is going to be so important in so many countries in the future. The OECD is projecting that we could see four billion people in water-stressed countries by the year 2030. The main reason for this is that we are not using water wisely. Many of our governments distort policies and create inefficient uses of water. You held the World Water Forum in Istanbul three years ago; these kinds of forums can help us to get the most out of this critical resource



"WE HAVE TO BE WELL EDUCATED AND BE THINKING ABOUT THE CONSTANT INNOVATION THAT IS NECESSARY TO KEEP UP IN THIS WORLD. AND MY GUESS IS YOU ARE DOING EXACTLY THE SAME THING IN TURKEY"

constraints. Land pollution is a big one, as is deforestation, desertification, a lack of investment by both the government and the private sector, global climate change issues (extreme weather issues), and finally our linkages with other resources—for example, if we shift agriculture production from food to energy, which we have done in the US. That

in the future. Here in Turkey, for obvious reasons, control over the Tigris Project and the whole notion of how you shift water from one part of the country to the other through the GAP Project are all issues on how we use water as we expand electricity production in the future. All of these are key issues. Water is the next oil; it is the next big strategic resource. Combined, we call all of these three areas—food, water. and energy—the "resource nexus." This is the challenge awaiting governments all over the world—for Turkey, for the US, for all kinds of governments. There is a huge increase in demand, so we need to think of much more efficient uses. One of the ways to do that is, in water for example, you have evaporation from reservoirs; in energy, we have enormous energy efficiency gains in many of the developed countries. There is a lot that can and should be done...

LEADERS OF CH



A NEW GIANT ON THE GLOBAL STAGE

Turkey is becoming the future name of the expo industry with the transport, accommodation, and logistical means it possesses

HANGE SUMMIT



s the world changes rapidly, we all take our place on the stage as the universal witnesses of this change. The new world order raises peoples' expectations while ideologies and countries that were dominant influences last century are slowly replaced by others. New countries are pushed up onto the stage as shifting balances continually alter the course of the play. At a time when economic problems envelop the whole world and great countries near the brink of declaring bankruptcy, together with these changes, Turkey has gained a secure position for itself in this scene by virtue of being one of the fastest-growing economies. Today, everyone is talking about a Turkey that serves as an example to other countries instead of taking other countries an example, a Turkey that grows via its own internal dynamics—they are talking about a Turkey that is an active participant in critical political decisions and a mediator that facilitates communications among countries, and they all wish to be part of the projects and congresses it is party to.

s such developments occur on the global stage, the things being discussed about Turkey—one of the countries shining most brightly thanks to the trend it has attained—back up its success as well. The country finished 2011 as the world's second-fastest-growing economy, thereby increasing its allure even more. US-based Brooking Institute Senior Expert and former US Treasury Department economist Lex Rieffel alluded to Turkey's growing pivotal role in an article published in China Daily: "A solid case can be made for moving the World Bank.... That leaves one question—where to relocate? To Africa, Asia, or Latin America? Putting the World Bank headquarters in either one of these regions might not sit well with the others. Options include moving the World Bank to Istanbul, Turkev—the most obvious bridge between the West and the East." The "New Turkey" induces worldwide admiration with the leaps and bounds it has exhibited every area, and today it hosts conferences and conventions where critical matters that guide the world economy are discussed.

Cities that previously drew tourists only through their historic backgrounds are becoming global cities known for hosting conferences and fairs. Turkey's success in this area is reflected in the number of international conferences held over the past ten years rising from 37 to 160 nationwide, with those held in Istanbul alone rising from 29 to 109. With such increases, Turkey and

Istanbul went up in the country and city rankings by 14 and 24 steps respectively for the world's biggest conference hosts by number of events. Last year, over two million visitors chose Turkey to lay global matters out on the table at various fairs, conferences, and meetings held around the country.

One of the events that

drew a significant number of such guests was the Leaders of Change Summit (World Political Forum) held March 2011 in Istanbul. Welcoming world leaders, state representatives, and global actors in business, including Al Gore, Kofi Annan, Aart de Geus, Tun Abdullah Badawi, Prof. Vito Tanzi, Prof. Paul Collier, Stephen Kinzer, and Helen Clar, the summit played an active role in the creation of global strategies with its more than 100 speakers. The Nobel Prizewinning former UN General Secretary Kofi Annan, one of the attendants at last year's summit, stated, "Turkey is a dynamic country that has gone through many changes. Turkey, which connects the East and the West, has also applied for a European Union membership, advancing reforms further. I hope these reforms will continue. Turkey's role in global issues is crucial," highlighting the positive transformation being undergone by Turkey. US businessman and statesman Al Gore, meanwhile, expressed how Turkey is perceived worldwide as he called it "An indispensable country for the world economy." Turkey is now preparing to assemble the names who guide global business,



"The number of international congresses held in Turkey rose from 37 to 160 over the past ten years, with this figure rising from 29 to 109 in Istanbul alone"

politics, and the economy in Istanbul once again. The second Istanbul World Political Forum will, in addition to bringing various civilizations and cultures together, be hosting talks and sessions on May 17-18 with prominent speakers based on the theme of "Creating a New World," with the aim of evaluating global strategies and cooperation together with the people who guide politics and business. Like last year, there will be state

and government leaders, politicians, economists, and academics from numerous countries. Expert speakers include former Spanish PM J.L.R. Zapatero, Ukrainian PM Mykola Azarov, London School of Economics International Relations Professor Paul Taylor, the author Stephen Kinzer, Harvard University International Relations Professor Stephen M. Walt, Afghani Economics Minister A. Arghandiwal, United Kingdom MP Denis





Macshane, Iraqi Republic Deputy Prime Minister for Energy H. Sharistani, and National Commerce Bank Chief Economist Jarno Kotlaine. The summit will contribute toward Turkey's goal of becoming a key location where the world makes internationallevel political decisions, says Ahmet Eyüp Özgüç, chairman of the Turkish Future Research Foundation, which is organizing the summit. "A great country is



a country with great goals; it is a country with great dreams and yearning for the future. Turkey is both worthy of being such a country and possesses the experience and goals needed to do so."

THE PULSE OF THE GLOBAL EXPO Industry beats in Turkey, too

Turkey's increasing strategic value isn't limited to bilateral relations and the plane of politics, of course—the real economy and commerce are part of its rise as well. Connecting Europe and Asia to one another and possessing harbor cities that contribute greatly to the world economy, Turkey is expanding its real economy-bound production relationships and trade network day by day. The most important of the tools used to expand this network are trade fairs and expositions. As global companies and brands invest in Turkey, they start to place importance on marketing their products over this route as well. Items produced domestically are promoted

abroad through fairs held outside the country as Turkey's economy develops and its production values rise; meanwhile, as buying power in Turkey increases in parallel with this, many international companies seek to gain entry into the Turkish market too. As such, global fairs that connect hundreds of brands with consumers draw great interest, with brands already established in the Turkish market progressing more rapidly toward their global targets as buyers gain access to an endless range of products from shoes to leather, purses, furniture, construction materials, and textiles.

