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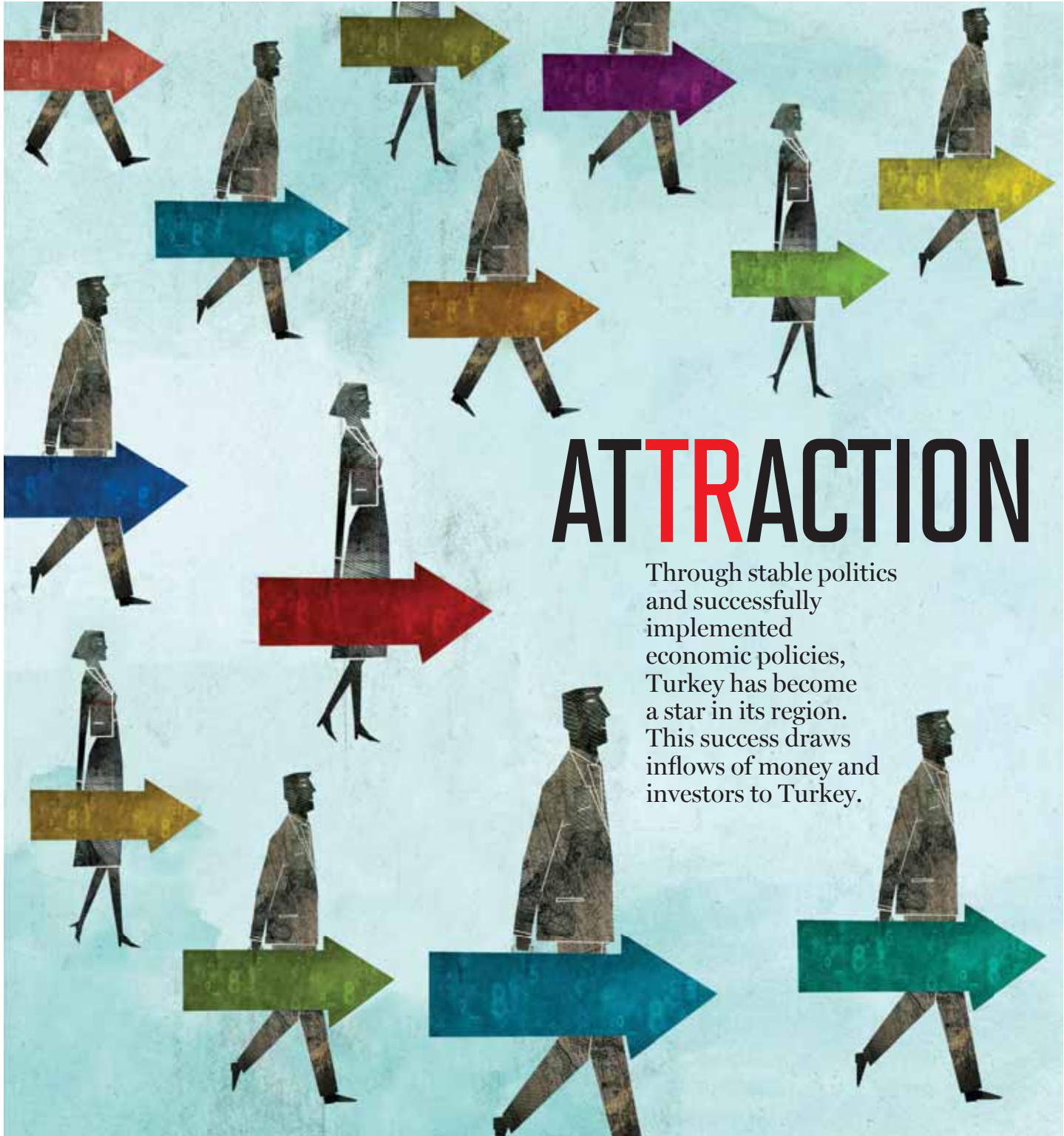
# The Turkish Perspective

SEPTEMBER-OCTOBER 2013 ISSUE 18

ECONOMY | BUSINESS | FOREIGN TRADE | ANALYSIS

**EXCLUSIVE INTERVIEW**

The President of the Republic of Turkey Prime Ministry Investment Support and Promotion Agency expresses his views on the investment climate in Turkey.



## ATTRACTION

Through stable politics and successfully implemented economic policies, Turkey has become a star in its region. This success draws inflows of money and investors to Turkey.



TURKISH EXPORTERS  
ASSEMBLY IS WORKING  
TO REACH TURKEY'S  
2023 EXPORT  
TARGET OF  
500  
BILLION DOLLARS



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### ATTRACTION

Through stable politics and successfully implemented economic policies, Turkey has become a star in its region. This success draws inflows of money and investors to Turkey.

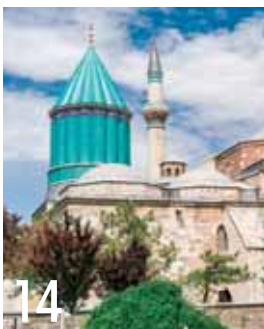


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# Editorial



MEHMET BÜYÜKEKŞİ  
PRESIDENT (TIM)

## DESPITE REGIONAL UPHEAVALS, TURKEY CONTINUES TO CREATE VALUE

The economies of the US, Japan, and the EU, having grown 1.7%, 0.9%, and 0.3% respectively in Q2 2013, are showing the first signs that a gradual recovery in the world's economies has begun. We believe that the recovery in the EU economy, which is predicted to grow after a six-quarter-long recession that has slowed for the very first time, will have a positive impact on Turkey's exports.

**D**EVELOPMENTS ON THE US Federal Reserve front especially strengthen the likelihood that the American economy's recovery might happen sooner than expected. In light of these developments, the possibility that the Fed could start to draw away from its expansionary monetary policy grows. Following the Fed's announcements, the search for a new center of balance was seen in all the world's economies. After the Fed declared that it could cut down on bond purchases starting in 2014, interest rates shot up worldwide, as did financing expenses. We thank the Central Bank of Turkey for doubling the rediscounting credit volume for exporters and believe it will continue to practice proactive monetary policies to minimize fluctuations in the exchange rate.

On the trade front, the downward revision of predicted growth in the worldwide exchange of goods to 3% remains valid. Global exports exhibited 1.4% growth in the first half of the year, but discounting China's contribution, they actually shrank 0.2%. We believe a limited increase in global export quantity will signal a recovery near year-end.

Last month, after two years of technical preparations, the US and EU completed initial negotiations on their proposed Transatlantic Trade and Investment

Partnership. The negotiation process is expected to reach an end in 2014 and lead to the signing of a tremendous trade agreement that could yield a trade volume of up to \$650 billion.

Turkey, meanwhile increasing its share in world trade each day, is pursuing new efforts toward securing an FTA with the US so as not be left out of the dynamic process mentioned above. As TIM, which represents Turkey's 57,000 active exporters, we are evaluating a proposed Turkey-US FTA that would be signed simultaneously with the EU-US FTA through a comprehensive effect analysis.

We are pinpointing the possible influences that a Turkey-US FTA could have on our economy over the next decade, whether in the goods and services sectors, and we are developing policy suggestions that might be of use in upcoming negotiations. This soon-to-be-released study will draw a path for an FTA that would be signed between Turkey and the US.

With increases in industrial production and diminishing unemployment figures in the single digits, Turkey's economy is holding on to the momentum of its growth. Turkey is now giving more focus to an export-based growth model through which it aims to attain even higher growth. Turkey's economy is creating more value. Through the giant steps it routinely takes, Turkey continues to compete in every area with the aim of creating value.

For our part, we, as TIM, see innovation as the most important element in the equation of competitiveness. To this end, we will be holding Innovation Week Turkey November 28-30 (last year's edition took place December 6-8) with a much broader scope of activities than before. We believe that Turkey, which ranks 43rd out of 144 countries on the Global Competitiveness Index, must invest more human and material capital in innovation to climb to ever-higher levels in all fields.





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)
- 16<sup>th</sup> 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 13<sup>th</sup> 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](http://invest.gov.tr)

**Content:** 22% Increase in Olive Oil Exports **P6** Turkey-Guinea Partnership **P6** Hyundai Turkey's Capacity Rises to 200,000 **P7** Possible Record in Employment **P8** 70% of Home Appliance Production Export Bound **P9** Capacity Utilization Rate Increases **P10** Kotil Reelected to IATA Board of Governors **P11** **Editor:** Can Gürsu

# First

EXPORTS, CONFERENCES, AGREEMENTS, AVIATION, CONSTRUCTION, TOURISM, DEVELOPMENT, FILM, INDUSTRY

Certain data suggests a perception that the second quarter of 2013 followed a "stationary" progression with regard to exporters.



## EXPORTERS OPTIMISTIC FOR THE FUTURE OF TURKEY'S ECONOMY

Reduced overall profitability relative to the previous year was reported for Q2 2013 by 40.4% of exporter companies. Overall profitability for 40.4% of exporter companies and export profitability for 37.4% were lower than last year's levels in the corresponding quarter.

**A**NNOUNCING the results of TIM's quarterly Exporter Tendency Survey for Q2 2013, TIM Chairman Mehmet Büyükeksi said overall profitability for 40.4% of exporter companies and export profitability for 37.4% were lower than last year's levels in the corresponding quarter.

Büyükeksi's assessment of the survey's

results is follows:

"Increased production was reported by 37.7 percent of exporter companies during the last three months [April-June 2012] as compared to the corresponding period of the year before. In the same period, in terms of revenue items, the number of companies reporting increased exports was calcu-

lated as 39.2 percent. Examined in terms of capacity utilization, the data shows that exporters reporting increased capacity utilization rates represent 32.5 percent of the whole, while 36.5 percent reported no change compared to the corresponding period last year. Certain data suggests a perception that the second quarter of 2013 followed a

'stationary' progression with regard to exporters.

Meanwhile, 61.5 percent of exporters indicate increased input expenditures. Another finding that supports this general perception is seen in overall profitability and export profitability levels. Reduced overall profitability levels relative to the corresponding period last year were reported

by 40.4 percent of exporters, and 37 percent reported reduced export profitability levels. It is believed that the aforementioned developments are rooted in the Turkish lira's recent devaluation against the US dollar and British pound. However, one sees that this change has not affected production or export (sales) data."



## OLIVE OIL



## 22% INCREASE IN OLIVE OIL EXPORTS

The Aegean Exporters' Associations reported a 22% increase in olive oil exports for July 2013. In July 2012, exports totaled \$8.46 million by value compared to \$24.51 million this year. The Aegean Olive and Olive Oil Exporters' Association was the association that gained the largest export increases in 2013 nationwide, and the industry overall maintained its title of being the industry with the highest export increase, with 190% growth.

## CHEMICAL

## CHEMICAL EXPORTS SURGE

Turkey's chemical export over the past seven months was reportedly worth \$10.12 billion. The chemicals industry—one of the keystones of the economy—attained an export value of \$1.56 billion in July 2013 (growing 20.2% over July 2012) and ranked third among Turkey's leading export industries.

## AGREEMENT

# Turkey-Guinea Partnership

A bilateral agreement is expected to lead to increased investments between the two countries.



**A**GREEMENT for the mutual promotion and protection of investments between Turkey and Guinea was signed on July 18, 2013, with the attendance of Economy Minister Zafer Çağlayan. Speaking at the ceremony, Ramatoulaye Bah, the Guinean Minister of Industry and SMEs, said, "Fifteen billion dollars' worth of investment in

mining will be made in Guinea over the next five years, and we don't have the infrastructure necessary to extract the minerals. This is why Turkish companies should secure positions for themselves." The agreement is expected to lead to increased investments between the two countries and deeper commercial and economic relations.

## INCENTIVES

## ALLURING INCENTIVES

The investment incentives issued within the scope of the new incentive system, which was put into effect in June 2013, add up to TRY 79 billion to date.

Over 5,000 investment incentive bills were issued since the start of the program. Domestic companies received 4,845 of these bills (worth TRY 68.5 billion) and foreign-funded companies received 281 (worth TRY 10.6 billion). It is predicted that these incentives have created (or will create) 187,478 new jobs. The total fixed investment can be broken down by sector into manufacturing with TRY 37.1 billion, energy with TRY 18.4 billion, services with TRY 17.3 billion, and mining with TRY 6.3 billion.

## AVIATION

## Free Tours of the National Palaces

**T**URKISH AIRLINES has signed a protocol of cooperation with the Turkish Parliament to promote Turkey's cultural heritage. Under the protocol, Turkish Airlines' transit passengers will now be able to visit Istanbul's Parliament-managed palaces, pavilions, and hunting lodges

free of charge. The cost-free tours, which will be coordinated with Turkish Airlines passengers whose waiting periods permit, will offer opportunities to visit such historical sites as the Dolmabahçe Palace and the Yıldız Tile and Porcelain Factory.



## CONSTRUCTION

## MASSIVE EXPO CENTER FOR ANKARA

An expo center being established near Esenboğa Airport will be fourth-largest such venue in the world.

**T**HE EXPO CENTER to be established in the Akyurt development area near Esenboğa Airport will have 100,000 square meters of indoor exhibition space and a 50,000-square-meter event area. A connection will be built from the center to the third runway being planned for the airport. Additionally, a separate exhibition area will be built for the use of aviation fairs.



## AUTOMOTIVE

## Hyundai Turkey's Capacity Rises to 200,000

The company's \$609 million investment will fund production of the new i20, which is targeted mostly toward Europe. Production will start in September.

**H**YUNDAI ANNOUNCED that it completed its investment in its factory in Turkey, yielding the result of an annual production figure in Europe of more than 500,000 automobiles. The \$609 million investment is bringing not only new suppliers but also more than 2,800 new jobs. The Hyundai Assan İzmit factory, which entered operations in 1997, is the longest-running factory to remain in production since Hyundai expanded beyond the borders of South Korea.

## AVIATION

## AIMING SKY HIGH

With the 16.7% growth rate Turkey obtained last year in civil aviation, the country ranked third worldwide in terms of passenger volume growth.

**T**URKEY'S AVIATION industry is growing at a faster rate ever year, stated Binali Yıldırım, Minister of Transport, Maritime Affairs, and Communications. Yıldırım said, "In just ten years, we increased the number of active airports from 25 to 52. Our passenger numbers, meanwhile, went from 32.5 million to over 131 million. And this year, we will exceed passenger numbers of 140 million."



## TOURISM

## 22 MILLION TOURISTS

The number of international tourists visiting Turkey from January through July was more than 22 million.

