

YOUR COMPLIMENTARY COPY

The Turkish Perspective

MAY-JUNE 2013 ISSUE 16

ECONOMY | BUSINESS | FOREIGN TRADE | ANALYSIS

EXCLUSIVE INTERVIEW
Istanbul Mayor
Kadir Topbaş
shared his views on
Turkey's future in
sports.



MORE THAN A CITY

As Turkey increases its global power, Istanbul, a city that has witnessed 8,500 years of history, is in the spotlight as a world hub for business, culture, fashion, and sports.



www.tim.org.tr

Contents

- 05 | Turkey Heads to Central Asia
- 06 | President Gül: Turkey Will Be Europe's Strongest Economy in 2050
- 06 | TIM and Irish Exporters Join Hands
- 07 | Giant Purchase of 117 Aircraft
- 08 | Turkish-Owned Businesses to Multiply in Germany



38 COVER

MORE THAN A CITY

As Turkey increases its global power, Istanbul, a city that has witnessed 8,500 years of history, is in the spotlight as a world hub for business, culture, fashion, and sports. The city collects more titles every year, contributing to the constant rise of its brand equity as a world metropolis.

10 PANORAMA

THE TURKISH MARKET: A MARKETER'S PERSPECTIVE

As one of the rising stars of the global economy thanks to the dynamism provided by its young population and its perception as a safe harbor in stormy times, Turkey presents a welcome investment environment to investors who recognize the opportunities.



12 BRIEFING

12 | TURKISH IS A WORLD LANGUAGE

Turkish is among the top five languages in the world in terms of number of speakers and geographic spread. The number of people who come to Turkey to learn Turkish is growing every day.



15 | TURKEY RIVALS GLOBAL BRANDS IN COSMETICS

Turkey's cosmetics industry has been growing its product diversity and export figures in recent years.

17 | \$20 BILLION TARGET IN TEXTILE EXPORTS

With exports worth \$8 billion in 2012, the Turkish textile industry aims for \$20 billion in exports for the year 2023.

19 | SHOES GET BIGGER

21 | ISPAT TARGETS INVESTORS IN INFRASTRUCTURE

24 | TURKISH AIRLINES SOARS HIGHER

26 | A GLOBAL PLAYER IN THE CERAMICS INDUSTRY

29 | THE ECONOMY'S PULSE BEATS AT THE ULUDAĞ SUMMIT

"Turkey's Davos" welcomed important figures from the world and Turkey. Nearly 1,000 participants attended the meeting at which Turkey's vision for the future was planned out.

33 | ISTANBUL ON THE GLOBAL CATWALK WITH FASHION WEEK ISTANBUL

Istanbul has entered the ranks of the world's fashion capitals through Istanbul Fashion Week, now known as Mercedes-Benz Fashion Week Istanbul in its eighth year.

36 | THE COMING CONTRACTION OF THE GLOBAL ECONOMY AND WHAT IT MEANS FOR REGIONS OF THE WORLD



50 IN DEPTH

50 | THE GOLDEN AGE OF TURKEY'S DEFENSE INDUSTRY

Having made incredible progress since the early 2000s, the Turkish defense and aerospace industry is in its golden age.

56 BRANDS

56 | İPEKYOL ON THE GLOBAL STAGE

Founded 27 years ago, clothing company İpekyol has been growing in Turkey with its new Twist and Machka brands while also focusing on growth abroad.

59 | SOFT AND SWEET

Accounting for more than half of Turkey's exports of gummy candy by itself, Kervan Gıda is multiplying its power in the region with its cooperation agreement with al-Othaim Group of Saudi Arabia.

61 | İNCİ AKÜ ACCUMULATES GLOBAL POWER

With exports to 72 countries through its global branding project, battery maker İnci Akü is preparing to expand its product range with innovative additions as it aspires to enter the ranks of the top ten in the world battery market.

63 | THE EXTRAORDINARY GROWTH OF BİM

As Turkey's retail leader thanks to its discount supermarket and private label product model, BİM now aims to take this model to emerging markets in the Middle East and Africa.

63 | TURKEY'S AWARD-WINNING WATER BRAND

Saka Water began production in 2004 with its factory in Hendek, which is regarded as one of the most distinguished factories in hygiene and technology of not only Turkey but also Europe. Saka Water has now focused



44 OPINION

A GIANT LIES WHERE THE CONTINENTS CONNECT

With the transformation it has been undergoing since the early 2000s, Istanbul is pushing forward at full throttle in its bid to become a financial and world capital. Mayor Kadir Topbaş, who was been at the helm of the city for eight years, discussed Istanbul's transformation and its future with The Turkish Perspective.



50



56



59

its sights on the Middle East, the Turkic nations of Central Asia, and Europe, where it identifies potential to develop.

68 AGENDA

FAIRS, EXHIBITIONS, SUMMITS, AND MEETINGS IN MAY AND JUNE

70 FIGURES

TURKEY'S BASIC INDICATORS

The Turkish Perspective

MANAGEMENT

PUBLISHER ON BEHALF OF TURKISH EXPORTERS ASSEMBLY / CHAIRMAN OF THE TURKISH EXPORTERS ASSEMBLY

MEHMET BÜYÜKEKŞİ

MANAGER IN CHARGE

MUSTAFA MENTE

PUBLICATION BOARD

M. İLKER AYCI, BÜLENT AYMEN, İBRAHİM BURKAY, MUSTAFA ÇIKRIKÇIOĞLU PhD, ALİ NEDİM GÜRELİ, AHMET KELEŞ, TEMEL KOTİL PhD, SAHİN OKTAY, TAHSİN ÖZTIRYAKI, METİN TABALU

PUBLICATION MANAGEMENT

PRESIDENT

SERKAN ÜNAL

GROUP COORDINATOR

MEHMET MÜCAHİD DEMİR

FINANCE COORDINATOR

SELİM KARA

EDITORIAL

EDITOR IN CHIEF

SERDAR TURAN

EDITORS

AYNUR ŞENOL ALTUN, CAN GÜRSU,

NESRİN KOÇASLAN,

HÜLYA KEŞKİN, ALTAN ORHON,

MELEK CEVAHİROĞLU ÖMÜR

DESIGN

DESIGN DIRECTOR

ÖZKAN ORAL

DEPUTY DESIGN DIRECTOR

AHMET ÇELİK

PINAR GÜVEN

PHOTO EDITOR

ŞEREF YILMAZ

CONTRIBUTORS

PROF. İBRAHİM KIRCOVA (PhD)

ELNUR KULİYEV, GÜZİN GÜZEY,

GİZEM GÜZEY, CAN CENGİZ

PRINTING

BİLNET MATBAACILIK BİLTÜR
BASIM YAYIN VE HİZMET A.Ş.

DUDULLU ORGANİZE SANAYİ BÖLGESİ 1. CADDE NO: 16,
ESENKENT - ÜMRANİYE 34476 - İSTANBUL
TEL: (0216) 444 44 03 • www.bilnet.net.tr

1NFOMAG
YAYINCILIK

CONTACT

ttp@infomag.com.tr

www.infomagyayincilik.com

Neither text nor photographs from this publication may be reproduced in full or part without acknowledging the source and securing prior permission from the publisher.

Editorial



MEHMET BÜYÜKEKŞİ
CHAIRMAN (TIM)

EXPORTS AT FULL THROTTLE

With diversifying exports and positive political and economic developments, Turkey is sure to surpass the 4% growth target set for 2013.

THE FACT THAT THE NEGATIVE effects of the global crisis have not yet been overcome, particularly in the US and EU, brings with it the necessity for new precautions. As the world's economies focused its efforts on recovery as of Q4 2012, the US and EU—two of the most important actors in global trade—kicked off a new trade agreement. With the aim of reducing the effects of the economic and financial crisis, the US and EU decided to sign a transatlantic trade and investment agreement. This injected fresh hope into the US and EU while also clearing the way for an FTA between Turkey and the US. In parallel with the agreement the US will sign with the EU, a FTA with Turkey will bring a brand-new dynamic to Turkey's growth with respect to the contribution it will make to trade between the two countries.

In 2012, during which growth generally stagnated especially in developed countries, Turkey's economy enjoyed respectable success. With a 2.2% growth rate in 2012, Turkey was Europe's second fastest-growing economy. Exports were the driving force behind the growth. Reaching \$152.6 billion with an increase of 13.1%, exports added a net improvement of 4.1% to Turkey's growth. Together with the positive developments occurring in exports, we believe Turkey will surpass the 4% growth target set for 2013. According to the trimonthly tendency surveys that we, as the Turkish Exporters Assembly, conduct once every three months, our exporting companies appear to believe that exports will surpass

5% by year-end 2013.

Despite the stagnation in the EU, which accounts for roughly half of exports, Turkey set a new personal record in its exports during 2012. Not only did it grow at a rate of 2.2%, but it also painted a positive picture in employments via new investments, which influenced international credit rating agencies' reports as well. Standard and Poor's announced in its report dated March 27, 2012 that it raised Turkey's long-term credit rating to BB+.

In addition to its positive economic developments, Turkey has garnered worldwide respect for its strengthened political stability, too. The solution process that Turkey launched to end the 30 years-plus threat of terrorism has seized the world's attention. Moody's, the international credit rating agency, stated that should Turkey overcome this issue that stands

before its credibility, its rating would be revised positively. Pointing out that a peaceful environment would increase investor confidence, Moody's noted that Turkey *could* become a center of attraction for foreign direct investment.

As Turkey becomes a country that is drawing the attention of the entire world with its economic and political overtures, its exports continue to increase in parallel. In Q1 2013, exports grew 3.3% to reach \$36.5 billion. We believe it will surpass this year's targeted figure of \$158.5 billion to reach \$160 billion, too. After all, we are continuing our tours to help expand to new markets, which will give us new momentum. Our political leadership is pursuing an active foreign trade policy with businesses in Turkey. This year, within a very short time, TIM organized trade delegations to Africa, Eastern Europe, and the US, under the leadership of our prime minister. Besides these important enterprises, we also had exciting news from the aviation industry in April—Turkish Airlines launched its first flights to Houston. We hope that this development will lead to a significant increase in our exports to the US and to its southern states in particular.





More than 32,000 foreign companies have already invested in Turkey. How about you?



INVEST IN TURKEY

- One of the fastest growing economies in the world and the fastest growing economy in Europe with an average annual real GDP growth rate of 5% over the past decade (2002-2012)
- 16th largest economy in the world with over \$1 trillion GDP at PPP (IMF 2012)
- A population of 76 million with half under the age of 30
- Access to Europe, Caucasus, Central Asia, the Middle East and North Africa
- The 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 600,000 university graduates per year

REPUBLIC OF TURKEY PRIME MINISTRY
INVESTMENT SUPPORT AND
PROMOTION AGENCY



YOUR ONE-STOP-SHOP
IN TURKEY

invest.gov.tr

Content: Turkey Will Be Europe's Strongest Economy by 2050 **P6** Giant Purchase of 117 Aircraft **P7** S&P Raises Turkey's Rating **P7** Turkish-Owned Businesses to Multiply in Germany **P8** New Projects for the Auto Industry **P9** Turkey's Electrical & Electronic Exports Total \$3 Billion in Q1 **P9** **Editor:** Can Gürsu

First

EU NEGOTIATIONS, EXPORTS, MEETINGS, PARTNERSHIPS, TOURISM, BANKING, ELECTRONICS, R&D, MARKETING...

"I believe we will be able to reach this target in the short term through your contributions and efforts."



TURKEY HEADS TO CENTRAL ASIA

Central Asia was very recently at the focus of Turkey's active foreign trade policy. Prime Minister Recep Tayyip Erdoğan, together with Turkish businesspeople, aims to develop economic relations between Turkey and countries in the region.

P RIME Minister Recep Tayyip Erdoğan launched his Central Asia campaign in Kyrgyzstan, his first stop. He was accompanied by a business delegation on a mission to meet with state officials and foster economic relations in Central Asia. To this end, Prime Minister Erdoğan conducted the opening of the Turkish-Kyrgyz Business Forum with Kyrgyz President Almazbek Atambayev and Prime Minister Zhantoro Satybaldiyev in Bishkek. He also

attended the second meeting of the Turkey-Kyrgyzstan High-Level Strategic Cooperation Council. Through these agreements, the "two countries in fraternity and friendship," as stated by Erdoğan, will work more closely together in the future.

In Mongolia, meeting with Mongolian President Tsakhiagiin Elbegdorj and Prime Minister Norovyn Altankhuyag, Erdoğan stated that the trade volume between the two countries is \$36 million at present

and that this figure is planned to be increased to \$250 million in 2015. Turkey exports mostly heaters, radiations, chocolate, and agricultural products to Mongolia, whose own exports are overwhelmingly based on mining and mineral products, accounting for more than 90%, and China is by far its largest customer.

Moving on to Kazakhstan, Erdoğan met with Kazakh President Nursultan Nazarbayev, Prime Minister Serik Akhmetov, and

other officials. Erdoğan declared a goal to increase the volume of trade between the two countries—approximately \$3 billion in 2011—to \$10 billion within a few years. "I believe we will be able to reach this target in the short term through your contributions and efforts," Erdoğan called out to the businesspeople. Turkish investment in Kazakhstan is worth roughly \$2.5 billion, concentrated mostly in oil, telecommunications, pharmaceuticals, chemicals,

banking, food, hotels, health care, textiles, and garments. The projects Turkish building contractors have taken on in Kazakhstan to date add up to more than \$20 billion in value.

Aiming to increase exports through active friendship and cooperation in the region, Turkey will reach new heights in its relations and trade with Central Asia with the revival of the historical Silk Road and the opening of the Baku-Tbilisi-Kars railway in 2013.

ECONOMY

TURKEY WILL BE EUROPE'S STRONGEST ECONOMY BY 2050



PRIOR TO HIS FIRST OFFICIAL VISIT TO SWEDEN, President Abdullah Gül declared in an interview he granted to the daily *Dagens Nyheter* that Turkey will become one of Europe's strongest economies within a decade and its strongest economy by 2050. Answering a question concerning the "cartoon crises" in Europe, President Gül stated that Turkey is a country much like Sweden, only with a different religion, and that attacks on the values of any religion—not only those of Islam—are absolutely unacceptable.

STEEL

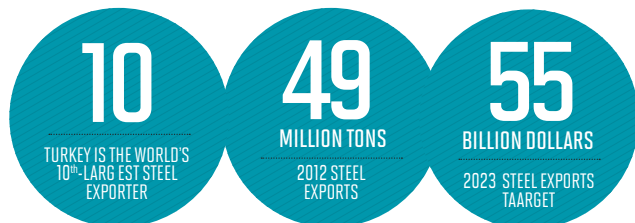
STEEL EXPORTS GAIN STRENGTH

The Turkish steel industry produced 25 megatons of steel in 2009. In 2010, it increased this figure to 36 megatons. Most recently, in 2012, it

exported 49 megatons. These figures are significant indicators of the industry's ability to turn crises into opportunities. Total iron and steel

export volume rose to a value of nearly \$17 billion. Turkey is targeting 85 million tons of steel exports, worth \$55 billion, for 2023.

TURKEY'S STEEL EXPORTS



PARTNERSHIP

TIM AND IRISH EXPORTERS JOIN HANDS

TIM AND THE Irish Exporters Association have signed an agreement to facilitate commerce, technology exchange, and economic cooperation. TIM Deputy Speaker Mustafa Çıkrıkçıoğlu, Irish Exporters Association CEO John Whelan, and Deputy Irish Prime Minister & Foreign Minister

Eamon Gilmore were present at the signing of the agreement, according to which Irish exporters will lobby to relax visa regulations on Turkish business travelers. Turkey's exports to Ireland totaled \$348 million in value in 2012, during which its imports from Ireland totaled roughly \$845 million.



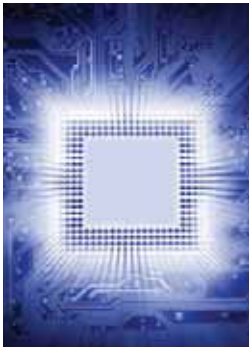
AVIATION

NEW DESTINATIONS

TURKISH Airlines, the airline that flies to the most countries in the world and possesses the world's fourth-largest flight network, is adding more destinations. The airline opened 34 new routes in 2012; for 2013, it is planning 33 new destinations. As its fifth US destination after Chicago, New York, Los Angeles, and Washington,

DC, flights to Houston—scheduled four times weekly—were launched on April 1 as part of the expansion. Additionally, thrice-weekly Istanbul-Aqaba (AQJ)-Istanbul flights commenced on April 3, and Istanbul-Kuala Lumpur (KUL)-Istanbul flights, also thrice weekly, started on April 25. As of June 17, 2013, these flights will take place four times weekly.

ELECTRONICS



DEVELOPING ECONOMIES CONTRIBUTE TO GLOBAL ELECTRONICS GROWTH

JÜRGEN BOYNY, Global Director of GfK's Retail and Consumer Electronics Division, declared that the global electronics market is predicted to grow by 4.1% in 2013. Boyny emphasized that developing Asian countries, including Turkey, are playing a significant role in this growth.

AVIATION

GIANT GLOBE AT HEATHROW

Turkish Airlines is drawing attention from all quarters for the giant globe it has installed at London's Heathrow Airport, one of the world's largest airports. Installed at ICON SITE, the model-aircraft-adorned globe gives all passengers at Heathrow an opportunity to be introduced to Turkish Airlines.

AVIATION

Giant Purchase of 117 Aircraft

Turkish Airlines bought 117 Airbus planes to expand its fleet.



ENTERING THE RANKS of the world's major airline companies with its growth figures, Turkish Airlines has decided to make the largest aircraft purchase in the history of Turkish civil aviation. The decision by Turkish Airlines' Board of Directors entails the purchase of 117 aircraft; namely 25 Airbus A321s, 4 A320neos,

53 A321neos, and 35 A321neos. Turkish Airlines' fleet will thus be growing to a size of 375, including the aircraft that will be added in 2015–2020, cargo aircraft, and the aircraft that will leave the fleet upon the termination of their leases. This will bring the current mean age of aircraft in the fleet down from 6.6 years to 5.

CREDIT RATING

S&P RAISES TURKEY'S RATING

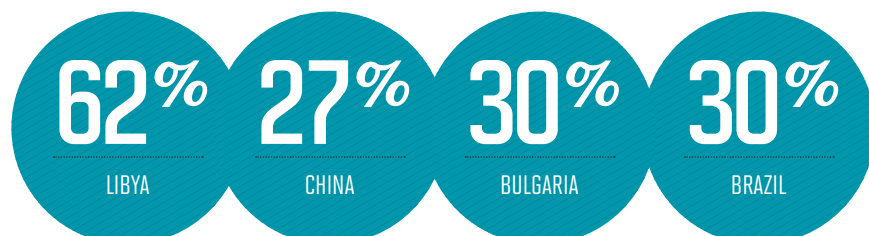
The international credit rating agency Standard & Poor's raised Turkey's long-term credit rating from BB to BB+.

Declaring that the Turkish economy has regained balance, the institution stated that Turkey has become more resilient against potential capital movement. Turkey has reduced its current account deficit, drawing it down to around 6% of GDP, which is highly significant for continued economic growth, S&P announced.



TOP GAINERS AMONG TURKEY'S EXPORT MARKETS IN MARCH

Export figures for March were higher than those for March 2012, coming in at \$12.55 billion.



STOCK EXCHANGES

TURKISH DELEGATION VISITS NASDAQ

Visiting New York with a delegation from the Union of Chambers and Commodity Exchanges of Turkey for Turkey Investment Week, Deputy Prime Minister Ali Babacan visited NASDAQ, America's high-tech stock exchange, as part of the week's activities.

In his speech, Babacan stated that Borsa Istanbul has entered operations and that closer relations will be established with NASDAQ from now on. Twenty-eight Turkish companies are traded on NASDAQ, he added, after which he rang the exchange's closing bell with TOBB Chairman Rafat Hisarcikloğlu. The ceremony was watched live from a giant screen on Times Square by thousands of New Yorkers and tourists.

EXPORT

RUSSIA CLEARS TURKISH DAIRY AND WATER

The Turkey-Russia Joint Economic Commission meetings were held with the attendance of Turkish Minister of Energy Tamer Yildiz and his Russian counterpart, Aleksandr Novak. One of the most important outcomes of the meeting was the lifting of the ban on Turkish dairy and water exports to Russia, which had been in place since Soviet times. Close to 20 Turkish companies will soon be able to start exports to Russia.

EXPAT BUSINESS



TURKISH-OWNED BUSINESSES TO MULTIPLY IN GERMANY

Minister of Economy Zafer Çağlayan said the number of Turkish-owned businesses in Germany will rise to 120,000 by 2015.

More than three million Turks live in Germany, where they contribute significantly to the country's economy, said Çağlayan. There are 72,000 Turkish-owned businesses in Germany, he said, and he added that the total revenue of these businesses is €40 billion. These companies are a source of pride for Turkey, said the minister. By

2015, the number of Turkish-owned businesses is expected to rise to 120,000 and employ an estimated 700,000 people. Germany ranks as Turkey's top export recipient and it is the second largest supplier of imports to Turkey. The total volume of trade between the two countries is roughly \$34 billion, said the minister.

DONATIONS

TURKEY BECOMES A DONOR COUNTRY

Speaking at the Uludağ Economy Summit, Deputy Prime Minister Ali Babacan declared that Turkey has become a donor country, last year donating \$1.3 billion in cash donations to other countries. Credit provisions are not considered as part of this figure, highlighted Babacan—“We don't consider credit as donation. But if we are subsidizing credit, we mark the subsidized portion as a donation.” Foreign relations must be given greater emphasis in the coming term, the minister emphasized: “Exports, exports, exports,” he exclaimed.

AUTOMOTIVE

Turkish Auto Industry Heads to Russia



The Uludağ Automotive Industry Exporters' Association of Turkey was the primary sponsor this year of the 16th Russian Automotive Forum, the most important event catering to Russia's \$40 billion-plus auto market. Orhan Sabuncu, the association's chairman, stated that Russia wishes to develop its auto industry,

and that the association in turn wishes to be an active part of this market. Auto exports to Russia totaled \$283.1 million in 2009; in 2012, this figure reached \$940.5 million. Experts say there is a great gap to be filled in the auto parts and components industry in Russia and that Turkey has the manufacturing capacity to fill this gap.

ELECTRONICS

TURKEY'S ELECTRICAL & ELECTRONIC EXPORTS TOTAL \$3 BILLION IN Q1 2013

The export of the Turkish electrical/electronic and IT industry reached \$3 billion in Q1 2013. The highest growth in exports was to the Middle East and the Turkic nations of Central Asia. Increased activity in Eastern European countries was also observed. Turkish exporters declared that they will assume in the second half of the year a more active role in the Africa, Australia, and New Zealand markets, in which they identify significant potential.

STEEL

STEEL EXPORTS GAIN STRENGTH

The Turkish steel industry produced 25 million tons of steel in 2009. In 2010, it increased this figure to 36 million tons. Most recently, in 2012, it exported 49 million tons. These figures are significant indicators of the industry's ability to turn crises into opportunities. Total iron and steel export volume rose to a value of nearly \$17 billion. Turkey is targeting 85 million tons of steel exports, worth \$55 billion, for 2023.

AVIATION

Airline of the Year



ASSESSING THE growth figures of international airline companies, *Air Transport News* magazine declared Turkish Airlines as the Airline Company of the Year at the 2013 Air Transport News Awards. Turkish Airlines President and CEO

Temel Kotil, PhD received the award at the ceremony held in Montreal. In addition, Istanbul Ataturk Airport operated by TAV was selected as the 'Airport of the Year' and Çelebi Aviation Holding as the Ground Handling Services Company of the Year.