CNR Holding hosts numerous fairs and conventions every year, welcoming organizations both local and international as it draws close to 2.5 million visitors yearly. In 2012, it is set to host roughly 60 such events in total. CNR Expo, one of CNR Holding's venues, is particularly noteworthy for its strong infrastructure and services, proximity to Atatürk Airport in Istanbul, and public transport accessibility, all in a city unlike any other in the world. The venue provides full service to visitors with its 120,000 square meters of indoor convention space and 5,000-vehicle parking lot. Events that draw the most visitors include those relating to the automotive industry, textiles, housewares, fashion, boats and vachts, shoes, and natural rocks. The total world fair and convention market is

valued at roughly 500 billion euros. As the fair industry in Europe slows down due to ongoing economic troubles. CNR Holding aims to draw a 25-billion-euro portion of it to Turkey, a task for which it is receiving government support. CNR Holding Deputy General Manager and Executive Committee Member Özkan Carda notes that the country has started to stand out for its stable economic progress. He emphasizes that Turkey has attained an indispensable status in reaching

The second Istanbul World Political Forum will, in addition to bringing various civilizations and cultures together, be hosting talks and sessions on May 17–18 with prominent speakers based on the theme of "Creating a New World~

target markets, and that the ongoing crisis in Europe has drawn investors to favor fairs and expos in Turkey. İzfaş, another of Turkey's established fair centers, continues full throttle toward its stated goal of "making İzmir the City of Fairs." İzfas fairs in 2011 saw the attendance of 3,844 companies and roughly 1.7 million individual visitors. İzfas General Manager Mehmet Şakir Örs says that every fair held in İzmir provides work to roughly 80 industries-and

SERDAR YALCIN Executive Committee Chairman,

"The crisis under way in Europe has increased European firms' interest in Turkish fairs. Turkey has become an important center on the north-south and west-east axes. Western and eastern firms now feel at ease in our country. The crisis in Europe created the desire to assess the potential in this territory carefully. The marketers of European brands tour the fairs and search for ways to sell goods to the Middle East and the Turkic nations. The increasing potential for trade in Turkey allows industries to develop. With its high production capacity and dynamic structure. Turkey is playing an active role and is standing out in this territory. We believe that the fairs held in this territory constitute a new platform that can turn into commercial opportunity as they serve to facilitate the establishment of important connections in an enlivened market."



AHMET EYÜP ÖZGÜC

Chairman, Turkish Future Research Foundation

"Besides its historical and cultural heritage, Turkey serves as a model for other countries in its region with its identity born of the privilege of being both European and Asian, its secular and democratic system, historic wealth, cultural diversity, and economy. In this respect, Turkey is truly unique with its superior capability to engage in dialogues with countries both in its region and in the world at large, and it is on the brink of taking on a global task in the years ahead. Apropos this thought, Istanbul World Political Forum's long-term aim is to contribute to Turkey's rise to the position of being one of the world's international political decision-making centers. Additionally, Istanbul World Political Forum 2012 will bring together our official guests with timely discussion sessions for current affairs, bilateral meetings among parties, business councils, and meal receptions to be held in historic venues."



MEHMET SAKIR ÖRS

General Manager, İzfaş

"One of the most important concepts brought by globalization to world commerce is international fairs. In recent years, as fairs become environments and active meeting points where commerce is shared in its most concentrated form, Turkey-which became more professional day by dayturned into an exhibition venue for numerous product ranges. We, as İzfaş, organize fairs by selecting industries in which the Aegean Region is strong productionwise. While providing every convenience to the participants who come here, we attend fairs on other countries to seek new customers as well. Promotion is conducted through foreign agencies as well. Before anything else, we determine target countries. By welcoming buyers in these countries, we create a base for the establishment of important business connections."



ÖZKAN CARDA

CNR Holding Deputy General Manager and Executive Committee Member

"Turkey has come a long way in the fair industry. Important steps have been taken in the past ten years in such matters as increasing the number of fair spaces, improving infrastructure, and raising service quality. We have started putting on worldclass fairs. The Istanbul Home Textiles Fair we organized on a 160,000-square-meter area is a nice example of this. The mutual lifting of visa requirements with more than sixty countries, Turkey's position in a territory where a third of the world population is located, and logistical advantages play a role in foreign buyers' preference for Turkey. The axis of the fair industry is shifting rapidly from west to east. Because of this, we must make even better use of the five years ahead."

therefore the thousands of employees who work in these industries. The fairs make a contribution of roughly 300 to 400 million Turkish liras to İzmir and its surrounding area each year. Örs added that they will open a new fair space in the Gaziemir region in Izmir: "Together with the new fair space, when the use of existing areas in Kültürpark for congresses and also a congress center that will soon enter service in Kuşadası is considered, exactly why these developments are important

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İLHAN ERSÖZLÜ General Manager, Tüyap Bursa

"Turkey will become the future name of the expo industry soon. Looking at the latest developments, fairs are shifting eastward from Central Europeand in particular away from such countries as Germany and Italy—due to social and political reasons. Turkey, located in the Turkey-Russia-Dubai triangle, stands out for its geographic, administrative, legal, and touristic foundation, and it has also become advantageous among these countries with the transport, accommodation, and logistical means it possesses. The economic difficulties under way in the European Union and the political crises in which the Middle East and the Arab Peninsula are mired push Turkev—the only safe harbor in the region-further to the front of the stage."



for İzmir and the Aegean are easier to understand. With this space, the fair industry will grow to one-and-a-half to two times its current size." İzfaş presents a wide gamut of products both local and foreign, hosting close to 60 countries and more than 1,000 companies and standing out for its potential for close to 1.5 million visitors. "Our Marble fair, which has become associated with İzmir, is now the place to meet to see the latest trends in the world concerning marble, with its more than 1,100 participants and over 55,000 visitors," says Örs. He reminds us that in the first year the event took place, 1995, there were just 47 companies in attendance. Another of the fairs held at Izfaş's venues is IF Wedding Fashion İzmir, Europe's largest weddinggown fair, which welcomed 902 international buyers from 59 countries together with 14,955 professionals from 75 Turkish provinces. Travel Turkey İzmir, a fair very important for tourism, hosted 638 companies and welcomed 20,568 tourism professionals and consum-

ers from 33 countries and 51

provinces.

TÜYAP is also a giant in Turkev's fair industry. Established in 1979, it has welcomed over 218,000 participating companies and 32 million visitors. Every year, it organizes specialty trade fairs for 60 industries on average. TÜYAP provides growth in trade volume and exports potential to dozens of industries thanks to these fairs. TÜYAP employs 502 employees and 27 crews that conduct market research for each of these industries, operating in 11 cities domestically and maintaining six offices abroad. The company has two 98,000 square meter indoor fair and convention spaces in Istanbul. TÜYAP also organizes fairs in Bursa, Konva, Adana, and Divarbakır. So far, it has hosted close to 1,300 fairs, 140 of which were held abroad. "With these fairs. we have welcomed 220,000 participating institutions from 80 countries and more than 32 million visitors from 126 countries. We have a considerable number of

projects in our fair program

that are more than twenty

years old. Many of the fairs

we hold are listed among the

largests in Eurasia, and they

One of the most important tools used to expand international trade networks are trade fairs and expositions

also rank close to the top in Europe and the entire world too," says TÜYAP Executive Committee Chairman Serdar Yalcın. Yalcın notes the considerable contribution to employment thanks to these fairs: "Five hundred to 2,000 people on average are employed at our fairs, depending on the size of the area. For example, approximately 1,600 people were employed during TÜYAP Istanbul Boat Show 2012," he says. As Turkey gains more and more prominence in the Eurasia, which stands as a rival against faltering western markets with the changing order of the world, high-capacity fairs that can represent the country and the strength of its industries are an important need, says Yalçın." In a new world order in which borders are lifted and regions are undergoing rapid change, Turkey is exhibiting a great mental and industrial transformation," he says, and he states that TÜYAP aims to increase recognition of its fair and convention centers via alternative methods to complement its existing sales and marketing practices and to increase the amount of foreign capital entering Turkey.

Brands Ready-to-Wear, Innovation, Jewelry, Aviation, Paint Products, Gourmet...



"WE HAVE GROWN ACCUSTOMED TO BEING A BRAND PREFERRED BY THE FAMOUS"

Orka Group, which dresses many world-famous figures, is introducing extraordinary functionality to ready-to-wear clothing with its "smart clothes"

BY CEYHAN AKSOY 🌑 BY CEVAHİR BUĞU

OR ROUGHLY SIX YEARS, Orka Group Chairman Süleyman Orakçıoğlu has been teaching fashion and branding classes at both Mimar Sinan and Işık University in Istanbul. As he presents his faculty ID card, it's clear to see that he's very proud of this pastime. Orakçıoğlu has stood out in the Turkish ready-to-

wear clothing industry not just with his company and successes, but also with his personal style and grooming. That he knows how to dress well is not, of course, the reason he teaches fashion and branding to students (in spite of the fact that he holds a degree in economics), but it could well be the fact that he knows how to dress others.