**A**CCORDING TO a written release from the R&D department of the Mediterranean Touristic Hotels and Operators Association, the number of international

visitors to Turkey in the January–July period was 22 million.

One of the most popular cities Antalya also exhibited a 7.7% increase with 6.06 million tourists.

## ECONOMY

## POSSIBLE RECORD IN EMPLOYMENT

Turkey will be one of the three countries in the OECD that realized the highest growth in employment next year.

**E**MPLOYMENT in Turkey will grow by 2.2% next year. According to the OECD, Mexico and Israel are the countries with the highest projected growth in employ-

ment, with an expectation of 2.7% for both of them. Turkey ranks third, and it is followed by the US and Luxembourg, which expect 2% growth.



## INCENTIVES



## TRY 50,000 PROMOTION AND MARKETING SUBSIDY FOR ENTREPRENEURS

Nihat Ergün, the Minister of Science, Industry, and Technology, announced a grant program providing up to TRY 50,000 of support to entrepreneurs wishing to promote and market locally developed technological products both in Turkey and abroad.

**T**HE MINISTRY declared that applications will be accepted on a monthly schedule and evaluated within a month. The incentives are

designed to take into account the budgetary means of the candidates. For applications deemed acceptable, the ministry will provide subsidies of

up to TRY 50,000 for participating in any number of international promotional and marketing events and up to TRY 25,000 for domestic events.

## FINANCE

## Banking Sector Beats 157 Countries

Turkey's banking sector surpassed 157 countries in terms of total assets at the end of June.

**A**ccording to the Banking Regulation and Supervision Agency of Turkey and World Bank data compiled from figures on economic size in 2012, Turkish banks' total assets exhibited an increase of TRY 157 billion in June 2013 over



June 2012, reaching TRY 1.53 trillion.

Based on the Central Bank's exchange rate for the US dollar on June 28, 2013, the total assets were worth the equivalent of \$792.5 billion, surpassing last year's figures as well as 157 countries that rank below Turkey.



## EXPORTS



## 15% INCREASE IN LEATHER EXPORTS

The Leather Outfitters' Association of Turkey announced that Turkey's leather exports over the first six months of 2013 grew 15.4%, reaching \$846 million. Russia was reported as the largest and most important market for the industry, whose stated 2023 export target is \$10 billion. With total exports of \$1.6 billion in 2012, leather ranked second out of all industries in export value growth.

## INDUSTRY

## DEFENSE INDUSTRY EXPORTS RISE 25.6% IN JULY

The companies engaged in exporting defense and aerospace industry products secured an export value increase to \$99.21 million in July. The industry accounted for 0.8% of Turkey's overall exports in July. The US, Italy, and Germany were the top recipients.

## EXPORTS

## 70% of Home Appliance Production Export Bound

In the first half of the year, the home appliances industry manufactured 10.6 million appliances, 7.4 million were exported.



**T**HE HOME appliances industry exported roughly 70% of the 10.6 million appliances it manufactured from January through June. According to data from the White Goods Suppliers Association of Turkey, in the industry's six main product categories (fridges, freezers, washing machines, dryers, dishwashers, and ovens), production rose from 10.3 million to 10.65 million units and exports rose from 7.43 million to 7.5 million units.

## EXPORTS

## SAKARYA PROVINCE LEADS THE PACK IN EXPORT GROWTH

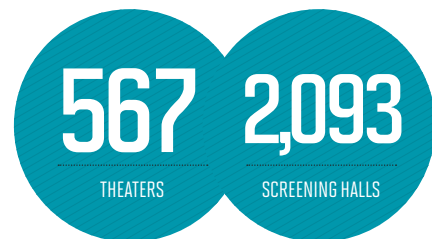
According to figures released by TIM, the province of Sakarya generated \$224 million in exports in July. This figure corresponds to an increase of 55% over July 2012. Russia was Sakarya's top customer, accounting for \$66.74 million of export value. Motor vehicles and parts was the leading industry, generating \$193 million in exports. Sakarya, the ninth-largest exporter among Turkey's provinces, has its auto factories to thank for this growth.

## FILM

## Turkish Film Industry Worth \$2 Billion

Roughly 70 movies are shot every year in Turkey, whose film industry is constantly growing.

**T**he film industry in Turkey is growing rapidly. The industry is valued at more than \$2 billion, including box office income. Movie theaters are proliferating in response. As of last year, Turkey had 567 theater complexes with 2,093 individual screening halls and 268,000 seats.





## CONSTRUCTION



## TURKISH CONSTRUCTION INDUSTRY IN \$2.3 BILLION BOOM

Minister of Economy Zafer Çağlayan said Turkish contractors took on 40 projects in 27 countries, worth \$2.3 billion, in the month of July. Among these projects, noted Çağlayan, are two power plants in Turkmenistan (\$545 million), two HES projects in Albania (\$256 million), a housing project in Kazakhstan (\$370 million), and three highway projects in Azerbaijan and Kazakhstan (\$217 million combined).

## AVIATION

## AWARD FROM AIRLINE BUSINESS

Turkish Airlines took the award for Marketing at the Airline Strategy Awards 2013, staged by Airline Business magazine. The award was presented to Turkish Airlines President and CEO Temel Kotil, PhD at a ceremony in London on July 14. Airline Business is among the leading magazines in the commercial airline industry.

## DEVELOPMENT

## Capacity Utilization Rate Increases

The capacity utilization rate in the manufacturing industry as a whole increased by 0.7% in July compared to July 2012, coming in at 75.5%.



**T**HE CENTRAL Bank of Turkey announced the results of its capacity utilization study in the manufacturing industry of 2,242 participating companies. The rate in July 2012 was 74.8%. The

examination revealed a 75.5% rate for July 2013, exhibiting an increase of 0.7% over the same month last year. Relative to June, the capacity utilization rate increased by 0.2% from 75.3%.



## EXPORTS

## FORESTRY PRODUCT EXPORTS GROW 21.8%

The export of the wood and forestry products industry in July exhibited a 21.8% increase over July 2012, adding up to a value of \$391 million, according to data from TIM. The industry accounts for a 3.1% share of Turkey's overall exports. The leading recipients of the industry's exports in July were Iraq, Azerbaijan/Nakhichevan, and Iran, which imported \$74.23 million, \$31.77 million, and \$30.78 million's worth respectively.



## EXPORT

## 4.3% Increase in Metal Exports

**T**he export of ferrous and non-ferrous metals over the first six months of 2013 exhibited a 4.3% increase over the corresponding period in 2012, totaling \$3.3 billion. The



export of ferrous and nonferrous metals occupies a 4.4% share of Turkey's overall exports. African and Middle Eastern countries are among the industry's chief markets.

## AGREEMENT

## AGREEMENT OF GOOD INTENTIONS WITH ARGENTINA

An agreement of good intentions has been signed between Turkish Airlines and the Argentine Tourism Ministry. The signing ceremony took place with Turkish Airlines President Temel Kotil, PhD, and the Argentine Tourism Minister Enrique Meyer in attendance. Under the agreement, the Argentine Tourism Ministry will cover Turkish Airlines' services and flight destinations and publicity about Turkey in its promotional activities, and Turkish Airlines will also promote Argentina in its in-flight media.

## LOREM

## POLO RETURNS TO AZERBAIJAN

The 1st Azerbaijan Arena Polo World Cup will be held in Baku, September 6 to 8. The tournament, which Turkish Airlines is one of the sponsors, aims to make polo more widespread in Azerbaijan, homeland of the traditional sport of "chovgan", which is known as the forerunner of polo.

PHOTOGRAPH BY LOREM IPSUM

## AVIATION



## Kotil Reelected to IATA Board of Governors

**T**HE WORLD AIR TRANSPORT Summit and 69th Annual Meeting of the International Air Transport Association (IATA) took place in South Africa, Cape Town. An appeal was made at the meeting for African

governments to make more use of the airline industry. In attendance was IATA Board Member and Turkish Airlines President and CEO Temel Kotil, PhD, who was reelected for an additional three-year IATA board term.

## CONFERENCE



## Rapid Access for All in 2023

The 11th Transport, Maritime Affairs and Communications Conference will bring together experts from Turkey and abroad.

**C**OMMUNICATIONS technologies are developing rapidly all over the world. The Ministry of Transport, Maritime Affairs, and Communications, which provides the latest in such technologies in Turkey, is holding meetings aimed at outlining industry-categorized strategies for 2023. Based on the slogan "Transport and Rapid Access for All in 2013",

the 11th Transport, Maritime Affairs and Communications Conference, which will bring together a large number of experts from Turkey and abroad, will take place at the Istanbul Congress Center from September 5 to 7. Prime Minister Recep Tayyip Erdoğan and ministers of the guest countries will attend the opening of the meeting.

## AVIATION

## CIP LOUNGE RENOVATED

Turkish Airlines' Milas-Bodrum Airport Domestic Terminal CIP Lounge has been opened for service to offer passengers a more comfortable and quality environment. Passengers with Business, Elite Plus and Elite, Classic Plus, and Star Alliance Gold Cards who are traveling domestically or abroad as transit passengers may now enjoy the CIP lounge privilege. The new lounge, which can handle 160 passengers per hour, welcomes guests in a comfortable environment equipped with offices and Internet connectivity as well as a rich array of refreshments. The capacity of the Ataturk Airport International CIP Lounge is slated for an increase from 520 to 1,100 in an expansion to be completed by the end of the year. In Moscow, too, the first CIP lounge Turkish Airlines will operate abroad is expected to be completed by year's end.



# Panorama



BY SÜLEYMAN YAŞAR PhD

## WHY IS TURKEY ATTRACTIVE TO INVESTORS?

With its disciplined fiscal administration, sizable investments in transportation infrastructure, privatization policy, EU Customs Union membership, and diverse manufacturing industry independent of natural resources, Turkey stands out among the world's developing countries as a very attractive draw for international investors.

**A**FTER THE GLOBAL FINANCIAL CRISIS, developed countries were forced to halt large-scale infrastructure investments. Because of austerity policies implemented after the 2008 crisis, the EU will be unable to allocate much funding for infrastructure projects until 2020. Likewise in the US, complaints are mounting of scant budgeting for the large infrastructure projects of tomorrow. As infrastructure projects in rich countries face abandonment in rich countries, large-scale infrastructure projects in developing countries are breathing life into the world's economy.

To follow this brief introduction, let us have a look at the world's three most striking large infrastructure projects. The first is one to expand the Panama Canal. The 77.1-kilometer-

long canal opened in 1914 is being deepened from 26 meters to 41.2 meters and widened from 33.5 meters to 210 meters. The canal is thus being made suitable for the passage of large container ships from the Pacific and Atlantic. The expansion project began in 2006 and it is scheduled to open in 2015.

The second project is Marmaray, a subterranean (and partially underwater) rail tunnel here in Turkey. It is a high-quality rail pass with a total length of 76.3 kilometers, 13.5 of which go under the Bosphorus, the strait in Istanbul that divides Europe and Asia. Marmaray, a global project that connects the two continents, came at a cost of almost \$5 billion. Its opening will be held on October 29, 2013 (the 90th anniversary of the declaration of the Republic of Turkey). Once it is opened for service, it will go down in history as the



world's deepest undersea immersed-tube tunnel. This project is expected to increase the rate of passenger rail travel in Istanbul from 3.6% to a total of 27.7%.

At last, we have come to third of the most striking projects in the world—it, too, is in Istanbul, Turkey, where it is known as the new (or third) airport project. The new airport in Beijing, with a previously announced passenger capacity of 130 million per year, will enter construction in 2014 and service in 2017. The Istanbul airport, if completed as planned with a capacity of 150 million passengers per year, will launch in 2018 and surpass the Beijing airport in capacity.

Now, to move on to two other projects worth noting—the first is a new passage from the Pacific to the Atlantic, in Nicaragua. The capacity of this passage will be higher than that of the Panama Canal. It will be longer than 100 kilometers and cost up to \$40 billion. The second is Kanal Istanbul (yet another project being implemented in Turkey), which is to create a second connection, one that would be 50 kilometers long, from the Black Sea to the Sea of Marmara. What you should gather from this is that it's no coincidence that two of the three most striking infrastructure projects worldwide are being carried out in Turkey. After all, Turkey is one of the world's foremost transportation hubs today.

And why would investors be pouring funds into Turkey, exactly?

Nowadays, the largest sums of money worldwide are collected by retirement funds. The supplies of money that accumulate in these need to be put to use in investments that can yield profits reliably in the long term—retirement funds would face staggering predicaments otherwise. Of course, retirement funds must choose investments that avoid ethical concerns wherever possible, too. This rules out, for example, investing in weapons, gambling, alcohol and tobacco, or pornography.

This raises the question, "With their vast sums of money, where should retirement funds turn to find reliable long-term gains?" The answer to this is infrastructure projects that can be trusted to yield gains over the long term. In fact, 25% of funds gathered by Canadian and Scandinavian pension plans are reported to have been put toward infrastructure investments. In the UK, the pension administration is known to have invested 55% of its funds in real estate and 40% in infrastructure projects. Readers may remember that several retirement funds in Europe and the US that had invested in derivative instruments were unable to supply pension payments to their members in the 2008 crisis. As a societal group, the retired therefore suffered the most during that crisis. To avoid the repeated occurrence of similar problems, infrastructure is a trustworthy choice for retirement funds. Investing experts also claim that infrastructure investments, as sources of fund income, yield much higher gains than bonds. However, there is an important matter that must be considered—as infrastructure is subject to regulation, governments can introduce

limitations to service pricing; for this reason, a reasonable profit margin (relative to investing conditions) is a required attribute.

Besides infrastructure projects, Turkey's credibility has been boosted by privatization activity, too. Over the past decade, Turkey's privatizations have yielded \$48.4 billion. Hence, while budgetary expenses were equivalent to 42.8% of internal revenue in 2002, the rate fell to 26% in 2013. Additionally, with increased focus on growth led by the private sector, per capita income tripled over the past decade, reaching \$10,673 in 2012.

Which projects in the state's portfolio are slated for privatization in the near future? For now, one could speak of the National Lottery and other games of chance, power plants, highways and the Bosphorus bridges, Halkbank, sugar factories, and the Kalamış/Fenerbahçe Yacht Harbor.