AVIATION

THE AVIATION INDUSTRY IN TURKEY

According to a report compiled by Oxford Economics, Turkey's aviation industry contributes TRY 10.4 billion to the country's GDP, or accounting for a 1.1% share of total revenues. The industry provides 204,000 jobs in Turkey and contributes to the economy by paying TRY 946 million in taxes annually. This contribution is likely to grow as the industry recovers from a number of years in which many firms suffered losses. Indicatively, it is estimated that a further TRY 1.2 billion in taxes can be raised through the indirect channels that constitute the aviation supply chain (TRY 819 million) and channels subsidized by taxes on aviation industry and supply chain spending (TRY 375 million).

AUTOMOTIVE

New Projects for the Auto Industry



Zafer Çağlayan, Mehmet Büyükeksi, Orhan Sabuncu, and Ömer Burhanoglu Gave Their Support to the Auto Industry's R&D Project Market and Design Competition.

An array of diverse projects appeared in the 2nd R&D Project Market and Automotive Component Design Contest for the Automotive Industry of Turkey, a competition organized by the Uludağ Automotive Industry Exporters' Association (OİB) with the coordination of TIM and the patronage of the Ministry of Economy. The contest

was held to support the conversion of the labor and knowledge of young thinkers into value, and it emphasized the significance of R&D on a national scale. OİB Chairman Orhan Sabuncu stated that the industry is in a leading position in R&D but it should not settle for these successes alone; instead, it should aim higher, he said.

Panorama



BY PROF. İBRAHİM KIRÇOVA, PhD

THE TURKISH MARKET: A MARKETER'S PERSPECTIVE

As one of the rising stars of the global economy thanks to the dynamism provided by its young population and its perception as a safe harbor in stormy times, Turkey presents a welcome investment environment to investors who recognize the opportunities.



WITH A RELATIVELY YOUNG POPULATION compared to other markets, a dynamic economy, and a consumer base that enjoys the act of consuming, the Turkish market is among the most attractive markets in the world. The economic performance ratings supplied by international rating firms in recent times are a testament to this. Managed with careful attention to the parameters of inflation, interest, and the current account balance, and exhibiting a healthy appearance in a period of ongoing crisis in Western countries, Turkey's economy has become a target market for companies worldwide. Numerous investors are attempting to enter the Turkish market directly and through indirect investments. Considering the potential of the Turkish market and the markets in its region, there are important opportunities

to be seized. It would be misleading to say the Turkish market is only a market of 73 million people—with the other countries in the region, one could say the market is as large as 100 million. Furthermore, analysis of this sizeable market clearly shows that sound actions will result in fast, profitable returns.

WHICH INDUSTRIES ARE ATTRACTIVE?

Viewed in terms of potential opportunities, there are major gaps in almost every industry in the Turkish market. It is clear that companies investing in banks in the finance and insurance sector. Besides the finance sector, which ranks perhaps first among Turkey's most developed sectors and industries, significant opportunities are visible in the fields of health care, education, tourism, and consulting. The growth rates of companies in these industries

are indicators of this. Furthermore, it is a fact that the present companies in the market operate only in certain hubs, leaving them unable to reach a significant portion of the market.

Considering the inadequacy of existing distribution channels, it is very clear that there are significant deficiencies in transporting agricultural and fast-moving consumer goods from the point of production to the market, which presents significant opportunities to potential investors. Additionally, thanks to the unique nature of the country's flora and fauna, there are green fields in organic food, which has entered widespread use in Western countries in recent years, and natural products marketed with an emphasis on healthy living. It is worth noting that domestic production of meat and dairy is far from capable of satisfying even just the needs of the internal market.

Alternative energy sources, recycling, and recycling technologies are new, little-explored areas for Turkey. The market offers incredible opportunities to companies with expertise in these fields. The number of companies that use technologies for the reuse and recycling of organic or chemical waste at present is extremely low.

Additionally, there are many not-yet-institutionalized SMEs that hold shares in markets in Turkey and abroad; wish to grow profitably, enter new markets, use new technologies, and produce different kinds of products; and are seeking foreign partners that will serve as mentors and add value. In recent years, especially in the automotive parts and components industry, many companies have merged with foreign partner companies or established partnership through stock sales with the aim of expanding to different markets.

THE MARKET'S CHARACTERISTICS

As soundly recorded statistical information is a relatively recent concept for Turkey, companies that wish to learn more about the market are unlikely to find what they seek easily. Even if such fundamental demographic information on gender, age, education, professions, households, and incomes is found, it is difficult to obtain behavioral data that analyzes the effects these have on purchasing habits. However, unlike the markets of most countries, Turkey's markets can be easily understood using a different strategy—first, one should know that the Turkish people are highly interested in innovations, new technologies, and new products. Many purchased products are replaced while they are still usable. Smartphone usage in Turkey, which is one of the fastest-growing mobile communications markets of Europe, is higher than all other countries in Europe. There is a lively and dynamic market in auto sales as well. Close to half of the population in Turkey has access to the Internet, and this population is known as an eager participant in social networking, with more than 32 million active Facebook users. Consumer demand for new products and services due to the acceleration of rural migration is also

increasing continually. Another key point in the Turkish market is the lack of capable, expert firms in the services sector especially. Among the characteristics of Turkish consumers are a disinclination toward thriftiness, ease in deciding on purchases, and a high level of impulse purchasing. Word-of-mouth marketing is one of the most widespread marketing methods in Turkey, where the rich oral culture overshadows written communications. Metropolitan consumers are growing more and more brand conscious. Having recognized the advantages supplied by brands, consumers are increasingly tending toward well-known ones. Rural consumers, on the other hand, are more sensitive to pricing. One would be hard-pressed to find a consumer base that responds so strongly to promotional purchasing incentives. Even miniscule rewards are capable of driving sales.

Another quality of Turkish consumers is their lack of prejudice. Easily convinced, naïve, and disinclined toward providing feedback on their purchases, Turkish consumers tend to prefer foreign brands to domestic brands. However, progress on the part of Turkish brands in after-sales services, service networks, warranties, and spare parts have made them more competitive. Turkish consumers tend to view German, British, and American wares very positively. Brands from Japan and South Korea have become warmly regarded as of late also. The negative perception of Chinese-made products, on the other hand, persists.

Another important point for foreign companies considering investing in Turkey is the fact that a very high number of SMEs operating in the country are family owned. Family-owned companies generally have the ability to act and respond quickly thanks to their flexible, dynamic natures. These companies tend to expand their horizons especially within the

second family generations of company management, which are inclined to seek partners for operations in international markets. Many firms have made significant progress and established partnerships with foreign firms in this area.

INVESTMENT SUPPORT

While the incentives system may be complex and difficult to comprehend, there exist numerous instruments of support, both direct and indirect, for companies that wish to invest in Turkey. The soundest path that companies with a desire to use these incentives could follow is to act with the support of a local company or to receive support from a consultancy. With aims to utilize its capacity in the various subfields of the services sector, Turkey has put into place significant incentives for health care, education, and cinema industry activities that draw foreign currency into the country.

As such, Turkey, being one of the fastest-growing actors in the global economy, is an attention-worthy investment option for wise, perceptive investors.

Smartphone usage in Turkey, which is one of the fastest-growing mobile communications markets of Europe, is higher than all other countries in Europe.

Content: Turkey Rivals Global Brands in Cosmetics **P15** \$20 Billion Target in Textile Exports **P17** Shoes Get Bigger **P19** ISPAT Targets Investors in Infrastructure **P21** Turkish Airlines Soars Higher **P24** A Global Player in the Ceramics Industry **P26** Uludağ Economy Summit **P29** IFW **P33** The Coming Contraction of the Global Economy **P37** **Editors:** Can Gürsu

Briefing

COSMETICS, TEXTILES, SHOES, INVESTMENT, AVIATION, CERAMICS, SUMMIT, FASHION



The number of people coming to Turkey to learn Ottoman Turkish, the predecessor to modern Turkish, is increasing annually.

TOURISM

TURKISH IS A WORLD LANGUAGE

Turkish is among the top five languages in the world in terms of number of speakers and geographic spread. The number of people who come to Turkey to learn Turkish is growing every day.

BY E. MELEK CEVAHİROĞLU ÖMÜR

WHEN PEOPLE who recognize the importance of being multilingual learn a language, they may eventually want to become familiar with the culture of the language on holiday. This is called language tourism. Many language centers in Turkey teach foreigners from all over the world Turk-

ish, take them to historic and touristic locations, and provide a holiday at once. Research has shown that being a student in Turkey is most popular reason to learn Turkish, accounting for 98% of cases. Increased economic relations with the effect of globalization and competition in business also trigger

the demand for Turkish instruction. TÖMER, a unit within Ankara University, was the first institution to provide education using modern techniques, which became more widespread particularly after 2001 was declared the European Year of Languages. Later, Turkish language centers were

opened as part of the collaborations with universities done as part of the Turkish studies efforts launched by the Turkish Cooperation and Coordination Agency (TİKA). Spreading to private educational institutions over time, Turkish language instruction has become a burgeoning industry.

IMMERSION LEARNING

For years, people who wish to learn English have been advised to travel to Anglophone countries. Immersion learning, a popular method abroad, caught the attention of Turkish investors. In response to rapidly growing demand, they rolled up their sleeves to provide Turkish language instruction in Turkey. Slowly, the industry started producing trustworthy institutions with the capability to satisfy foreign students' demands. Cihad Özer, who is in charge of Royal Education Center in İzmir, says they work with great fastidiousness and adds, "We have established contact and signed agreements with large, distinguished language tourism agencies abroad. Today, we are working with more than two hundred language education agencies abroad in more than fifty countries and with more than forty language tourism oriented websites."

THE BOOKS ARE READY

Academics at universities are producing articles and textbooks for learning Turkish as a foreign language. TÖMER put together a set of books to use in its programs. Likewise, TİKA had a language learning set put together too, an eight-volume series with basic, intermediate, intermediate-advanced, and advanced levels, titled "Güneş—Türkçe Öğreniyoruz," which has become an important source in teaching Turkish as a foreign language. Besides works by several university faculty members, such as "Yabancılar İçin Türkçe Dersleri" (Can, 1983) and "Yabancı Dil Olarak Türkçe Dil Bilgisi Öğretimi," there are also books that private organizations have put together to teach Turkish to foreigners. The intent is to satisfy the demand emerging with the momentum that



Turkish as a foreign language has gained in recent years.

UNIVERSITIES LEAD THE WAY

Universities are the leading institutions in teaching Turkish as a foreign language. Istanbul University, Ankara University, and Hacettepe University are the schools that come to mind first. Private instruction centers serve as consultancies of sorts. Taught by expert teachers, these courses, which attempt to satisfy all student needs from being greeted at the airport to accommodation, residency permits, and opening local bank accounts, aim to provide European-quality education. Cities with high touristic capacity, especially Istanbul and İzmir, are popu-

Turkish language instruction for foreigners based on modern techniques was launched after 2001 was declared "European Year of Languages."

lar choices for students taking these classes, which try to charm the students through the local culture.

TURKISH FOR ALL AGES

Students generally stay with host families. They are able to test their Turkish in practice during meals and free time spent with the families. Some students prefer to stay in hotels or apartments. Their ages range from 18 to 73. Cihad Özer says staying with a host family increases success rates in language learning by 80%. "When many of our guests return to their countries, they keep up contact with their families. Some have such lovely memories with their families that they return to their countries tearfully."

OTTOMAN TURKISH REVIVAL

The number of people coming to Turkey to learn Ottoman Turkish, the predecessor to modern Turkish, is increasing annually as well. Harvard—a prominent center for Ottoman studies—opened the world's first Ottoman Turkish summer school on Cunda Island in Ayvalık, Balıkesir, welcoming students and academics involved in Ottoman and



Turkic studies from universities all over America and Europe. Opened in association with Koç University and the Turkish Cultural Foundation, the school also offers classes in Ottoman economic history, architecture, music, and culture. Among the reasons Cunda was selected as the school's location are its status as one of Turkey's notable touristic locations and the high potential offered by its historical heritage.

LEARNING ENGLISH IN TURKEY

Today, language instruction in Turkey has been brought up to a professional level. An interesting step has been taken in the country with regard to English instruction, too—summer camps with intensive English courses have started to appear. Boosting language tourism and traditional sea-and-sunshine tourism alike, these summer camps teach English to foreign visitors. Participants (mostly from Arab countries, the Turkic nations, and Europe) stay with English-speaking host families in the region. Among this group are not only middle school and high school students but also academics, actors, musicians, and many other kinds of professionals from abroad. Demand for these schools, which are widely dispersed in Ölüdeniz in Fethiye, Antalya, and the southern coast, is driven especially by citizens of countries that have visa waiver agreements with Turkey. Concentrated in the touristic paradise that is Fethiye, these language schools provide the opportunity to learn English and gain exposure to different cultures in a multicultural environment composed of students from many different countries on campuses nestled in the deep green and blue of the region, with instruction being provided exclusively by



Research has shown that being a student in Turkey is most popular reason to learn Turkish, accounting for 98% of cases.

British nationals and featuring abundant use of visual materials.

With Turkey's growing role in the global market and the EU accession process, the value of Turkish is expected to increase even more. EFINST Language School General Manager Bora Gündüzyeli expressed his

thoughts on this matter as follows: "Since the day it was founded, EFINST has always chosen to be a legal institution and to operate in connection with the Ministry of Education, as prescribed by the law, and it has been meticulous about selecting all of its staff to this end."

Instruction quality at the courses opened with Ministry of Education accreditation is rising each day in parallel with increased demand and R&D efforts conducted by educators and academics. Today, many schools and educators are leading efforts to bring standards to teaching Turkish as a foreign language. These could increase the competitiveness of Turkish instruction and learning compared to other languages. Taught mostly to foreigners living or studying at universities in Turkey until recently, Turkish is now entering the field of interest of people who live in other countries and wish to employ the language for professional benefit as well.

		
CİHAD ÖZER	ERTAN GÖKMEN	BORA GÜNDÜZYELİ
Royal Turkish Education Center	TÖMER, Ankara University	EFINST Education Group
I think one mustn't view the foreign guests as mere sources of income. Our priority is to provide our guests with the best service and to show them our language and culture as best as possible. Two months after we started offering Turkish language instruction for foreigners, our first guests were two elderly ladies from Germany. Each year, our enrollment has increased two or threefold over the previous year. Our enrollment for the first quarter of 2013 was markedly above our expectations.	Providing services in 16 languages to 55,000–60,000 students every year, TÖMER is Turkey's largest language school and a pioneering institution in the field. Turkish ranks second among the languages taught at TÖMER, after English. Since only foreigners learn Turkish, this paints a highly significant picture for TÖMER and Turkey that is worthy of pride. In 2012 alone, 54,509 foreigners from 156 different countries learned Turkish.	Following domestic and international developments and news concerning language instruction in both its own industry and all other industries to establish its own standards, EFINST carries out its operations with a focus on need. Turkish instruction is EFINST's starting point. Research concerning the instruction of Turkish using modern language instruction methods has been part of our agenda since day one.



COSMETICS

TURKEY RIVALS GLOBAL BRANDS IN COSMETICS

Turkey's cosmetics industry has been growing its product diversity and export figures in recent years.

BY NESRİN KOÇASLAN

MANY OF THE MOST recognized cosmetics brands in Turkey are foreign brands that produce in Turkey through licensing agreements and partnerships. However, there are many important domestic producers of cosmetics that export their products, too. Especially with the increased demand for natural products in recent years, these brands have been gaining prominence—among them are the likes of Evyap, Eczacıbaşı, Hunca Kozmetik, Canan Kozmetik, Kurtsan İlaçları, Kopaş Kozmetik, Aromel Kozmetik, Hobi Kozmetik, Kosan Kozmetik, Erkul Kozmetik, Biota Bitkisel İlaç ve Kozmetik Laboratuvarları, Rosense Kozmetik, and Lider

Kozmetik. The Ministry of Health's electronic records show there are 2,659 companies in the field. Furthermore, Fitch's credit rating increase is expected to cause both the number of companies to increase and exports to rise to \$2 billion over the next five years.

WORLD-CLASS PRODUCTION

The Turkish cosmetic industry's export figures indicate gradual improvements in quality and near world-class production. İKMİB Chairman Murat Akyüz says, "The cosmetics industry is growing 10 percent on average every year." The current market is worth \$3 billion, according to Akyüz. Pointing out the important developments that



Skin care products account for 30% of the world trade in cosmetics. With 23% and 9% respectively, perfumes and hair care products are the products that account for the largest shares.

have occurred especially over the past five years, Akyüz emphasizes that companies are a lot more successful now at developing innovative products. Many Turkish firms that now hold such certifications as ISO-9000 and ISO-14001 in the cosmetics industry now value environmental consciousness in producing their wares. Furthermore, according to the REACH regulation that will be enforced in the EU as of July 11, 2013, the chemical ingredients in products will be controlled as well. In connection with all these developments, and with the development of the awareness that cosmetics needs in the years ahead, exports are expected to gain momentum. Barring shrinkage in 2009, which was influenced by the crisis that emerged in Q4 2008, Turkey's cosmetics exports are increasing constantly. Akyüz says, "Turkey occupies a significant position in terms of the export of cosmetics. Our exports to many locations, from the Europe to the Middle East, are increasing rapidly. Last year, \$1.87 billion's worth of cosmetics exports took place. In the three years ahead, we aim to increase this figure to \$2 billion." This increase is 12.8% according to data for 2011. Of the \$509 million total exports, Iraq accounts for \$80 million, Iran \$56 million, and Russia \$36 billion. Azerbaijan, Germany, and Romania account for the bulk of the remainder. Shaving products and deodorants rank first in market share, as indicated by the \$219 million exports in 2011, which contained an increase of 7% over the previous year. Second place belongs to makeup and skin care products, which increased by 30% to \$125 million. Third is hair products, which increased by 12% to \$118 million.

CLOSE MONITORING

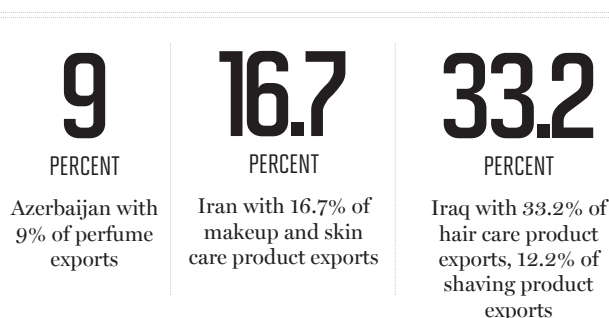
"We are observing activity in Eastern European countries in the recent term, too," says Murat Akyüz, according to whom the Turkish cosmetics industry has placed Poland under careful watch. He also states that South America is being monitored closely by Turkish companies on account of its \$46 billion market. Brazil and Mexico rank as the most important countries for cosmetics in the continent. Colombia follows the two with a \$3.5 billion market. In terms of cosmetics spending per capita, Venezuela ranks first among Latin American countries with \$387 per person. This figure is around \$310 for Colombia and \$210 for Peru. Chile and Uruguay also present important potential for Turkish cosmetics firms, says Akyüz. Especially following the FTA signed with Chile, the lack of customs taxes provided a great advantage to Turkish firms in entering the market. Other markets with potential for the industry could be listed as Central Africa, South Africa, and East Asia.

COSMETICS A RAPIDLY GROWING MARKET

Eczacıbaşı Hygiene Products Foreign Sales Director Hakan Gündüz says, "The cosmetics market is a market in which very many companies offer products." The cosmetics industry's market share in Turkey has been continually rising since 2009. The reduction in the young population and the corresponding increase in demand for anti-aging cosmetics, increased interest on the part of men toward products combating male pattern baldness, and more men who are concerned with their appearance contribute to increased activity in the industry. The industry's imports in 2010 totaled \$590 million; in 2011, it increased by 8.5%, a testament to the above. France,

IMPORT AND EXPORT FIGURES

According to data from the Ministry of Economy, Turkey's cosmetics exports can be ordered by the top recipients as follows:



According to data from the Ministry of Economy, Turkey's cosmetics imports can be ordered by the top senders as follows:



one of the leading countries in cosmetics, is unsurprisingly the leader in Turkey's cosmetics imports, accounting for \$138 billion worth. France is followed by Germany with \$111 million, Poland with \$86 million, the UK with \$45 million, and the US with \$43 million. Beauty and skin care product imports are the most popular in Turkey, due to the reasons listed above. In connection with increased demand, there is visible growth in the number of companies that export to Turkey—numbering 857 in 2009, these companies grew to 1,018 in 2010 and 1,430 in 2011. Rebul Kozmetik Exports Manager Cihan Bayraktar believes advertising contributes significantly to the brands' investments. Besides advertising, such branding investments as sponsorships, social outreach projects, and promotional activities in places with high concentrations of consumers are important elements in promoting Turkish brands, he says.



MURAT AKYÜZ
Chairman, İKMİB

Competition today has increased relative to the past. It's not as easy to seize a share of the world markets as it once was. We, as Turkey, must act quickly, support our exporters in every respect, and be quick especially about innovation and branding. If we can exploit the shifting tendency in the global economy from west to east, I believe we will be able to achieve our target of becoming one of the world's ten largest economies by expanding our products and innovative solutions offered.



HAKAN GÜNDÜZ
Hygiene Products Foreign Sales Director, Eczacıbaşı

As of 2012, we have been exporting to a total of 53 countries. We want to enter the Central and South American markets. As Eczacıbaşı Hygiene Products, with the care we show toward the production quality of our products and the selection of raw materials, we follow the latest developments in the world and use quality raw materials that we obtain from trustworthy suppliers. As Eczacıbaşı Hygiene Products, we present to the market wet wipes, pocket wet wipes, and medical, infant, and personal care products to the market under the brands Uni, Uni Baby, Uni Wipes, Uni Comfort, Premax, Unimed, and Şelale.



CİHAN BAYRAKTAR
Exports Manager, Rebul Kozmetik

The Turkish cosmetics market is a challenging market where decisions to change are made very rapidly, different products are released every day, and price competition is at maximal levels. Thanks to our sales, marketing, and export teams that constantly monitor the markets, customer demands, and changes in the world, we are in efforts to maintain our current hold over the market. We always try to keep customer satisfaction and product quality at the highest level. We are trying to take hold in consumers' memories by diversifying our product range and expanding our presence on the shelves. Another matter we place importance on is obtaining the rights of our brands and packaging in the countries involved.



TEXTILES

\$20 BILLION TARGET IN TEXTILE EXPORTS

With exports worth \$8 billion in 2012, the Turkish textile industry aims for \$20 billion in exports for the year 2023.

BY GIZEM GÜZEY

WITH ITS PROXIMITY to export markets and potential in cotton production, the ready-to-wear and textile industry in Turkey is highly important to the country's economy, especially with respect to its strategy of growth based on foreign trade. Turkey, which ranks among the world's largest cotton producers, is Europe's third largest exporter of textiles with \$8 billion in exports. In 2012, \$7.85 billion in textiles and raw materials was exported in total. In Q1 2013, exports increased by 10% to \$1.34 billion in textiles and by 11% to \$2.81 billion in ready-to-wear clothing. According to data released by the textile industry for Q1 2013, Russia, Germany, and Italy are the top recipients of its exports. The textile and

textile raw materials industry is expected to contribute \$20 billion toward the \$500 billion export target set for 2023, the centennial of the declaration of the Republic of Turkey, by the country, which has been reaching its export targets despite the global economic crises besetting the world in recent years.