Orka is a pioneering company in the menswear segment of the Turkish ready-to-wear clothing industry with its Damat Tween, ADV, and D'S brands. Today, it is climbing the rungs to the very top of the list of brands preferred by famous people around the world—Tween-brand clothes now grace the wardrobes of many famous figures from

legendary Beatles drummer Ringo Starr to the members of the British band JLS and from Snow Patrol vocalist Sophie Lopez to the soccer player Frank Lampard.

For a producer that started as a small family business in Istanbul's Osmanbey neighborhood, it surely would take great time and effort to attain the status held by Orka Group today—yet it has been just 26 years since the establishment of Damat, the first of the brands under Orka's umbrella. Twenty-six year is a long time in human terms, but for a company, being 26 means that it is still quite young. Well-placed decisions. a carefully considered and meticulously planned strategy, and timely institutionalization allowed Damat, which was born in 1986, not only to become a ready-to-wear clothing giant, but also to make considerable headway toward becoming a global brand. Today, Damat Tween was named as one of the brands that influence and set trends in fashion on WGSN.





Tween-brand clothes now grace the wardrobes of many famous figures from legendary Beatles drummer Ringo Starr to the members of the British band JLS and from Snov Patrol vocalist Sophie Lopez to the soccer player Frank Lampard



a website that plays a role in setting the world's fashion trends and has a member base comprised of ready-towear clothing professionals. The brand has put on the final show of London Fashion Week and has been active for years at the Florence Pitti Uomo Fair—where the pulse of menswear beats—as the only Turkish brand in attendance.

"In the years we started this business, it was also possible for us to earn big money by licensing the name of a foreign brand or engaging in production for the market abroad," says Orakçıoğlu as he begins telling the story of Orka, continuing, "But in those days, we set out with the goal of creating our own brand and collection." Perhaps the secret to their success lies in their choosing the more challenging option at that time. The company doesn't appear to have gone for the easy in its current progression, either. "Damat and Tween are actually two brands that are very different from each other in terms of brand spirit and brand identity. But we fused the two with the philosophy that opposites are so near to each other that once they meet, they never again separate. We have a philosophy that entails doing the difficult easily and the easy with difficulty." Putting Tween—a wild, brave, contrarian, and original brand-next to Damat-a brand that carries the weight of the profile of gentlemanly businessmenafter a few years is a reflection of this philosophy exactly. Orakçıoğlu says they present the two differences to their customers as a whole and even determine their retail concepts according to this. The company today maintains this balance of opposites in more than 180 stores and at more than 350 other points of sale.

Orka Group fought a long struggle for its image and perception when it started in the business, later arriving at the belief that through design, it could create its competitive advantage in a market where even presenting the best collection at the best price wasn't enough. "In that period, even the idea of design in menswear seemed funny to many people. Forget local brands—even many foreign menswear brands did not give importance to design," says Süleyman Orakçıoğlu, adding, "But we established the system and infrastructure at that time already. We weren't just involved in the mathematics of the business. Now, Orka Group has practically become a design school." The team spirit created by the many designers in the firm both local and foreign and their visions concerning changing world trends helped them to

become part of the team and occupy important positions in the business today.

While design is very important indeed, it isn't enough on its own. Orka Group's distribution strategy was determined using the same meticulous approach employed for its design strategy. The company favors criteria based on quality-not quantity—in selecting points of sale for its brands. "It is not how many places our brands are sold that is important to us; it is whom they are sold to, at what location, and next to which brands," says Süleyman Orakçıoğlu, the company's young chairman, highlighting prestige as a main criterion in selecting points of sale. His brother Halidun Orakcioğlu is involved with the manufacturing and design aspect of the business, while Osman Arar, his cousin, is concerned with marketing and sales. Orka Group doesn't experience the classic handicaps of family businesses, however, and this is why the company, which completed its process of institutionalization in 1994, is able to engage in sales at locations all over the world, from Tokyo to Los Angeles, India, Dubai, London, Barcelona, Hong Kong, and the Philippines. "First, we were in the position of being the one that was chosen. Now, we are in the position of being the one that chooses," says Süleyman Orakçıoğlu. He continues, "By entering the markets we target today with not one store but six or seven simultaneously, we want to take the power of our brands in Turkey to those places as well."

Setting out with this target, the Orka crew even knew to take advantage of the period of crisis as an investment opportunity. Adding three more

stores to its existing four stores in Romania, Damat Tween truly made a strong entry into the market. Among those who dress from Damat Tween today are Mihai Morar (the presenter of the program "Morning Zu"), "Wanna Be Millionaire" presenter Virgi Iantu, and the famous talk show host Mihai Gadea, who are seen as Romania's best-dressed celebrities and considered trendsetters in its domestic fashion scene.

Romania isn't the only country where the crisis in Europe worked to the advantage of Orka Group. The company is implementing the same investment plan in Poland too. Sülevman Orakcioğlu indicates that they received proposals for investment from Italy and France as well, and he says they are evaluating the proposals that are coming their way. "Two or three investors request a meeting every week, and we do meet with some of them." It is clear from his words that a concrete purchasing decision has not vet been made, but it is implied that they regard both the purchase of brands and retail expansion in the aforementioned countries warmly. Additionally, the brand has a sterling reputation, the reason for whichas Orakçıoğlu explains—is, "If you're already preparing the collection for three seasons later, you have no way but to succeed." Damat Tween follows sales calendars around the world very closely. Its perspective goes beyond its home territory. providing the company with the speed and dynamism it needs. "Our Spring/Summer 2013 collection is ready; in fact, the sales calendar is about to close. Today, our crew is preparing the Fall/ Winter 2013-14 collection."



Jacket that protects against EM radiation, made possible via copper strands woven into fabric



Stain-resistant white shirt



Clothing with natural climate control, thermal clothing



WATERPROOF Tween

Waterproof suit and trench coat

There is another reason behind the great interest shown by foreign investors toward Damat Tween: Orka Group's R&D approach and the innovative products that emerge through it. "Smart" clothes such as stain-resistant white shirts, a jacket that protects against electromagnetic radiation via strands of copper woven into the material, and mosquito-repelling T-shirts are among the innovations that are in the works thanks to the concentrated efforts of the R&D team. With such products, Orka Group brings added functions to ready-to-wear clothing that go beyond aesthetics. Damat Tween has already employed cutting-edge applications of nanotechnology in ready-towear clothing in its designs. including antistress, Coolmax (which has a cooling effect), waterproof, and shieldprotection fabric technologies. Currently, it is preparing to use Thermolite (which preserves warmth), Thermocool (which provides a balance of temperature), and Thermocool Fresh (a hygienic solution that maintains a natural temperature) in its designs as well.

Orka Group has preparations for the coming year too. With men's products bearing the Damat Tween and D'S labels, the company will be pushing its brands into all areas of life. The company, which also plans to gain traction in the women's and children's markets in a few years, has already having signed agreements with partners for all sorts of products used by men, including cosmetics, optical items, and watches. And from the proud way Süleyman Orakçıoğlu wears his D'S-brand watch on his wrist, Orka is highly confident of the strength of its brands in these segments as well.



The Next Big Thing in LIFE SCIENCES

The Life Sciences and Technologies Research Center at Boğaziçi University aims to be the driving force in Turkey of medical technology R&D

🖥 BY MERVE KARA 🌎 BY ABDULKADİR DEMİR

■ **HE CARDIAC** pacemaker l is a device that regulates the beating of the heart. It was invented in the 1950s by a Dr. John Hopps, who was at the time looking for a remedy for hypothermia with the hopes he could increase body temperature using radio waves. By coincidence, he discovered that the heart could be restarted with the application of electricity when stopped, and thus the pacemaker was born. The first pacemaker that Dr. Hopps created was so big that it had to be carried outside one's body. In time, pacemakers became small enough to place them inside. Today they are used by more than four million people worldwide. In the years ahead, it is expected that something

similarly revolutionary as pacemakers will emerge in the field of cardiology and spread to a broader area. Currently, these pacemakers are among the hot topics in biomedical research. "In time you will see more and more people carrying such kinds of smart devices for various functions," says Assoc. Prof. Dr. Cengizhan Özyurt, a faculty member at the Institute of Biomedical Engineering at Boğaziçi University. Özyurt lists some examples of fields in which such devices are used: "If these devices were to be embedded in the brain, they would prevent you from suffering a seizure, reduce pain via neurodegenerative therapy, or facilitate the release of a certain medicine at the right time."