Several other large-scale, new infrastructure projects in Turkey—based on the build-operate and built-operate-transfer methods, as are Marmaray and the new airport—are creating alluring opportunities for investors. Among these are the Ahırkapı-Haydarpaşa (Istanbul) undersea immersed-tube

tunnel, Kanal Istanbul (as mentioned above, a project to build an artificial seaway from the Black Sea to the Marmara), and a bridge across the Strait of the Dardanelles in Çanakkale. All are suitable options for direct investment and for collective funds. Additionally, real estate in Turkey has become even more attractive for international investors after the government repealed its reciprocity requirement—as of the first six months of 2013, international investors from 88 countries had bought 7,145 pieces of real estate. Further still, Turkey's tourism revenues rose to \$23.7 million over the past 12 months, according to June 2013 figures, while the number of tourists over the past six months—January–June—totaled 14.5 million. Compared to the corresponding period the year before, this number grew by 14.3%. (A total of 31.7 million tourists came to Turkey in 2012.) Turkey also has a notably young, dynamic population, and at the end of March 2013, there were 67.9 million cellular subscribers and 20.4 million Internet subscribers. In 2012, the number of incoming international calls in one minute averaged 7,148, and the number of SMS texts sent in one minute reached 174.8 million.

In brief terms, as a country growing with a diverse manufacturing industry that isn't based on natural resources such as natural gas or gold, a 1.5% budget deficit to national income ratio, and a public debt to national income ratio of 36%, Turkey has become one of the countries in the global economy most resilient against blows both internal and external. The sustainability of its fiscal policy is a fundamental indicator of the country's credibility. It follows that identifying disciplined public fiscal administration as the factor that positively differentiates Turkey from other rapidly developing countries would make for a reasonable assessment of the situation.



*Turkey has become one of the countries in the global economy most resilient against blows both internally and externally.*

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**Editors:** Can Gürsu

# Briefing

MUSEUMS, FORESTRY, TOYS, VITICULTURE, CHOCOLATE, AVIATION, INVESTMENT...



**Dolmabahçe Palace**  
was built between  
1843 and 1856.

## TOURISM

# ILLUMINATED BY MUSEUMS

Museums are among the top tourist attractions in any country. Besides displaying items of cultural and historical value relating to the peoples who lived in the past, they also contribute to the host country's economy.

BY E. MELEK CEVAHIROĞLU ÖMÜR

**T**HE HITTITES, Urartians, Galatians, Lycians, Lydians, Ionians, Ancient Greeks, Romans, Seljuks, and Ottomans, all among history's great civilizations, each lived in Turkey at one time. Turkey has been home to countless cultures from prehistory to today, and they continue to live on with the cultural treasures and values they left behind. The rarest, most valu-

able pieces that survive today are kept in museums under careful protection. Those who want to experience this part of history visit these museums. Foreign tourists are especially drawn to our museums, which serve a crucial mission in promoting our history, although the scope of their mission is even broader than that—besides giving people connections to the

past and showing them the cultural wealth accumulated over the centuries, museums also constitute an important branch of tourism with their considerable contributions to the nation's economy.

Turkey's three most visited museums are the Hagia Sophia Museum, the Topkapı Palace Museum, and the Museum of Mevlana (Jalal al-Din Rumi) in Konya. There are many more

that open their doors every day for the sake of promoting Turkish culture; nationwide, there are 363 museums. Both their temporary exhibits and permanent collections draw heavy attention from tourists. The categories covered by these museums include archaeology, art, science, and military history. Several notable boutique museums exist as well. In all countries, museums are

leading tourist attractions. Besides displaying culturally and historically valuable items relating to the peoples of the past, they also contribute to the host country's economy. In Turkey, museums constitute one of the foremost branches of tourism, drawing increasingly higher numbers of visitors.

Historically, museums have been one of the highlights of travel. Visitors come from all over the world to see the various objects being displayed. In a way, museums represent the highbrow element of the touristic experience. Of Turkey's 363 museums, 174 are privately owned while 189 are run by the state. (Archaeological sites and other historical landmarks are not counted in these numbers.) As of 2013, there are nearly 350,000 pieces on display in the country's private museums and more than 3.1 million in its state museums.

**MUSEUMS AND TOURISM ARE CODEPENDENT**

Tourism needs tourists. Museums need visitors. This codependence fuels the development of museum-focused tourism in Turkey and accounts for its potential to generate a sizeable portion of tourism revenues. In 2012, roughly 28.8 million people visited museums and archaeological sites, bringing in touristic revenues of around TRY 280 million.

The investments recently made by the Ministry of Tourism in museum-focused tourism have resulted in visible progress in the industry. In a study of Turkey's most successful tourism investments, spanning 11 categories, which was organized by Eurobank Tekfen in collaboration with the local magazines Capital and Ekonomist with contributions by the Turkish Tourism Investors Association, the Zeugma Mosaic Museum earned first place in



**Museum of Mevlana** (Jalal al-Din Rumi) in Konya is one of the most visited museums in Turkey.

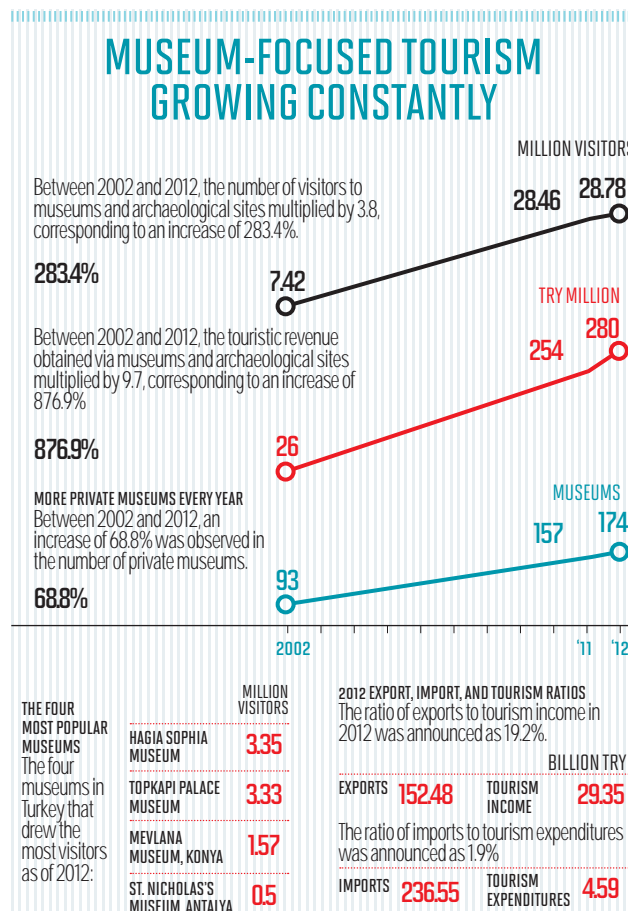
the category "Most Successful Cultural Tourism Investment." Çanakkale Province stood out as having the most promising investments toward the future. Archaeological items recovered from the ruins of Troy, which is located on the UNESCO World Heritage List and has a history of roughly five millennia, will be put on display at the Museum of Troy to be

built in the village of Tevfikiye in Çanakkale. There are many more investments being made in museum-focused tourism—the ministry's concerted efforts are bringing back several valuable pieces taken from Turkey years ago, for instance. Recently, 23 Roman-era coins from the first and second centuries BC were returned to our country from Australia.

**MUSEUMS RAKE IN THE AWARDS**

The increase in the number activities and investments in Turkish museums, together with the spread of best practices, is being appreciated by prominent international organizations for culture and the arts. The European Museum Forum (EMF) granted the Health Museum of the University of Trakya the Council of Europe Museum Prize in 2004. Likewise, the Istanbul Museum of Modern Art was given a special prize by the European Museum Forum in 2009. Users of the travel website TripAdvisor for Business voted to give the site's "Certification of Excellency" to the Zeugma Mosaic Museum, Anatolian Civilizations Museum, Antalya Museum, Side Museum, Istanbul Archaeology Museum, and Göreme National Park and the Rock Sites of Cappadocia. In 2013, the Hagia Sophia Museum in Istanbul was named one of the world's top ten museums. In 2012, the Zeugma Mosaic Museum received the Grand Award in Culture and Arts, and it ranked first among the most successful culture and tourism investments according to studies published by the magazine Ekonomist in 2011 and 2012.

Furthermore, a ranking of the world's top 50 museums by the Times of London placed the Topkapı Palace Museum in Istanbul as seventh and the Zeugma Museum in Gaziantep as 39th. The accompanying article highlighted the Prophet Muhammad's cloak at the Topkapı Palace Museum and the "Gypsy Girl" mosaic at the Zeugma Mosaic Museum as prime attractions. The Zeugma Museum also received the Grand Prize for Culture and Art, which is awarded by the Presidency of the Republic of Turkey every year, and it is a candidate for the 2013 Grand





Prize for Europe's Museum of the Year. The final decision is a matter of great excitement.

#### NEW DIRECTIONS IN MUSEUMS

Currently, there are 188 museums and 133 archaeological sites subject to the authority of the Ministry of Culture and Tourism. As a result of the ministry's efforts, since 2002, more than 175 million tourists have visited these sites, with a remarkable increase of 288% in visitor volume. Sales of the Museum Card, which the ministry made available to the public in 2008 and which provides unlimited access to over 300 museums and archaeological sites, have already surpassed four million. In order to modernize the facilities and enhance service quality in the museums, TÜRSAB-MTM has undertaken the modernization of ticket booths and tollgates, as well as the operational responsibility of 48 museums and archaeological sites. This collaboration has resulted in modern technology for museums and the prevention of unauthorized entry. These modern methods and practices improve the tourist experience, too. Additionally, the management and operation of points of sale and commercial product development for museums and archaeological sites were transferred to the Bilkent Culture Initiative. The effects of modernization and renovation are visible in the museum shops and their products alike.

In order to establish new museums and renovate the existing ones, the ministry is investing considerable sums. The ministry allocates around TRY 50 million annually for the maintenance, renovation, and restoration of the existing museums. More than TRY 30 million was allocated for new establishments in 2013. This

amount demonstrates the growing priority of museums in accordance with the ministry's cultural policies, especially in comparison to last year's budget of TRY 18 million. Comprehensive projects to construct new museums all over the country are under way; the most remarkable among these are the Museum of Troy in Çanakkale, the Denizli Archaeology Museum, the Archaeology Museum and Haleplibahçe Mosaic Museum/Archaeopark in Şanlıurfa, the Urartu Museum in Van, and St. Peter's Museum and the Archaeology Museum

in Hatay. Construction on these museums is planned to end soon to allow them to be opened this year.

#### "A NATION OF MUSEUMS"

The government has included museums in its targets for 2023, the centennial of the Republic's declaration. With the objective of providing access to cultural and artistic activities to all, the government aims to establish what will be the Museum of the Civilizations of Turkey in Ankara, the Museum of Aegean Civilizations in İzmir, the Museum of Mediterranean Civilizations in Antalya, the Urartu Museum

in Van, the Ottoman Nations Museum in Istanbul, and the Edessa Archaeological Museum and Haleplibahçe Museum in Şanlıurfa by 2023. Additionally, "national museum complexes" will be established in large cities for the public display of pieces that were kept in warehouses, awaiting exhibition. Private museums are being incentivized as well, and in yet-to-be-selected cities, thematic museums focusing on such topics as the nation's natural history, contemporary arts, fossils, agriculture, Islamic arts, and traditional attire will be built.



**ÖZGÜN ÖZASLAN**

Undersecretary, Ministry of Tourism

Museums have gained more importance over the years, making "museum tourism" has become an individual area of interest within cultural tourism. The growing role of museums as part of cultural heritage, and of tourism, spurred increased efforts on the part of the Ministry of Culture and Tourism for the development, restoration, innovation, and diversification of museums starting in the early 2000s. On this point, we have organized many projects like the "Child-Friendly Museum" project—which includes kids' workshops, performing arts shows, seminars, and so on—in order to realize the communicative function of museums and raise awareness among children and young adults. Also, the Law on the Encouragement of the Cultural Investments and Initiatives has encouraged the establishment of cultural complexes as well as private museums. Accordingly, over the years, local authorities have become more and more enthusiastic to establish museums in their own areas of expertise.



**YUSUF BENLİ**

Director, Museums of Konya Province; Director, Mevlana Museum

Museums represent the center of attraction and high point of cultural tourism. You could go to the Neolithic in an instant; a step later, you could see Roman culture or, in front of a display, establish visual contact with the cultural output of the Seljuk civilization. The Karatay Madrasa, Chinaware Museum, Fine Minaret, and Ethnography Museum in Konya are all important museums that display special objects of high cultural value. Meanwhile, new regulations and exhibition plans are being implemented to supply visitors with the requisite information. Great progress was made in museum management and item preservation in Turkey, such as the effort to put Çatalhöyük in the World Heritage List. Again, the ministry has many new projects for museums and museum management, and each is gradually being brought to life. All of these efforts are important steps for cultural tourism and the preservation of cultural holdings.



**ASSOC. PROF. BÜLENT ARI, PHD**

President, Museum Management and Promotion Unit, Department of National Palaces

A tourist who comes to a country wants to see the city's important museums. The things they read or hear spark the curiosity to go to these museums. State museums have access to large budgets to preserve their exhibits and collections. Visitors get the means to see objects they cannot always see. Some objects in palaces brimming with historical objects, with walls and ceilings adorned in decoration, such as the Dolmabahçe and Beylerbeyi palaces, can escape visitor attention. But, overall, our true mission can be described as the effort to preserve the entire collection. Since the National Palaces are tied to the Grand National Parliament of Turkey, they work differently from the ministry. The National Palaces have a relatively high budget, and because restoration is carried out by their own personnel, it is done with greater care and precision. As far as I know, the ministry is not yet making progress at the desired level.

## WOOD AND FORESTRY

# A Crucial Component of Sustainable Growth: THE EXPORT OF WOOD AND FORESTRY PRODUCTS

Turkey's wood and forestry product export in 2012 was worth \$4.3 billion. Between January and June 2013, the cumulative sum for the year to date was announced as \$2.3 billion.

BY GÜZİN GÜZEY



**F**ORESTS PLAY A significant role in determining a country's quality of life. Forests are home to three-fourths of terrestrial biodiversity, and they are of considerable value to manufacturing, ecotourism, the environment, and the overall ecosystem. These factors demonstrate the importance of the wood and forestry products industry to sustainable growth.

## TURKEY'S POSITION IN THE INDUSTRY

Bülent Aymen, Chairman of the Mediterranean Wood and Forestry Products Exporters' Association, breaks down the industry into four fundamental groups, namely paper and cardboard products, furniture, wood products, and secondary forestry products. The top three countries in paper and cardboard product exports are Germany, the US,

and China, says Aymen. Turkey is the world's 29th largest exporter in this category. In furniture exports, China, Germany, and Italy lead the pack, with Turkey ranking 16th. In wood, the top three are China, Canada, and the US, and Turkey's rank in that category is 37th. Finally, in secondary forestry products, Turkey ranks 22nd, with the top three being India, China, and the US.