Accounting for 6% of the country's total exports, the textile industry exhibited growth of 9.6% over the first few months of 2013. Turkey ranks fourth in global ready-to-wear clothing exports with a 3.5% share in the market and as the eighth-largest exporter of textiles with a 3.5% share. Consumption tendencies suggest that exports will reach a volume of \$470 billion in 2015 with reduced produc-

tion in developed markets and increased consumption.

Istanbul Textile and Raw Material Exporters' Association Chairman İsmail Gülle and Sun Holding Chairman Sabri Ünlütürk are providing support to the process of turning the input supply strategy's textile-industry efforts and their outcomes into plans for action. The Ministry of Economy's Directorate of Exports' export-oriented production strategy and the report based on this strategy states an aim to have more of the value-add from cotton, which occupies an important place in the supply chain for Turkey's textile and ready-to-wear industries, remain in Turkey. Lower dependency on imports is expected to increase the sustainable global competitive

The textile industry has set a \$20 billion export target for 2023.

ability of industries known for the continuity of supply and security.

İbrahim Burkay, Chairman of the Uludağ Textile Exporters' Association, states that the industry is quite successfully posting surpluses in foreign trade, in general. Industry imports are based on five primary product groups; namely cotton, cotton thread, synthetic and artificial short fiber, and synthetic and artificial filaments. "Our main intent with the input supply strategy is to bolster supply diversity domestically for products that involve high levels of intermediate goods imports, thereby having financing cycle back to domestic producers and also creating a problem-free supply chain. One reason our textile industry is a strong industry is that we, as a country, have had the power to supply our own intermediate goods. If we reduce our dependency on intermediate goods imports, we will have strengthened integration, in turn strengthening continuity and trust in production and exports," says Burkay. He highlights the fact that the input supply strategy action plan addresses such important matters as overdependence on certain countries and regions in input supply, eliminating risks connected to natural resources, incentivizing investments in intermediate goods that are highly imports-dependent at present, strategic approaches in public purchases, and the encouragement of domestic purchasing.

TECHNOLOGICAL INVESTMENTS AND R&D EFFORTS ARE IMPORTANT

Exporters are of the opinion that their industry must maintain and improve its existing

competitive ability in order to preserve and continue its leading role in the country's economy. Sabri Ünlütürk believes that the establishment of R&D and innovation centers, created in cooperation with textile enterprises in regions where they are clustered, should be supported. İbrahim Burkay, meanwhile, indicates that innovative efforts not only in the industry but also in all areas of the economy are factors that radically change societies' political, military, economic, and daily lives, even. "Our country needs to improve the successful growth spurt it has achieved in the 21st century through even more innovative projects in the years ahead to fuse growth and development. And this will happen through per-industry efforts on the basis of innovative R&D and design. We cannot neglect innovative R&D and design, one of the fundamental factors of economic growth and international competition, because economic growth may not



According to the WTO, the EU alone supplies 30% of the needs of the global textile and ready-to-wear market, corresponding to 31% of its trade volume. China and Hong-Kong follow with 24% and 11.4% respectively. Turkey, with a 3.9% share, ranks fourth in the global market.

always lead to development. What is understood by the term 'economic development' is long-term sustainability of the growth. Many analyses have shown that the fundamental factor triggering development and progress is R&D and design. To achieve growth at a high rate, we must concentrate all our efforts on undertakings that will increase total factor productivity," he says, and continues to explain, "Innovation has three primary components—science, technology, and design. While the cost of design in the process is around 5 percent, its contribution to sales value is around 70 percent on average. The way for our country to improve its current account deficit situation and strengthen certain other weak areas is through increasing factor productivity in all areas. And the way to increase factor productivity for textiles and all our other industries is through innovation, science, technology, and design."

With its investments and the

export value it possesses, the industry is clearly one that will maintain and increase its importance in the future. Recognition of the importance of R&D and design and acting accordingly, together with cooperation among stakeholders in the industry, will further bolster the industry's export value to the country's economy.

TEXTILE AND ACCESSORIES FAIR BOOSTS EXPORTS

The Texbridge Textile and Accessories Fair in Istanbul, in its fourth edition this year, will be welcoming participants from such countries as the Netherlands, Egypt, the UK, Austria, Ukraine, Italy, Portugal, Pakistan, and India. The fair provides a boost to the industry's efforts to reach its upcoming targets. CNR Holding CEO Cem Şenel says the fair will serve as a lever to increase the industry's exports. TIM Chairman Mehmet Büyükekşi states that the textile industry will reach its \$20 billion export target for 2023 in the case that it continues to value R&D, innovation, branding, design, and fairs as it has been doing so far. The fair itself, according to İbrahim Burkay, is nearing its goal of becoming one of the world's most important fairs in the field through its rich content. In his written analysis of export figures for March, Burkay declared that the Uludağ Textile Exporters' Association is striding confidently toward its annual export target of \$1.4 billion as it guides the textile industry through such global-scale events as the International R&D Project Market and Texbridge. The fair is also significant as a platform for developing mutual cooperation, with one such example being the memorandum of understanding signed between the Lithuanian Apparel and Textile Industry Association and the Uludağ Textile Exporters' Association.



İSMAİL GÜLLE

Chairman, Istanbul Textile and Raw Material Exporters' Association

Even if the industry's position in Turkey's export performance drops a little in the next decade, the value-add it creates will increase. Naturally, it will become an industry that will be much more important in terms of the foreign trade balance. Fashion and branding will remain as powerful methods for developed countries' textile industries, and companies will pay at least as much attention to the functionality of their products as they do to their quality. Price-centered competition will occasionally be overshadowed by functionality and environmentalism, and new competitive paradigms will take hold in the global market.



İBRAHİM BURKAY

Chairman, Uludağ Textile Exporters' Association

Our industry has the potential to conduct textile exports worth more than \$20 billion within the framework of a product range with high value-add and trendsetting power by the year 2023. We view the next five years for our industry with confidence as well. Today, we are in a position where we can sell products to China, take over Italy's determining role and fame in fashion, and serve as an example to the other industries in our country through our projects, and hopefully we will continue as thus.



SABRİ ÜNLÜTÜRK

Chairman, Sun Holding

The most alluring market in the coming term will be the multifunctional smart textiles market. For this reason, Turkey must start researching and developing these products. It must place importance on original design, quality, productivity, the improvement of marketing and distribution capabilities, and the production of products targeting high-class fashion, as well as the research, development, and production of multifunctional technical textile products. The presentation of multifunctional products with high value added and innovations should be facilitated through increasing the use of advanced technology while preserving the environment.



SHOES

SHOES GET BIGGER

The Turkish shoe industry has grown significantly since 2002, presenting a shining export performance with a 20% annual increase. Having set a \$1.5 billion export target for 2023, the industry is preparing to secure for itself a solid position in the world market.

BY NESRİN KOÇASLAN

FROM THE DECLARATION of the Republic to nearly the 1950s, bespoke shoes were the norm in Turkey, where they would be produced by cobblers in side-street workshops. There was also the one public institution that produced shoes, the Sümerbank Beykoz Leather and Shoe Industry Establishment. Consumers buying shoes back then would only order or buy the shoes they needed, wearing them for many years until they wore out. After the 1950s, the shoe industry started to industrialize, and with this consumer expectations and

habits started to change as well. The industry quickly produced more shoes in different varieties as many local brands started to emerge. The foreign expansion and export incentive policies of the post-1980 governments worked to the advantage of the shoe industry, too, and the industry began producing shoes for the international market as well.

Still, it was not until circa 2002 that the industry became fully organized. According to data from the Ministry of Economy, the industry's \$131.8 million export in 2002 went up to \$552



Russia is one of the most important markets for shoe exporters. It is followed by Iraq, Saudi Arabia, and Germany.

million in 2011. Despite all this progress, however, the Turkish industry did not have its desired share of the world market. Ranking 27th with a 0.4% share in global exports, Turkey has high targets for the future.

**\$650
MILLION**

2013 EXPORT
TARGET

**\$650
BILLION**

2015 EXPORT
TARGET

**\$1.5
BILLION**

2023 EXPORT
TARGET

The industry aims to contribute \$1.5 billion to the \$500 billion export target for 2023, the centennial of the Republic. Hüseyin Çetin, Chairman of the Shoe Industrialists' Association, says Turkey's capacity is more than enough for this target and that the shoe industry could even surpass it. "As overall exports in

Turkey increased by 12.6

percent, the shoe industry increased by nearly twice that, with 22.8 percent. For this reason, the way before the industry is clear..."

The industry aims to end 2013 with \$650 million in exports, corresponding to a 20% increase. The industry's greatest supporter toward this target is Russia, which accounts for 20% of Turkey's total exports. Russia is followed by Iraq, Saudi Arabia, Germany, and Italy. To increase exports, says Çetin, they are focusing on international fairs and exhibitions. Information from the Ministry of Economy indicates that the UK, France, and the Netherlands have become important export markets as of late, too. The US and Japan, which import great quantities of shoes and have high buying power and stability, have been gaining



The shoe industry aims to contribute \$1.5 billion to the envisioned \$500 billion export target for 2023.



LEMI TOLUNAY

Chairman, Istanbul Leather and Leather Products Exporters' Association

According to figures for 2012, the world trade in the leather and leather products market was worth roughly \$210 billion. The shoe industry accounts for a 52% share of this. Therefore, the production and export of shoes is an extremely important matter. But the shoe industry in Turkey has only just started to appear on the world stage. It took some time for Turkey to enter the shoe market over the past four or five years and for the formation of the image of Turkish shoes in the market, but our exports continue with increases of 20% to 23% on average yearly. We have very deep relationships especially with our neighboring countries. In addition, the Balkan countries are one of our good markets and we have shoe production in the high end for Italy and China. I believe our share in the world market, which is 0.4% at present, will go up a lot more within a few years. As an exporter, this development and transformation in the industry excites me.

importance recently as export targets for Turkey, too.

THE ALLURE OF BRANDED EXPORTS

The underlying factor of the industry's growth is the care shown toward high-quality production and branding in the industry. One of the companies in Turkey that have taken important steps toward becoming brands is FLO, a subsidiary of Ziyilan Group. FLO is one of the first brands to introduce the idea of the shoe shop to Turkey. Ziyilan has 145 FLO stores in Turkey. It also exports to 35 countries, thereby accounting for a significant share in Turkey's shoe exports. Its leading markets are Russia, Tunisia, and Libya. Ziyilan Group CEO Jaklin Güner says the company places emphasis on retail and branding in order to be successful in the international markets. Lumberjack, which joined Ziyilan Group last year with great fanfare, is a brand that enables new opportunities, including opportunities for the group's other brands. "We want to use Lumberjack's energy for our branding and retail strategies."

Providing her assessment of Ziyilan Group's state, Güner says, "Looking at the dozens of successful brands we have created, such as FLO, Polaris, Halley, and Kinetix, we can easily say that we are capable brand creators and managers thanks to the experiences we have gained. As Ziyilan Group, we plan to expand especially in neighboring countries and other countries in the region in the coming years via our brands."

Hüseyin Turan, Chairman of King Paolo, which is renowned for its "air-conditioned shoe" product,

says branding and high-quality production eases exports: "With branding, the consumer recognizes you and demands your products. Your recognition increases only in this way, together with word-of-mouth, and it adds value to you. So long as you take the right steps and provide a benefit to the customers, you get positive returns on this. We have seen this as King Paolo. We analyze the market well. Then, we conduct studies to understand the target audience. And we enter the market with products suiting that market." King Paolo exports to 12 countries.

They have distributorships in Libya and Iraq, and they sell shoes via dealers in such countries as the UK, Italy, Germany, Bulgaria, Macedonia, Kazakhstan, Kosovo, Bosnia-Herzegovina, Croatia, Greece, Egypt, Algeria, Iran, Dubai, Qatar, Bahrain, and Saudi Arabia, as well as with resellers in Russia, Georgia, Azerbaijan, Kyrgyzstan, Mozambique, and Nigeria, says Turan. But the Middle Eastern market is particularly special for King Paolo, says Turan, as it has much to offer to them. Until now, exports were conducted through dealerships; but among their plans for the coming term is to grow via retail locations, he says.

THE INDUSTRY IS READY FOR 2023

With annual growth rates of around 20%, the shoe industry is one of Turkey's fastest growing industries. Though it is behind in global rankings, the industry is quite sure of itself by virtue of its high-quality production, and thus it would be no surprise for it to achieve its targets for 2023 and solidify its place in the world market.



JAKLIN GÜNER

CEO, Ziyilan Group

We know that all eyes are upon us, whether in Turkey or Europe, especially following the acquisition of Lumberjack, and we know there are great expectations of us. And we are working as best as we can to satisfy these great expectations. In line with our country's vision for 2023, we set the target of having FLO become one of the ten global brands to emerge from Turkey, and we prepared our group's growth strategy for the future according to this. We determined 14 strategic actions to support the main headings "Group Synergy," "Sales & Marketing," "Supply Chain," and "Organization, Processes, and IT" – and we immediately launched projects connected to the strategic actions that have priority.



HÜSEYİN TURAN

Chairman, King Paolo

In a general view of the market, it appears that Europe is just starting to recover from the crisis. The "Made in Turkey" label is now being sought abroad. The industry is just learning about R&D and institutionalization. We actually have potential, but steps are only just being taken in R&D, and this causes delays for the industry. Though Turkey may be behind East Asia in shoe production, we can say that it is far ahead in terms of quality. And we believe exports will increase by 20%, too.



The "Invest in Turkey's Infrastructure" conference, organized under the patronage of ISPAT and sponsored by Ünlü & Co., was held in London on March 28.

INVESTMENT

ISPAT TARGETS INVESTORS IN INFRASTRUCTURE

As part of its investment promotion strategy, the Investment Support and Promotion Agency of Turkey (ISPAT) has been developing country- and industry-specific strategies to attract investments that will genuinely contribute to Turkey's economic development, create more employment, transfer technology to Turkey and create more value added. To this end, ISPAT has been organizing and attending a series of special events.

THE "INVEST IN TURKEY'S Infrastructure" conference, organized under the patronage of ISPAT and sponsored by Ünlü & Co., was held in London on March 28. The conference, aiming to introduce Turkey's mega infrastructure projects to international investors, brought

more than 200 investors and fund managers together with major Turkish infrastructure companies. The conference focused on the details of recent infrastructure projects, such as bridges, motorways, airports, railways, and urban transformation projects with the presence of Binali

Yıldırım, Turkey's Minister of Transportation, Maritime Affairs, and Communications; and Mehmet Şimşek, Turkey's Minister of Finance.

Addressing the investors in London, Minister Yıldırım said, "Whether the trade routes go from west to east or east to west, they

will pass through Turkey and I invite you to invest in the center of the world." Meanwhile, Minister Şimşek stressed the importance of infrastructure investments for the country's economic development. "Infrastructure is the key for development of economic growth,



“Infrastructure is the key for development of economic growth, wealth and competition,” said Minister Şimşek during his speech in London.

wealth and competition,” said Şimşek during his speech in London.

The President of ISPAT, Mr. İlker Ayıcı, stated in his opening speech that **“Turkey’s infrastructure sectors are attracting investors who would like to get involved in long-term business opportunities more and more each day,”** and added, “Local and international authorities in Turkey are focusing on infrastructure projects tailored for the education, energy, construction, defense, transportation, information, and communications sectors with public-private sector cooperation projects. Similarly, there are many opportunities in the privatization program of the Turkish

economy. Among these projects, foreign investors are mostly interested in Istanbul’s third airport project, the Çanakkale transit bridge project, high-speed train routes such as the İzmir-Ankara and Istanbul-Bilecik routes, the privatization of ports such as those of İzmir and Derince, and \$400 million worth of urban transformation projects. **The total value of the privatization**

projects in Turkey reached \$50 billion in the past nine years, but privatization opportunities are still open to development. We can conclude that Turkey offers a big opportunity for investors interested in the energy sector as well, with the energy consumption that requires investments worth \$100 billion for the next decade. In this regard, we expect renewable energy plants,

privatization of power plants, and development of nuclear and lignite reserves.”

Mahmut L. Ünlü—Chairman of Ünlü & Co., the sponsor of the event—stated that the conference would be beneficial for promoting Turkey’s investment opportunities to foreign investors. Ünlü added, “As Ünlü & Co., we are very happy to support the initiatives of the Prime Ministry Investment Support and Promotion Agency of Turkey via the organization and execution of this conference. **We believe that in the next decade the Turkish economy will focus on the ‘consumer’ and ‘infrastructure’ sectors.** The privatization projects have been the first steps in the development of the infrastructure sector. From now on, we believe the primary and secondary public



Addressing the investors in London, Minister Yıldırım said, “Whether the trade routes go from west to east or east to west, they will pass through Turkey and I invite you to invest in the center of the world.”

The President of ISPAT, Mr. İlker Ayçi, stated in his opening speech that “Turkey’s infrastructure sectors are attracting investors who would like to get involved in long-term business opportunities more and more each day.”

offerings of the infrastructure companies, stock offerings, and refinancing of the initial financing packages will gain more importance and move us to the second phase of the infrastructure investments. As Ünlü & Co., we offer professional services in all areas of financing and consulting for these projects. We are aiming to actively take part in this process and we have sufficient resources and experience to support investors and infrastructure companies.”

PDAC INTERNATIONAL CONVENTION, TRADE SHOW & INVESTORS EXCHANGE—MINING INVESTMENT SHOW TURKEY FOCUS AT PDAC 2013

A couple of weeks earlier, on March 5, ISPAT took part in another important event in Canada. Taking part in the biggest international event in the mining industry, ISPAT brought the investment opportunities in Turkey’s



booming mining sector to the attention of a global audience of over 30,000 visitors from 150 countries.

Represented for the first time at the PDAC International Convention, Trade Show and Investors Exchange 2013 held in Toronto, resource-rich Turkey targeted the investors to utilize its abundant mineral resources. ISPAT participated in the convention with an information booth and hosted a number of events, includ-

ing presentations detailing Turkey’s mineral reserves, the latest legal arrangements to facilitate investments, and incentives provided by the Turkish government.

“The mining industry is the backbone of our industrial growth, feeding critical industries such as automotive and construction with vital raw materials,” said ISPAT’s Principal Advisor Hasan Pehlivan, assessing the importance of the industry to Turkey’s economy.

“ISPAT and other governmental bodies worked hand-in-hand to improve the legislation that facilitates mining investments by foreign investors,” Pehlivan noted, adding that Turkey’s mining revenues reached \$11.3 billion in 2011, up from \$2.6 billion in 2003.

“Turkey has known deposits of 77 of the 90 marketable minerals and is more than willing to have them extracted and processed into beneficial resources for our economy,” said Pehlivan. There are over 650 foreign mining companies operating in Turkey.

“ISPAT and other governmental bodies worked hand-in-hand to improve the legislation that facilitates mining investments by foreign investors,” ISPAT’s Principal Advisor Pehlivan noted, adding that Turkey’s mining revenues reached \$11.3 billion in 2011, up from \$2.6 billion in 2003.



AVIATION

Turkish Airlines Soars Higher

Turkish Airlines has inked the largest purchase of aircraft in Turkish civil aviation history, strengthening its fleet with its new investments. The airline plays an important role in Turkey's exports with the new destinations being launched each year.

BY CAN GÜRSU, CAN CENGİZ

TURKISH AIRLINES HAS started preparations to handle Istanbul's third airport, which will be up for bidding in May. The airline has signed major purchase agreements with Airbus and Boeing, increasing its passenger-carrying capacity and rejuvenating its fleet.

Turkish Airlines, which won the title for Europe's Best Airline for two years in a row, took a step toward becoming Europe's largest airline, too, by signing the largest aircraft purchase in Turkish civil aviation history. The contract with Airbus states that 117 new aircraft are planned to be added to the fleet by 2020. The ordered aircraft are notable for their fuel-saving features and technological equipment. Turkish Airlines, which carried 39 million

passengers last year, aims to increase this number to 90 million as the 117 aircraft join the fleet over the next seven years.

Following its contract with Airbus, Turkish Airlines also made a purchase agreement with Boeing, announcing that it will purchase a total of 95 aircraft—70 finalized and 25 on option—from Boeing by 2021. Boeing announced that Turkish Airlines' order of 70 aircraft is worth roughly \$6.9 billion in total. Turkish Airlines' fleet will grow to a size of more than 400 by 2021, unless it makes more purchases until then. This will help the airline to rise in the ranks of the global arena.

EXPANSION AND REJUVENATION

Firstly, Istanbul's—and Turkey's—position on the



Eurasian air corridor gives Turkish Airlines an advantage over many of its rivals. Sixty countries are accessible by plane from Istanbul in four hours or less, and this is just one example of the city's potential. The large aircraft purchases mentioned above mean a rejuvenated fleet—the average age of the aircraft in Turkish Airlines' fleet will fall from 6.6 years to 5, thereby strengthening Turkish Airlines' claim to being the airline with Europe's youngest fleet. The new purchases are also expected to create jobs in a range of capacities in the aviation industry. The airline has 16,000 personnel today. Once

Fabrice Brégier jocularly expressed envy of Turkish Airlines' incredible growth rate.



Turkish Airlines is one of the largest contributors to the Turkish economy.

expanding its international network and its fleet, said Büyükekeşi. Every new addition, from destinations in Iraq to Saudi Arabia, Libya, Kenya, Iran, Brazil, Canada, Ghana, the US, and Russia, contributes positively to exports, he declared. Turkish Airlines values the African market especially. Additionally, with more flights to Latin America, exporters will have the chance to establish more productive commercial relations with the region.

AIMING FOR 500 DESTINATIONS

Turkish Airlines is expanding its flight network at a brisk pace, adding more destinations every day. The airline plans to increase flights to America and Asia, and it launched its first flights to Houston and Kuala Lumpur in April. Direct flights to the Malaysian capital are scheduled three days a week, while direct flights to Houston will take place four days a week. Currently, Turkish Airlines flies to 222 destinations in 99 countries. Turkish Airlines President and CEO, Temel Kotil, PhD is known to have in his vision for Turkish Airlines a flight network with 500 destinations. Should Turkish Airlines continue to grow profitably, with the third airport and its new aircraft purchases, it will easily achieve this objective by 2021.



the new aircraft enter service, 28,000–29,000 personnel will be required. These decisions that serve to realize the vision of becoming Europe's largest airline will also enable Turkey to achieve its targets for 2023 with greater ease.

TURKISH AIRLINES ENVIED

Turkish Airlines' success story as a company that grew continually over the recent years in which its rivals suf-

fered grave losses in market share caught the interest of Airbus President and CEO Fabrice Brégier, too. In his announcement, Brégier pointed out that Turkish Airlines had just 65 aircraft a decade ago, when it aspired to become an airline with a giant fleet of 375 aircraft, adding that Turkish Airlines' incredible growth rate was cause for envy. The Airbus CEO drew notice to the airline's winning the title

of Europe's Best Airline two times in a row and stated that its actions are cause to believe that it will enter the ranks of the world's top ten airlines in the near future.

A GREAT CONTRIBUTOR TO EXPORTS

As Turkish Airlines grows, it is one of the largest contributors to the Turkish economy. TIM Chairman Mehmet Büyükekeşi expressed when announcing export figures for April at Turkish Airlines' headquarters the exporters' wishes to welcome the airline, as a great contributor to exports, to show their gratitude. Turkish Airlines contributes to trade and investment volume by



CERAMICS

TURKEY: A GLOBAL PLAYER IN THE CERAMICS INDUSTRY

The government's Ceramics Industry Strategy Document and Action Plan for Turkey is aimed at lifting the barriers before the local ceramics industry, which has in its sights an active role in both the national and international markets.