Heading the Medical Devices Unit at the Boğazici University Life Sciences and Technologies Implementation and Research Center, Özyurt has already started his research in this area together with his crew.

Medical technologies are becoming a field of great importance for the government in Turkey's process of transitioning from laborintensive manufacturing to high-tech products, which has been under way for some time. The government is therefore supporting the industry; Özvurt savs the numerous directives that have come into effect recently or will soon come into effect are contribut-

Inovita will help commercialize research in areas such as medical devices, pharmaceuticals, molecular biology and genetics technologies, turning the resulting new technologies into true economic value for *Turkey*

ing to the field's development. Turkey is aiming to implement a strategy in medical technologies similar to that employed in the defense industry. (The ratio of needs met by domestic production was upped to around 50% today with the strategy practiced in the defense industry from 2007 to 2011.) The Boğaziçi University Life Sciences and Technologies Research Center has assumed a leading role in reaching these goals, focusing on a wide range of R&D topics including videosupported therapy, catheters, targeted pharmaceuticals, coatings, pharmaceuticals designed for use with prosthetics, and more. The center also has an animal testing laboratory. One of the center's eventual goals is to facilitate the transfer the know-how obtained from research into manufacturing. The Inovita Sciences and Technologies Istanbul Cooperation Platform was founded to help serve as a bridge that connects research facilities-including the center in Boğazici, as well as Sabancı University's Nanotechnology Research and Applications Center (SU-NUM) and Istanbul University's Biomedical and Clinical Engineering Unit and Health Sciences Institute—to industry. Inovita will help commercialize research in areas such as medical devices, pharmaceuticals, and molecular biology and genetics technologies, turning the resulting new technologies into true economic value for Turkey.

The Boğazici University Life Sciences and Technologies Research Center currently aims to become one of the world's most important research centers within the next ten years. The center, which is to assume an important role in Turkev's industrial vision based on high value added products, seems likely to accomplish this to a large extent.

One out of Every 1,000 Women **WORLDWIDE WEAR "ZEN"**

Zen Diamond, which created value for its industry by setting up the first diamond laboratory in Turkey, devotes 50% of its production capacity to exports

BY AYNUR ŞENOL ALTUN 🌑 BY ABDULKADİR DEMİR

THE HISTORY OF JEW-**ELRY** making in Anatolia dates to the third millennium BC. The treasures owned by the civilizations that have so far existed on these lands where fertility combines with beauty are cause for worldwide interest in contemporary jewelry processing and jewelry designs. The production of gold jewelry in the Ottoman Empire started to grow especially in the 15th century during the time of Mehmed II, gaining popularity with the establishment of the Grand Bazaar in Istanbul. The renown of the valuable stones carefully shaped in the hands of masterful craftsmen for centuries continues to spread all around the world with those who wear them. The brands nourished on this fertile foundation

keep this talent alive today. serving as a driving force behind the precious stones industry followed as closely in the rest of the world as it is in Turkey. Turkish Exporters Assembly (TIM) President Mehmet Büyükekşi's statement, "The precious metals and iewelry industry is among the foremost of the industries that play a key role with respect to our export targets for 2023," suffices to summarize the industry's importance. The industry increased its exports threefold in the past ten years, raising total exports from roughly 630 million dollars in 2002 to 3.7 billion in 2011. A total of 250,000 individuals are employed in the industry, and there are 14,888 merchants and around 40,000 entrepreneurs involved in it. The



With 22.5 million dollars' worth of exports realized in 2011, Zen Diamond is a leader in exports

industry is an important actor in exports with its growing value-added foundation. Twelve billion dollars' worth of exports is targeted by the industry in 2023; within this target, the gold, precious stones, and jewelry fields are expected to account for 8 billion dollars' worth. Among the most pressing matters on the industry's agenda with regard to meeting this target are gaining expertise in design, being part of the market with high value-added products, and branding. Zen Diamond is one of the first names to come up in the industry on mention of the very last of these matters, branding. The brand, whose family-based roots date back to the 1890s, has been a leader in exports for the past five years, upholding its title in 2011 with 22.5 million dollars' worth of exports that vear. The brand attained 15% growth in 2012; for 2012, it aims for 20% growth. Zen Diamond has Europe's largest production capacity, and it also has a factory that possesses the latest technology for diamond production. Employing 100 people, the factory has the capacity for 50



million dollars' worth of production annually, and 50% of this capacity is devoted to exports.

TRENDS DETERMINE EXPORTS

Zen Diamond Board Chairman Emil Güzeliş, representing the third generation in a profession once practiced by his grandfather, says they started using the "Zen" marque-meaning "woman" in Persian-in 2000. Until 2005, the brand was focused on manufacturers, wholesalers, and exports. With its own retail locations and franchises opened after 2005, Zen now maintains a retail presence as well. Zen has 38 stores in Turkey, two in the Turkish Republic of Northern Cyprus, and one each in Iraq, Romania, and Belgium. It also has 150 corners in Turkey, and through its offices in Istanbul, New York, Antwerp, Dubai, Amsterdam, and Germany, Zen diamonds reach many of the world's regions—one out of every 1,000 woman on the planet wear designs by Zen.

Zen Diamond chairman Emil Güzelis states that they only produce and export diamond jewelry. He says exports are influenced greatly by world trends and that designs with pink gold and black diamonds—the latest trend—account for a significant portion of exports. Holidays and celebrations around the world play an important role in export demand as well; while New Year's, Valentine's Day, Mother's Day, and the seasons for weddings and graduations stand out as times of increased demand, as does Women's Day in Russia. Demand for diamond-bearing accessories increases greatly particularly before Father's Day. Zen exports primarily to EU countries, the Americas, and Arab countries, and it also develops strategies suited to

differing expectations in different markets.

Emil Güzelis savs Turkev is quite powerful in the jewelry industry, raising the point that Turkey possesses the largest production capacity after Italy. The diamond market in Turkev is worth around 500 million dollars, he says, adding that the market is growing every year.

DREAMS AND EXPECTATIONS GUIDE DESIGN

Emil Güzelis says their inspirations when creating Zen Diamond's collections are customers' dreams and expectations. "We create designs that will accompany a woman at every moment in her life from day to night." Noting that showy, expensive products are generally what come to mind on mention of jewelry, Güzeliş says, "These are designs very few people can access. There are such showy jewels at Zen Diamond as well, but the most expensive design at Zen Diamond is the one that's in your dream. If you dream of it, we can design it, and we will ornament it with diamonds and precious stones as we turn it into a reality. Diamonds are every woman's dream. We aim to take diamonds from being a dream to being accessible. We work on how we can design our designs to have prices accessible to the wide masses without sacrificing their stylish appearances. This is why we present our products for sale at the most reasonable prices."

Güzeliş says Zen Diamond offers the widest selection of options for diamond iewelry in Turkey. He adds that Zen has the capability to satisfy varying expectations and budgets. The company doesn't make designs only for women; it also makes some for men, including a collection of diamond-bearing watches,



BILLION DOLLARS TARGET

The precious metals and jewelry industry's bid for 2023 is stronger thanks to improvements exhibited over the past ten years

MILLION DOLLARS

2002 exports

BILLION DOLLARS

2011 exports

PEOPLE

Employment provided

BILLION DOLLARS

Turkey's target for the industry in 2012

Güzelis: "Establishing the first diamond laboratory in the industry, we trained three thousand jewelers in the topic of diamonds and precious stones

neckties, cuff links, pens. wallets, and belts. This variety played an important role in increasing the ratio of male customers from 30% to 50%. Zen Diamond employs its own design team, although it works with other designers too on special collections. For example, the brand produced a special collection for National Geographic-based on an agreement with the National Geographic Society that made it the first and only jewelry maker licensed to use the name—with designer Emel Kurhan. Another example can be found in the Marilyn Monroe collection made for the 50th anniversary of the starlet's passing, for which they worked with designer Deniz Kaprol and used photographs by Bruno Bernard, the famous photographer who discovered her, as a starting point.