## TURKEY'S EXPORTS RISE

According to Ahmet Kahraman, Chairman of the Central Anatolia Wood and Forestry Products Exporters' Association, the local industry employs roughly 300,000 people and has a volume of \$19 billion. "In 2002, the industry's export was worth 800 million dollars. In ten years, by 2012 that is, it grew to 4.3 billion dollars," he states, pointing out the striking expansion of the industry. By value, the industry's export from January to June 2013 totaled \$2.3 billion, according to Kahraman. In light of last year's figures, it can therefore be said that Turkey's exports gained momentum in the first six months of 2013, and this momentum is expected to

## EXPORT VALUE OF WOOD AND FORESTRY PRODUCTS

2012 **\$4.3**  
BILLION

2002 **\$800**  
MILLION





*“We could be even more successful with a little more support to the furniture industry for R&D, design, and branding efforts.”*

continue through the second half of the year. However, Nurettin Tarakçıoğlu, Chairman of the Aegean Anatolia Wood and Forestry Products Exporters’ Association, cautions that falling demand in Europe has the potential to hinder this momentum.

### BOLSTERING EXPORTS

It is vital to the industry that raw material prices be brought down to world averages in order to curtail import dependency, which poses a challenge to industry’s ability to compete in the export markets. Ahmet Kahraman believes that international promotional activities and one-on-one business meetings would be effective in making the industry a stronger player in exports. Kahraman also emphasizes that organizing industry trade delegations is the most powerful way there is to guide local companies toward exports.



**AHMET KAHRAMAN**

Chairman, Central Anatolia Wood and Forestry Products Exporters’ Association

By the centennial of the founding of our Republic, in the year 2023, our country’s wood and forestry products industry aims to increase production capacity by 50% and exports by 500%. This would bring production volume to 32 million meters cubed and exports value to \$16 billion. Within this target, \$6 billion is the individual export target for the furniture industry, and \$7 billion is the target for the paper industry.



**BÜLENT AYMEN**

Chairman, Mediterranean Wood and Forestry Products Exporters’ Association

We have set an export target for 2023 of \$16 billion for our industry. Our target for the furniture group alone is \$10 billion. To guarantee results, we—exporters and industry representatives—are trying to accelerate the process through various projects. We have several R&D projects and furniture R&D project market plans to help guide our producers and exporters toward being able to sell products in greater quantities and at higher prices.



**NURETTİN TARAKÇIOĞLU**

Chairman, Aegean Anatolia Wood and Forestry Products Exporters’ Association

Thanks to the infrastructure already in place, the industry actually has the potential to export much more. Our industrialists are gradually earning a reputation in the global trade for their competitive nature. I believe increased state support for foreign trade and export-based growth policies would clear a path for our industry in this area.

Nurettin Tarakçıoğlu, for his part, says, “The production of forestry products as practiced under state control urgently needs to diversify, and economical production of the tree varieties in highest demand must be pursued,” highlighting the importance of cooperation with the state and being capable of producing quality goods consistently.

### FURNITURE LEADS THE PACK

According to Nurettin Tarakçıoğlu, Turkey stands out in bay leaf and thyme exports, though its overall share in the export market may be low compared to other countries. In furniture, however, Turkey ranks among the top ten exporters, which is of supreme importance, he says. He concludes, “I believe we could be even more successful with a little more support to the furniture industry for R&D, design, and branding efforts.”





According to the International Council of Toy Industries, the toy industry had a volume of \$90 billion in 2012.

## TOYS

# AN INDUSTRY WITH A PROMISING FUTURE: TOYS

The toy market in Turkey exhibited growth of over 6%, with that for branded toys growing by more than 10%.

BY GÜZİN GÜZEY

**WE'VE ALL BEEN** children. The ability for toys to capture the imagination of children and enchant them is hard to deny, and they are universally, indispensably popular with children across the globe, no matter their language, race, or creed. Once toys started to augment—or even replace—traditional games after the industrial revolution, an industry took form and developed to accommodate the ever-increasing demand for a diverse set of toys. Turkey's

toy industry can be traced back far into the past, but it took until the early 1990s for it to be an exporter. Toy exports started flourishing with the sudden deluge of demand after the collapse of the Eastern Bloc. Today, Turkey exports a range of toys to a wide set of countries across the world.

**EXPORT OPPORTUNITIES ABOUND** Plastic toys make up the majority of Turkey's toy exports. According to data provided by the International Council of Toy Industries, the toy



*The Turkish toy industry, whose top export customer is Germany, is worth around TRY 1 billion.*

industry was worth roughly \$120 billion in 2012, and average toy spending per child worldwide was \$175. The Turkish toy industry, whose top export customer is Germany, is worth around TRY 1 billion. Domestic production accounts for a volume of TRY 100 million, with imports being responsible for the remaining TRY 900 million. The industry's export was worth around \$30 million. In 2013, to date, Turkey's toy exports total \$98.44 million, a figure that represents an increase over 2012. The toy

industry is a dynamic one for Turkey. Authorities in the field are of the view that the industry could yield a great opportunity for exports with some work. Ahmet Alioğlu, Chairman of the Toy Makers' Association (OYDER), believes R&D especially deserves investment priority. According to Alioğlu, so long as new products continue being developed and that world-class quality and aesthetic appeal is retained, exports can be expected to grow indefinitely. Manufacturers should identify gaps in the market and invest in products to address them, states Alioğlu. Not only would this enable manufacturers to reap the profits of their investments more swiftly, but it would also help them build up a stronger, more attractive collection of products for export.

According to Designnobis founder Hakan Gürsu, PhD, the toy industry is not to be dismissed as a plaything, and to do so would demonstrate a profound lack of understanding of the industry. Toys today comprise a dynamic, R&D-based industry, states Gürsu, who is of the view that Turkey, with large domestic and international market potential, is highly attractive to the toy industry. Should Turkey be able to reach a certain level in patented products, branding, and originality in design, its potential export capability would correspondingly increase, he declares. The experts unanimously agree that the establishment of brands in the toy industry is of high necessity, and they await the arrival of investors who believe in the strength of the manufacturing base and can make use of the incentives the state makes available in this area.

*Educational toys play important roles in many areas throughout childhood development.*

### TOP TEN

The top ten countries in the industry hold 68% of the toy market.

1 USA

2 JAPAN

3 CHINA

4 UK

5 FRANCE

6 GERMANY

7 BRAZIL

8 INDIA

9 AUSTRALIA

10 CANADA







## AN EXPERT OVERVIEW OF THE INDUSTRY

The experts believe 2013 will turn out as a productive year for entering new markets.



**AHMET ALIOĞLU**

Chairman, Toy Makers' Association (OYDER)

The higher valuation of foreign currency proved beneficial for Turkish toy exporters in the first half of 2013. We could call 2013 a more productive year in terms of entering new markets, too. R&D is a priority matter for investment. Another of the most important factors is that we must develop the toy-related auxiliary industries, which support toy manufacturing. After this, once we raise capable designers, we could find the chance to further develop the toy industry in the years ahead.



**HAKAN GÜRSU**

CEO, Designnobilis

As is the case for many industries in our country, positive developments are occurring in the toy industry, too. Additionally, we have many highly successful design companies that continue to bring worldwide awards in the field of toys back to Turkey. The appetite of the market in Turkey, which has a young population, is at the level where it could support the toy industry, but we have not yet been able to attain the same success we have shown in design in the field of manufacturing.



**SERTAÇ ERCAN**

General Manager, Neva Toys

The size of the toy market in Turkey has surpassed \$1 billion. Toys are one of the most dynamic markets in Europe and the US. In Turkey, the industry accounts for more than \$500 million in imports, compared to \$24 million in exports. Local makers have an estimated \$100 million share in the market. By a very rough estimation, the wooden toy market in Turkey has grown to a size of ten million dollars. We expect this market to grow beyond \$50 million in the next five years. Per capita annual toy spending in Turkey is \$110.



**MURAT ÜSTÜNBAŞ**

Product Manager, Pal Games and Toys

The selection of toys for children who are in the play stage affects both their educational lives and how they develop. Experts point out that toys bought for children should have the quality of supporting mental, physical, psychosocial, and emotional development while also informing children about their native cultures. During the play stage, the parents are responsible for providing the requisite environment and equipment according to the child's developmental qualities.

## OPPORTUNITY IN NUMBERS

There are 6.2 million children aged 0–4 and 6 million aged 5–9 in Turkey.

**\$30**

Average toy spending per child in Turkey is \$30 annually.

**\$175**

Average toy spending per child worldwide is \$175 annually.

**\$2 BILLION**

Annual toy spending totals \$2 billion.

Data: OYDER

## AIMING FOR \$50 MILLION IN THE WOODEN TOY MARKET

Changing awareness of health and the accompanying lifestyle transformations it brings is changing the landscape for all fields of commercial activity. Heightened consumer consciousness is affecting purchase decisions in toys, too. Wooden toys have enjoyed increased market shares worldwide because of this, says Neva Toys General Manager Sertaç Ercan. “Interest in high-quality, healthy toys, in contrast to cheap Chinese-made toys, is increasing. By a very rough estimation, the wooden toy market in Turkey has grown to a size of ten million dollars. We expect this market to grow beyond 50 million dollars in the next five years. As society becomes more aware of the issues, a shift toward the natural—to the past—is taking place in all areas.” The emergence of consumer consciousness regarding toys, which play a considerable role both educationally and in mental development, has become an opportunity for production and investment in this area.





## GRAPES

# TURKEY CLIMBING HIGHER IN VITICULTURE

According to a report issued by the US Department of Agriculture, Turkey ranks as the world's second most important producer of fresh grapes—after China—and as the fourth-largest exporter. In 2013, with a projected 7% increase in production, Turkey is determined to continue its growth.

BY BARAN KARAKUZU

**A** NATOLIA IS LOCATED in what is considered to be the homeland of grapes. The peninsula boasts both an abundance of variety and expansive vineyards. More than 1,200 grape varieties are grown in Turkey, one of the world's most important hubs for grape cultivation. According to a report issued by the Ministry of Food, Agriculture, and Livestock, viticulture was practiced on 4,623 square kilometers of land nationwide in 2012. Of the fresh grapes produced in

Turkey, 40% are consumed as-is, while 35% are used to make raisins and 25% become inputs for other products. Fresh grape exports accounted for roughly 210,000 tons, or 10.5%, of Turkey's three-million-ton fresh fruit and vegetable export in 2012. Around 77% of fresh grape exports are of the seedless sultana variety. Russia is the top buyer of the country's exports, accounting for a share of 65%; it is followed by the Ukraine, Germany, Bulgaria, and Belarus.

*Russia is the top buyer of the Turkey's grape exports, accounting for a share of 65%; it is followed by the Ukraine, Germany, Bulgaria, and Belarus.*

**The EU and Russia** are the largest buyers in the market.

## IDEAL FOR GRAPES

The makeup of Turkey's land is ideal for viticulture. Grapes are an important product of Turkish culture, and the inhabitants of Anatolia have been practicing viticulture for thousands of years. Viticultural acreage in Turkey is concentrated in the country's Aegean region. With sound production planning that takes the varied ecosystems in the country into consideration, subsidies for cultivation geared toward both immediate consumption and raw materials used by agriculture-based industries can be expected to contribute to a significant increase in momentum. Mustafa Türkmenoğlu, Board Chairman of the Aegean Fresh Fruit and Vegetable Exporters' Association and General Manager of Türkmenoğlu Foreign Trade, says the momentum of fresh grape exports is tied to planned, systematized, modern, goal-oriented cultivation that measure up to global standards. In terms of climate diversity, too, Turkey enjoys a position enviable worldwide when it comes to agriculture. "With the added support of the advantage provided by climate conditions, our country has significant potential in the viticulture industry, and efforts to secure improvements in areas where grapes are widely cultivated continue at full throttle," says Latif Ünal, Chairman of the Istanbul Fresh Fruit and Vegetable Exporters' Association. "I have full faith that the industry will attain the position it deserves in the world market if the issues at present are resolved."

**DIVERSIFICATION AND INGENUITY TO YIELD A NEW AGE IN VITICULTURE**

Ingenious efforts to increase exports (which can be broken down into production, processing, and marketing) through organic agricultural practices and product diversity are on the rise in Turkey. Cultivation of seedless early-yielding and seed-bearing temporal varieties on a mass scale has been taking place for five years now. These efforts are expected to result in not only increased yields but also the lengthening of the production season to six or seven months within the next year or two. These factors, together with product diversity, could elevate Turkey to the status of the world's dominant supplier, says Türkmenoğlu. He cautions that it is not possible to make significant progress and expect gains from traditional cultivation techniques.

Turkey must work on improving its potential and promoting its image. Once Turkey expands its commercially significant portfolio of varieties beyond the sultana—a sweet, yellowish, seedless variety with a short shelf life—and reaps the benefits of the unique flavors that the sun and soil can provide, it will be able to compete against its rivals on the basis of flavor and thereby secure significant increases in market share. Turkey—especially the Aegean region—is expected to become the primary supplier in several varieties intended for immediate consumption.

**FOCUS ON ORGANIC AGRICULTURE**

Organic produce has become increasingly important in every field of agriculture worldwide, including viticulture. Turkey is also rising in



*Fresh grape exports accounted for roughly 210,000 tons, or 10.5%, of Turkey's three-million-ton fresh fruit and vegetable export in 2012.*



**MUSTAFA TÜRKMEÑOĞLU**

Chairman, Aegean Fresh Fruit and Vegetable Exporters' Association; General Manager, Türkmenoğlu Foreign Trade



**LATIF ÜNAL**

Chairman, Istanbul Fresh Fruit and Vegetable Exporters' Association; General Manager, Ege Tropical Fruits, Tourism, and Trade



**ABDULLAH BULUT**

General Manager, Adalya Foreign Trade

With the reinforcement of cooperation within the industry, a long view of the issues at hand, and a shared sense of duty, I believe viticulture in our country will rise to a significant position. Turkey is highly suitable for viticulture when assessed in terms of the factors that affect success in production. Careful consideration of the various ecosystems in the country through sound planning of production on a macroscopic level and subsidies for cultivation geared toward both immediate consumption and raw materials used by agriculture-reliant industries are expected to add great momentum to our exports.