BY MELEK CEVAHİROĞLU ÖMÜR

Thanks to the Ceramics Industry Strategy Document and Action Plan, which serves as a guiding light ceramics industry, companies will be able to act with greater confidence and certainty in their strategic planning. The document contains critical items that describe the responsibilities

of both the public and private sector. Notable topics include standards required by the industry, incentives for the production and sales of innovative products, studies for sourcing raw material, stronger auditing of the market, increased export credit, and support for SMEs.

According to data for the year 2009, Turkey ranked ninth worldwide in tile production and fourth in exports.

A WORLDWIDE ACTOR IN THE CERAMICS INDUSTRY

The Turkish ceramics industry ranks fourth worldwide in the export of tiles, having reached a level where it is competitive with Italy and Spain, the once-unouchable ceramics giants of yore. According to the government's action plan to make Turkey Eurasia's manufacturing base, the Turkish ceramics industry is of special importance to the country's economy as one of the export industries that make the most use of local sources for raw materials and depend on imported goods the least. Exporting to 60 countries today, the Turkish ceramics industry is continually increasing its competitive power with its production capacity, investments in cutting-edge technologies, and high quality advantages.

The Turkish ceramics industry began industry-bound production in the 1950s and grew with increasing momentum starting in the 1980s. According to data for the year 2009, Turkey ranked ninth worldwide in tile production and fourth in exports. In the field of ceramic items for medical use, it is Europe's largest producer and exporter. The Turkish ceramics industry employs 26,000 people directly and 220,000 indirectly, or 246,000 people in total.

The Turkish ceramics industry exports to more than 100 countries on five continents. Ranking first among these countries are Germany, the UK, and other EU countries. Canada, Romania, Greece, Azerbaijan, Georgia, and the US have been gaining importance as export markets since 2008. EU countries together account for the highest percentage of exports with a share of roughly 50%. In the imports market, China takes the lion's share with 74%, followed by Italy with 5.6%, Malaysia with 5.2%, and Germany with 4.5%.

TURKISH CERAMICS INDUSTRY TO GROW

Speaking at the opening of UNICERA, the 25th International Ceramic, Bathroom, and Kitchen Fair, in early March, Economy Minister Zafer Çağlayan stated that Turkey's ceramics industry accounts for 3.2% of world production and 11% of European production. In other words, if the industry effectively combats continually increasing competition in the industry, Turkey will be able to increase its share in the world market every year. Investments in technology and design, together with sound strategic decisions to be made by the brands involved, will yield the outcome of spreading

Iraq, Azerbaijan, the UK, France, and Germany are among the countries in the industry's focus for 2013.



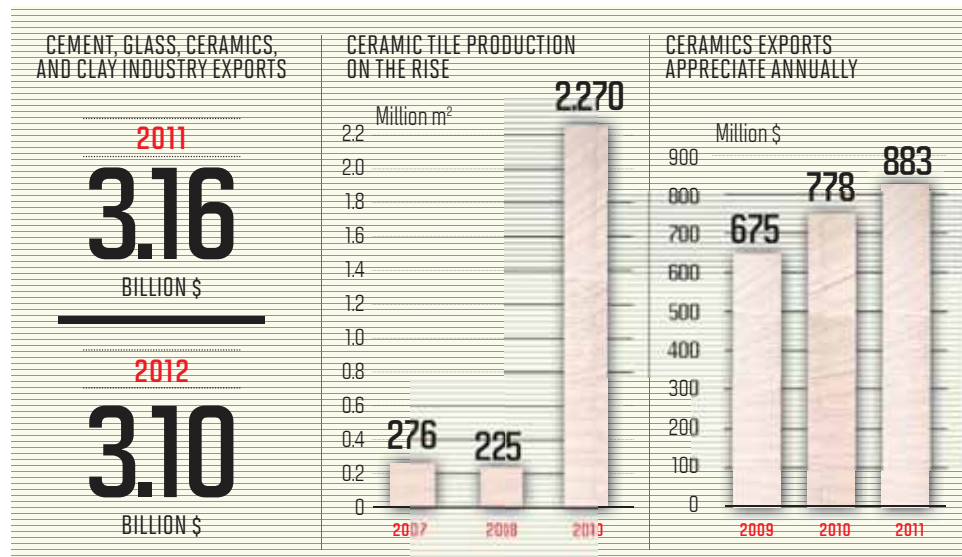
the product worldwide.

Besides such local qualities as its strategic geopolitical location, growing urbanization, and temperate climate, among the opportunities that Turkey can use to its advantage are expectations that the crisis that emerged in EU countries will shift production toward Turkey. Additionally, its proximity to the fastest-rising import markets and growth in demand for ceram-



ics within Turkish society and in neighboring countries present further advantages. The neighboring countries of Iraq and Azerbaijan stand out among the target countries for 2013. The UK, France, and Germany have been selected as the focus countries in the European countries. A persistent presence in America is also among the industry's set targets. Metin Savcı, General Manager of Bien Seramik, which is one of the leading firms in the Turkish ceramics industry and which had the opportunity to expand to new markets at UNICERA, says they gained new customers and took orders from Macedonia, Greece, Bosnia-Herzegovina, Moldova, Palestine, India, Saudi Arabia, and the United Arab Emirates at the fair.

Industry firms are constantly renewing the technology they use through investments in modernization. This has enabled Turkey's ceramic coating industry to achieve international standards and produce world-class goods. The export of ceramic coating increased by 11.5% in 2011 over the previous year to \$521 million. Among the top importers



of Turkish ceramic coating are Israel, the UK, Germany, Iraq, and Azerbaijan. With an annual production volume of roughly 413 million square meters and exports worth more than \$521 million, the ceramics industry ranks among Turkey's most important industries and it is growing at a higher rate than world averages for the industry.

In 2012, the Turkish ceramics industry increased its exports by 14% over the previous year, corresponding to an 11% increase in revenue. Europe's largest producer and exporter of vitrified products, Turkey is now competitive with the ceramics giants it was once very far behind.

INCENTIVES TO OVERCOME PROBLEMS

The Turkish ceramics industry's high development and growth potential establishes a foundation for issues that could arise in the industry, too. This is where government-proposed incentives come into play. The incentive system that went into effect after being announced in the government's Official Gazette on June 19, 2012 consists of four separate practices; namely general incentive practices, regional incentive practices, incentivization of large-scale investments, and incentivization of strategic investments. Notable foremost among the supporting elements developed to implement these incentives effectively are value-added tax exemptions, customs tax exemptions, tax cuts, subsidized insurance premiums for employers, and income tax withholding incentives. Strategic investments are of special priority for incentives. Investments in intermediate goods and products where there is a high dependency on imports are being given support specifically.



THE STRONG SUITS OF TURKEY'S CERAMICS INDUSTRY

- Tiling materials are longer lasting than other flooring materials
- An advantageous position in raw materials compared to rival countries
- High product diversity
- High accumulation in the industry of know-how and quality human resources
- Active organization on the part of ceramics producers
- Useful services provided by the Ceramics Research Center
- Lower labor costs compared to Europe

Expertise and training, which are among the ceramics industry's pillars, are meanwhile bringing the advantage of high-quality practices to the industry. To this end, it is expected that courses providing ceramics practices training will start opening.

There are more than 25 companies in the ceramics industry. Many imported brands are in the competition as well. Industry firms are constantly renewing the technology they use through investments in modernization. This has enabled Turkey's ceramic coating industry to achieve international standards and produce world-class goods, making it a lasting player in the global market.



METİN SAVCI

General Manager, Bien Seramik

Bien exports to 55 countries on five continents in the world market, most of all America, Canada, Spain, Israel, and Greece. We focused on three regions last year and the countries of the Caucasus, Scandinavia, and Iraq entered our target markets. We export 30-35% of our total production. We will continue to expand to new markets, too. As Bien, we analyze the market's demands according to trends and launch the design process afterward. Both our chief of tile design and our design director for medical ceramics have brought many awards to our brand this year. We are sure that we will continue to receive awards with the investments we are making in technology and design.



EROL HACIOĞLU

General Manager, Graniser

We started stressing imports in 2008. Since then, we have seen 300% growth in exports. We export actively to 48 countries today. In 2012, exports accounted for 46% of our revenues, and by ratio, we ranked first in the industry. North America has a 25% share in our exports and Europe has 35%. With a 25% share of exports to such important markets as Israel, Greece, Romania, and Azerbaijan, we are a sought-after brand. In 2013, we will continue our focus on exports and concentrate most of all on North America and the emerging Middle Eastern and African markets. At Graniser, we prioritize product and service quality and closely follow not only the Turkish market but also the global market.



İHSAN KARAGÖZ

Construction Materials Marketing Director, Kale Group

As a firm that today ranks as Europe's third-largest and the world's 12th-largest producer of ceramic tiles, in 2011 we bought the company Fin-cuoghi, one of Italy's top ten ceramics companies. Our acquisition in Italy established for us an exports base in Europe. We have the Middle Eastern and East Asian markets in our sights, too. The showroom we recently opened in Hong Kong is an extension of this planning. The awards received by the designs we developed under the roof of our design and innovation group prove we are advancing in the industry with sure steps. Turkey's ceramics industry has the potential to grow much, much more.



ZEYNEP BODUR OKYAY

Chairman, Turkish Ceramics Federation

I believe that the Turkish Ceramics Industry Strategy Document and Action Plan, which came into effect after being announced on January 21, 2013, is the start of a giant leap toward solving our industry's vital problems and seizing important opportunities. The domestic and international investments our industry has made and acquisitions of brands in Europe by Turkish companies are indicators of the Turkish ceramics industry's progress. Should the necessary improvements be provided, the ceramics industry is one of the areas in which our country can gain a much higher share in the international competition and become Europe's largest hub for the industry.

SUMMIT

THE ECONOMY'S PULSE BEATS AT THE SUMMIT

“Turkey’s Davos” welcomed important figures from the world and Turkey. Nearly 1,000 participants attended the meeting at which Turkey’s vision for the future was planned out.

BY RUHİ SANYER



MEHMET BÜYÜKEKŞİ, Chairman of the Turkish Exporters Assembly, said in the speech he delivered at the Uludağ Summit, “Turkey’s export-based growth, the partial reduction in imports, and the drop from 10 percent to 6 percent of the current account deficit within a year indicate that 2013 will be a successful year for Turkey.” Leading figures in business, top thinkers, and prominent politicians from Turkey and all over the world assembled at the second Uludağ Economy Summit hosted March 28–30 by the Governor’s Office of Bursa. Ministers Ali Babacan and

Mehmet Şimşek attended the summit in representation of the government. For three days, nearly 1,000 businesspersons exchanged views on the most important issues regarding Turkey and the world.

The speeches delivered by Minister of State and Deputy Prime Minister Ali Babacan on day one of the event, Minister of Finance Mehmet Şimşek on day two of the event, and by Coca-Cola CEO Muhtar Kent and renowned NYU economist Nouriel Roubini drew great interest and curiosity. Kent, one of the opening speakers of the summit, related his own suc-

cess story to the participants. Having risen to the top of one of the world’s most important companies, Kent related the vicissitudes he experienced along the path of his career.

Kent began his speech by noting that the world is undergoing a rapid process of transformation. Kent manages an organization that has 770,000 employees in 207 countries. Kent’s story with the Coca-Cola Group—which has more than 1,000 factories, 300 bottling partners, and 500 brands, 16 of which have revenues in excess of \$1 billion—began in the US, where he loading Coke trucks very early in the

Ömer A. Aras, “*With the introduction of private banking to Turkey, bankers understood what the customer means in the truest sense.*”

morning every day. Sharing with the audience the secrets to his success in his career, which began 35 years ago, Kent also provided valuable advice to young people at the start of their careers and to managers.

Kent said he and his colleagues aim to increase the Coca-Cola Company's \$100 billion revenue obtained over 125 years to \$200 billion within just a decade. "I never dine alone. I like to meet new people all the time, as if I am going to see them again. You must be social," said Kent. He advised managers to be modest, noting that he always carries his own briefcase.

Kent said college education is not a strict requirement today, pointing out that 50% of company owners in Switzerland are not college graduates. It is education in the family that is more important, said Kent. Time management is crucial, he stressed. "Instead of looking at the rear-view mirror, look forward. Cash is very important. At meetings at the company, I sometimes have a bag full of cash brought over, and I empty it on the middle of the table. The aim is to make sure that my colleagues do not forget about cash. Without cash, there is no respect for cash. To me, this is one of the causes of the crisis today. Cash has been replaced by plastic money in today's world. My advice to you is to carry cash. Remember that the best of decisions emerge from the meeting of different cultures. Let there be employees of different cultures in your company. Don't be afraid to think big; be flexible; don't fear change. You should know to give up on dogmas and take responsibility to say 'yes' to what's right. This is how I trained myself. Never leave today's work for tomorrow. It

has to be done today. Courage requires not fearing error. Always be energetic. Start the work you do from the very bottom—my first job at Coca-Cola was to take Coke to distributors by truck. And most importantly, manage the slumps in your career as well as you do your successes."

4% GROWTH TARGET FOR 2013

Delivering the last of the opening speeches, Deputy Prime Minister Ali Babacan emphasized his belief that the number of businesspersons undertaking global responsibilities in multinational companies will increase, pointing out the importance of Turkey's fulfillment of its promises as an underlying cause for Turkey's increasing brand equity worldwide. Stating that Turkey has a 4% growth target for 2013, Babacan said Turkey is now an important actor in its region. In summary, Babacan stressed the following: "We steadfastly stuck to our Middle East policies for three years. Israel should be part of not problems but solutions now. Our same insistence goes for Syria. Over the past three years, Turkey has become a country that is both rising quickly and creating employment. We created 4.7 million jobs in the last three years. Next comes exports. We are establishing financial courts. We have submitted the bill concerning the Istanbul Arbitration Center to the parliament. We want all citizens of Turkey to enjoy their universal rights. We have to strive to maintain the supremacy of law above all. If our work is not based on this purpose, the 2023 target will be nothing but a dream."

Babacan said the Turkish economy's performance is a hot topic at international summits as of late. "Recently, following such a meeting, we

TURKISH LEADERS CONVENE AT SUMMIT

Executives of top Turkish companies and leading officials were in attendance at the Uludağ Summit.



RIZANUR MERAL

Chairman, Confederation of Businessmen and Industrialists of Turkey (TUSCON)

As TUSKON, our aim is to make sure that Turkish businesspeople leave their mark everywhere. As new exporters emerge, new importers likewise emerge. For instance, Africa is very important, and our government has conducted initiatives regarding Africa. And bringing this to life fell on the shoulders of Turkish businesspersons. The first tangible foreign initiative on the part of the Turkish business world to Africa was the foreign trade bridge program in 2006. While Turkey's exports totaled \$3.6 billion in 2005, last year it rose up to \$13.6 billion. With our Minister of Economy Zafer Çağlayan and TIM, we are aiming to promote Turkish products to the world and add value to them.



ÖNDER ERDEM

Chairman, Car Rental Agencies Association (TOKKDER)

We have made great progress in diversifying our exports to allow more focus on Africa and the Middle East. This makes us resilient against crises while also helping us economically. One of the most important problems when exporting today in Turkey is accumulated capital. I believe companies with insufficient capital should use the option of operational leasing, which is one of our branches of business. A budget of TRY 1 million is needed today to set up a fleet of 20 vehicles. Instead of investing in an unprofitable cost such as vehicles, with operational leasing, companies can set aside lower budgets for vehicles and use their capital for exports.



CENK SERDAR

Global Consumer Products Director, Vodafone

An incredible change has taken place in the digital world over the past 20 years. Whether in mobile marketing or social media, some very interesting business models have started to emerge, and this transformation will further accelerate. Large companies in Turkey are closely intertwined with the digital world today, and a significant market has formed in Turkey in this field. What we have to do is to convey this vision to SMEs. If you want to set up a tech company today and if you have a promising idea, there are many funds that the European Union provides. In this regard, Turkish investors should not be afraid to bring to life their new ideas in the field of technology, and they should take the support they need.

**HAMDİ AKIN**

Chairman, Akfen Holding

The 2008 crisis caused a break in our exports and Turkey overcame this quickly. We lost \$35 billion in our exports, but this loss has been recouped by now. I predict there will be a leap in exports in 2013, and I am even more hopeful for 2014 and 2015. Turkey today suffers from the inability to produce technological products. The government realizes this, too, and for this reason there is great support for R&D efforts. Know-how and patents are very important, too. A new approach to these concepts is developing in Turkey. For instance, a discovered patent can now be presented to a bank as a security. This is a great development; everyone can thus develop his or her own patent in this way. If you hold a patent, you can become a brand very quickly.

**ERGÜN ÖZEN**

General Manager, Garanti Bank

Looking at the momentum Turkey has gained over the past decade, I think Turkey could compete with the world giants in exporting its own brands in the decade ahead. Constancy and sustainability are very important when establishing a brand; in this regard, Turkish brands must be as successful in pricing competition as they are in creativity. Concerning foreign brands' investments in Turkey, the rating increases by Standard and Poor's and Moody's are sending positive messages to investors. Of course, the sustainability of this success is very important for Turkish brands, too. Turkey's political leadership and economic success in the region also make Turkey attractive to foreign investors as a regional hub.

**HAYRETTİN KAPLAN**

General Manager, Turk Eximbank

Turk Eximbank provides both credit and insurance support to exporters. When exporting investors go outside Europe, factoring associations have trouble crediting the investor and a sourcing problem emerges. We created a working group to provide more support to exporters on factoring. As factoring grown in Turkey, it will also provide more support to exporters. Particularly striking in a study by TIM members is the financing problem, and this problem must be solved. As Eximbank, we are contributing to our exporters' profit margins and competitiveness by enabling lower costs for financing.

**ZAFER ATAMAN**

CEO, Strateji Factoring

The number of exporters we could reach in Turkey in factoring was limited to such cities as Istanbul, Ankara, and Gaziantep. We believe that with cooperation between TIM and Eximbank, we will surpass the current volume and provide significant financing means especially to SMEs. Our aim is to achieve a 10% penetration rate relative to Turkey's GDP. We facilitate \$7 billion in exports today as an intermediary. Our aim is to increase the export capacity in Turkey. Working side by side with such institutions as Eximbank and TIM will lift the barriers before exporters. As TIM's chairman indicated, "A country that will grow with exporters will arrive at very important places, and we, with this objective in mind, are always beside our exporters".

were having a chat with my European colleagues, whose economies were in stagnancy. They said to me, 'If you divided your set growth figure of 4 percent to those at this table in divisions of 0.5 percent, they would rejoice. Every one of these politicians would go on and on about such a situation in their countries, lauding their own success.' And this shows Turkey's power," said the minister.

Babacan also said the Turkish economy's growth performance was cause for envy among European leaders he often meets at G-20 summits.

Babacan also noted that Turkey provided \$1.3 billion in cash to a number of countries last year, making Turkey a donor country. The credit provided is outside this amount, said Babacan, and he continued, "We don't consider credit as donation. But if we are subsidizing credit, we mark the subsidized portion as a donation. We cleared a \$2 billion credit line for Egypt alone. We have sent \$1 billion in cash, and we are sending the remaining amount for infrastructural projects. We have provided \$500 million of financing to Tunisia, \$200 million to Libya, \$100 million to Yemen, and \$106 million to Kyrgyzstan."

IN PEACE, NOTHING CAN STAND BEFORE TURKEY'S WAY

Muharrem Yılmaz, Chairman of the Turkish Industry and Business Association (TÜSİAD), said at the panel titled "A New Turkey, New Operators," moderated by ex-TÜSİAD chair and Boyner Holding Board Member Ümit Boyner, that the peace process will present an important opportunity to Turkey. Yılmaz said the following: "If Turkey hopefully completes this peace process in a healthy,

lasting manner; if it is rid of weapons, terror, and violence and achieves reconciliation; and if it gains a new constitution with high societal consensus, nobody can hold Turkey back." Yılmaz noted that a new NATO, in the economic sense, has been established recently, just as in the days when NATO itself was founded. "Just think about it—the EU has a \$15 trillion economy and the US has one of about \$30 trillion. Adding to these Canada, Mexico, and all South American countries, you approach 40 to 50 percent of the world economy," he said.

A STRONGER HAND

Yılmaz also stated that they value the EU accession vision not only in terms of its economic possibilities but also with regard to reforms in all social and political areas. "Because we value the Transatlantic Trade and Investment Partnership, we made our first visit to the city of Dublin in Ireland. There, we met with ministers who manage Ireland's foreign and EU affairs. They are all impressed by Turkey. And each passing day, they realize more that Turkey is so important that it should not be left out," he said. They do not want to seek a new framework for the EU process, stressed Yılmaz—they aim to expedite the EU process. "France lifted the embargo. Developments in Southern Cyprus are strengthening our hand with regard to this matter. Therefore, there is a possibility that a negotiations process will start that will not be limited to matters of regional policy alone."

HIGH VALUE-ADDED PRODUCTION

Eczacıbaşı Holding Chairman Bülent Eczacıbaşı stated that Turkey has increased its

exports impressively. Noting the structural transformation in Turkey's exports over the past decade, he said, "While in the past, agricultural products and industries such as food and textiles accounted for the bulk of our exports, the products of more advanced technologies have gained shares with the transformation we have undergone. So long as it is not part of high-tech industries that create high value added, Turkey might be able to maintain its share in world trade, and it might maintain its ranking among world economies, but it cannot seize the opportunity to rise above."

AN OLIGARCH MAGNET

Denizbank General Manager Hakan Ateş said that following the issues that erupted with the Southern Cyprus "haircut" proposal, Russian oligarchs could see Turkey as an option for their money with the arrival in Turkey of Sberbank, their main partner, but that there are no indications yet of incoming deposits. He hopes that through Sberbank, this money will be to the benefit of the banking industry in Turkey.

RATING BUMPS A BOON FOR BANKS

Garanti Bank General Manager Ergun Özen highlighted Standard and Poor's increased credit rating for Turkey. "Credit rating agencies are increasing Turkey's rating. Obtaining an investment-worthy rating is very important. We, as banks, will be able to access very long term funding more easily. With a rating increase, the banking industry's profitability can increase significantly."

1.4 MILLION MOBILE CUSTOMERS

ING Bank General Manager Pınar Abay said mobile banking in Turkey is becoming



Muhtar Kent:
"Don't be afraid to think big; be flexible; don't fear change. You should know when to give up on dogmas and take the responsibility to say 'yes' to what's right."

Hakan Ateş:
"Following the issues that erupted with the Southern Cyprus 'haircut' proposal, Russian oligarchs could see Turkey as an option."

continually more widespread. There are 1.4 million users of mobile banking, says Abay: "There is a kind of progress that is different than that in other countries at play here. Banking practices in Europe are in mobile banking, generally, but here we have people who went straight to mobile banking without using online banking first."

CUSTOMER-FOCUSED BANKING

Finansbank Chairman and Group CEO Ömer A. Aras stated that the banking industry in Turkey established strict discipline following the economic crisis of 2001. This situation served as a painful yet valuable lesson to bankers, he said. "With the introduc-

tion of private banking to Turkey, bankers understood what the customer means in the truest sense."

THE EU WOULD GROW FASTER WITH TURKEY AS A MEMBER

Turkey launched a campaign titled "Great" at the Uludağ Economy Summit in order to establish more partnerships and collaborations, in turn fostering commercial relations. UK Deputy Prime Minister Nick Clegg made a call for cooperation via video conference at the summit's gala evening, where Minister of Finance Mehmet Şimşek provided an assessment of relations between the two countries. Noting that the UK has always been a great supporter of Turkey's accession to the EU, Şimşek said, "Were other EU members to take the UK's support for Turkey as an example, the EU would be a different place today. For example, if Turkey were an EU member, the union would have grown not 2 percent in 2010, but 2.3 percent. If it had been a member in 2011, the union would grow by 1.8 percent instead of 1.4 percent. In 2012, too, it would have contributed to the growth of the EU."