THE FIRST DIAMOND LAB

Zen Diamond also makes a difference with the many firsts it has accomplished in its industry. Zen Diamond Board Chairman lists these firsts as follows: "Founding the first diamond laboratory in the industry, we trained three thousand jewelers in the topic of diamonds and precious stones. We accomplished another first by putting our products on sale with theft insurance. We are the industry's first member in the United Brands Association, and we are a participant in the Turquality Brand Support Program." Today, Zen enjoys growth at rates exceeding the market average thanks to the support provided not just by Turquality, but also with the strength of its original designs.



AVIATION AND INNOVATION

1.125 miles away in less than three

Eclipse Aerospace is preparing to revolutionize private jets the way Henry Ford revolutionized automobiles

BY CAN GÜRSU

YOU MADE ME VERY-happy... Now, I can explain what I have planned for vou... Perhaps vou'll be the first female military pilot in the world... For a Turkish girl to be the world's first female military pilot would be a matter of great pride, as you might guess. I will now act right away and send you to the School of Aviation in Eskişehir. You will receive special training there"

This conversation between Mustafa Kemal Atatürk and Sabiha Gökcen-the first female war pilot in the world—served not only as a source of inspiration for the latter, but is also accepted as a milestone in the history

of Turkish aviation. Turkey today aims to be a leading country in aviation, whether in transport or in manufacturing. The best indicator of this is that the private sector in civil aviation is partnered with one of the world's largest aircraft manufacturers.

Eclipse Aviation was named a pioneering aviation firm of its time with the Very Light Jet (VLJ) concept it brought into the world, developed with the help of NASA. Bill Gates was among the company's founding partners. Eclipse Aviation went bankrupt in 2009 as a result of disagreements among its partners, but now, it is being reborn out of its

That world-famous helicopter maker Sikorsky bought a minority share in Eclipse Aerospace serves as an indicator of how popular VLJs will become in the period ahead

ashes with a new Turkish partner and the name Eclipse Aerospace. Now, by breaking in to the mass-production jet aircraft market with the Eclipse 500, it is trying to prove that private jets are no longer a luxury, but a need.

There are 270 Eclipse jets that actively fly in the world today. Demand for these low-cost jets is quite high. Many customers are waiting in line for the aircraft, which range from one to two million dollars in price. Incorporating the aviation technology used in luxury jets together with admirable fuel economy, the Eclipse is considered to be quite suitable for air taxi services. Ekim Alptekin was introduced to Eclipse Aviation via MyJet, an air taxi service in Turkey in which he is a partner, and he succeeded in drawing Eclipse's attention with the large number of aircraft they ordered from the company.

Ekim Alptekin, a close follower of technological trends, had an interest in Eclipse since the early days of its founding. Alptekin says, "One of the interesting developments was the revolution of individualization, which had not vet happened in air transport," and adds, "One could talk of individualization in many industries from entertainment to transport and trains to cars, but it was missing in air transport." Alptekin kept a close eye on Eclipse, which brought forth the concept of the mass-produced private jet. "My attention was particularly attracted by the fact that many leading names in the world, such as Bill Gates and Alfred Mann, were involved in this project." As he started to think about how he would participate in the process, he founded MyJet with a fleet of Eclipse 500 jets purchased from Eclipse Aviation. In 2007, he was Eclipse Aviation's top-ordering customer with the 120 Eclipse 500 orders he placed that year, and he also earned the privilege to establish the region's only Platinum-licensed maintenance center.

The Platinum-certificate maintenance and repair center serves 30 Eclipse aircraft in the region in which it is active. With five plane orders coming in from Dubai, this number will soon rise to 35. Able to provide factory-level services thanks to its Platinum certification, the center possesses a

competitive advantage due to being located in Istanbul, a crucial international hub. and it bears the distinction of being Eclipse Aerospace's largest maintenance and repair facility. In addition, certain spare parts for Eclipse will be manufactured by Alp Aviation in Eskisehir Province. Ekim Alptekin notes that this is a first for Turkev-for the first time ever, instead of for military purposes, components manufacturing will be taking place as a result of industrial cooperation. Interest in VLJ is expected to multiply in the years ahead; and according to market research, there is a need for approximately 3,600 VLJclass aircraft in the world.

That world-famous helicopter maker Sikorsky bought a minority share in Eclipse Aerospace serves as an indicator of how popular VLJs will become in the period ahead. "As you know, Sikorsky is a disciplined, conservative company, and it also is one of the large bodies unaffected by the crisis," says Ekim Alptekin. Sikorsky could choose from any company it wished, even in a crisis environment, and its choice of Eclipse was very meaningful, according to Alptekin. He also empha-



Ekim Alptekin points out that all of the 260 planes produced in an 18-month production run at the factory from 2007 to 2008 were sold

Incorporating the aviation technology used in luxury jets together with admirable fuel economy, the Eclipse is considered to be quite suitable for air taxi

sizes that Eclipse represents helicopter giant Sikorsky's foray into fix-winged aircraft, adding that they will take advantage of their experience in many areas such as supply-chain management and manufacturing as well.

The biggest ace up Eclipse Aerospace's sleeve as it prepared to change the way jets are perceived worldwide is its factory, which is able to produce very rapidly as will be required by future demand. Eclipse Aerospace is preparing to release kits that will bring Eclipse 500s up to date together with the Eclipse 550 model it will release in 2013. Just as Ford revolutionized cars with the Model T, the company hopes for the Eclipse to revolutionize private jets. The company aims to produce 100 Eclipse 550s in 2013. It also has the goal to raise production soon to up to two aircraft per day—Ekim Alptekin indicates that this is without precedent in aviation. He points out that all of the 260 planes produced in an 18-month production run at the factory from 2007 to 2008 were sold, and adds, "If six hundred planes were produced, then there would be six hun-

planes flying right now." The aviation company, which has a Turkish partner, is preparing for a revolution in aviation, and it may fundamentally change the perception of private jets and make them a part of our lives.

dred



TURKEY SPREADS ITS COLORS TO THE WORLD

Aiming to increase its share in the global market, the Turkish paint industry has its eye on third place in Europe

BY CAN GÜRSU

OR THE PAST TEN years, the Turkish paint industry has continued to develop significantly in parallel with Turkey's economy. Besides being the sixth-largest paint producer in Europe, with its continually increasing production and improving technological infrastructure, it is making progress toward its target of becoming an international power in its region. While the production of and demand received by the paint industry tends toward shrinkage especially in EU countries, Turkey continues its rapid rise together with the support of its construction sector, in which it has a leading position globally. Compared to that of EU countries, the Turkish paint

industry is quite active and large.

DYO, one of the top players in this industry, continues at full throttle the journey it started 81 vears ago in a small shop in İzmir. Products geared toward the construction sector occupy an important place in DYO's product range. Besides construction paint, DYO's product range includes paint designed for maritime use, industrial paints, furniture paints and varnish, synthetic resins and polyesters, auto paints, and insulation systems. The company is renowned for its innovative approaches.

DYO provides all sorts of products construction firms may need in terms of paints. "Renksayar," its building col-



Turkey continues its rapid ascent together with the support of its construction sector, in which it has a leading position globally

The global paint market is worth 90 billion dollars, corresponding to 35 million tons in production. The Turkish paint industry accounts for 3% share in this market

oring system (literally, "color counter"), is a service it developed to assist construction firms in selecting colors in a convenient fashion. The system allows models of the buildings awaiting paint to be viewed in a 3D computer environment, displaying the building's state before and after painting and allowing customers to easily select various color options. The Turkish paint company engages in 64,000 tons of annual production in Ciğli. İzmir and 130,000 tons in Gebze, Istanbul.

With international operations in Russia, Romania, and Egypt, the company exports to more than 40 countries worldwide. DYO Paint Factories General Manager Serdar Oran says they are the only company in Turkey that engages in production in five subfields within the paint industry, adding, "With its broad network of distributors, DYO contributes to twenty thousand local businesses." Offering a broad gamut of colors numbering more than 60,000, the brand serves as a representative of Turkey as it tries to grow its market share in the worldwide paint industry.