Although Turkey is in good shape in terms of planted viticultural acreage, grape yields, and grape production, the vast majority of production is of low value-added table grapes bound for immediate consumption. Turkey should focus on the production of high value-added wine grapes, and for this, it must shift emphasis from planting table grapes toward planting wine grapes. Cultivation of seedless early-yielding and seed-bearing temporal varieties on a mass scale has been started in recent years. Since this will yield its results in the years ahead, there is nothing to stand in the way of the country rising to the rank of a significant supplier in the coming years.

Many of the companies that are engaged in exports need to compete not with exporters from our own country but with those from countries in Europe and America, as well as Chile. We must change our approach to exports from a low-cost value proposition to providing the highest quality and healthiest produce. Additionally, fragmented vineyard land must be consolidated and strict limitations have to be imposed on the subdivision of all land on which fruit is cultivated. Our producers must be careful with regard to agrochemical residue. Due to the patent limitations on new varieties, it takes a long time for cultivation of those varieties to spread to the underlying base.

the ranks in cultivation techniques that leave no traces of chemicals and do not use artificially augmented fertilizers. "Paralleling the demand from European countries and Russia—our largest buyer—for world-class produce with no chemical residue, especially in recent years, many exporters are pursuing production that can be monitored within the framework of agricultural best practices," says Türkmenoğlu. In connection to this, Turkey must intensify its monitoring of producers for pesticide levels. By combining the advantage of its geographic position with innovation in production, Turkey is securing a better place in the global hierarchy.





## CHOCOLATE

# TURKEY: A REGIONAL HUB IN CHOCOLATE

Per capita consumption of chocolate and confectionery in Turkey has been on the rise for the past several years. Considering the young population, consumption has ample room for growth, suggesting steady increase in demand over the coming years.

BY NESRİN KOÇARSLAN



**P**ARTICULARLY SINCE 1993, Turkey's export of chocolate products to the CIS and Arab countries rose rapidly, bearing the result of many new investments in the industry.

## CENTRAL ASIAN AND ARAB COUNTRIES THE TOP RECIPIENTS OF CHOCOLATE EXPORTS

According to TurkStat, Turkey's 2012 chocolate export was record-breaking, totaling 157,224 tons worth roughly \$479 million. The values for 2011, 2010, and 2009 were \$434 million, \$364.4 million, and \$0.33 million respectively. Chocolate exports are grow-



*Six companies are responsible for an estimated 45% of global chocolate production.*

ing rapidly by the year. By country, exports to Iraq, the leading recipient of Turkey's chocolate exports last year, has grown by 7%, reaching a volume of \$96 million. The highest growth was observed in Libya, with an 88% increase over last year to \$34 million. Overall, Turkey's confectionery and chocolate export exhibited growth of 15.6% relative to the previous year, totaling 302,665 tons in weight and \$881.62 million by value.

## TURQUALITY PROGRAM IGNITES COMPETITION

Multinational giants domi-

nate the global chocolate industry. According to the Turkish Ministry of Economy's 2013 report on confectionery and chocolate products, it is estimated that six firms are responsible for roughly 45% of global production. The majority of trade within the industry is conducted between developed countries; however, consumption is increasing constantly worldwide, and these increases are expected to continue into the future. Zekeriya Mete, Chairman of the Istanbul Cereals, Pulses, and Oil-Bearing Seeds and Products Exporters' Association, emphasizes the need for Turkish companies to focus on branding, noting the role of the state-supported Turquality branding program in this: "With the Turquality program, we are creating Turkish brands that compete against their own brands in the global competition. Our commercial consultancies and attachés located almost all over the world, together with our exporters, play an important role in new target markets especially." He continues, "Our industrialists are enterprising and able to respond to demand immediately via flexible production, and province-based regional incentives brought by the new incentive system, with the eventual goal of helping us reach our 2023 targets, are opening paths for our exporters in an ongoing effort."

## COMPETITION ON PRICE THE MOST PROMISING ROUTE

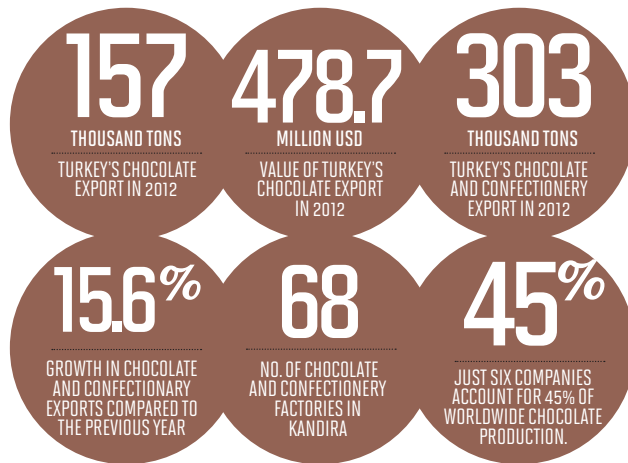
The chocolate industry is one that is necessarily import-dependent by the nature of its chief raw material, cocoa. As Turkey's chocolate exports increase, so do its cocoa imports. In 2012, chocolate-



related imports totaled \$364 million, for example. The new incentive system is aimed partly at reducing dependence on intermediate goods by helping to establish investment pools. Turkish companies measure up to their global rivals in quality, but they must focus more on price competition, says Elvan Gıda Board Chairman Hidayet Kadiroğlu. “The fact that products which enhance chocolate, such as hazelnuts and pistachios, are produced in Turkey is to our advantage, but high sugar costs pose a challenge to producers,” he says.

**FOOD INDUSTRY ZONE TO BE ESTABLISHED IN KOCAELI PROVINCE**

In Kocaeli Province, located in the Marmara region, the Kandira Food-Specialized Organized Industrial Zone—the first of its kind in Turkey—is being established with the purpose of increasing the domestic industry’s ability to compete globally, under the leadership of Hidayet Kadiroğlu. The aggregation of food producers in one place enables pricing benefits to exporter companies in organized industrial zones. This industrial zone, which is expected to enter operation in 2015, is planned to host 68 chocolate and confectionery factories, and it will double as a convention space for welcoming groups of buyers. Another matter Turkey must focus on in order to remain competitive in chocolate and confectionery is the value-add supplied by innovation, according to Kadiroğlu. “If the confectionery industry’s 2023 target is 13.7 billion dollars, this must be achieved not only by increased volume but also through increased value added,” he says, and



continues, “Our aim is to increase value by weight by at least 50 percent through innovative value-added products. Therefore, by way of innovative products, even if our export volume remains the same, our income and revenue would multiply with the increase in value added.”



**ZEKERIYA METE**  
Chairman, Istanbul Cereals, Pulses, and Oil-Bearing Seeds and Products Exporters' Association

With the Turquality program, we are creating Turkish brands that compete with our own brands in the global arena. Our exports in the chocolate and confectionery industry grew by around 10% in 2012 relative to the previous year, and I expect an increase of around 10% to 15% in 2013. The high capacity for developing new products, the availability of flexible production in the industry, the spread of distribution channels, and proximity to Russia, the EU, the CIS, and the Middle Eastern market can be listed as our main advantages in the competition.



**HIDAYET KADIROĞLU**  
Board Chairman, Elvan Gıda

We are currently engaged in setting up the Kandira Food-Specialized Organized Industrial Zone. We, as the Elvan Group, established the first R&D center here in the confectionery industry. The Evaluation and Oversight Commission of the Ministry of Science, Industry, and Technology saw it fit to grant our company official R&D center documentation. Turkey has reached world-class levels in chocolate production. That the local industry, which was an importer until not too long ago, exports nearly \$1 billion worth of chocolate to the whole world is proof of this. Elvan Group is now working to increase current revenues of roughly \$150 million to \$1 billion by 2023.

*Investment pools will be established in Turkey with the aim of reducing dependency on imported intermediate goods.*



**TURKEY'S CHOCOLATE EXPORTS BY DESTINATION COUNTRY**

COUNTRY	BILLION USD
IRAQ	98.812
LIBYA	34.003
ALGERIA	28.563
SAUDI ARABIA	20.193
UAE	18.924
YEMEN	17.319
EGYPT	14.273
AZERBAIJAN	13.173
TAJIKISTAN	12.038
ISRAEL	11.834
TURKMENISTAN	9.591
TOTAL (INC. OTHERS)	9.591

## AVIATION

# Europe's Best Scores a Hat Trick

With higher service quality and a larger fleet every year, Turkish Airlines once again obtained Skytrax's title for Best Airline in Europe, winning for the third year in a row.

**W**ITH A CONSTANTLY expanding fleet and flight network, Turkish Airlines is the airline that flies to the most countries in the world—103 today, to be exact. Skytrax, a highly respected institution in aviation for its research in the field, named Turkish Airlines “Best Airline in Europe” at an award ceremony held at the Paris Air Show. This is Turkish Airlines’ third time winning this prize. Turkish Airlines, which joined Star Alliance—considered the world’s largest airline alliance—in 2008, increased not only its profitability but also its service quality, having also earned the sole four-star distinction among all European airlines in last year’s Skytrax evaluation, which was based on feedback from 18.8 million passengers.

Another success to mention is that of Turkish DO&CO, founded as a joint venture between Turkish Airlines and DO&CO in 2007. Today, it provides catering services to around 60 airlines. The company is renowned for its



21.6  
million

TOTAL PASSENGERS IN  
JANUARY–JULY 2012

26.9  
million

TOTAL PASSENGERS IN  
JANUARY–JULY 2013

24%

INCREASE IN PASSENGERS



“Flying Chef” service, which is offered to Business Class passengers on long-haul Turkish Airlines flights, an attribute that distinguishes it from its rivals in the industry. This unique practice brought Turkish Airlines the world award for “Best Business Class Catering” at the Paris Air Show. As the results of passenger praise, these awards also served to certify Turkish Airlines’ near-universal acclaim. These achievements directly influenced the company’s results over the first six months of 2013, too.

Turkish Airlines continues to expand its capacity with the investments it makes and its growth rate. The most recent figures indicate that Turkish Airlines increased its total number of passengers carried in January–July 2013

by 24% over the same period in 2012, with this number rising from 21.6 million to 26.9 million. This laudable increase is a quantitative manifestation of the effects of high-quality service and professional aviation practices. Domestically, passenger numbers increased by 22%; internationally, this figure rose by an impressive 26%. A closer look at the growth in international routes reveals a 16% increase in the number of passengers choosing to fly Business or Comfort Class, again compared to the first six months of 2012. This growth is connected to overall increases in tourism indicators—very much like Turkish Airlines with its admirable results for the first half of the year, Turkey’s tourism industry exhibited 28.4% growth relative to the

**Domestically,** passenger numbers increased by 22%; internationally, this figure rose by an impressive 26%.



same period the year before. Tourism income exceeded \$13 billion at the end of the first six months of the year, bolstering expectations for the coming six months. The increase in passenger numbers also parallels the expansion of the flight network. In January–July 2012, destinations numbered 199; by the end of the corresponding period in 2013, this figure was brought to 237.

As it runs constant flights to 237 locations worldwide, Turkish Airlines continues to expand its flight network through new contracts. The constant growth in Turkey's exports also exhibits clear parallelism with Turkish Airlines' success. Turkey and Argentina, for example, despite being geographically distant, are seeing continual progress in the international

trade between one another every year. Though Turkey exports tobacco, olive oil, and refrigerators to Argentina (among other items), the volume of trade can grow much more. The challenge Turkish businesspeople face in finding direct flights to Argentina plays a significant role in this, but the main factor is the

*Turkish Airlines was chosen "Best Airline in Europe" by Skytrax for the third consecutive time. Currently, Turkish Airlines is the only airline in the world that flies to 103 countries.*

two countries are still rather unfamiliar. A memorandum of goodwill expected to play a large role in addressing precisely this unfamiliarity was signed by Turkish Airlines and Argentina's Ministry of Tourism. According to the agreement, the ministry will feature Turkish Airlines and Turkey in its promotional activities. Turkish Airlines, for its part, will feature Argentina in its in-flight media. Regarding the issue of direct flights, Temel Kotil, PhD, President and CEO of Turkish Airlines recently announced that direct flights between the two countries would be launched within two years. Naturally, this development will bolster Turkish exporters' mobility in the South American markets. Touristically, the countries are starting to grow closer. Tourists from Turkey are showing more and more interest in Argentina—Enrique Meyer, Argentina's Minister of Tourism and President of the National Institute of Tourism Promotion (INPROTUR), stated that the number of visitors from Turkey increased by 9% and flights between Turkey and Argentina increased by 25%, demonstrating this germinating closeness in numeric terms. In a similar vein, always steadfast in its mission to expand and improve, Turkish Airlines provides connecting flights via Singapore to passengers traveling to destinations not covered by its flight network in Australia, New Zealand, and East Asia through a private partnership agreement it signed with the Australian airline Jetstar Airways.



## INVESTMENT

# A SEASON OF OPPORTUNITIES IN TURKEY: PRIORITY SECTORS FOR INVESTORS

A booming economy with an increasingly global influence, Turkey presents international companies a multitude of investment opportunities in a variety of sectors.

**T**HE GLOBAL ECONOMY is undergoing a profound transformation; the center of the world economy is shifting towards emerging economies like Turkey. **And Turkey is differentiating itself with its rich resources, stable economic growth and liberal economic policies, embracing investors from around the world.** With a robustly growing economy and a young, dynamic population, Turkey offers lucrative investment opportunities for global investors. **This is the right time to invest in Turkey to seize the opportunities in the automotive, energy, machinery, mining and tourism sectors, as well as in other industries.**

## TURKISH AUTOMOTIVE INDUSTRY: PROVEN EXCELLENCE IN MANUFACTURING

Reaching half a century of experience as of this year, the automotive industry in Turkey has its roots in a modest assembly operation set up in the early 1960s. **After five decades of continuous progress, Turkey's auto industry has not only become a production base of many well-known brands but also a leading design and engineering center in its region.**

Creating high added-value and employment, along with the contribution to the tax revenues and balance of pay-



*Strong performance of the automotive industry has made Turkey the 16th largest motor vehicle manufacturer in world.*

ments, Turkey's automotive sector is one of the main pillars of the manufacturing industry and a key driver of growth for the country's thriving economy.

More than 400,000 people are directly or indirectly employed by the industry, making it one of the leading sectors in job creation. **Repeating the same level of success in exports, the industry took the lion's share in the country's export total of USD 153 billion last year with three of the Top 5 exporters being auto makers.**

In addition to its obvious contribution in exports and employment, the automotive sector is playing a key role in transferring vital know-how and high-tech production capabilities to the country. **50 out of 137 R&D centers belong to the companies in automotive industry.** The trained labor force it employs to utilize the technology is

crucial to the country's other strategically important sectors. More than one third of the R&D personnel in Turkey is working in automotive sector. That is why Turkish government has published an official automotive sector strategy in February 2011 that will shape the future of the industry in Turkey. **"Increasing Turkish Automotive Industry's Global Competitiveness and Transforming the Industry into a Tech-Intensive, High Added-Value Establishment"** is designated as the general objective in the document. The certificate also defines the actions to ensure the achievement of this general objective. One of the key goals of this official strategy document is the design and production of a passenger vehicle by completely local means to be marketed under a Turkish brand.