FASHION

Istanbul on the Global Catwalk with FASHION WEEK ISTANBUL

Istanbul has entered the ranks of the world's fashion capitals through Istanbul Fashion Week, now known as Mercedes-Benz Fashion Week Istanbul in its eighth year. Since the first fashion week 70 years ago, the events have been followed with great interest globally.

BY GİZEM GÜZEY

IN 1943, AS WORLD WAR II raged on, the first New York Fashion Week was held in NYC in spite of the turmoil and crises in Europe. Later, as competition between Paris, the French queen of fashion, and New York continued, Turkey only dreamed of entering the ranks of fashion week hosts, although it felt proud of its designers who worked for such world-famous brands as Donna Karan, Calvin Klein, and Marc Jacobs. Istanbul has entered the ranks of the world's fashion capitals through Istanbul Fashion Week with Mercedes-Benz as the primary naming sponsor. Since the first fashion week 70 years ago, the events have been followed with great interest globally. Conducting Istanbul Fashion Week is the world-famous fashion event organizer IMG Fashion, which runs the fashion weeks of such cities as New York, Berlin, Sydney, Zurich, and Moscow.

ISTANBUL FASHION WEEK'S CHANGING IDENTITY

Mercedes-Benz became the primary naming sponsor of this year's Istanbul Fashion Week, which is organized



by IMG Fashion in strategic cooperation with the Istanbul Apparel Exporters' Association, BMD, and the Fashion Designers Association of Turkey. IMG Fashion has more than 600 fashion events in 30 countries worldwide under its belt. Mercedes-Benz has been supporting and hosting numerous fashion events worldwide for more than 17 years, adding Istanbul to its lengthy list of sponsorships at last. Mercedes-Benz Fashion Week Istanbul, which sets trends in the apparel industry and many other areas, and where Turkey's most acclaimed designers are promoting their 2013–2014 fall/winter collections, is proving through its changing identity that Istanbul has become as much a part of this professional, global activity as other world fashion centers. The event sponsors and fashion professionals believe such events will raise the bar for the fashion industry in Turkey, too. IMG Doğuş Fashion Director Banu Bölen says that because IMG Fashion conducts events in so many countries, it possesses highly significant connections in a global network of both members of the press

Turkey's top 33 designers exhibited 900 creations at Mercedes-Benz Fashion Week Istanbul, which welcomed more than 20,000 visitors at the venue Antrepo 3 from March 12 to 16.

and buyers, two crucial pillars of the fashion industry. “The ongoing collaboration with such giant brands as Mercedes-Benz, Maybelline, and DHL, with which IMG Fashion walks alongside in the international field, has been brought to Turkey, too. We have therefore achieved our targets first in the regional sense by growing in this territory, and then by gaining say in the global scene.” Compared to previous years, the IFW Committee’s professional cooperation with IMG brought a brand new dimension to the events in 2013, improving through many changes and innovations to become part of the international scene. Istanbul Fashion Week will no longer be known by that name—it will be Mercedes-Benz Fashion week, a fashion week in which more international buyers and members of the press will participate.

TURKISH DESIGNERS MEET WITH INDUSTRY INVESTORS AND BUYERS

The activities organized within the scope of the fashion week do not only serve as a platform for designers to promote their collections internationally. The collaborations established carry Turkey’s fashion industry to the international platform as Turkish designers gain opportunities to meet industry investors and buyers. Mercedes-Benz Fashion Week Istanbul was followed this year by numerous investors and consumers not only from Turkey but also worldwide. IMG Fashion’s bringing the event to the international platform is a significant step in terms of creating a market for Turkey’s fashion industry in the world as a whole. Global cooperation in this field draws foreign investors who participated



SEDA LAFCI

Director, Istanbul Fashion Academy

Important steps have been taken toward becoming the showcase from which Turkish fashion designers and brands call out to the national and international fashion spheres and strengthening Istanbul’s position in the international fashion scene. In the coming term, these efforts must be managed strategically and systematically, and they must be sped up. I believe Fashion Week’s being supported by such global brands as Mercedes-Benz and long-term collaborations on this matter are significant. In this respect, IMG has enabled passage through an important threshold. The parties that make up the fashion industry must have stronger participation in the national and international sense. I believe rapid developments will occur regarding this matter in the future.



BANU BÖLEN

Fashion Director, IMG Doğuş

Istanbul is a multicultural city that embraces everyone. The entire world is rediscovering Istanbul. I place very high importance on the fashion design education being made available in Turkey and the raising of students by college fashion departments. We work in close relationships with the Fashion Designers Association, the Istanbul Apparel Exporters’ Association, and BMD. Efforts are being run to offer new job opportunities to all these students. I believe internationally successful designers will emerge from a country in which a young population is highly active. You will definitely see the creation of significant employment in this industry in the very near term.



HÜSEYİN DOĞAN

Chairman, BMD (United Brands Association)

I view every event that bears the Istanbul brand and achieves success as a great gain on Turkey’s behalf. There is no doubt that Turkey is undergoing a significant process of transformation in the field of fashion and design. As representatives of brands and the fashion industry, we are trying to manage this transformation as best as possible. That Istanbul is on the calendar of such a fashion- and design-oriented event is also a testament to the progress made by bringing the strategy to make Istanbul a hub of brands and fashion to life. We have no doubt that our fashion week, which took on the name Mercedes-Benz Fashion Week Istanbul in its new era, will gain an even more important position on the world fashion calendar in the future.

in the event this year for the first time, contributing economic value to the domestic industry. The fashion industry's international growth creates significant nationwide opportunities for the textile industry, which operates in close connection with fashion, in fabric range and the technological development process. Istanbul Fashion Academy Director Seda Lafçı emphasizes that the Turkish ready-to-wear industry maintains its position as a locomotive industry and is one of the world's most significant producers of ready-to-wear clothing. "High production quality and design knowledge in our industry are factors that separate Turkey from other countries. Meanwhile, in parallel with the process of branding, rapid and positive developments are under way in terms of the fashion industry's formation. I view the strengthening of our national brands, the formation of international collaborations, the proliferation of our designer brands, the entry of giant international brands into the Turkish retail sector, and the emergence of the fashion press and other lines of work related to the fashion industry as reflections of this development," she says. Mercedes-Benz Fashion Week Istanbul, with all the ways it is developing, appears poised to be a major influence on the future of Turkey's fashion industry as it brings the country's solid designs and capable designers to the world through successively more successful events.

INCREASED FOCUS ON THE MIDDLE EAST AND RUSSIA

In its eighth edition, this year's Mercedes-Benz Fashion Week Istanbul welcomed more than 20,000 local and



That Istanbul is now part of a set of fashion weeks extending from New York to Paris is highly significant in terms of both showing the creativity and success of Turkish designers to the world and being part of a vision that could guide the world industry into the future.

international visitors while exhibiting 900 designs by 33 designers. Followed closely by many new investors worldwide, the event showed that designers are now shifting their attention toward the Middle Eastern and Russian markets after years of shaping their economic goals to fit the US and European markets. Increased interest from the Middle East and Russia toward Istanbul and the Arab Spring are also influencing the future of the industry's investments. Most of Turkey's textile investments are in neighboring countries. Its desire to turn the Middle Eastern and Russian Markets into boons is regarded as a tangible, realistic approach by many leading figures in the industry.

MERCEDES-FASHION WEEK ISTANBUL FACTS & FIGURES

2000

Mercedes-Benz Fashion Week Istanbul was held indoors in an area of roughly 2,000 square meters.

30

30 designers exhibited their creations at Antrepo 3 from March 12 to 16.

30

The catwalk in the show area was 30 meters long.

200

Lighting was provided by 200 high-tech lights.

5000

The #MBFWI hash tag was used more than 5,000 times during the week.

20,000

More than 20,000 guests visited the shows.

900

900 creations by Turkey's top designers were exhibited at the event.

500

500 models strutted on the catwalk to promote the newest collections.

5,000

More than 5,000 makeup products were provided by Maybelline New York for use at the event, including lipstick, mascara, and eye shadow.

500

More than 500 journalists were present to report on Mercedes-Benz Fashion Week Istanbul.



The Coming Contraction of the Global Economy and

WHAT IT MEANS FOR REGIONS OF THE WORLD

BY JAMES HOWARD KUNSTLER

HISTORY IS A prankster. Just when world affairs seem settled, things fall apart. Strong trends years in the making mysteriously weaken and dissolve. Conditions that seem eternal prove to be transitory. The human race is perpetually surprised and disappointed by the shape-shifting phantom of history.

I often muse to myself about a particular moment and geographical place in history: Berlin, 1913. Imagine you are a citizen of that great city, strolling down the great boulevard called Unter den Linden on a bright autumn day. Civilization seems to have reached a magnificent new height of perfection. Technology has delivered a cavalcade of wonders in recent years: airplanes, motion pictures, the telephone, painless surgery, central heating, elevators, luxurious steamships. City life has never been so comfortable and marvelous. World trade is booming, and in Europe especially, people, goods, and money easily cross borders. The optimism of this “Progressive Age” lay upon the land like warm sunshine.

Then, months later, it all fell apart in the horror of mechanized warfare, mass murder, and political madness. Nobody expected the World War I, and the historians are still hard-put to explain what it was really about? (Did England really care about Serbia?) And of course the unfinished business of the first war led to a second war—so that the hypothetical citizen of Berlin whom we left on Unter den Linden in 1913 would walk, 32 years later, through a scene of utter desolation, with his wonderful city reduced to rubble.

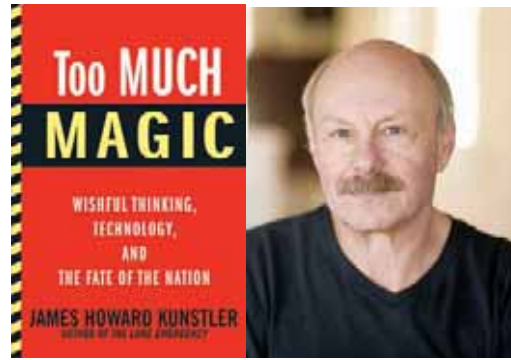
We’ve now had two distinct global ordering systems since

1945. First the so-called Cold War. That ended in 1990 to the astonishment of everybody—including the US Central Intelligence Agency, which apparently could not predict the collapse of the Soviet Union. The second new order of things was the so-called global economy, the tremendous integrated matrix of world trade and finance.

The global economy is one of those trends that people assume will go on forever. We are about to be shocked and disappointed again. Despite the propaganda from places like *The New York Times* editorial page, the global economy is a transitory phenomenon and it is now drawing to a close. The world will turn out to be not so “flat,” (as *Times* writer Tom Friedman likes to say), but rather is about to grow rounder and wider again.

Prepare for a new period of history when life becomes a lot more local and regional again. In this new era, anything that is organized at the gigantic scale will get into trouble—big international corporations, national governments, colossal banks, big universities, skyscraper buildings, and so on. We have reached the moment of maximum world cheap energy production (emphasis on cheap). We have therefore also reached the moment of maximum large scale in organizing human activities. Contraction is the new order of the day. Prepare for the downscaling and relocalizing of everyday life.

Everyday life in the developed world depends on systems designed to run on cheap oil, gas, and coal. These include food production, trade, transportation, manufacturing, and so forth.



James Howard Kunstler is the author of *Too Much Magic: Wishful Thinking, Technology, and the Fate of the Nation*, and *The Long Emergency: Surviving the End of Oil, Climate Change, and Other Converging Catastrophes of the Twenty-First Century*.

As the cost of producing oil and gas increases, all these systems will encounter trouble operating. Food will cost more; efficiencies in manufacturing will be lost; travel and transport will be more expensive. Trouble in one system will ramify and amplify trouble in other systems. The most vulnerable system is the international banking system because it is the most abstract, based on little more than a consensus that financial reality is what it pretends to be. The end of cheap energy means the end of the type of predictable economic growth that has made modern finance possible. Without that type of growth, not enough wealth is produced to pay back the interest on the colossal scale of debts that were generated back in the cheap oil

The most vulnerable system is the international banking system because it is the most abstract, based on little more than a consensus that financial reality is what it pretends to be.

era. When debts are not paid back, economies contract. This is the predicament of the current moment in history.

Western governments have responded to this predicament by “printing” money (these days, it is actually produced by keystrokes on computers). This policy is aimed at solving the debt problem by generating more debt in order to pay the interest on existing debt. We can see, for example, by recent events around the euro zone what the outcome of this policy is: impoverishment that moves from the margins toward the center. The net effect, visible to any casual observer, is that nations are being “hung out to dry.” Soon, the implications will be clear: Do not depend on the global economy...

Reorganize economic life on the local and regional scale... And expect to rebuild community networks of economic interdependency. These relationships are exactly what globalism systematically destroyed. There will be plenty of benefits for those who recognize what is in the wind.

In America, one of the popular delusions these days is that the organization of everyday life depends on our

preferences. We call these “lifestyle choices.” This kind of thinking is not consistent with reality. Reality has mandates of its own, apart from our preferences, and it is telling us very clearly that a reorganization of human activities is coming, whether we like it or not. We can see it all around us now in things like the breakdown of nations into smaller autonomous units and the currency wars now underway by nations gripped in the crushing equations of oil and debt.

Some regions of the world are obviously more fortunate than other places. They have the ability to make the transition to increased self-reliance. Turkey’s strategic geographical location as the bridge between East and West, along with its mild climate, its well-integrated manufacturing and artisan economy, and its traditional farming sector suggests that it is one of the places in the world that can make a successful transition to regional self-reliance. Turkey will have to be careful to stay out of the potential military conflicts in the crescent of the Levant and also the Iraqi-Persian lands to the east. Turkey is fortunate to be independent of the European currency.

The successful parts of the world will be places where the scale of activities are consistent with the energy and material resource realities of the years ahead, when everything will have to become finer, less gigantic, and carried out with more human attention. (And probably fewer machines.) This is contrary to most of the current popular economic propaganda. Remember, history is a prankster. The future belongs to people who pay attention to developing reality.

MORE THAN A CITY

As Turkey increases its global power, Istanbul, a city that has witnessed 8,500 years of history, is in the spotlight as a world hub for business, culture, fashion, and sports. As Istanbul collects more titles every year, its brand equity as a world metropolis rises constantly.

BY CAN GÜRSU BY NECİP ŞAHİN





İSTANBUL SHOPPING FEST

8-30 HAZİRAN 2013

FORSA
İSTANBUL

İSTANBUL SHOPPING FEST



T

THE TÜNEL, OR TUNNEL, has offered a pleasant, brief journey from Karaköy to Beyoğlu since it was built in 1872. The first subway of continental Europe and the world's second when it was built 141 years ago in a flash of foresight, it is an example of Istanbul's pioneering role in history. Having hosted countless civilizations—and their capitals—throughout history, Istanbul continues to live up to Napoleon's utterance, "Were the world a single country, [Istanbul] would be its capital." A brand in and of itself, the city serves as the driving force behind Turkey's economy, too, with \$61 billion in exports generated in 2012.

THE CAPITAL OF HISTORY

Istanbul has always been among the world's most important capitals in recorded history. It served as the capital of the Roman Empire and Byzantium, and as the seat of the Ottoman Empire, it was the administrative capital of a massive realm. With its museums, churches, palaces, mosques, and marketplaces, it has witnessed so much history. Historical findings in excavations show that the city's history dates back 8,500 years.

Following excavations in Fikirtepe (Asian Side) and Yenikapı (European Side), Neolithic-era findings were discovered in Pendik (Asia). These human skeletons could change interpretations of European history significantly. The findings are exhibited at museums all over Turkey, most of all in Istanbul. There are more than 60 museums in Istanbul alone. Considering Istanbul's historical heritage, this figure is expected to grow rapidly in the years to come. The Hagia Sophia and Topkapı Palace, which are Istanbul's most popular museums, are visited by 7.5 million people every year. And museums and palaces are just part of Istanbul's unique history.

The treasures and sights worth seeing in Istanbul, which was selected as Europe's cultural capital in 2010, are too many to squeeze into a brief visit. The Grand Bazaar, one of the world's oldest bazaars, is one of these, welcoming 160 million people annually. With 64 avenues and streets, 16 khans, 22 entrances, and more than 3,000 shops, the Grand Bazaar is the world's oldest large covered bazaar. Istanbul is also capable of overcoming the seasonal effects of typical

CULTURAL HERITAGE

As the seat of numerous masterpieces of culture and civilization, Istanbul allows tourists who visit the city to witness a lengthy range of history and gain different perspectives on every period.



IN 2012
3.5
MILLION

HAGIA SOPHIA
VISITORS

IN 2012
3.2
MILLION

TOPKAPI PALACE
VISITORS

tourism through the expositions and congresses it hosts, where a rich variety of cultural and arts activities take place.

Congress tourism accounts for 30% of world tourism, equivalent to a volume of more than \$250 billion. Istanbul is quickly increasing its share in this. According to data from the International Congress and Convention Association, Istanbul, which hosted 113 fairs in 2011, ranks ninth among the world's cities that host the most fairs. More than 80% of the fairs in Turkey are hosted in Istanbul. One of the region's and the world's most important cities, Istanbul hosts numerous international summits as well, such as the World Economic Forum, the World Water Forum, and the Caspian Forum. With advanced transportation and telecommunication facilities, high-quality accommodation, great shopping opportunities, and numerous touring options, Istanbul is a top choice for international companies and organizations that wish to hold summits or congresses. Istanbul is heading toward becom-

ing one of the world's most popular centers for tourism.

TOURIST NUMBERS INCREASE RAPIDLY

According to information from Atatürk Airport, Sabiha Gökçen Airport, and the ports of Haydarpaşa, Pendik, and Karaköy, which are the city's busiest points of entry, an increase of 16% in the number of incoming foreign tourists occurred relative to the previous year. This figure is expected to rise to 20% in 2013. It is reasonable to expect that the third airport and new harbor projects will contribute to even larger increases in the future. To meet this increased demand, the accommodation capacity available at present must be multiplied quickly.

Many international and local hotel chains have recognized the opportunity and are preparing to invest in Istanbul. Chains that already have presences are looking to expand their investments. The soon-to-be opened Hyatt Regency Ataköy, Bomonti Hilton, and the debut Istanbul location of the world-famous luxury hotel chain Shangri-La are among these new projects. Studies show that 125 new hotels—both domestic and foreign-owned—will be opened in Istanbul by year-end 2015 to meet rising demand. While four- and five-star hotel investments were popular in the past, "concept hotels" such as boutique, student, highly individualized, and super-luxury projects are in vogue today. And besides being a magnet for tourism investments, Istanbul is a city that has gained global acceptance as a host of sporting events.

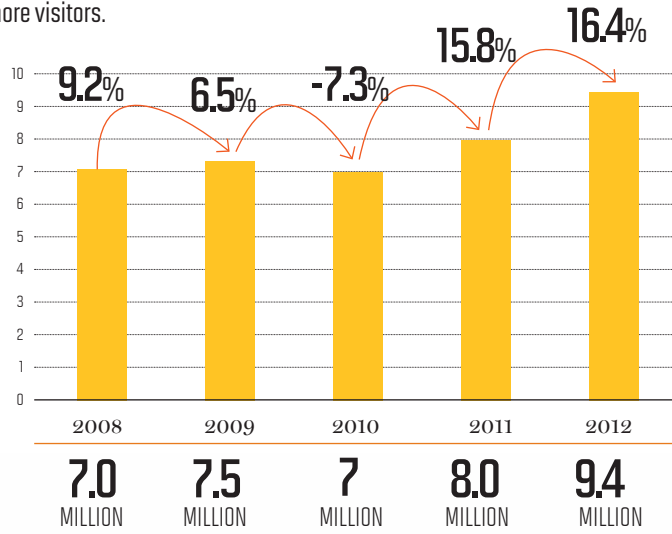
ON THE OLYMPIC PATH

Together with Tokyo and Madrid, Istanbul is one of three candidate cities for the 2020 Olympic Games. Istanbul aims to use its geographic advantage to improve its chances as a candidate. Suat Kılıç, Minister of Youth and Sports, says, "Istanbul is the only city that offers the chance for an Olympic Games on two continents—it is the only city where you could wave your hand toward Europe at the opening ceremony on the Asian continent and have all of this aired on televisions worldwide." Istanbul started preparing for 2020 long ago. Efforts to renew existing facilities are in place as new investments are being brought to life, too. Investments in infrastructure and facilities are expected to be completed by 2018. With its increased ability to satisfy sports needs, Istanbul is preparing as an Olympic city when it is just a candidate as of yet.

Istanbul is quite decorated as a location for sports events. Having hosted such large events

TOURISM STATISTICS

With the waning of the global economic crisis, Istanbul is receiving more visitors.



TURKISH CUISINE

The culinary heritage of a giant empire that lasted 600 years allows one to find the best Central Asian, Anatolian, Middle Eastern, and Balkan delicacies in many parts of Istanbul. Istanbul is flavor country for diners seeking a diverse range of sophisticated options.





POINT OF INTEREST

Turkey hosts 6,000–7,000 concerts and more than 5,000 exhibitions every year. More than half of these activities are held in Istanbul. This \$1 billion pie is growing every year.

as the 2005 UEFA Champions League Final, 2009 UEFA Cup Final, 2010 World Basketball Championships, 2012 World Indoor Athletics Championships, 2012 Short Track Swimming Championships, 2011–2013 WTA Tour Championships, and 2012 Euroleague Final Four, the city was granted the title “World Sports Capital” in 2012.

A city of sports, culture, and history, Istanbul welcomes the second-most tourists out of all cities in Turkey. Capable of hosting millions of tourists, the city has a bed capacity of over 120,000, according to the Istanbul Province Directorate of Culture and Tourism. In light of Turkey’s progress and Istanbul’s rising brand equity, the time to consider the incoming demand is now.

INVESTMENTS POURING IN

Both the private and public sector are doing all they can to meet the needs of the increased demand being faced by Istanbul. According to the Metropolitan Municipality’s report on transportation, the Ministry of Transportation and the Municipality are in preparations for a \$9.8 billion investment in Istanbul’s transport infrastructure, \$3 billion of which is already complete. Annual average investments of \$1.2 billion each are planned over the next six years. Among ongoing projects are Marmaray, which will establish a line between Europe and Asia (and thus relieve traffic in Istanbul), the M6 subway line on the European side, and the Eurasia Tunnel beneath the Bosphorus.

The Eurasia Tunnel will also serve as a connection to carry the athletes between the Olympic and Paralympic Villages and the harbors. Using these tunnels, buses will take the athletes to the facilities by the harbor within half an hour. There are three major projects transportationwise for Istanbul—a third bridge over the Bosphorus; a third airport planned to serve 150 million passengers annually; and Galataport, a port for cruise ships. But the most important investment ahead for Istanbul is urban renewal, which will inject life into the historic city.

\$100 BILLION

THE COST OF THE URBAN TRANSFORMATION PROJECT IN ISTANBUL ALONE IS PROJECTED TO BE AT LEAST \$100 BILLION.

16.6 THOUSAND

ISTANBUL RANKS FIRST IN THE DISTRIBUTION OF THE NEARLY 30,000 FOREIGN-FUNDED COMPANIES IN THE COUNTRY, HOSTING 16,641 SUCH COMPANIES.

A NEW ISTANBUL IN A DECADE

A professional crew of fifty experts, the Istanbul Directorate of Infrastructure and Urban Renewal, was set up by the Ministry of Environment and City Planning to accelerate urban transformation projects in Istanbul. Among its objectives for 2023 is the demolition and reconstruction of more than half of the buildings in the city. Any buildings that would not survive an earthquake of 6.5 or above on the Richter scale, as determined via radiography, will be torn

down. Additionally, there will be an emphasis on “green construction” during the rebuilding process. One of the most important aims of the project is to execute these tasks with minimal impact on the environment and people’s lives.