The global paint market is worth 90 billion dollars, corresponding to 35 million tons in production. The Turkish paint industry accounts for an approximate 3% share in this market. The industry's total size in the domestic and international market is over 2.5 billion dollars. "Significant progress has been observed in the industry over the past

ten years," says Serdar Oran. He adds, "We have the infrastructure and potential to become Europe's thirdlargest paint industry in the near future."

Further proof that Turkey is a word-class player in the paint industry is Marshall. which was founded in Turkey and later bought by global giant AkzoNobel. Marshall is one of the leading paint and primer producers both in Turkey and worldwide thanks to the strength it receives from AkzoNobel. Marshall Marketing Director Alp Akgünlü says, "With our strong history of fiftyseven years in the Turkish market, adding in the global perspective of AkzoNobel, the number-one company in our area of activity, we are broadening our horizons." He adds, "As AkzoNobel Marshall Paint, we always aim to better our country's economy, our industry, and people's lives with our innovative approaches." Inspiring people with paint with its slogan, "Let's Color, " through which it encourages transforming gray, gloomy



SERDAR ORAN

General Manager, DYO Paint Factories

Thanks to its initiatives over the past ten years, its commercial structure, and the growing strength of its exports, our paint industry is advancing with the target of becoming a regional production center. The Turkish paint industry's economic worth in the domestic and international markets reached 2.5 billion dollars by the end of 2010. It can be observed that the Turkish paint industry accounts for roughly 2 percent of the global market, which has reached a volume of 90 billion dollars corresponding to 35 million tons of production.

places into places full of life, the brand goes beyond being merely a brand of paint, creating an emotional connection and positioning itself as a brand that adds meaning-and value-to lives through colors.

AkzoNobel Marshall Paint's product range includes interior paints and primers, exterior paints and coating primers, glues, pastes, special-purpose products, thinners, exterior insulation systems, and protective coatings and varnishes for wood. The company prioritizes human health and international issues, using international standards as a reference, in the entire process from production until delivery to the end user. All its R&D investments are based on these principles, and it therefore continues to increase its investments in the sector. improving them and making them more widespread.

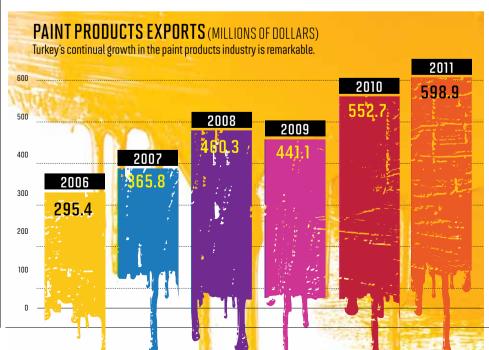
AkzoNobel Marshall Paint possesses direct access to 57% of the Turkish population and 54% of the provinces in Turkey. The leader company in Turkey

"We have the infrastructure and potential to become Europe's third-largest paint industry in the near future," says Serdar Oran

facilitates its access to the customer via 14,500 distribution points nationwide. Besides Turkey, AkzoNobel is active in fifteen other countries, including Russia, Ukraine, Kazakhstan, Uzbekistan, Tajikistan, Bulgaria, Kosovo, Macedonia, and Albania. By of the end of 2011, it had increased its sales by 35%.

AkzoNobel renewed 1,000 of its stores by the end of 2011. That year, it also completed the installation of 600 new machines; this year, it aims to increase this figure to a total of 1,000, which would make the brand's collection. of machines the largest. Alp Akgünlü states that they have declared 2012 as a year of renewal and growth. With the global reach of AkzoNobel and its own local experience of more than half a century, Marshall is progressing toward an exciting future.

The two leading brands in the Turkish paint industry are propelling both the country and the industry forward. Representing Turkey internationally, the brands are ramping up their efforts to increase exports to an expansive territory that includes the Middle East. the Near East, North Africa, Eastern Europe, and the Caucasus. From the current outlook, the Turkish paint and paint raw materials industry seems like it will easilv exceed one billion dollars' worth of exports in 2013.





Universally Delicious: ICE CREAM

Always a summer essential and today a delicacy enjoyed year-round, ice cream ranks high among the favorites of both children and adults

BY AYNUR ŞENOL ALTUN

ONDURMAM GAYMAK" (Ice Cream, I Scream; 2006) is one of the most likeable releases in the recent history of Turkish film. Filmed with a cast consisting entirely of the local population except for Turan Özdemir in the starring role, the movie tells the story of Master Ali, who sells ice cream on his motorbike in a small beachside town. The film takes a stance against ice cream monopolies while presenting the peerless beauty of local delicacies on camera. Ice cream is itself as likeable as the film—an obvious statement, perhaps, but this sweet, cooling delicacy so coveted by children retains its magic through adulthood. The only things likely to change are how much we consume and the fact that most of us gain the liberty to eat ice cream whenever we please.

It is said that the history of ice cream dates back to Nero, emperor of Rome. Nero apparently took great pleasure in consuming sumptuous delicacies while watching gladiator battles. One of the court tasters, who always

Mado's secret is the milk of goats that feed on the milk vetch, thyme, and wild orchids that sprout on the pastures of Mt. Ahir and the dried tubers collected from these orchids.

The traditional beaten ice cream of Maraş is hard enough to cut with a knife and eat with a fork, vet it has a texture so luxurious that it melts in one's mouth

competed to offer the most delicious of foods to the emperor, had snow collected from a mountaintop piled into a bowl and covered it with honey and assorted bits of fruit. The taster who presented this shockingly different—and cold—dish to the emperor might well have been one of the first glaciers, as the French call ice cream makers. It is said that Nero became quite fond of it, ordering the same dish except with crushed fruit instead of morsels the next day. It wasn't until Marco Polo came about in the 13th century, however, that ice cream spread to the world. Marco Polo took the Chinese version made from ice and milk to Europe, where the number of people who tasted the dessert increased quite rapidly. By 1676, it is said there were close to 250 glaciers in Paris.

In 1851, one Jacob Fussel started to produce and sell ice cream in the US. The waffle cone, however (today an essential ice cream sidekick and one of the main props used by feisty Turkish ice cream vendors), wasn't popularized as an edible ice cream dish until the Louisiana Purchase Exposition (the World's Fair) held in St. Louis, Missouri in 1904. In Anatolia, the history of ice cream dates to roughly 300 years ago. Anatolian peoples collected pristine snow that accumulated on slopes and valleys and infused it with molasses and fruit essences. This mixture, named "karsambaç," eventually became local tradition that would dominate Kahramanmaraş

Province. The unmatched flora and fauna of Mt. Ahir, which surrounds Maras. inspired the local ice cream makers, and the ice cream made here is absolutely fantastic. The famous Marasstyle ice cream originated here about 150 years ago. This is where the story of Mado Ice Cream-a subsidiary of Yasar Ice Cream and Food Products Ltd.—began. with Osman Agha, the first ice cream master in the Yasar family, taking Mt. Ahir and its natural riches as inspiration.

FROM KAHRAMANMARAS TO THE WORLD

The key to the story of the world-famous ice cream of Maras is hidden in a 25-square-meter shop. Founded in 1962, this was the first shop operated by Yaşar Dondurma, which brought to us what is today known as Mado. Snow carried down from Mt. Ahir was preserved using loose mountain soil or rice husks as insulating agents. It was then processed patiently using painstaking labor in a hand-cranked machinethis is where the mastery of a master truly appears. A master's hands are, together with the ingredients used, what provides the consistency and flavor of the ice cream. In time, snow became difficult to come by, and the production process was retooled for ice. What resulted is the traditional beaten ice cream of Maras-hard enough to cut with a knife and eat with a fork, vet with a texture so luxurious that it melts in one's mouth.

Mado's story exhibits similarities to that of the aforementioned film "Ice Cream, I Scream." Just like in the movie. Mado is a local brand that emerged in Maraş and

preserved its true flavor over the many years that have passed since. This brand, however, didn't limit itself to Kahramanmaraş—opening numerous cafes following the success of the proofof-concept "Mado Café" on posh Bağdat Avenue in Caddebostan on Istanbul's Asian side, the company quickly grew these into a chain where numerous desserts in addition to ice cream are presented alongside high-quality coffees, with locations numbering 20 after its first six months thanks to heavy interest. Today, Mado is a giant ice cream brand with 265 locations domestically and 15 abroad. Internationally, the reach of Mado Cafés extends as far as Dubai, Australia, Saudi Arabia, Cyprus, Hong Kong, South Korea, Bulgaria, Iraq, and Azerbaijan.