The product portfolio of automotive manufacturers in Turkey covers a range of motor vehicles from sedans to heavy trucks. Using the advantages of its low-cost/highly skilled workforce, dynamic local market and strategically important location Turkey has been able to increase its vehicle production from 374,000 in 2002 to over 1,073,000 vehicles in 2012. **With a Compound Annual Growth Rate (CAGR) of 7,92% in production between 2000 and 2012, Turkey outperformed its competitors in Eastern Europe which has**

### a CAGR of 6, 56% in production during the same period.

Strong performance of the industry has made Turkey the 16th largest motor vehicle manufacturer in world.

**By the end of 2012 Turkey was ranked as the largest light commercial vehicle producer of Europe.** Turkey's strength in the auto industry has been built on its robust domestic demand, which has attracted new investments into the industry by major international auto manufacturers. Boosted by the country's new incentive scheme, car makers with manufacturing operations in Turkey are pressing ahead with their investment plans totaling TRY 5 billion (Approx. USD 2.58 billion) to be realized throughout 2013.

In parallel with the country's strong economic performance in the last decade, car sales have also risen. Between 2003 and 2012, the Turkish automotive market grew on average by 12% (CAGR).

**In 2012 vehicle sales reached 837,000 units, earning the country the rank of 5th largest automotive market as compared with the EU.** Despite high sales figures, the motor vehicle per capita rate in Turkey is only 165 per 1000 people which is still well behind the European average of 500. This on the side means further opportunities for the car makers. An increasing purchasing power backed by this low automobile ownership rate will certainly boost the sales of automobiles in the coming years.

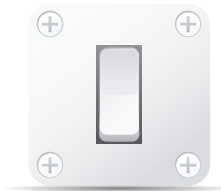
## TURKISH ENERGY SECTOR

The energy sector is of great significance with regard to achieving Turkey's goal of becoming one of the top ten economies in the world by 2023. Taking into consider-

ation the security of supply, we need to ensure that this growth will take place in a sustainable and environmentally-friendly way. For this reason, very important changes have been made in the market structure and legislation, particularly in the last decade, in order to create a liberal and competitive energy market and to attract international investors to the country. The electricity demand of Turkey -- a country which achieved the highest growth rate in 2011 after China, is growing at a higher pace than the GDP. The electricity consumption in 2012 increased by 7% year-on-year, while an increase of around 5.5% is expected for 2013. While such a growth rate has been realized in the sector, the shares and roles of independent power producers (IPP) in the market are also increasing. The share of the private sector in power generation during the last decade doubled to reach 60%.

**With a current installed power capacity of 60,280 MW, Turkey ranks sixth in Europe. Once this capacity has been doubled by 2023, Turkey will be the third largest electricity market in**

**Europe after Germany and France.** The total amount to be invested in the generation, transmission and distribution in order to achieve this target is estimated to be more than USD 120 billion. Considering that a significant part of the required investment is going to be made through equity capital, Turkey's integration into the global power sector and arrival of international investors in the Turkish market are of vital importance. **ISPAT works with the international investors who wish to extend and enlarge their investment portfolio, contributing to this growth by clearing the way for realization of such investments.**



*With a current installed power capacity of 60,280 MW, Turkey ranks sixth in Europe.*



Energy investments are prioritized in order to reduce Turkey's import dependency and account deficit. The introduction of nuclear power into the generation mix and utilization of our coal reserves are a vital part of this strategy. Utilization of our renewable energy sources is also crucial to ensure supply security. Our aim is to increase the share of renewable energy resources in power generation to 30% in 2023. Developments such as the ongoing privatization program and the establishment of an energy stock exchange in line with Turkey's vision of becoming a trading hub also create a diverse market, where the prevalence of the private sector increases, and offer investors vital opportunities.

## TURKISH MINING INDUSTRY

**The mining sector provides the necessary raw materials to industries such as automotive, construction and manufacturing which are the backbones of our economic growth. The mining sector also contributes to the development of rural areas through new investments in infrastructure and job opportunities.** Although Turkey is rich in many minerals, it is still dependent on imports, particularly in value-added minerals such as gold, copper and aluminum. Turkey is ranked 28th in the world in terms of total mining production, and 10th in terms of the diversity of mines produced. Only 13 out of the 90 types of minerals traded throughout the world have not so far been explored in Turkey. Turkey has sufficient unexploited resources in terms of 50 types of minerals out of 90; therefore it is thirsty for the unearthing and processing of its own mineral reserves.

Exploration activities can be divided into governmental and private operations. The governmental exploration activities are carried out by the General Directorate of Mineral Research and Exploration (MTA) under the auspices of the Ministry of Energy and Natural Resources. Meanwhile, private companies are also intensifying their exploration activities. In addition to several reforms made for the enhancement of the investment environment in Turkey over the past decade, the government has recently amended the country's mining regulations in order to facilitate the operations of national and international companies. The exploration period in Turkey is currently 7 years, and after this, the mining activities can begin following the issuance of an operational permit. The process to obtain an operation license and permit is fairly structured and can take from 3 months to one year. Furthermore, the government has recently launched a new incentives regime that contains generous privileges for investors in the mining sector. **IS-PAT has set mining as a high priority sector and has been working to attract further FDI to the exploration and exploitation of the existing, as well as undiscovered, reserves in Turkey.** Thanks to investor interest and the efforts of the governmental and bureaucratic bodies, we have observed a robust increase in drilling operations. **In 2012, public and private ventures drilled 1.5 million meters -- 15 times that in 2002.**

## TURKISH MACHINERY INDUSTRY

As with all developing economies, the machinery sector carries a strategic importance for the Turkish economy. This is primarily due to the fact that



the machinery sector produces intermediate goods, providing inputs to other key sectors such as construction, energy, textiles, agriculture and mining. It therefore plays a crucial role in the development of the Turkish manufacturing industry.

**Machinery is Turkey's third largest export sector; with USD 12 billion worth of exports, it constituted 9% of Turkey's total exports in 2012. However, the growing domestic demand has resulted in a negative trade balance despite the strength of the local manufacturing industry, with USD 26 billion imported in 2012.** Both the local production capacity and the trade volume of the sector have been increasing, in parallel with Turkey's overall economic growth.

The growth of the sector has also been aided by the structure of domestic machinery production. Since the sector is comprised mainly of small and medium businesses, it has great flexibility in responding to technological progress and changing demand. This feature of the industry has also enabled it to become strongly competitive in customized and made-to-order industrial machines. The industry's capacity for innovation is continually being strengthened with the added impact of R&D and strategic incentives from the government.



*Turkey is currently the 6th most popular tourist destination in the world, attracting more than 30 million tourists each year in recent years.*



**The Turkish machinery sector has been set significant export targets in line with Turkey's 2023 vision for its centennial year. It is expected to grow 17.8% CAGR until 2023 in order to reach USD 100 billion of exports and 2.3% share of the global market. The share of the machinery sector in Turkish exports is targeted to increase from 9% to 18% until this date.**

## TURKISH TOURISM INDUSTRY

Established in 1923, the young and dynamic country is now getting ready to celebrate its 100th year anniversary in 2023. The current Turkish government has laid out a set of goals for all social and economic features of the country for further progress. For the **tourism industry**, the **Ministry of Culture and Tourism of Turkey set out ambitious goals such as attracting more than 60 million tourists and increasing the country's tourism revenues by 2023.**

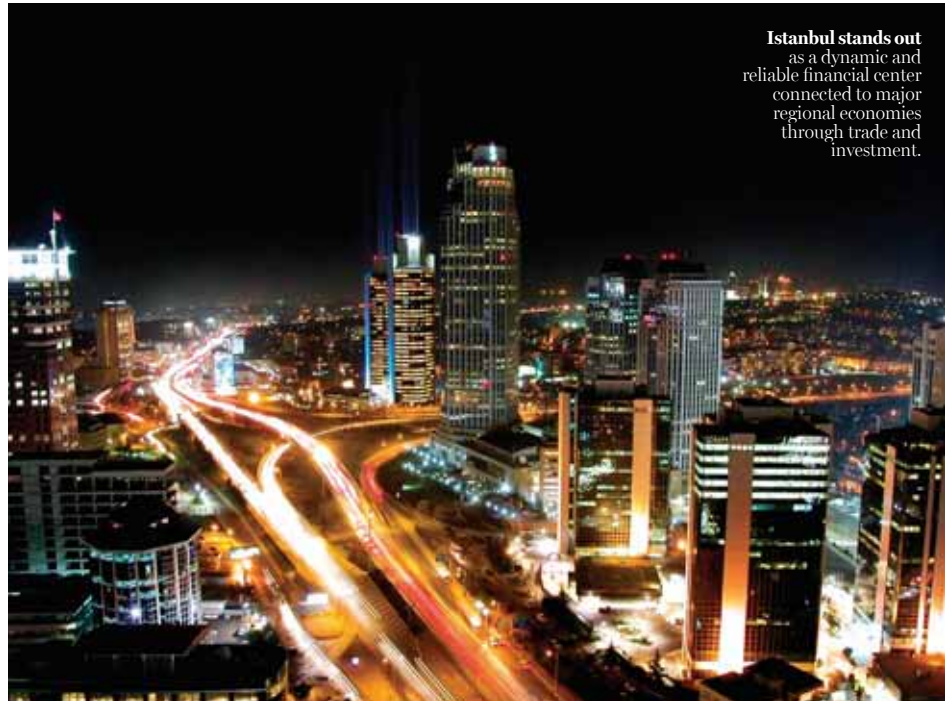
**Turkey is currently the 6th most popular tourist destination in the world, attracting more than 30 million tourists each year in recent years.** The Turkish tourism industry possesses a wide variety of features, such as historic attractions like



archeological sites, museums and sacred religious grounds, summer vacation tourism with its breathtaking coastlines along the Aegean and Mediterranean rich with long sandy beaches and virgin bays untouched by any artificial impacts. **In addition to its natural and historical resources, the Turkish tourism industry has been supported by reformist government policies supporting diversification of its tourism assets.** These policies include constructing large convention and expo centers to boost conventional tourism, eliminating almost all bureaucratic procedures for admittance of foreign patients to receive treatment in Turkish hospitals in order to tap its potential in health tourism, and offering incentives for tourism infrastructure investments both locally and internationally.

Turkey's tourism industry has a highly qualified and trained workforce graduating from 190 vocational high schools of tourism and 200 universities with tourism and travel management services departments. **The tourism industry employs almost 2.5 million people in Turkey and is the second largest labor market after public sector.** This abundant availability of skilled labor for the industry is the backbone and the most important enabler of the industry to reach its ambitious goals.

The end result of being a wisely managed industry, possessing abundant natural resources and rich and diverse historic heritage, driven by large body of well-trained skilled labor force and continuing momentum of growth gained in the last decade, will no doubt carry the Turkish tourism industry to its full potential.



**Istanbul stands out** as a dynamic and reliable financial center connected to major regional economies through trade and investment.

## INVESTMENT

# Road to 2023: CENTENNIAL CELEBRATION FOR THE FOUNDATION OF THE REPUBLIC OF TURKEY

Turkey sets grandiose targets to be achieved by 2023 and ISPAT is working to increase foreign participation in investment projects in Turkey.

**T**HE WORLD ECONOMY is undergoing a profound transformation, as it is engulfed in the worst global economic crisis since the '30s. In these troubling times, the world's economic center of gravity is gradually shifting toward the emerging nations which are assuming a more prominent role in the world. While majority of advanced economies are faltering and unable to recover from the recent global financial crisis,

*Turkey is offering an attractive business environment for global investors with an impressive and robust economic performance.*

the emerging economies, like Turkey, are offering an attractive business environment for global investors with an impressive and robust economic performance vis-à-vis their counterparts in the developed world. As a result of such profound changes, the financial actors of the global economy are also restructuring and redefining their policies and strategies accordingly. They are looking for safe havens where they can reduce finan-

cial risks and avert economic hardships. In this vein, Istanbul stands out as a dynamic and reliable financial center connected to major regional economies through trade and investment.

## ISTANBUL FINANCIAL CENTER PROJECT

The Turkish policy-makers have realized the changing economic environment in the world and launched the Istanbul Financial Center project which aims to develop Istanbul into an international

the efficient running of the business operations in the region. For example, the city has almost equal time differences to Tokyo and New York while the time difference between these two centers is fourteen hours. This practical advantage matters a lot for companies whose area of operations stretch between continents. As a matter of fact, multinational companies are already taking advantage of the strategic location of Istanbul by relocating their regional headquarters to Istanbul. For instance, GE

**Istanbul's embedded advantages are supported by a favorable tax regime and a strong financial regulatory and supervisory system which has been tested in the recent global financial crisis as Turkey was the only OECD country which did not have to introduce any financial rescue packages in order to mitigate the negative impact of the crisis.**

Similarly, not even a single bank had to be bailed out while financial institutions and banks in the developed countries were going

the related institutions and organizations to speed up the process which will pave the way for Istanbul to become a financial center.

## MAJOR INFRASTRUCTURE PROJECT TARGETS FOR 2023

Following the landslide victory in the last general parliamentary elections in June 2011, the Justice and Development Party (Adalet ve Kalkınma Partisi or AK Parti) brought about a new vision for the year 2023 which is the centennial celebration for the foundation of the Republic of Turkey. Specific targets have been set to achieve by 2023. These targets span from health to economy, from defense to education. **Turkey targets to be one of the top 10 economies in the world with a GDP of USD 2 trillion, to increase its exports to USD 500 billion, to upgrade country's energy, transportation and healthcare infrastructure, such as building hospital cities, more than doubling its installed power and building new bridges on Istanbul and Dardanelles straits.**

Among the major specific targets set to be achieved by 2023 are the third bridge over the Bosphorus, a more capacious new airport in Istanbul Airport and various highway projects.