The projected budget for a renewed Istanbul in 2023 is quite impressive. The transformation will take place gradually, over periods of 3, 5, 10, and 20 years. It is currently predicted that the project’s cost to Turkey will be \$400 billion, with \$100 billion earmarked for Istanbul specifically. Officials claim the metropolis’s appearance will be changed completely, and they emphasize that the project is focused not only on residences but also on subways, bridges, and tunnels. The renewed Istanbul will become more alluring as a business hub for international companies, too.

A FOCAL POINT FOR FINANCE AND MANAGEMENT

Having caught the attention of the big multi-nationals with the stability Turkey has obtained economically, Istanbul ranks third among the cities in Europe that global companies plan to open offices in by 2015, according to real estate and consulting agency Cushman & Wakefield. The economic issues in Eastern European countries and the little damage Turkey took from the 2008 economic crisis increases Istanbul’s value in the eyes of foreign investors, putting the city one step ahead of its rivals in becoming a regional center of finance. The city is planned to become a financial hub regionally within a short time and globally eventually. The world’s largest financial hub is being built in Istanbul at a cost of TRY 4.5 billion. Allotted three square kilometers, the project is expected to provide jobs to 150,000 people and contribute around 4% to the GNP.

According to the Ministry of Economy’s report on foreign direct investment, Istanbul ranks first in the distribution of the nearly 30,000 foreign-funded companies in the country, hosting 16,641 such companies. The International Investors Association of Turkey’s second “Barometer” survey for 2012 showed that 33% of polled members are using Turkey as a regional hub, and more international companies are joining their ranks every year. Istanbul is a top choice for companies that use Turkey as a base of operations in the region.

The Coca-Cola Company Eurasia & Africa Group manages 84 countries from its headquar-



FINANCE CAPITAL

Istanbul employs approximately 20% of Turkey’s industrial workforce and contributes 38% to Turkey’s industrial workspace. Istanbul also generates 55% of Turkey’s trade and 45% of the country’s wholesale trade.

ters in Istanbul. PepsiCo manages 18 countries from Turkey, its headquarters for the Southeast Europe region. Microsoft uses Istanbul as its headquarters for the Middle East and Africa regions. Unilever manages 35 countries from Turkey. Intel uses Istanbul as a headquarters to manage a computers market of 22 million. There are more than 50 global companies that manage hundreds of thousands of employees and multibillion-dollar budgets out of Istanbul. The United Nations Development Program, too, will manage Europe and Central Asia from Istanbul.

Istanbul is adding its successes every year. Synthesizing its historic heritage with innovation and openness to change, the city will gain even more popularity in the years ahead. With all of these advantages, Istanbul is poised to secure a spot among the ranks of the world’s top ten cities by 2023.

A GIANT LIES WHERE THE CONTINENTS CONNECT

With the transformation it has been undergoing since the early 2000s, Istanbul is pushing forward at full throttle in its bid to become a financial and world capital. Istanbul Mayor Kadir Topbaş, who was been at the helm of the city for eight years, discussed Istanbul's transformation and its future with The Turkish Perspective.

BY CAN GÜRSU



ISTANBUL IS A CITY THAT joins two continents together, with a history that dates back more than 2,500 years, the cultures of the countless civilizations that called it “home,” and the companies that operate in it today. It is a marvelous city that offers not just one great feature but a multitude of them. Connecting many countries to the open seas with ships that pass through the Bosphorus and a tourist favorite with its peerless historic landmarks and the numerous events it hosts, the city’s popularity is rising by the day. Istanbul, the locomotive that pushes Turkey forward, is now gearing up to host the 2020 Summer Olympics. Mayor Kadir Topbaş, the person most familiar with Istanbul’s transformation in recent years, shared his vision for the city with us.

As someone who knows Istanbul so well, could you tell us about the transformation it is undergoing?

Istanbul is one of the world’s most important cities. With its geographic position, historical mission, societal structure, and the locomotive role it serves in the economy and tourism, it occupies a distinguished place that no other city in the world could. All of these qualities bring both opportunities and risks. Above all, Istanbul is a city that is before the eyes of the entire world. Its being under watch makes Istanbul a center of attraction, in turn increasing migration to Istanbul. As population density increases, problems in infrastructure and superstructure in-

crease likewise. This brings about many serious problems, especially in the fields of health care and education.

I have been serving as the Metropolitan Municipality Mayor of Istanbul for more than eight years. I am the only mayor to have been elected to the position for two consecutive terms. I say these for the following reasons: Eight years ago, when I was a mayoral candidate, we were cognizant of the opportunities and risks I described above. We had projects focused on eliminating the risks and exploiting the opportunities. I can say with ease today that we defeated the risks and harnessed the opportunities as best as possible. In the giant metropolis that is Istanbul, we transformed infrastructure so that it is no longer a problem. We solved the superstructural issues to a significant

degree. We are continuing our environmental restructuring efforts ceaselessly. We completed the Can Suyu project in the Golden Horn, for which we carved 5,000-meter tunnel—from this tunnel, 260 million liters of water flows into the Golden Horn every day.

We made serious progress in transport. As we solved such issues, Istanbul’s allure surpassed its urban identity that was limited to Turkey and granted it international esteem. We are

Europe’s leading city in tourism. In the short term, we achieved the goal of being the region’s center of finance. We made serious progress toward becoming Europe’s financial center. But our real target is to be a center of world trade in 2023, the centennial of the founding of our Republic.



MANY INTERNATIONAL ORGANIZERS NOW HAVE THEIR EYES ON ISTANBUL. IT IS THE ONLY CITY IN THE WORLD THAT CAN HOST INTERCONTINENTAL SWIMMING COMPETITIONS.

Kadir Topbaş describes the Urban Transformation Act, which will renew the city from top to bottom, as a major opportunity for Istanbul.



Istanbul is very ambitious about the Olympics this year, but it is competing against some very powerful cities. How do you regard Istanbul’s chances for the 2020 Olympics? What changes await Istanbul by 2020?

Istanbul is one of the world’s most important sports centers. As a result of the efforts we kicked off in 2004, it became the European Sports Capital 2012. Since 2004, we have hosted 83 international and 100 national events in 28 branches. The most important final games of European soccer were held in Istanbul. The world was focused on Istanbul during many international events such as the Formula 1 races, the World Basketball Championship, and the Gymnasium Athletics Championship. And this city is the only place in the world where intercontinental swimming competitions can be held. As you know, Istanbul is competing with Tokyo and Madrid for the 2020 Olympics.



IN THE SHORT TERM, WE ACHIEVED THE GOAL OF BEING THE REGION'S CENTER OF FINANCE. WE MADE SERIOUS PROGRESS TOWARD BECOMING EUROPE'S FINANCIAL CENTER.

fully equipped sports facilities, we will not have to make a significant investment. In summary, in terms of preparations, I regard Istanbul as being on the luckier side.

The Prime Minister is known to be envisioning a larger Istanbul that will spread over an expansive area. How is progress on the Kanalistanbul project? Is work on it going to start soon? What changes to their lives could Istanbul's inhabitants expect with these new projects?

Istanbul is an earthquake zone, as you know. We experienced a large earthquake in 1999. Another giant earthquake inevitably awaits us. We want to overcome the expected earthquake with minimal damage. For this reason, we are focusing on urban transformation. When we decided on this, there was a question we had to answer—that of the approach we would use to make the urban transformation happen. Our Prime Minister's vision of a larger Istanbul that will occupy an expansive area guided us. We developed urban transformation projects with a focus on earthquakes and the preservation of strategic and historic heritage. These projects hold the purpose of preparing for quakes but they also offer the opportunity to renew the city. And as we renew the city, we are abandoning the idea of a concrete jungle with no green areas and

We have completed infrastructural work to a large degree and we launched significant initiatives to solve the transportation problem. We opened the Kadıköy–Kartal subway line for service, and we signed off on the Üsküdar–Ümraniye–Çekmeköy–Sancaktepe subway line as well. We are nearing completion on the Marmaray project [a submarine tunnel linking the two sides of Istanbul]. We are constantly on the job to complete numerous projects both large and small. Considering our targets in these areas, transportation most of all, Istanbul will become a city that has solved its transport problem by 2020. We will achieve a state of zero problems in communications and transport to Olympic zones.

When we look at the latest situation with the sports facilities, we are clearly capable of hosting the Olympics. We increased the number of sports facilities from 21 to 73. Thanks to our existing

SINCE 2004

28

SPORTS BRANCHES

83

INTERNATIONAL

100

NATIONAL EVENTS

moving on to one with a lot more space. The Kanalistanbul project, the third airport, and the third bridge projects will provide the means to build up the city in a wide area. When these projects are brought to life, we will become an important power in transport, environment, tourism, and economy alike. The Bosphorus will become a nature zone that can be used for water sports and which will relax urban transportation. We have completed feasibility studies for Kanalistanbul. The High Planning Council's decision was completed recently; next comes the preparation for bidding. After that, we will move on to the implementation. We will bring the project to life step by step. The third bridge and third airport projects, meanwhile, are in the bidding stage.

What kind of projects are you conducting in relation to the sustainability of natural resources? What are your plans regarding this matter?

In recent years, the environmental disasters, food access issues, and famine threats that emerged in the world entered our lives together with certain concepts. When these topics became a concern, we started to say that precautions should be taken immediately because the fact that the world is quickly heading toward destruction is not being taken seriously by everyone. Sustainability means planning lifestyles and development for today in a way that will enable future generations to fulfill their needs and maintain progress through establishing a balance between humankind and nature that does not exploit natural resources. Sustainability is a multifaceted concept with social, ecological, economic, spatial, and cultural dimensions.

Everyone needs to start cleaning house; that's what needs to be done here. That's how we do it. With industrialization, water resources—seas, lakes, and rivers—were polluted the most out of all. For a sustainable world, it is necessary for local administrations to protect these



260

MILLION LITERS

OF FRESH WATER IS ADDED TO THE GOLDEN HORN EVERY DAY WITH THE CAN SUYU PROJECT.

resources. The Can Suyu project for the Golden Horn, as I mentioned above, is one that targets the preservation of a natural resource. Thanks to this project, the Golden Horn's water will be replenished thrice every year. As water quality in the Golden Horn goes up, the quality of ecological life will likewise increase. Forty-eight species of fish, including bluefish, currently inhabit the Golden Horn. In the Environmental Order Plan, we introduced absolute protection for sources of potable water, forests, and agricultural land. Building wastewater collectors using the microtunneling method, we halted the pollution of water sources. We increased the efficiency of wastewater purification to 97%. In addition, we launched what we call the era of advanced biological purification in drinking water, and we renewed 99% of the plumbing network. By the end of



WITH ITS GEOGRAPHIC POSITION, HISTORICAL MISSION, SOCIETAL STRUCTURE, AND THE LOCOMOTIVE ROLE IT SERVES IN THE ECONOMY AND TOURISM, ISTANBUL OCCUPIES A DISTINGUISHED PLACE THAT NO OTHER CITY IN THE WORLD COULD.

2014, we will have completely stopped the uncontrolled discharge of wastewater into the Sea of Marmara. Also in this regard, we cleaned up the seas and made them swimmable again. We collect waste from the seas. By filtering oil and other such waste from ships, we obtain fuel.

We are cleaning up the shorelines. We have succeeded in transforming Istanbul's beaches into world-class swimming spots. Our efforts in such areas as stream reclamation, the establishment of green spaces and the preservation of existing ones, and addressing global warming are ongoing as well.

Compared to such cosmopolitan cities as London, Paris, Singapore, and New York, what do you think Istanbul's advantages are? What does it need to improve upon? Are there any cities you look to as a model for Istanbul?

As the Metropolitan Municipality Mayor, I don't think it would be right for me to compare Istanbul with any city—Istanbul is a city that is not only coveted by our country but also envied by the entire world. It is a very special city. It has a history of 8,500 years. It served as the capital of the Ottoman Empire, the Holy Roman Empire, and Byzantium. It is the aorta of both European and Eastern civilization. It has a unifying quality. For 2,700 years, it has been a hub that directly influences global decisions. Its historical heritage, the distinct position it occupies, its natural beauty—I could list dozens more characteristics that Istanbul has over other cities, because Istanbul is a city where not only two continents meet, but also where two worlds meet. It is the 2,000-year-old focal point joining the networks of East and West. The Silk Road from the east and the Roman Route from the west met in Istanbul. The Milion Pillar, symbolizing the center of supply, is located in Istanbul.

Now, it wouldn't be right to compare a city with such qualities to another city. Until our Prime Minister, Recep Tayyip Erdoğan [who served as mayor of Istanbul 1994–1998], we were unable to put these qualities to use due to the short-sightedness and improvidence of the local administrations. Perhaps we could speak of such a shortcoming, but we have overcome this, too. From now on, Istanbul's positive qualities will be at center stage.





The Golden Age of

TURKEY'S DEFENSE INDUSTRY

Having made incredible progress since the early 2000s, the Turkish defense and aerospace industry is in its golden age.

BY AYNUR ŞENOL ALTUN

THE TURKISH DEFENSE industry's recent successes with projects based on cutting-edge technology are dazzling. Local production is being used to satisfy the needs of both the domestic and international markets. From 2008 to 2010, the industry's exports were worth around \$600 million. In 2011, this figure was \$800 million. The highest increase in the industry's exports to date was in 2012, when its exports reached \$1.3 billion. The Defense and Aerospace Industry Exporters' Association has set a \$1.5 billion export target for 2013. Latif Aral Aliş, the association's chairman, says the industry's export target for 2023 is \$25 billion. He ascribes the momentum in exports and the loftiness of the targets to two reasons—a change in the industry's vision, and thereby its structure, production, and goals; and increased state support for exports in general and the defense industry in particular. Aliş says the coexistence and harmony of these factors reflects positively upon both production and exports.

With a wide range of fields of activity, including defense and security systems; software; land, air, and sea vehicles and their equipment; electronic warfare systems; support systems and logistics services; R&D; engineering; and manufacturing services, the defense industry in Turkey holds significant potential. Turkey invested in many facets of the defense industry starting with the declaration of the Republic, and though the products imported after World War II affected local

production negatively, significant progress has been under way in recent years.

GLOBAL DEMAND FOR TURKISH DEFENSE EQUIPMENT

The ANKA unmanned aerial vehicle (UAV) presents a significant alternative to its worldwide rivals at a time when UAVs andUCAVs are rapidly becoming more important as defensive and offensive tools. The Turkish Armed Forces is expected to sign a contract with the manufacturer, Turkish



Aerospace Industries (TAI), in the very near future. There is demand for ANKA worldwide, too—certain protocols are being carried out concerning ANKA for Asian and Middle Eastern countries, which have exhibited great interest in the UAV. The technologies used by ANKA are elegant and highly advanced. Its ASEL-SAN-made electro-optical systems enable the vehicle to monitor movements from large distances in daytime

and nighttime, and it is built to withstand all weather conditions. An armed version of the ANKA is planned for production in the near future, which will rival the United States' Predator, the only armed UAV at present, as a lighter alternative.

The ATAK is the Turkish defense industry's second major play. A derivative of British-Italian firm AgustaWestland's A129 attack helicopter, the ATAK—or T129—is Turkey's first do-



mestic attack and reconnaissance helicopter. Although its fuselage is imported, its engines, transmission, and all other parts were designed in Turkey to suit local conditions. The ATAK is the most effective helicopter in its class today and it has drawn wide interest abroad. Many countries are placing orders for the ATAK; countries to have expressed their interest officially so far are South Korea and Saudi Arabia. Jordan, Pakistan, and Azer-



ket. There will be two models of the aircraft—one for civil aviation and one for military purposes.

Down on the ground, the Altay, a Turkish main battle tank being made by Otokar, which has been producing land defense vehicles since 1987, is expected to be completed in 2015. Mass production is scheduled for 2016. Named after Major General Fahrettin Altay, who led the units that entered İzmir during the Turkish War of Independence, the Altay project is being run in coordination with several subcontractors under the direction of the main contractor, with nearly 1,000 engineers working to perfect its advanced technology. The Altay's first two prototypes were completed in recent months and are being put through testing. The first prototype is being used to test maneuverability; the second is being used to test its targeting systems. New prototypes will be created based on these tests in a process of iterative refinement. Otokar General Manager Serdar Görgüç states that the Altay will be the world's most modern tank when it is completed. The US, Germany, and the UK are planning to launch new tank development efforts in 2025, says Görgüç—"Considering these efforts will be under way for some time, it would

be fair to say that the Altay will remain as the most modern and effective tank for a lengthy period."

Otokar is a well-known producer of other military land vehicles. Within a year of introducing the Arma 6x6, an original design that was independently developed, it signed two export agreements. A decade ago, it had four tactical vehicles in its product range; today, it has nine vehicles available in dozens of configurations, cumulatively Turkey's largest land vehicles project. "With our vision to maintain our local and national identity in our products, which matches the nationalization policy one-to-one, we have equipped our R&D center today with world-class technology. The share of R&D spending within revenues in Turkey is 0.86% overall. For the past five years, 4 percent of Otokar's revenues have been assigned to R&D spending, and we hold more than 77 patents, industrial designs, and useful models," says Görgüç.

IN SPACE AND ON SEA

In terms of naval power, the Turkish defense industry is working on MİLGEM, the "Turkish National Ship Project." The technologies developed for the various ships that the industry has developed are cutting-



Latif Aral Alış:
"We intend to push on with the momentum we have gained in land vehicles, communication systems, electro-optics, and light arms."

baijan are also known to be interested in the vehicle.

Yet another of the defense industry's products is Hürkuş, which could be considered the forerunner of all of these projects in a sense. Turkey's first aircraft project developed by its own means, it is named after Vechi Hürkuş, an ace fighter pilot—and very appropriately, the name also means "free bird" in Turkish. Generally speaking, the Hürkuş is expected to compete in the global training aircraft mar-

edge, and some of them are exported. Canada, Pakistan, the Ukraine, Bangladesh, and some South American countries are known to be interested in this project. Indonesia has placed an order connected to MİLGEM and has signed a contract with Turkey on a project to modernize the Indonesian navy.

The Turkish defense industry is producing high-tech, original projects in space research, too. GÖKTÜRK-2, the most notable of these projects, is Turkey's first high-resolution remote sensing satellite. Launched from China and now regularly broadcasting imagery, the satellite has a resolution of up to 1.5 meters on the ground, nine times higher than that of the first Turkish satellite, RASAT. The Turkish defense industry is at an advanced level in rocket and missile development, too. Work on many other projects, including equipment and auxiliary instruments, is also ongoing. There are many institutions and companies working in the industry to this end, such as SAGE, the TÜBİTAK Defense Industry Research and Development Institute, which was established within TÜBİTAK—the Scientific and Technological Research Council of Turkey—in 1972. SAGE's primary mission is to conduct R&D that contributes to the engineering and prototyping of defense systems, starting from fundamental research and conceptual designs in the field. Most of the projects are run jointly with companies in the industry. SAGE also works with a number of other



The majority of defense industry exports in the first two months of 2013 were to the US and the Middle East.

institutions under the roof of TÜBİTAK, such as BİLGEM and MAM, aiming to further the use of domestic technology in the industry.

Another major player in Turkey's defense industry is Aselsan, which was established in 1975 to supply the Turkish Armed Forces with communications devices. It has progressed much since then, diversifying its product range and gaining increasing

importance in the industry continually. A publicly traded company, ASELSAN conducted its first export in 1983. The company and its products command worldwide interest and demand.

Turkish Aerospace Industries (TAI) is yet another important company in the industry. It is one of the top 100 aerospace industry companies in the world. The company was founded in 1984 as a joint Turkish-American venture to manufacture F-16 fighters in Ankara. Its foreign shares were bought out by Turkish stockholders in 2005, after which it was reorganized. Since then, it has broadened its operations considerably, becoming Turkey's technology center for the development, modernization, production, integration, and lifecycle support of aerospace industry systems. The Turkish Armed Forces Foundation owns 54.49% of TAI's shares. The Undersecretariat of the Defense Industry owns 45.45% of its shares, and the remaining 0.06% is held symbolically by the Turkish Aeronautical Association. TAI is also part of a venture called Turkish Engine Industries, owning more than half of its shares. The company mainly produces aircraft engines, and it also produced components and modules and provided such services as engine mounting and testing, repairs, maintenance, revision, check-ups, engine design, and product development.

THE TURKISH DEFENSE INDUSTRY SHINES

In economic terms, the defense industry paints a highly positive picture in

THE DEFENSE AND AEROSPACE INDUSTRY IS RAPIDLY INCREASING ITS EXPORTS



spite of the global economic crisis. The top five exporters in defense are the US, Russia, Germany, France, and the UK, together accounting for 76% of defense industry exports. The remaining 24% of the market is where Turkey and roughly 200 other countries are competing to gain a share. "Countries that use advanced technology, maintain sustainability, and possess product diversity and means of credit and financing will continue to preserve their existing market shares," says Latif Aral Aliş. Turkey has not achieved the share it desires yet, he says. Once the necessary infrastructure and financial systems are in place, at least 5% of Turkey's export is planned to consist of defense, aerospace, and security products, systems, platforms, and services, he states.

Industry figures are highly optimistic about the industry's future. The \$2 billion export target set for 2016 appears realistic, with no reasons on the horizon that would put it out of reach based on current and past export figures. The top recipients of the industry's exports this year were Saudi Arabia, UAE, Bahrain, Italy, Spain, Iraq, France, the UK, and Germany. North America accounted for the highest share with 39%. Turkey exported \$490 million worth of aircraft equipment as well as various arms and munitions. The US again accounted for the majority of exports in the first two months of 2013. The suggestion of certain restrictions of arms sales to the US and the possibility of a ban have doubled sales in



this market. The Middle East was the next most significant importer with a share of 33%.

The transformation and development of the markets being catered to are among the factors that increase the industry's confidence in exports. In the near future, Africa is expected to become a high-priority market, too. The bulk of exports consists of aircraft parts, jet engines

and propellers, tanks and armored fighting vehicles (and their components), passenger aircraft with an empty weight of more than 15 tons, rocket launchers, flamethrowers, grenade launchers, torpedoes, rifles, and pistols. Marine vehicles are a product group with potential for development. Exports will rise further when the aforementioned projects

"The satellite we send to space today is a solid sign of the place that willpower and self-confidence can carry Turkey."

that have sparked worldwide attention enter mass production and start being sold.

The defense industry fairs that exporters attend worldwide also light the path toward the future for both exporters and possible markets, presenting opportunities for bilateral meetings about projects with countries that are current buyers and promoting them to potential markets, helping the industry's leading companies to plan their actions. Turkey's defense industry is advancing confidently toward the future with the interest shown by international markets and the importance being given to local production.



LATİF ARAL ALIŞ

Chairman, Defense and Aerospace Industry Exporters' Association

As is the case with almost all exports, in our industry, too, there was a transition from "heavy load, light cost" to the opposite—"light load, heavy cost," so to speak. When information became the most important export good, the sales and exports of services that provide the know-how and constancy that runs the value-added products came into play. The services we provide today are regarded either alone or as inseparable parts of the product sold; they receive demand and acceptance.



SERDAR GÖRGÜÇ

General Manager, Otokar

As a company that has proven itself globally and become a world brand with possession of original vehicles and their intellectual property rights, Otokar represents the Turkish defense industry abroad as a success. Otokar equipment is used by close to 40 parties in nearly 20 countries on five continents, and its vehicles in active service serve as references for future orders. In the coming term, we aim to further increase the share of exports within our revenues.