In 2002, Mado earned the prize for best practitioner of the franchising system in Turkey. Its locations present

Internationally, the reach of Mado Cafes extends as far as Dubai, Australia, Saudi Arabia, Cyprus, Hong Kong, South Korea, Bulgaria, Iraq, and Azerbaijan





MEHMET YILMAZOĞLU

General Coordinator, Mado

In a world that is shrinking and where distances are shortening, we aim to carry the values in which we are superior—whether in terms of technology or infrastructure-to distant lands under our flag. For Mado, this is a debt of gratitude to its country and a responsibility to its industry as one of the industry's most confident firms worldwide.

menus that diverge according to local eating habits. Mado General Coordinator says franchising requests for locations abroad have been submitted. In the food industry, where consumption habits exhibit variance by region, Mado is looking for investing partners that can synthesize its know-how with local market knowledge and experience in its mission to grow its international market. Yılmazoğlu says, "As we are a world brand, we are interested in every market, location, concept, and trend that might exist in the world. And in the foreign markets we enter, we plan to grow via master franchises." Yılmazoğlu adds

that they plan to represent Mado as best as possible in all the world's countries in the future.

Mehmet Yılmazoğlu says that the birth of the Mado brand gave great momentum to the ice cream industry in Kahramanmaras. Yaşar Ice Cream and Food Products Ltd. possesses 33 million square meters of factory space and the ability to produce 120 tons of ice cream per day. The ice cream is stored immediately after being produced in the factories' giant vats in a way that ensures it maintains its flavor, without melting or spoiling.

Mado's product range includes not only ice cream, but also traditional desserts and pastries. Mado's facilities produce 12tons of ice cream, 2,000 cakes, 1,000 trays of savory pastries, 2,000 trays of sherbet-based desserts, and 70,000 milk-based desserts per day. The brand has already established a manufacturing facility in Bulgaria to supply all European Union countries. Employing approximately 10,000 people, Mado conducts training programs lasting around 30 days prior to location openings.

The Maras ice cream maker Mado, Turkey's local brand, strides surely toward becoming a global brand while also aiming to strengthen its position in the countries in which it is already present through new partnerships. Confident in both its product range and its production quality, the brand continues its efforts to promote Turkish-style ice cream worldwide. Who knows—perhaps the days when Anatolia's delicious heritage will be discussed alongside Nero in ice cream history await us.

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



MAY 16-20

The Leaders in Home Textiles Meet at Evteks

More than 50% of the annual exports of the home textiles industry—one of the driving forces behind the Turkish economy—are made through business connections established at the Evteks Exhibition. Industry members are now lining up to participate in the 18th Evteks Fair being held May 16-20, 2012. The Evteks Exhibition held at CNR Expo last May drew a record 116,000 visitors; this record is expected to be broken this year. Close to 1,000 companies both local and international are attending the Evteks Istanbul Home Textiles Exhibition this year, for which nearly 500 companies are waiting in line. The Evteks Istanbul Home Textiles Exhibition is where the latest developments in the textiles industry are put on display and where products that shape trends and fashion are presented to visitors. The event is organized by CNR International Trade Fairs Inc. (a subsidiary of CNR Holding) with support from the Turkish Home Textile Industrialists' and Businessmen's Association (TETSİAD). When the agreements made at the exhibition—the largest supporter of the textile industry in its aim to reach its 10-billion-dollar exports target in 2023—are considered on an annual basis, more than half of the industry's exports are put into motion at this event. Home textiles comprise 45% of the textile industry's 6.5-billion-dollar exports, through which Turkey accounts for 5% of the world home textiles market.



Real Estate Summit
Hasköy Thread Factory, Istanbul

MAY 10-11, 2012

The 12th Istanbul Real Estate Summit, which has been organized by GYODER since 2000, focuses on commercial and industrial real estate, project investment, and all real estate industry topics while also presenting unique business opportunities.



METEX 2012 ATO Congress and Exhibition Hall MAY 25-27, 2012

METEX 2012 is planning to bring all Middle Eastern countries together on the axis of tourism this year, presenting a platform in which to discuss touristic developments in this vast territory that stretches from North Africa to the Arab Peninsula and from the Balkans to Central Asia, a platform in which new steps will be taken to shape the future and where new opportunities and partnerships in tourism will arise, serving as a meeting point for the entire tourism industry. Innovative ideas that will increase tourism coverage to 12 months, alternative types of tourism, and new business opportunities with Middle Eastern countries constitute the theme for the METEX 2012 exhibition and conference.

ANKOMAK 2012

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Istanbul Expo Center, Yeşilköy

JUNE 6-10, 2012

The 19th ANKOMAK International Construction Machinery, Building Elements, and Construction Technologies Exhibition is the largest fair in its field in Turkey and Eurasia. The exhibition has been drawing a large number of visitors since the first year it was held and sets the industry's agenda for the future. This time, it will be setting the path for the construction machines industry and construction sector in 2012.

25W

REW
Tuyap Fair, Convention, and Congress Center
JUNE 7–10, 2012

The REW Istanbul International Recycling, Environmental Technologies, and Waste

Management Trade Fair attracted more than 10,000 professionals in recycling, environmental technologies, and waste management to meet with the industry's players in June 2011. It is again preparing to assemble all products, technologies, innovations, and services relating to solid waste, wastewater, waste gases, and green energy in Turkey and its region under one roof for this year's event.



SEAEXPO TURKEY 2012 Istanbul Expo Center, Yeşilköy JUNE 14-17, 2012

Covering all stages in the seafood business from dock to market, including production, packaging, and delivery, SEAEXPO TURKEY 2012 is Istanbul's only seafood products and fishing technologies fair.

While SEAEXPO Turkey 2012 takes place in Hall 9 of Istanbul Expo Center, the Animalia 2012 Istanbul Animal Husbandry and Technologies International Trade Fair (also organized by HKF Trade Fairs) will be open to visitors simultaneously in Hall 10.



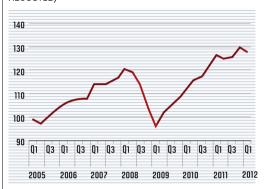
Figures

THE BASIC INDICATORS OF TURKEY IN THE FIRST QUARTER OF 2012

THE MANUFACTURING INDUSTRY AND CONSUMER CONFIDENCE (01 2012)

The manufacturing industry and consumer confidence index grew in parallel with the economy. Having risen over the past two months, they indicate that the slowdown in growth has halted and momentum has started to pick up again

INDUSTRIAL PRODUCTION INDEX (SEASONNALLY ADJUSTED)



CAPASITY UTILIZATION RATE OF MANUFACTURING INDUSTRY (SEASONNALLY ADJUSTED %)



recovery is observed in most of the indicators

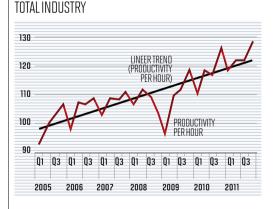
A Significant

4.4%

Industrial output increase in February relative to Feb. 2011

REAL SECTOR CONFIDENCE INDEX

CONSUMER CONFIDENCE INDEX





11.4%

Energy output increase (Feb. 2012)

3.2%

Manufacturing industry growth rate (Feb. 2012)

6.5%

Capital goods production increase (Feb. 2012)

CONSUMER CONFIDENCE INDEX

PRODUCTIVITY INDEX OF

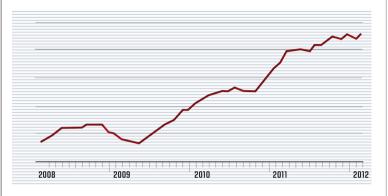




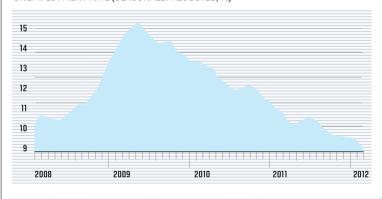
UNEMPLOYMENT CONTINUES TO FALL

In the first quarter of 2012, unemployment fell to 10.2%, a 1.7% decrease relative to Q1 2011. Seasonally adjusted unemployment fell to 8.9%, down 0.3% relative to the previous quarter.