Third Bosphorus Bridge, the world's ninth longest suspension bridge, will be constructed at the northern end of the Bosphorus. The bridge will be situated between Garipçe in Sarıyer on the European side and Poyrazköy in Beykoz on the Asian side. The bridge is part of the projected 260 km-long "Northern Marmara Motorway" which will bypass urban areas of Istanbul in the north connecting Kınalı, Silivri in the west and



financial center. As the Investment Support and Promotion Agency of Turkey (ISPAT), we are well aware of Istanbul's potential and the advantages it offers as a global financial center. **Its local economy, skilled labor force and advanced technological infrastructure make Istanbul one of the most attractive locations in the world.** Adding to these advantages is the unique strategic location of Istanbul which is situated at one of the epicenters of the commercial and financial crossroads in the world. Providing a perfect location for a regional headquarters of a multinational company, Istanbul facilitates

***Third Bosphorus Bridge, the world's ninth longest suspension bridge, will be constructed at the northern end of the Bosphorus.***

Healthcare moved its regional headquarters from London to Istanbul to manage its operations in 80 countries in four major regions - Central Asia, the Middle East, Russia and Africa. Similarly, both Coca Cola and Microsoft have their regional headquarters in Istanbul, managing almost a hundred countries from Turkey. Istanbul is not only a place to do business but also a fascinating place to live.

bankrupt one by one, forcing governments to intervene and avert more disastrous results.

**Promoting Istanbul as a financial center is one of the key objectives of ISPAT, as it will certainly boost inflows of FDI into Turkey.** Appointed as the Head of the Promotion and Image Committee in the organizational structure of the Istanbul Finance Center project, the Agency is vigorously working with all

Paşaköy, Hendek in the east. The bridge will be constructed by a consortium of Turkish İçtaş and Italian Astaldi and will be opened in 2015. The new bridge designed by French and Swiss engineers will have eight road lanes as well as two rail tracks. The third bridge is expected to be about 1.4 kilometers in main span length and 59 meters in width. When the bridge is completed, all trucks and heavy vehicle traffic will be directed to it.

**The New Istanbul Airport, the city's third international airport, will be the world's largest airport with 150 million passenger capacity per year.** The project will be constructed at the intersection of junction roads of Arnavutköy, Göktürk and Çatalca, north of European side of Istanbul. The Cengiz-Kolin-Limak-Mapa-Kalyon consortium, a joint venture of Turkish companies will start the construction in 2017. First stage construction is scheduled to be completed within 42 months after land allocation.

## ROAD CONSTRUCTIONS HAVE VITAL ROLE IN TURKEY'S ECONOMIC DEVELOPMENT

The Turkish Government gives priority to multi-lane roads. Turkey constructed nearly 15.000 km of multi-lane roads in 2002-2011 period. Today, Turkey's multi-lane road network is about 21.000 km and the plan is to increase to 36.500 km as of 2023. As for the highways, Turkey have 12 Built-Operate-Transfer (BOT) highway projects with total cost of 47 billion dollars to be completed by 2023 and with total cost of 84 billion dollars to be completed till 2035. **The current 2,236 km highways will be extended to approximately 7,786 km by 2023.**

**Some of the 2023 highway projects are Istanbul-Izmir Highway (421 km), Northern Marmara Highway (414 km), Sabuncubeli Tunnel (4 km), Ankara-Niğde Highway (342 km), Ankara-Kırıkkale-Delice-Samsun Highway (330 km) and Ankara-Izmir Highway (535 km).**

**Part of Turkey's grandiose targets for 2023 is urban renewal.** Turkey's urban infrastructure is in dire need of redevelopment. The restructuring process in the cities requires slum houses being demolished and replaced by quality housing. Turkey is also an earthquake-prone country; therefore the government is committed to build strong earthquake-resistant buildings across the country. According to recent studies, USD 400 billion investment is needed for the urban renewal projects in Turkey. Around 7 million out Turkey's total 20 million residential buildings will be replaced with new buildings that will be able to withstand earthquakes. The urban renewal project will make Turkey's real estate sector even more attractive. Turkey has already been one of the most attractive real estate destinations in the

world. The country ranked as the 3rd most attractive real estate investment destination among the emerging countries in 2012, according to a survey conducted by the Association of Foreign Investors in Real Estate (AFIRE). Similarly, according to another report ("European Real Estate Assets Investment Trend Indicator 2013", prepared by Ernst & Young), Turkey ranks as the second most attractive market in Europe for real estate investors. **Today, Istanbul is one of the most attractive real estate investment destinations. Emerging Trends in**



*As ISPAT we attach great importance to increasing foreign participation in Turkey's infrastructure development.*

**Real Estate Europe 2013, a sector report prepared by PricewaterhouseCoopers (PwC) and Urban Land Institute (ULI), ranks Istanbul as the most attractive real estate market with regard to "Development Prospects" based on the city's exciting real estate potential.** With its status boosted by Turkey's robust economic growth and young population, Istanbul also takes advantage of its transformation into a regional financial center and the country's relaxed property laws which allow foreign property ownership to attract international property investors. **The report by PwC and ULI also ranks Istanbul as the second attractive real estate market in "New Property Acquisitions" and the fourth largest real estate market in the "Existing Property Performance".**

As ISPAT we attach great importance to increasing foreign participation in Turkey's infrastructure development. To this end, we are organizing overseas roadshows, the latest of which was held in London, to brief potential investors on the investment opportunities presented by Turkey's large scale infrastructure projects.











# ATTRACTION

Through stable politics and successfully implemented economic policies, Turkey has become a star in its region. This success draws inflows of money and investors to Turkey.

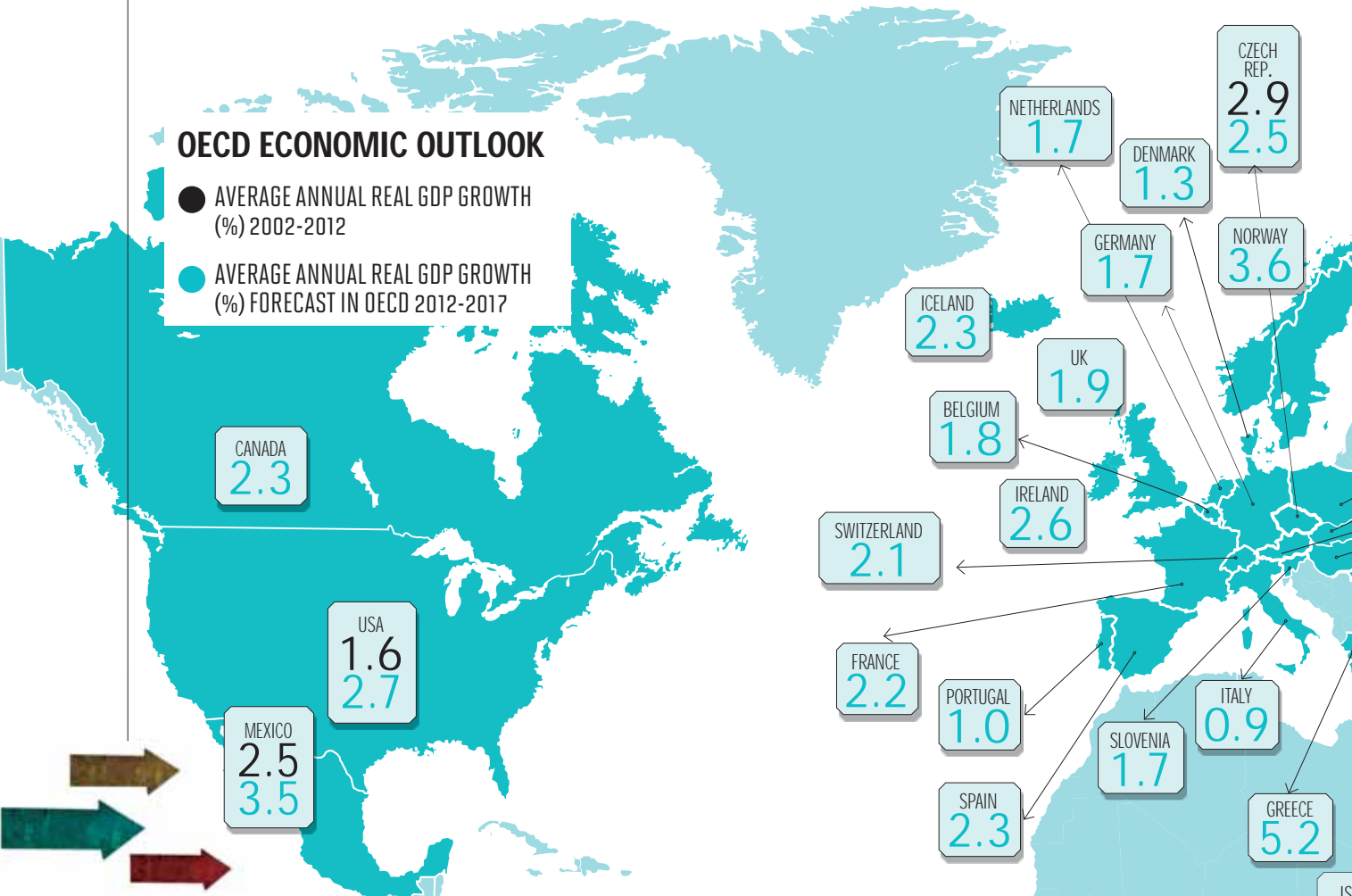
BY CAN GÜRSU    BY SEDAT GİRGİN

**T**urkey, which delivered an excellent performance in a time of crisis in the international markets and which is regarded by investors as a “safe harbor,” finally received the grade it deserved—according to many experts—when Fitch increased its credit score from BB+ to BBB- (which is investment grade). Other credit rating agencies followed suit, showing that this decision was no fluke. In May 2012, Moody’s raised Turkey’s long-term foreign currency credit rating from Ba1 to Baa3. Also that month, JCR, the Japanese Credit Rating Agency, revised its rating of Turkey upwardly by two points to BBB-, or investment grade. These events drew a lot of attention to Turkey.

The reforms enacted in Turkey in recent years played a large role in the current status of the economy as one that is powerful regionally and globally. Since 2001, the country has seen great transformations both politically and economically. The steady progress exhibited by Turkey in its bid for EU membership resulted in increased attention from both Europe and the rest of the world, and Turkey’s economy entered a period of sustained growth.

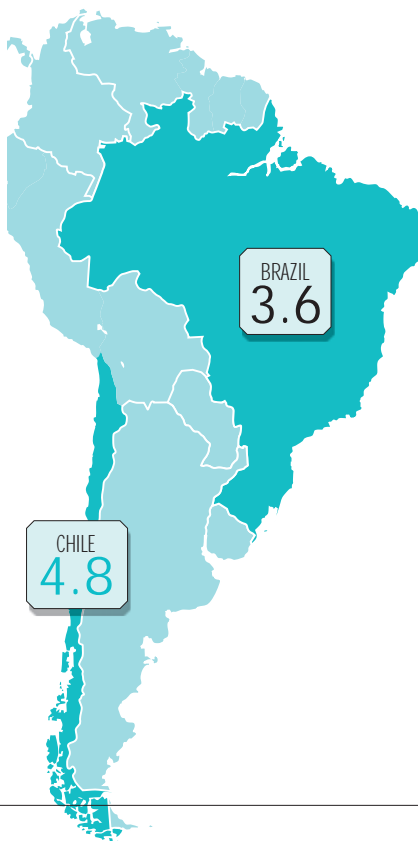
## OECD ECONOMIC OUTLOOK

- AVERAGE ANNUAL REAL GDP GROWTH (%) 2002-2012
- AVERAGE ANNUAL REAL GDP GROWTH (%) FORECAST IN OECD 2012-2017

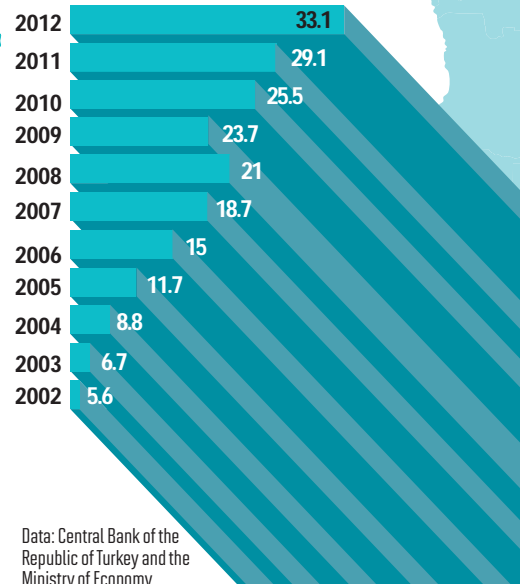


Between 2002 and 2012, Turkey was consistently ranked among the world's fastest-growing economies. In 2011, Turkey was the third-fastest growing G20 country. Over the past decade, its economy grew by 5% on average annually, leaving Europe and many of the world's developed countries in the dust. The OECD's 91st general outlook report on the country stated that Turkey is expected to continue this performance with 5.2% annual growth until 2017. Should Turkey be able to accomplish this, it would be the fastest-growing country in the OECD and Europe. The young and dynamic Turkish population has a significant influence in this spectacular performance.

With a population of 76 million, most of which is young, Turkey is one of Europe's most populous countries, and it is growing at a rate of around one million people per year. Roughly half the population is under the age of 30, giving it the youngest population in Europe. What this young population means for Turkey is a high-potential domestic market and a skilled workforce.