İLHAMİ CAN ÖZTÜRK

General Manager, RMK Marine

RMK Marine is focused on supporting its engineering abilities with R&D to design and build national, original products. In the coming period, in addition to continuing these projects, new research and development projects to support various levels of expertise will be brought to life together with domestic SMEs and subcontractors. RMK's most important projects, where we harness its local design and national production and integration capabilities maximally, are its corvette series, search-and-rescue boats, and fast attack crafts.

Brands

READY-TO-WEAR, CONFECTIONERY, BATTERIES, SUPERMARKETS, BOTTLED WATER...



İpekyol ON THE GLOBAL STAGE

Founded 27 years ago, clothing company İpekyol has been growing in Turkey with its new Twist and Machka brands while also focusing on growth abroad. İpekyol Chairman Yalçın Ayaydın is in pursuit of bringing the company's retail operation to more consumers by growing in different areas. The Middle Eastern market is their top priority, he says. In 2013, they are also preparing for a large investment in Kazakhstan.

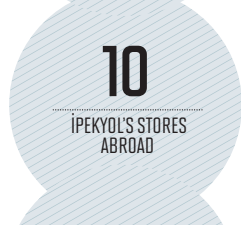
BY NESRİN KOÇASLAN

“I STUDIED ELEMENTARY, middle, and high school in Mardin. When I gained acceptance into a university in Istanbul, my Istanbul story began. After graduating, I worked professionally for six years. But doing calculations until dark, from nine to six, wasn’t satisfying me. I wanted to be outside and do research; I was curious about where to buy fabric and which model was sold at which store. For this reason, I’d finish my work by noon and throw myself into the heart of the business—stores and shops. I worked there for three years and set sail toward new horizons to realize my bigger dreams.” This is how Yalçın Ayaydın, Chairman of İpekyol, explains how İpekyol was founded. Like every entrepreneur who has succeeded in creating a brand, he has a story of his own—and why wouldn’t he? The brand that Ayaydın created with so much excitement years ago has become one of Turkey’s most important brands. Furthermore, it has found success not only in Turkey, but also on the world stage.

THE BIRTH OF MACHKA AND TWIST

İpekyol started operations in 1986. As a retail chain, it became one of the brands to achieve acceptance and bolster its market position in Turkey the fastest, says Ayaydın. After İpekyol, in 1997, they added to the family the Twist brand, which has a focus on contemporary, comfortable, and youth-oriented designs. Like İpekyol, this brand was quickly accepted by consumers, and expansion both domestically and internationally was part of its strategy. This strategy was effective, and as the two brands grew domestically, they started to grow abroad, too.

MORE INTERNATIONAL STORES TO COME



TURKEY'S FIRST PRÊT-À-PORTER BRAND

After the two brands secured solid positions in the market, Ayaydın launched an effort to establish a new brand, enlisting the help of Ece Ege of the world-famous brand Dice Kayek. Ayaydın describes Machka, which was created for “women who know themselves and what they want very well and have adopted quality, noblesse, and chic couture as a lifestyle,” as Turkey’s “first prêt-à-porter brand.” Since Machka was founded in 2005, it has become one of Turkey’s most prestigious brands. With its strategy, collections, and manufacturing and service quality, it occupies a solid position in the luxury goods category, says Ayaydın.

FOCUSING ON THE MIDDLE EAST

International operations with the group’s İpekyol and Twist brands continue, indicated Ayaydın. He says they have



İpekyol captures its customers' hearts every season with its new collections.

positioned themselves with nine stores in Kuwait, Kazakhstan, Bahrain, Northern Iraq, and Northern Cyprus, and he adds, “The Middle East will again be of high importance among our new investments for the coming term.” “The retail sector is very developed in the region, and competition is quite demanding and tough. But there’s always room in the regional market for someone that’s good. Demand for Turkish brands is rising by the day. We are practicing the same system we use at our stores in Turkey in this region, where we are facing great interest. From the logo to the showcase design and in-store placements, every detail is recreated exactly the same.” Ayaydın says they are



YALÇIN AYAYDIN

Chairman, İpekyol

When I founded İpekyol in 1986, I had a grand vision—to become the best brand in women’s wear first in Turkey and then in the regional and international markets. I returned from my military service in July 1986. In August, I opened my own store, İpekyol. Where we are today, we have 140 stores and 1,500 employees. Additionally, we established a manufacturing facility in Edirne, which became operational in 2006. Our Edirne manufacturing center has 17,000 square meters of indoor space on a 40,000-square-meter lot. We practice world-class production at this center, which is Turkey’s first integrated women’s ready-to-wear clothing factory. In 2010, our Edirne manufacturing center won the 11th Aga Khan award, a highly respected architecture award.

focused on growing in the Middle East via franchising, with a focus on shopping centers in particular. The company plans to grow in Kazakhstan in the near future, too, he notes—they have increased their number of stores to six, targeting the cities of Astana and Almaty in particular.

THE WHOLE PACKAGE

Ayaydın says they have gained great experience in women’s wear over the years. “With the observations we obtained and research we conducted over time, we have arrived at the conclusion that we should consider a woman who enters our store as a whole. Next to an outfit, we should be providing shoes and all accessories to complement that outfit,” he says, explaining his reasoning for establishing İpekyol Shoes. İpekyol Shoes designs shoes that suit İpekyol’s outfits and thus enable customers to make choices more easily. The brand offers dozens of kinds of shoes in various styles, ranging from footwear for formal use to casual strolling.

Bags, purses, and other accessories have been present in their stores for many years already, says Ayaydın. With the shoe collection, they have expanded the range of these items as well, says Ayaydın. He adds, “Our jewelry collection is now as eye-catching as a gem—it is shiny, studded with precious stones, and highly diverse.”

Until now, their shoe collections have only appeared in special displays at their own stores. As they learn the intricacies of the shoe business, says Ayaydın, they plan to grow in this area. Their plans extend to growth abroad as well, though he states that it is too early to provide a definite date.



Besides working with world-famous fashion designers, İpekyol employs renowned architects for its store designs.



SOFT AND SWEET

Accounting for more than half of Turkey's exports of gummy candy by itself, Kervan Gıda is multiplying its power in the region with its cooperation agreement with al-Othaim Group of Saudi Arabia.

BY AYNUR SENDIL ALTUN

COLORFUL, SQUISHY candy is something that no child could resist. Many adults succumb to this desire, too. It is primarily the success of these small confections that took Kervan Gıda beyond Turkey's borders, but the company's strong grasp of consumer expectations and the market are among the other secrets to its success, too. Entering the world of confectionery with chewing gum production in 1995, Kervan is Turkey's largest producer and exporter of gummy confectionery. The company started producing gummy confectionery in 1998, a category in which its top brand is Beбето, which expresses a young, innovative, colorful, dynamic, and courageous image. Closely monitoring news in the world confectionery industry, Kervan set up the first lico-rice line in Turkey and introduced Turkish consumers to new varieties of gummy candy. Today, with an annual 85,000-ton production capacity in gummy candy, chewing gum, and beverages on its 36,000-square-meter facilities, it ranks as one of Turkey's largest food producers. In early 2011, Kervan was accepted into Turquality, Turkey's first and only state-supported branding program. Today, its efforts to gain a strong position in the

world confectionery market with its Beбето brand are ongoing.

BEBETO IN 85 COUNTRIES

Kervan exports Beбето to 85 countries today. Among the foremost export markets are the Middle East, Russia and the Caucasus, Europe, North America, and Africa, says Kervan Gıda International Marketing Director Bihter Koçum. Saudi Arabia, Iran, Iraq, the Persian Gulf countries, Lebanon, the US, Germany, Russia, South Africa, Algeria, and Egypt are important countries to them, she says. Kervan is one of the top exporters from Turkey to these countries and



it accounts for more than half of Turkey's exports of gummy candy to these countries by itself, with the remainder being divided among 13 other producers.

Koçum ascribes the success in these markets to the similarity in consumption habits between consumers in Turkey and those in these markets.

As the gummy confectionery they produce contains protein-based gelatin, it is relatively preferable to other confectionery. The gummy confectionery is produced using gelatin obtained from cattle, which is halal for Muslims. "Halal conformity has become a sought-after property not only in our country but in many other markets, too," says Koçum.

Koçum describes Saudi Arabia as a market with particularly high gummy confectionery consumption. With Saudi Arabia's large and growing young population, it is one of their most important target markets, she says. "In the Saudi Arabian market, we are positioning ourselves with our own branded products, as private label products, and with our Beбето Fun



"Through Turquality, we believe we will continue to compose success stories in all our targeted markets from America to Southeast Asia, Africa, and Europe."

Islands.” Kervan attained a sales volume of \$3.5 million in Saudi Arabia in 2012. In 2013, Kervan aims to raise this figure by roughly 23% to \$4.3 million. The conversion of the pick-and-mix sales locations owned by al-Othaim Group to Bebeto Fun Islands has contributed significantly to brand awareness, too. Through its cooperation with al-Othaim and its other efforts targeting this market, Kervan aims to increase its exports to Saudi Arabia to \$10 million within two years. The company has also accelerated its organizational infrastructure and office efforts in the US over the past two years, establishing a company by the name of Kervan USA to speed up its operations in the region.

TARGETING INDIA

Kervan is adding new target markets to its expansion plans. India’s large population, the lack of knowledge of such a product, and the impending expansion of global supermarket giants in this country likewise drew Kervan’s attention to India, and it has been conducting research and efforts regarding distribution and products for the past year with great speed. Also in Kervan’s—and Bebeto’s—sights for the future is Africa: Koçum says they plan to spread the Bebeto brand throughout the entire continent in the very near future. Kervan’s retail, pricing, packaging, and quality are monitored very closely to guide the brand and the manufacturing process, she says.

In early 2011, Kervan became part of the Turquality Program—a state-supported program to use a unified approach to provide significant support to Turkish companies that wish to create



BIHTER KOÇUM

International Marketing Director,
Kervan Gıda

The qualities that differentiate us from our domestic and international rivals are our ability to offer customers a diverse range of products thanks to our flexible, high-quality production and advanced R&D, our certification as a company that manufactures in accordance with globally accepted food safety standards, and our priority on customer satisfaction.

With an annual 85,000-ton production capacity in gummy candy, chewing gum, and beverages in its facilities, Kervan ranks as one of Turkey’s largest food producers.



KERVAN GIDA AIMS FOR 100% GROWTH OVER THE NEXT FIVE YEARS WITH THE FOUNDATIONS IT HAS LAID.

37%

GROWTH 2008–2012

TRY
120

MILLION

2012 REVENUES

\$
40

MILLION

2012 EXPORTS

\$
50

MILLION

2013
EXPORT TARGET

global brands—with Bebeto, after undergoing a rigorous evaluation for acceptance. Kervan is one of seven food companies and four confectionery companies in this program. The firm was restructured to a more professional form in the process of entering Turquality, says Koçum. They now act with greater courage when setting budgets for international marketing, she says.

BEBETO FUN ISLANDS MULTIPLY

Bebeto’s “Fun Islands” concept is the brand’s direct face to the customer. A Bebeto Fun Island is a vibrant, buzzing island filled with candy and gum, described as very alluring especially to children by Koçum. She emphasizes that their ergonomic design allows them to be adapted easily to all kinds of spaces. She continues, “This island can be placed anywhere, whether in the middle of a shopping center or in a store. Through this practice, the brand aims to gain the trust of its customers with its varied, constantly renewed product range, and to render this trust permanent through its amiable, young, trained personnel. We have opened many ‘fun islands’ within this concept so far, both abroad and domestically. The step we have taken in Saudi Arabia is the greatest we have taken in the context of this concept. We believe strongly and trust in this concept.” Kervan aims to have 120 islands by the end of the year—40 domestically and 80 abroad. Their five-year plan is to install a total of 500 such islands. Its brand surrounded by successes just as an island is surrounded by water, Kervan is determined to keep expanding in its targeted markets.



İnci Akü Accumulates GLOBAL POWER

With exports to 72 countries through its global branding project, battery maker İnci Akü is preparing to expand its product range with innovative additions as it aspires to enter the ranks of the top ten in the world battery market.

BY HÜLYA KESKİN

IN 1984, THE DIRECTORS of İnci Holding—one of Turkey's most venerable family-run institutions—were on a verge of an extremely important decision. After an intense process of evaluating the decision, Cevdet İnci started to lay the foundations for a company that would end up serving as a platform for incredibly important developments in Turkey. That customer satisfaction was selected as part of their founding mission was an early sign that the brand would become successful down the line. Based in the Manisa Organized Industrial Zone, this venture, İnci Akü Industry and Commerce Inc. signed a licensing agreement

with Jungfer Bären, one of Europe's most important manufacturers at the time. Later, the company entered long-lasting partnerships with French and American manufacturers, becoming a significant contributor to the domestic auto industry within a short time. İnci Akü was determined to introduce innovations to Turkey, too. In 1997, calcium-alloy lead batteries started being produced in the country. In 2009, İnci introduced the İnci Akü Charge Meter, which enables users to measure and check a vehicle's battery system and battery charge without opening the hood.

Another of the products İnci introduced to the



İnci Akü exports to a total of 72 countries, with Iraq, Iran, and the United Arab Emirates ranking as its top customers. Russia and other CIS countries are also among its significant markets.

market is İnci Akü Nano-Gold Start-Stop ELA, the first product of its kind with a three-year warranty for passenger vehicles and one year for start-stop vehicles. With the introduction of this product, it also released to the market special batteries designed to fulfill the long-term energy storage needs of telecoms, uninterrupted power solutions, and power plants. The VRLA-JEL battery, which requires no maintenance, launched a new era in energy.

With ever-greater successes, İnci became a great asset to the national economy. The company was named one of Turkey's most valuable brands by Capital magazine in its 25th year. The company has taken its success in Turkey abroad, too—it ranked 221st in the list of the top 500 exporting companies of 2011 that was released by TIM. İnci Akü Chairman and CEO Göksel Paker points out that the company became an industry leader thanks to the results and achievements it has obtained since its founding, and that it will continue to succeed in the years ahead.

A GLOBAL BRANDING PROJECT

In 2010, the year it was accepted into the state-supported Turquality Branding Program, İnci Akü increased its competitiveness both domestically and globally by establishing an exemplary global branding project. This highlighted how investing in branding is as important as technology. According to Paker, who believes products or services that consumers will buy must possess additional features over mere base functionality, İnci Akü created a major difference in the market with this project.

The company designated a number of target companies as part of its global branding project. It visits these countries and prepares various reports on them. Assessing its observations and analyses independently, İnci Akü is bringing to life many such important efforts on its way toward becoming a world brand.

EXPORTS ACCOUNT FOR 60% OF REVENUE

Exports account for roughly 60% of İnci Akü's revenues as of year-end 2012. The company aims to increase this percentage in the coming term, according to Paker.

R&D investments have been among its priorities since the day of its founding, he says. A supporter of university-industry collaboration, the company participated in the Ministry of Science and Technology-run Industrial Theses Program in 2010, through which it offers its experiences in turning theory into practice to academic circles worldwide by harnessing the knowledge generated by universities.

MORE THAN 100 PRIMARY DISTRIBUTORSHIPS

İnci Akü carries out its sales and commercial marketing activities with its sister company, Incitaş, which has been in the industry for more than 60 years. It serves its customers through more than 100 primary distributorships, close to 3,500 retail locations, and 170 authorized technical service providers. Abroad, it sends its products to 72 countries on four continents through 90 distributors.

THE INDUSTRY'S FUTURE

İnci Akü has high confidence that projects and investments to store energy obtained from renewable sources, such as solar power, will shape the future of the industry. "We aim to become an expert manufacturer in the field of energy storage and we are developing projects for energy storage systems at our R&D center," says Paker. He points

out that R&D efforts are focused in part on improving current products and in part on future possibilities.

The R&D period for the VRLA-AGM batteries and VRLA-GEL batteries that İnci Akü started producing for the telecoms industry is complete and the products entered mass production. They are now available in the market. Efforts to diversify the product range of these batteries are under way, too. The company started manufacturing industrial batteries in 2011, says Paker, and he notes that they are focusing on R&D efforts in the traction battery and stationary battery groups in connection to this.

RIVALING EUROPE

İnci Akü occupies an important position in the battery market that caters to the energy industry. The company's vision is to offer long-lasting, rapid solutions to energy storage, says Paker, who believes Turkey's manufacturing facilities and technology holdings are strong enough to rival the European market in the battery industry.

SEA CHANGE IN ENERGY

Paker emphasized that Turkey is undergoing a sea change in terms of its energy industry and that İnci Akü is closely monitoring the opportunities this brings. Progress in electricity-powered vehicles is of special significance and potential to İnci Akü. The company has a foundation that is suitable for producing long-lasting solutions for electric vehicles. Besides these, İnci Akü is in efforts to increase the performance of AGM-type batteries, which it started manufacturing for the telecoms industry. In 2011, the company started to produce industrial batteries used for dams, power plants, and most of all stacking machines, among other fields. İnci Akü is focusing on R&D to develop future versions of these batteries, too. The company seems poised to enliven the industry with its new products in the coming term.



Göksel Paker, Chairman and CEO of İnci Akü: "Turkey is undergoing a process of transformation in the energy industry. As İnci Akü, we are closely monitoring the opportunities coming with this transformation."



THE EXTRAORDINARY GROWTH OF BIM

As Turkey's retail leader thanks to its discount supermarket and private label product model, BIM now aims to take this model to emerging markets in the Middle East and Africa.

BY NESRİN KOÇASLAN

WHEN BIM was founded in 1995, it presented consumers with a model nobody was used to at that time. The first example of a discount supermarket in Turkey, BIM took on a big risk with side-street stores whose shelves lacked the polish seen in other supermarkets. But thanks to the prices and new, high-quality private-label products on those shelves (even though they had little recognition), consumers started to frequent BIM's stores. They quickly grew accustomed to this model, which was then the sole instance in Turkey, and BIM became what is one of Turkey's leading retail brands today. BIM launched in 1995 with 21 stores; today, it is successful enough that it is planning to reach 375 stores by the end of

2013. BIM announced their results for 2012 a few months ago. According to these, BIM's sales grew 21% in 2012 to reach TRY 9.9 billion. The company's net profit rose 11% to TRY 331.3 million. According to the Deloitte report titled "Global Powers of Retailing 2013," BIM is the world leader in making efficient use of resources and one of the fastest-growing retail companies.

BIM's success is no longer limited to Turkey only. BIM Executive Committee Member and CFO Haluk Dortluoğlu says they will open 40 new stores in Morocco this year to add to the 110 they opened in 2009. In fact, BIM has upwardly revised its targets for 2013, with plans to invest in a number of Middle Eastern countries, Egypt most of all.



BIM has grown to a size of more than 300 stores in Turkey and enjoys net profits of TRY 331.3 million.

EGYPTIAN CHARM

Dortluoğlu says they are looking at investments in the long term. Egypt is the country whose future they believe in the most. They are quite happy with the Moroccan market, says Dortluoğlu, and he points out emphatically that Egypt is a much larger market compared to Morocco and has more than two-and-a-half times the latter's population. "We chose Egypt because we recognize its potential to enter a period of significant progress. Despite the various issues in the country, the people have clearly exhibited an attitude that shows they want democracy and prosperity. This is a process that will take time, of course; but we have no doubt that it will turn out well. We started our operations in Egypt with a company that is 100 percent a BIM venture. We opened our first store on April 8 in Cairo. By year-end 2013, we aim to have reached at least 30 stores," says Dortluoğlu. BIM is focusing on Morocco and Egypt for now, but it will broaden its vision to expand its domestic successes to the international markets through new markets in the coming term. North Africa and the

Middle East are high priority for BİM, says Dortluoğlu, but he adds that they are not considering a third short-term investment after Morocco and Egypt yet.

ONE OF THE TEN BRANDS

BİM has set its targets for 2023, the centennial of the Republic of Turkey, too. Dortluoğlu notes Turkey's aspirations to become one of the world's ten largest economies, reach a GNI of \$2 trillion, and produce at least ten global brands by 2023. The retail sector could serve as a driving force allowing Turkey to reach these targets, according to Dortluoğlu: "The retail sector possesses the vision to provide services not only to the 75 million who live in Turkey but also to the 950 million who live in countries that are within a three-hour flight from our country. It is thought that Turkey will have ten international brands in 2023 and that two of these will emerge from the retail sector. One of these two brands will be BİM."

THE FASTEST-GROWING RETAIL COMPANY

According to the Deloitte report titled "Global Powers of Retailing 2013," BİM is the world leader in making efficient use of resources and one of the fastest-growing retail companies. Dortluoğlu explains the secret to BİM's success as follows: "At the foundation of our success lies the fact that we brought a high-discount retail model to Turkey in a way that suits the country's conditions. Through this model, we minimize our operating costs with no compromise on quality, and we pass this on to our customers via discounted prices. This gives us a significant advantage against our rivals. That we do not



BİM AIMING AT NEW MARKETS

Planning to adapt the model it implemented in Turkey to markets abroad, BİM has in its sights Egypt after Morocco.

120

NO. OF STORES IN MOROCCO

300

TARGET NO. OF STORES IN MOROCCO IN THREE YEARS

\$50

MILLION
INVESTMENT IN MOROCCO TO DATE

TRY 331.3

MILLION
BİM'S 2012 NET PROFIT

TRY 9.9

BILLION
BİM'S 2012 SALES

30

TARGET NO. OF STORES IN EGYPT BY YEAR-END 2013



compromise on quality while doing this keeps customer satisfaction and loyalty at constant highs."

INNOVATIVE BUSINESS: BİMCELL

In addition to its remarkable growth, the company is noted for its innovation-oriented approach in its other ventures, such as BİMCELL, its cellular network brand. There are similar examples worldwide of this approach, says Dortluoğlu. BİM possesses a strong marketing network and high consumer trust, he says, and it is for this reason that they are so eager to enter the market. "We are never considering becoming a typical sort of operator, but if legislation is made suitable, BİMCELL could be a virtual operator. Due to the issue of multiple taxation, it is not practical to be a virtual operator in Turkey yet. We are determined to stick with this strategy into the future," he says, providing hints as to future strategies for BİMCELL.

Having grown to a size of more than 300 stores in Turkey and net profits of TRY 331.3 million through its widely dispersed locations and policy that provides advantageous prices to customers, BİM will now try its hand at new markets. In its sights are markets in the Middle East and Africa, and there is every reason for BİM to succeed using in its model in these countries.

"Through this model, we minimize operating costs with no compromise on quality, and we pass this on to our customers via discounted prices."



TURKEY'S AWARD-WINNING WATER BRAND

Saka Water began production in 2004 with its factory in Hendek, which is regarded as one of the most distinguished factories in hygiene and technology of not only Turkey but also Europe. Saka Water has now set its sights on the Middle East, Central Asia, and Europe, where it identifies high potential.

BY HÜLYA KESKİN

GLOBAL CLIMATE CHANGE and environmental pollution are making water a natural resource that is ever more valuable by the day. As clean, natural sources of water diminish while the world population multiplies, the value of water—already a strategic resource—will only go up. According to data from the United Nations, roughly one billion people suffer from difficult access to clean water. One out of every seven people on the planet faces this problem. Turkey, which is rich in natural sources of water, sells high-quality water worldwide through several brands. Saka Water, one of the important players in the drinking water industry, stands out as a

major force in this market.

The company has been a significant producer both in Turkey and on a world scale since entering the industry in 2004. With remarkable achievements over nearly a decade, the company stands out from its rivals with its quality and flavor. The brand emphasizes that the way to balance rising acidity levels that occur due to stresses of daily life and work is to consume water that is high in natural minerals. Saka is a choice product among many health-conscious consumers in Turkey and abroad. Aiming to reach more people, the brand is strengthening its domestic distribution network constantly. Abroad, Saka Water aims



More than 50% of Turkey's water export to the UK is supplied by Saka Water. Present in the UK market for ten years, Saka is regarded in the country as a gentle, balanced drinking water.