EMPLOYMENT (SEASONALLY ADJUSTED, MILLION PEOPLE)

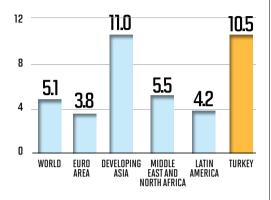


UNEMPLOYMENT RATE (SEASONALLY ADJUSTED, %)

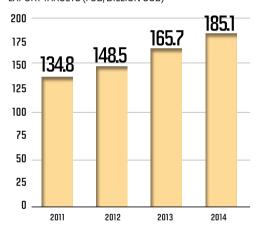


EXPORT PERFORMANCE

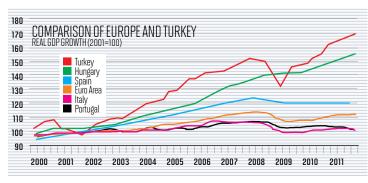
(AVERAGE ANNUAL GROWTH RATE, 2001-2011)



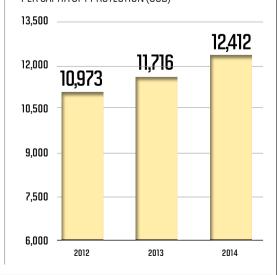
EXPORT TARGETS (FOB, BILLION USD)



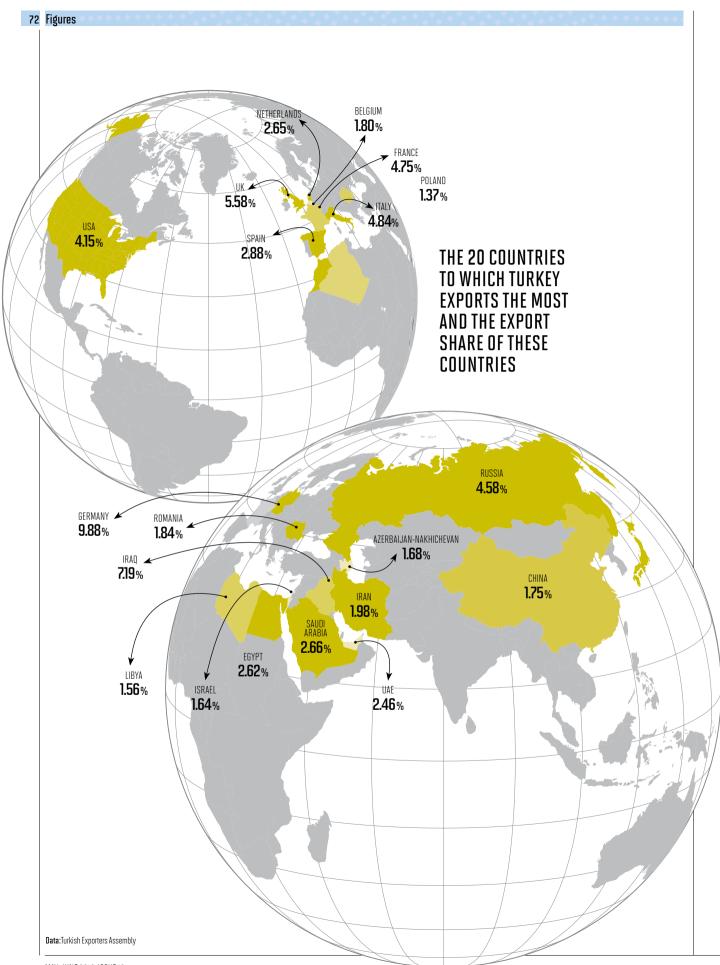
The Turkish economy, which grew 8.5% in 2011, is expected to finish 2012 with a 4% growth rate. This is considerably higher than the expected European average of 2%. Additionally, per capita income is expected to rise from its current level of 10,444 dollars to 11,000 by the end of 2012.



PER CAPITA GPT PROTECTION (USD)

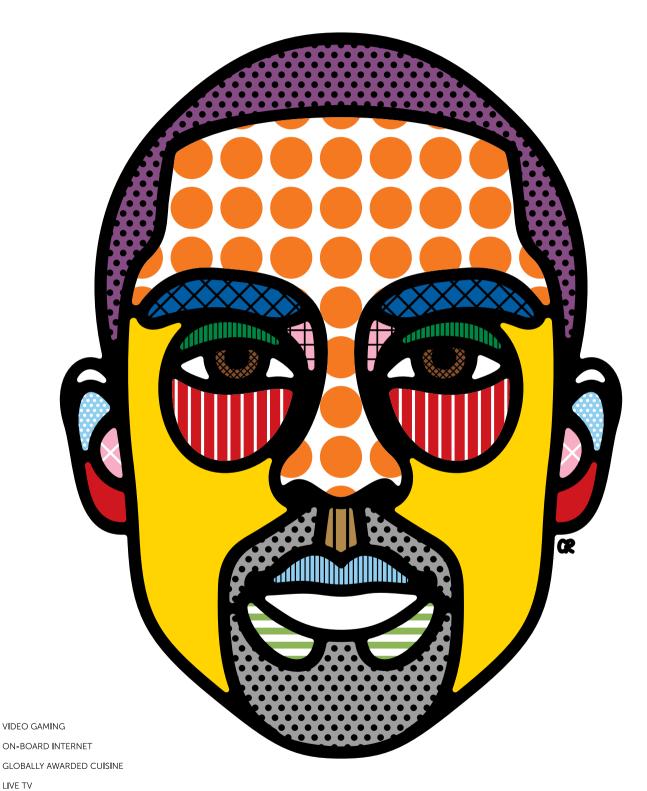


Data: Treasury





SEE HOW KOBE BRYANT FEELS WHEN HE IS RELAXING ON OUR FLAT-BED SEATS.





MOVIE & MUSIC ARCHIVE

FLYING CHEF SERVICE

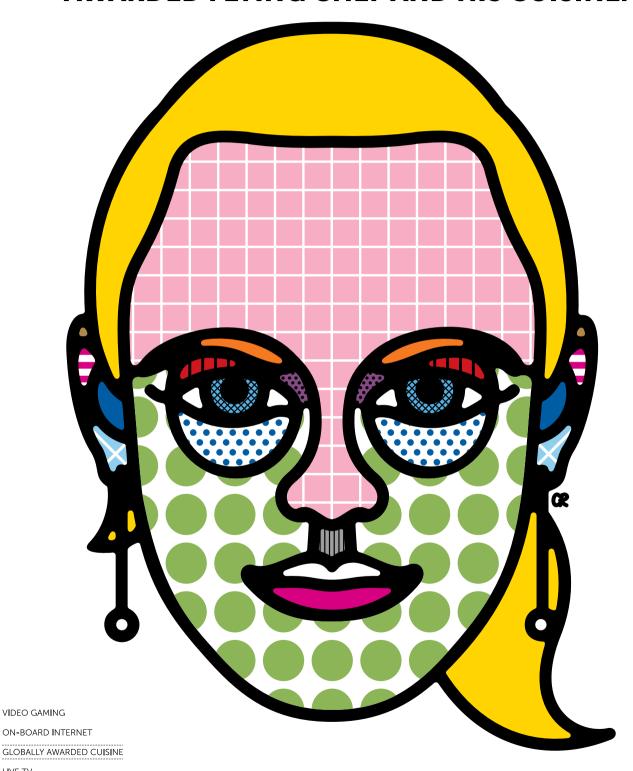
FLAT-BED SEATS

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SEE HOW CAROLINE WOZNIACKI FEELS WHEN SHE SPOILS HERSELF WITH OUR GLOBALLY AWARDED FLYING CHEF AND HIS CUISINE.





MOVIE & MUSIC ARCHIVE

FLYING CHEF SERVICE

FLAT-BED SEATS

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