Saka Water possesses one of Europe's fastest bottling facilities.

to increase its performance in all countries where it achieved success thanks to positive perceptions of its composition.

A PIONEER IN TURKEY

Saka Water introduced the first natural mineral water in Turkey that is bottled straight from the source, with no artificial processing in between. Compositionally, the product contains 32.2 milligrams of calcium (the highest available), an alkali-tending pH of 8.22 (also the highest), and a low amount of sodium. This natural balance in its mineral composition enables the brand to stand out from among its rivals both domestically and internationally. It is for this reason that Saka Water is one of the most acclaimed bottled water brands abroad.

The merit of Saka Water's mineral composition has been recognized by the International Test and Quality Institute in Belgium with a Superior Taste Award for two years in a row. With the slogan "There's water, and then there's award winning water," Saka Water offers an improved quality of life through better water.

Saka's source is located in the Keremali Mountains in Hendek, Sakarya. It practices EU-standard production under strict hygienic conditions at its high-capacity factory, which is equipped with the latest technology and located far from farmland and human settlements. The



With exports to 25 countries, Saka Water will continue its growth strategy in the coming term, too, with aims to focus on regions near Turkey.

company's bottling facility is among Europe's fastest.

"QUALITY AND FLAVOR ARE OUR GREATEST ADVANTAGES"

According to Ali Sözen, VP for Beverages at Yıldız Holding, Saka Water's greatest competitive advantages are its quality and flavor. Sözen notes that the water's pH and natural balance of minerals presents the easiest, most natural way to fulfill the body's need for minerals through ordinary nutrition. The many awards won by the brand are a testament to its success, he says. In line with the company's aims to reach more people and improve their quality of life through its water, it is engaged in ongoing promotional and informative activities to highlight the importance of drinking natural water for a natural lifestyle.

ACTIVE ON FIVE CONTINENTS

Saka Water is a choice product worldwide. Ali Sözen states that the brand

is active on five continents through exports made to 25 countries, primarily the UK, Germany, Australia, Japan, and the US. "We are planning to grow particularly in the Middle East region, the Turkic nations, and Europe, where we are presently active and have seen opportunities for development," he says, underlining the growth objectives of Saka Water, a major player in the market. Regarding export strategies for the future, Sözen emphasizes that they will preserve their existing export markets while focusing on regions near to Turkey. Shipping is an extremely significant expense in water exports and thus constitutes the most important factor in the determination of export strategies, he says.

A PERCEPTION OF DISTINCTION, HIGH QUALITY, AND SALUBRITY

Export revenue accounts for 20% of the brand's total sales, according to Sözen. In 2013

and the years to follow, they aim to increase their activity in Europe and nearby territories, he says. Saka Water aims to enter new markets in the coming years as it preserves and strengthens its existing markets. The perception of Saka Water as a high quality, salubrious product contributes to increasing demand for the product abroad and in Turkey alike.

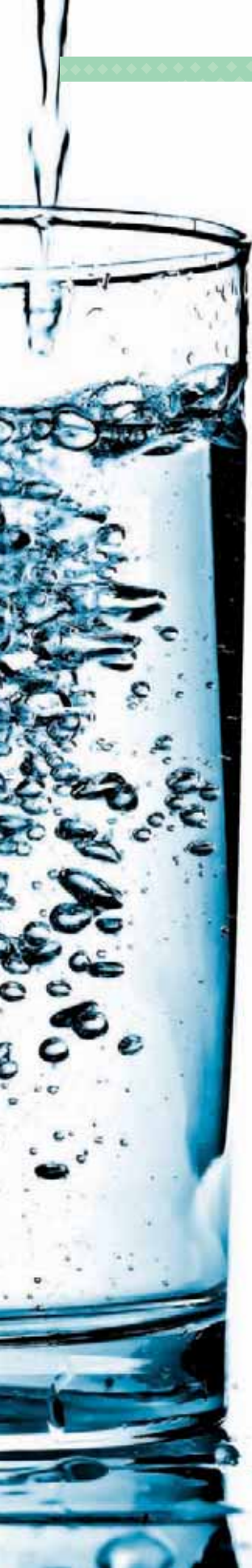
ADAPTING TO THE MARKET

Saka Water is a top-shelf product abroad. Its quality is not the only cause for its success. Sözen says the competition exhibits variances by market, emphasizing the importance of the strategy underlying the brand's success with the statement, "As Saka Water, our principle is to reach consumers through brand positioning that will highlight our quality and perception of salubrity, in addition to sound pricing policies that suit the market."

A DECADE IN THE UK

The UK is of high significance among the international markets where Saka Water is active. Among the factors behind the success obtained by the brand in the UK is its perception as a gentle, balanced drinking water, says Sözen, who points out Saka Water has been in the UK market for





Chemical, microbial, and physical analyses at every stage of production increases consumer confidence in the product.

nearly a decade. Thanks to marketing activities over this decade, Saka Water has achieved a level of widespread admiration and acceptance by consumers. Today, Saka Water is sold not only in ethnic markets but also in many other sales channels and in numerous regions. Furthermore, it accounts for 50% of Turkey's water export to the UK. Sözen notes that the highly effective distribution network established over the decade and various marketing investments such as sports sponsorships, which are of particular influ-

ence on consumer brand choices, support this strong position.

OFFERING THE BEST

Sözen also discussed important water industry developments that have recently occurred in Turkey. Saka Water is resolute in its will to always offer the very best to consumers, in compliance with the quality and hygiene standards set by the Ministry of Health in Turkey and other authorities. Sözen also points out the effect on consumer confidence provided by chemical, microbial, and physical analyses at every stage of production.

NEW PRODUCT AND PACKAGING

Saka Water is constantly engaged in R&D for new products and packaging, says Sözen. "We are working on various projects that will fit the concept of healthy living and meet Saka's high quality and standards. We offer products we developed for the domestic market to consumers in suitable markets abroad, too," says Sözen, highlighting the brand's open perspective.

AWARDS WON BY SAKA WATER'S PRODUCTION FACILITIES

- 2005: TSE ISO 9001 Quality Management, TSE ISO 22000 Food Safety, Natural Mineral Water Certificate presented by the German laboratory SGS Fresenius Institut (the first such Turkish product to be recognized by the EU)
- 2010: International-level certification by NSF, the world's only bottled water certification program
- 2011 & 2012: Three-star grading (the highest) by the International Test and Quality Institute in Belgium for two consecutive years, making it the first and only water brand in Turkey to attain this honor

Agenda

FAIRS, EXHIBITIONS, SUMMITS, AND MEETINGS IN MAY AND JUNE



JUNE 8-30

Istanbul Shopping Fest 2013

Presenting shopping, fashion, entertainment, culture, and arts all at once, Istanbul Shopping Fest is preparing to unite Turkish and international consumers in Istanbul once again for the third time. Combining Istanbul's enchanting beauty with shopping and fun, the festival will be cause for much chatter with its discounts and surprises. All of Istanbul's colors will come out to surprise you this year at the festival.

Shopping may be enjoyed until 2:00 a.m. throughout the festival—designated shopping centers on both sides of Istanbul will leave their doors open for shoppers until late at night. Expect to see celebrities both on stage and while shopping during this year's festival—they are anticipating this exciting event just as much as you are.

MAY



TÜYAP

MAY 07-10

Held under the auspices of the Ministry of National Defense, IDEF '13, the 11th International Defense Industry Fair, is being managed by Turkish Armed Forces Foundation and organized by TÜYAP Fairs & Exhibitions, Inc. As the most comprehensive and important marketing platform of the defense industry, the IDEF '13 11th International Defense Industry Fair will bring together the leading companies in the defense industry, covering land, naval, and aerospace defense; transportation; logistics; support and supplies; and tools and equipment.



EVTEKS

CNR Expo Istanbul

MAY 15-19

The Istanbul Home Textile Fair, always memorable with its renewed concepts every year, will show off 2014's season trends at the Evtteks Trend Area. The fair will be held in 11 halls in a 160,000-square-meter area. With increasing popularity each year, the fair expects close to 100,000 visitors and 1,000 participating companies.

ECOLOGY İZMİR
İZFAŞ

MAY 16-19

Turkey's leading trade show for organic products welcomes organic industry professionals from Eastern Europe, Central Asia, the Near East, the Middle East, and Africa for its fourth edition. Ecology İzmir continues to go from strength to strength, attracting large masses of organic product purchasers to the event.



01

02

03

04

05

06

07

08

09

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

Natural STONE
CNR Expo Istanbul

JUNE 5-8

Standing out as the export fair of the natural stone industry in Turkey, the Natural Stone Fair brings the global players of the industry together for the tenth time in Istanbul with its renewed concept. Rescheduled for June, the busiest time of the year for the natural stone industry in terms of supply and sales, this giant organization opens trade doors thanks to the wonderful location of CNR EXPO.

12th PHARMACY FAIR
Istanbul Congress and Exhibition Center

JUNE 14-16

The Pharmacy Fair & OTC Workshop, Turkey's first pharmaceutical industry fair, has been guiding the industry and uniting all its participants since its establishment. This year, it is in its 12th edition. As a facilitator of investments, business partnerships, and regional leadership in the Turkish pharmaceutical industry, the fair will enable participants to convene with health professionals.

Bursa Nature Hunting 2013

TÜYAP / Bursa

MAY 30-JUNE 2

The Bursa Nature & Hunting 2013 5th International Outdoor Sports, Hunting, Shooting, Fishing, Alternative Tourism, Off-Road Vehicles, Summer Sports, Sportswear, Caravan, and Camping Equipment Fair will be organized in cooperation with Shooting and Hunting Federation of Turkey and the support of the Hunting and Wildlife Conservation Confederation, Yaban TV, *Av Tutkusu* Magazine, *Balık* Magazine, the Bursa Metropolitan Municipality, the Bursa Chamber of Commerce and Industry, KOSGEB, and the SME Development Organization.



JUNE

Figures

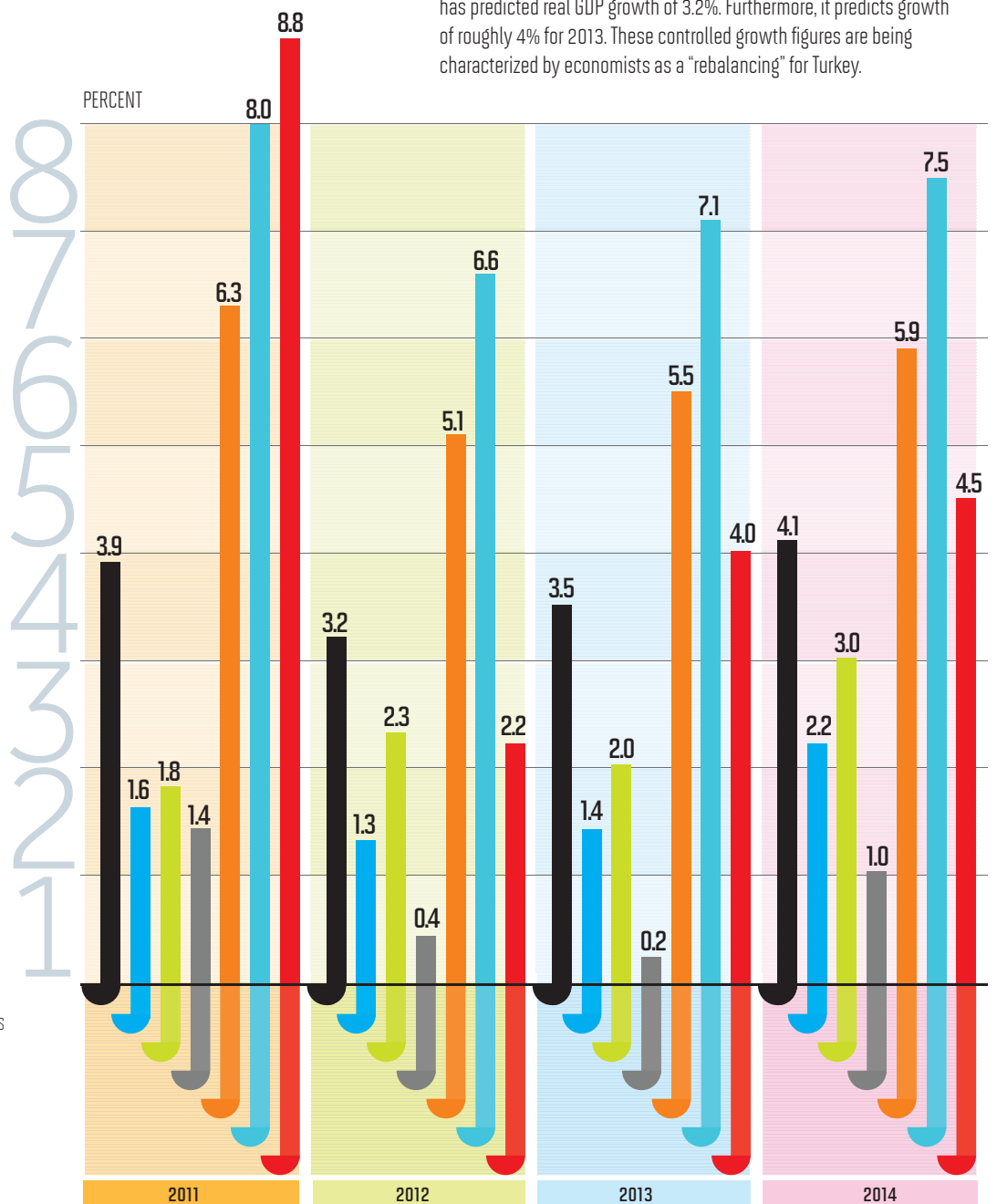
TURKEY'S BASIC INDICATORS

A TIME OF REBALANCING

As the crisis in the euro zone and budgetary uncertainties in the US still present risks to world markets, Turkey continues in its progress.

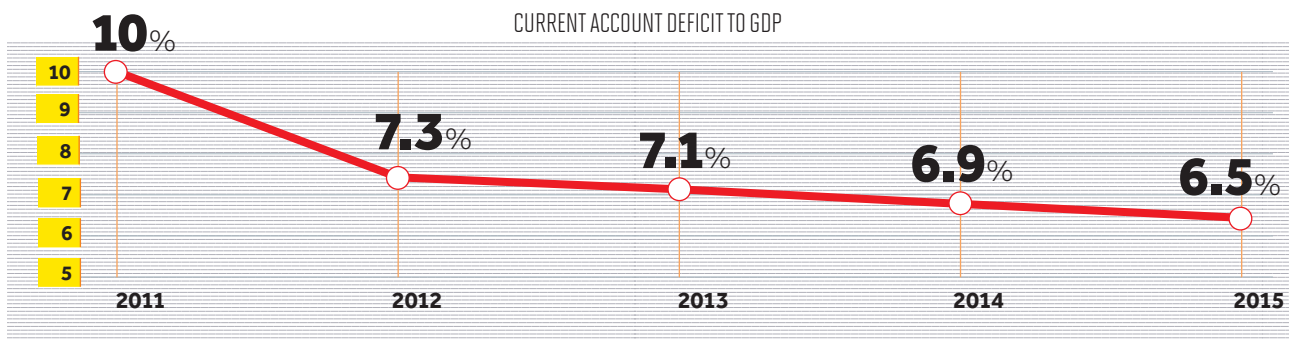
Though the effects of the global crisis are still visible in Europe and the US, political measures have prevented the situation from metastasizing. Projected growth figures for developed economies in 2013–2014 are very low. Meanwhile, in Turkey, the 2013–2015 Medium-Term Program has predicted real GDP growth of 3.2%. Furthermore, it predicts growth of roughly 4% for 2013. These controlled growth figures are being characterized by economists as a "rebalancing" for Turkey.

WORLD ECONOMIC
OUTLOOK
REPORT GROWTH
PREDICTIONS
(ANNUAL CHANGE)



CURRENT ACCOUNT DEFICIT AT DECLINING TREND

It is predicted that Turkey will exhibit progress in reducing its current account deficit, too. The Medium-Term Program includes such measures to this end as fostering a competitive business environment, reducing imports in the real sector, incentivizing local production, and creating savings consciousness. Turkey's total stock of foreign debt, \$323.5 billion in 2012, fell from 44.7% vs. GDP at year-end 2011 to 42.8%.



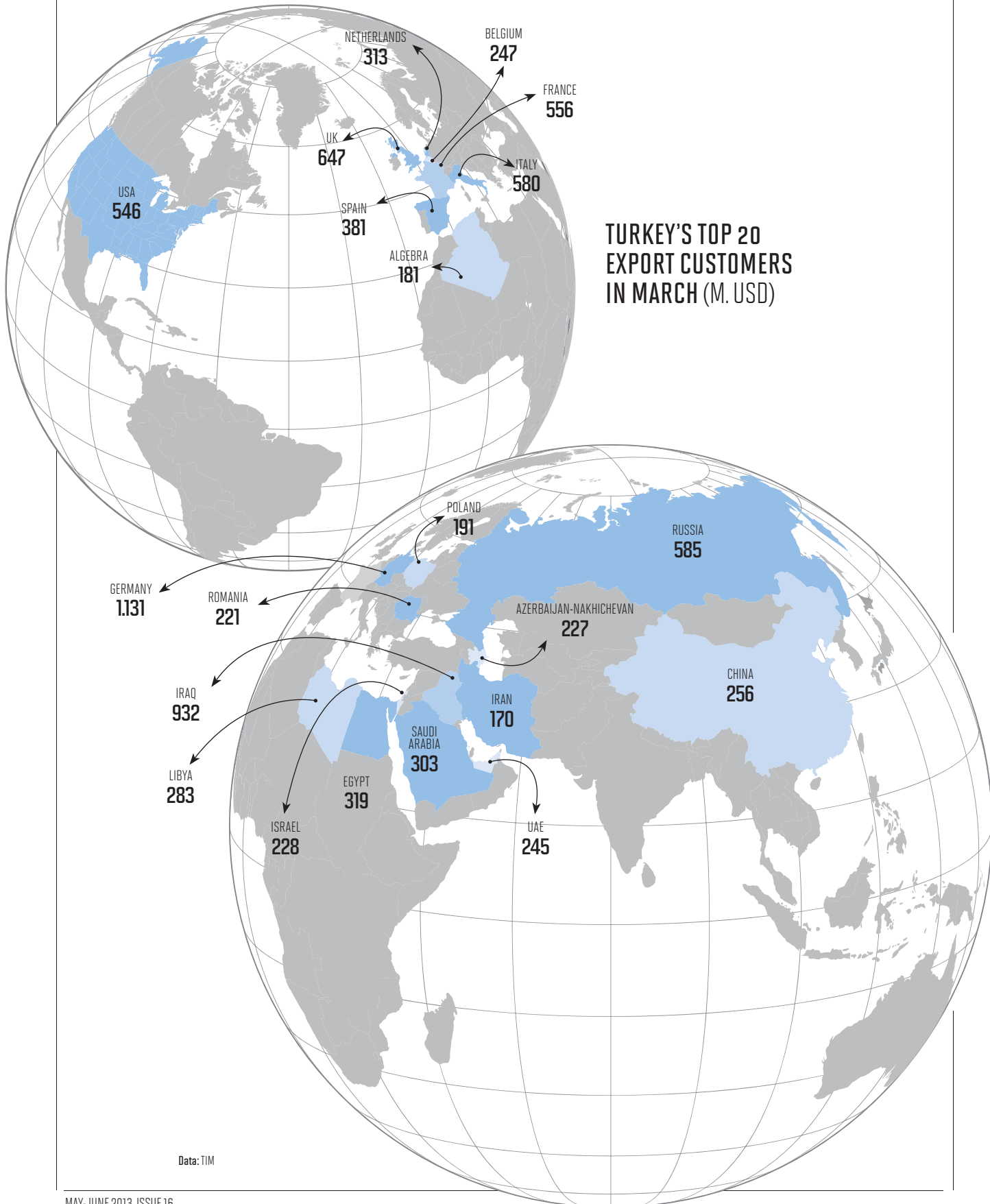
In 2011, the current account deficit increased to as much as 10% of GDP. Having been reduced to 7.3% in 2012, it is expected to fall to 7.1% in 2013, 6.9% in 2014, and 6.5% in 2015.

TURKEY'S GLOBAL COMPETITIVE POWER RISES

The Medium-Term Program prescribes the support and development of a competitive business environment. With rising domestic production and investors expanding abroad, Turkey's global competitive ability is expected to rise in the next five years. Turkey, which ranks 20th in the current global competitiveness index, is predicted to climb up to 16th in five years.

2013			2018		
RANK	COUNTRY	INDEX SCORE 10=HIGH 1=LOW	RANK	COUNTRY	INDEX SCORE 10=HIGH 1=LOW
1	CHINA	10.00	1	CHINA	10.00
2	GERMANY	7.98	2	INDIA	8.49
3	USA	7.84	3	BRAZIL	7.89
4	INDIA	7.65	4	GERMANY	7.82
5	S.KOREA	7.59	5	USA	7.69
6	TAIWAN	7.57	6	S.KOREA	7.63
7	CANADA	7.24	7	TAIWAN	7.18
8	BRAZIL	7.13	8	CANADA	6.99
9	SINGAPORE	6.64	9	SINGAPORE	6.64
10	JAPAN	6.60	10	VIETNAM	6.50
11	THAILAND	6.21	11	INDONESIA	6.49
12	MEXICO	6.17	12	JAPAN	6.46
13	MALAYSIA	5.94	13	MEXICO	6.38
14	POLAND	5.87	14	MALAYSIA	6.31
15	UK	5.81	15	THAILAND	6.24
16	AUSTRALIA	5.75	16	TURKEY	5.99
17	INDONESIA	5.75	17	AUSTRALIA	5.73
18	VIETNAM	5.73	18	POLAND	5.69
19	CZECH REP.	5.71	19	UK	5.59
20	TURKEY	5.61	20	SWITZERLAND	5.42
21	SWEDEN	5.50	21	SWEDEN	5.39
22	SWITZERLAND	5.28	22	CZECH REP.	5.23
23	NETHERLANDS	5.27	23	RUSSIA	5.04
24	SOUTHAFRICA	4.92	24	NETHERLANDS	4.83
25	FRANCE	4.64	25	SOUTHAFRICA	4.77

Source: Deloitte Touche Tohmatsu Limited and US Council on Competitiveness, 2013 Global Manufacturing Competitiveness Index



Data: TIM

A STAR ALLIANCE MEMBER 

ISTANBUL SHOPPING FEST RISES WITH TURKISH AIRLINES

JUNE 8TH - 30TH

 **i**STANBUL
SHOPPING **FEST**
8-30 JUNE 2013



EUROPE'S
BEST AIRLINE

**TURKISH
AIRLINES**



THE WORLD'S CENTER IS EURASIA. EURASIA'S CENTER IS ISTANBUL.

DÜNYANIN MERKEZİ AVRASYA. AVRASYA'NIN MERKEZİ İSTANBUL.

Covering Europe and Asia, Eurasia is the center of the world in both geographical and economical terms. Via Istanbul, Turkish Airlines connects Eurasia to the world. Discover Eurasia with Europe's best airline, Turkish Airlines.

Asya ve Avrupa topraklarını kapsayan Avrasya, coğrafi ve ekonomik açıdan dünyanın merkezi konumunda. Türk Hava Yolları İstanbul üzerinden Avrasya'yı dünyaya bağlıyor. Siz de Avrasya'yı, Avrupa'nın en iyi havayolu Türk Hava Yolları'yla keşfedin.



Globally Yours

TURKISH AIRLINES