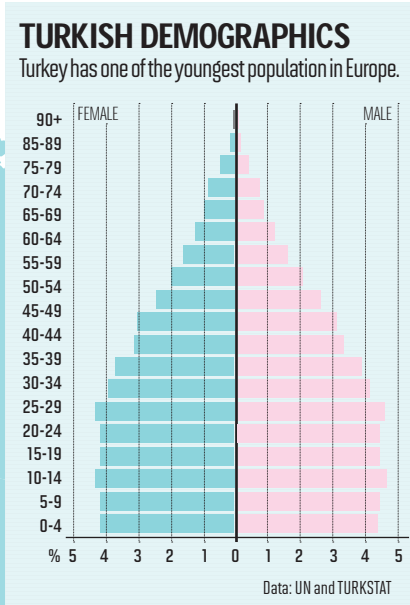
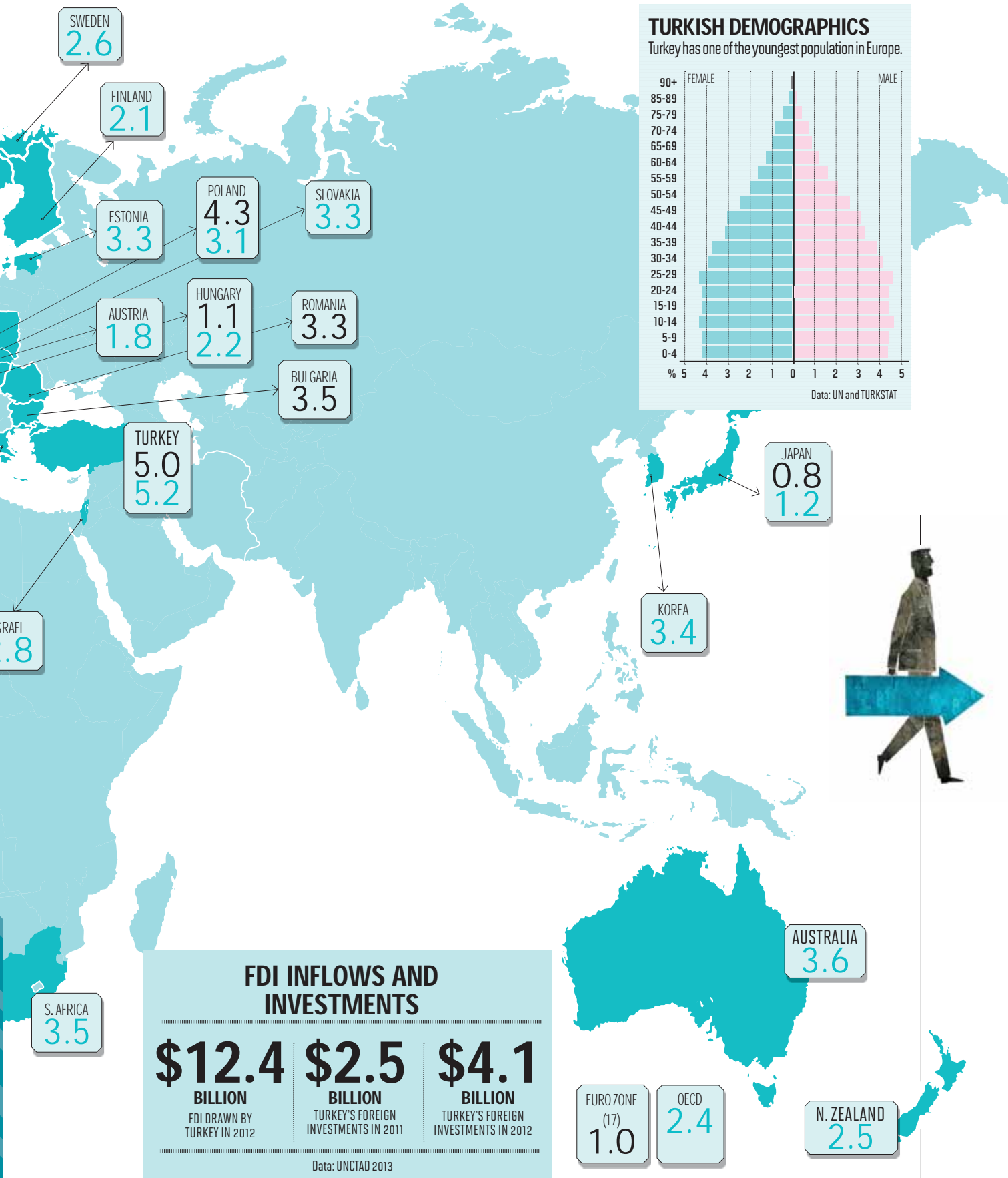


## NUMBER OF FOREIGN COMPANIES (×1,000)



Data: Central Bank of the Republic of Turkey and the Ministry of Economy





### FDI INFLOWS AND INVESTMENTS

<b>\$12.4</b>	<b>\$2.5</b>	<b>\$4.1</b>
<b>BILLION</b>	<b>BILLION</b>	<b>BILLION</b>
FDI DRAWN BY TURKEY IN 2012	TURKEY'S FOREIGN INVESTMENTS IN 2011	TURKEY'S FOREIGN INVESTMENTS IN 2012

Data: UNCTAD 2013





## ZAFER CAĞLAYAN

Minister of Economy

On June 19, 2012, we put into force our new investment incentive system, which we put together to contribute to fundamental policies such as increased integration, the facilitation of local production of intermediary goods and raw materials that are currently import dependent, and shifting from labor-intensive technology to information-heavy technology, and to satisfy the requests that come from the real sector, which is responsible for a significant portion of investment and manufacturing in our country. Investment incentives create significant cost advantages for investing whether through their regional and industry-based coverage or the elements of support provided during the start of investment, sometimes extending to the operational period of the investment. That support bound for less-developed regions has risen to notable figures increases the possibility that incentives could directly influence decisions to invest. Additionally, investment projects examined and approved by our ministry are subject to positive discrimination in credit availability and customs operations.



Its high-potential domestic market aside, Turkey, by virtue of its geostrategic position, has the means to reach a market of up to 1.5 billion people, a GDP of \$25 trillion, and a trade volume of \$8 trillion. As a bridge between Europe and Asia, Turkey is close not only to developed countries but also to several countries that are undergoing rebuilding, such as Iraq and Egypt. In Turkey, which offers countless opportunities to investors, 200 out of the Forbes 500 companies are active locally, and market leaders including Coca-Cola, Ford, Microsoft, IBM, GE, and Novartis continue to prefer Turkey as a regional hub for both manufacturing and management.

The Turkish government is providing significant levels of support to global companies that decide to move their regional headquarters to Turkey. Thanks to a recent amendment in legislation concerning foreign direct investment, foreign companies can now establish their regional management centers in Turkey under a liaison office structure without paying corporate tax, VAT, personal income, or stamp duty. Reforms and new legislation have significantly improved the investing climate in Turkey. A new foreign direct investment bill was introduced in 2003, providing foreign investors with legal guarantees ensuring equal treatment with local investors. Later, the government established the Coordination Council for the Improvement of the Investment Environment, which has since proved crucial. The body acts as a forum where private sector can make contributions to the process of

improving the investment climate, and it is recognized as a public sector-private sector collaboration success story by international economic authorities. Today, establishing a company in Turkey takes just six days.

With the conveniences it provides in establishing businesses and the advantages it offers to international investors, Turkey gained a reputation as an alluring safe and alluring harbor. "Over the last ten years, Turkey has shown a consistent track record in attracting increasing



Data: "Investment Guide," Invest in Turkey, accessed November 20, 2012.

## BENEFITS OF INCENTIVES

# 343%

INVESTMENT GROWTH RATE IN  
REGION 6 OVER ONE YEAR

# 91%

JOB CREATION FORECAST FOR  
REGION 6 OVER ONE YEAR

# 62%

INVESTMENT GROWTH RATE IN  
REGION 5 OVER ONE YEAR

# 124%

JOB CREATION FORECAST FOR  
REGION 5 OVER ONE YEAR

amounts of international direct investments,” says YASED Chairwoman Serpil Timuray. She adds, “The cumulative FDI stock of Turkey increased tenfold to 180 billion dollars in 2012, up from 18 billion dollars in 2002, and the number of companies with international capital surpassed 30,000 in 2012, up from 10,000 in 2005.” Turkey aims to have one of the world’s ten largest economies by 2023, and for this it plans to build on the successful performance it has shown in recent years.

Zafer Çağlayan, Turkey’s Minister of Economy, says, “One of the most important purposes of the investment incentives practiced in our country is to contribute to a reduction in the developmental differences between the country’s regions.” This principle, as emphasized by the minister, is what guides the state in applying a regionally and categorically selective incentive program, one that takes into account the region in which an investment will take place and exhibits variance in the level and duration of the support provided.

Reports published by the Ministry of Economy show that the number of approved incentive applications grew by 22% from 3,959 to 4,840 from June 2012 to June 2013, relative to the cor-



**MEHMET BÜYÜKEŞÇİ**

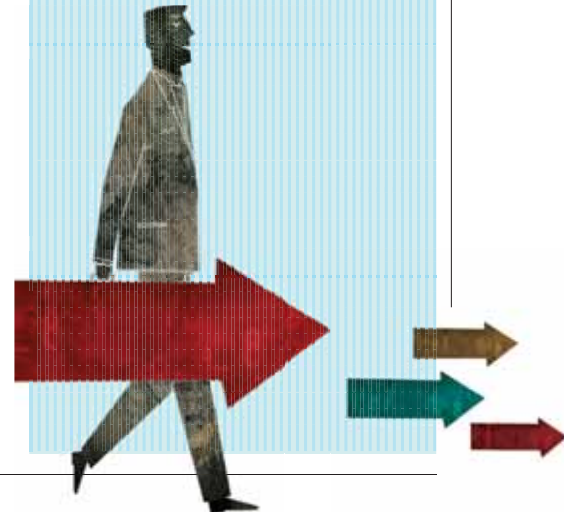
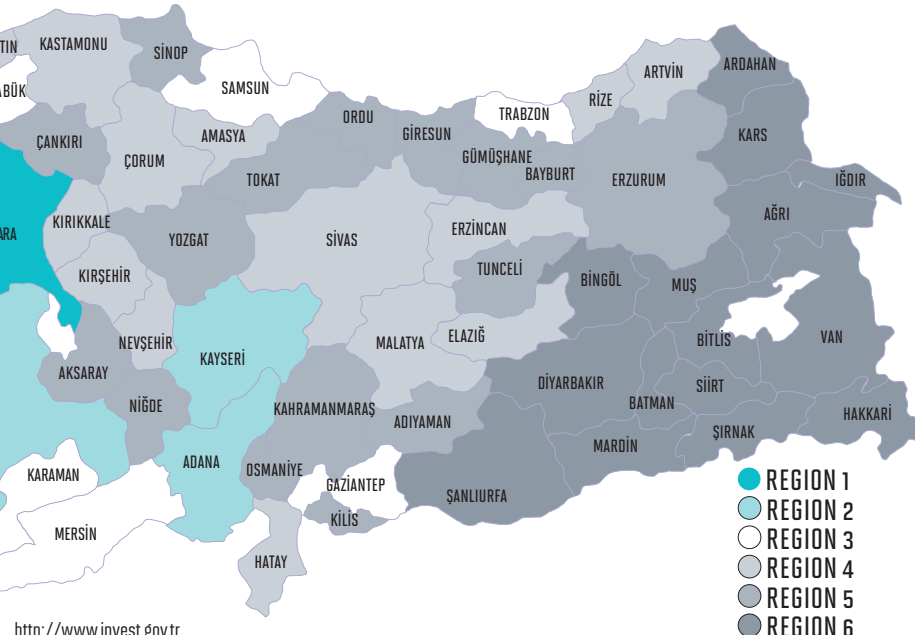
President of TIM

We as Turkish Exporters Assembly have defined three main growth platforms in order to reach our 2023 Strategic Goals to deliver USD 500 billion of exports. Those are;

- Focusing on competitiveness and organic growth at all 26 sectors of goods export and diversification of export markets,
- Investments in branding, R&D, innovation and design,
- Attracting FDI for the aim of increasing exports.

The third pillar is very crucial for us to expand our overall competitiveness. Turkey is aiming to improve its investment climate by each day to pull more and more advanced investments into the country to leverage the competitive power of companies delivering best-in-class products and solutions.

## REGIONAL CLASSIFICATION IN TURKEY'S INVESTMENT INCENTIVE SCHEME





responding period the previous year. The total fixed investment level grew from TRY 46.8 billion to TRY 76.1 billion, or by 62%. Projected employment rose by 59%, from 111,596 jobs to 177,792.

Çağlayan stated that the new incentive system introduced on June 20, 2012 has played a crucial role in driving the growing economy and supporting its stability. The statistics show that incentives have increased in every region, and particularly in Region 6.

## Region 6 Miracle

“With respect to the results of the implementation of the new incentive system in its first year, Region 6 was the region in which the highest increases in the number of incentive documents, fixed investment, and jobs were observed,” says Zafer Çağlayan, and he continues, “The results obtained in this period show that international investors, too, are showing increased attention toward the area, besides local investors.”

Relative to the corresponding period in the previous year, the number of incentive applications accepted in Region 6 from June 20, 2012 to June 20, 2013 exhibits an increase of 79%—from 321 to 575. The level of fixed investment increased by 269% from TRY 2.2 billion to TRY 8.3 billion, and job creation increased by 183% from 9,708 to 27,465.

*Between 2002 and 2012, Turkey was consistently ranked among the world's fastest-growing economies. In 2011, Turkey was the third fastest-growing G20 country.*

These increases have drawn the attention of investors both local and international. Increases of 77% (from 317 to 562) in incentive applications that were accepted, 207% in forecasted fixed investment levels (from TRY 2.2 billion to TRY 6.8 billion), and 171% in forecasted job creation (from 9,281 to 25,113) were observed in this period for domestic companies.

For international companies, increases of 225% (from 4 to 13) in incentive applications that were accepted, 117-fold in forecasted fixed investment levels (from TRY 12 million to TRY 1.84 billion), and 451% in forecasted job creation (from 427 to 2,352) were observed in this period.

The incentive program introduced last year is one of the most comprehensive incentive programs in the history of the Republic of Turkey. It has encouraged companies to attempt new investments, leading to growth and higher value, and

thereby attracting the interest of investors both local and foreign.

## Increased M&A Activity

Serpil Timuray says, “Despite the negative impact of the global slowdown in the global economy and the problems of the region Turkey belongs to, Turkey’s sustainable economic growth has had a positive effect on M&A activities.”

According to Deloitte’s Annual Turkish M&A Review 2012, the year 2012 saw the highest number of M&A transactions in the country, the result of an admirable economic performance. With the privatizations of Q4 2012, the amount of M&A transactions conducted in 2012 was the highest ever in the postcrisis period. According to the report, 259 transactions—worth around \$28 billion—were recorded in 2012. This corresponds to an 87% increase by total value over 2011, with 18 additional transactions.

## THE MINISTRY OF ECONOMY’S FOCAL POINTS OF INVESTMENT FOR THE NEAR FUTURE



MINING



RAIL TRANSPORT OF CARGO AND PASSENGERS



TESTING CENTERS FOR THE AUTOMOTIVE, AEROSPACE, AND DEFENSE INDUSTRIES, WIND TUNNELS.



TOURISM IN CULTURE AND TOURISM PRESERVATION AND DEVELOPMENT REGIONS



PRIVATE-SECTOR PRESCHOOL, ELEMENTARY, MIDDLE, AND HIGH SCHOOL INVESTMENTS



PHARMACEUTICALS, ESPECIALLY BIOTECH AND ONCOLOGICAL MEDICINE, AS WELL AS HEMATOLOGICAL PRODUCTS



THE DEFENSE INDUSTRY



INVESTMENTS IN MANUFACTURING THE PRODUCTS OF R&D PROJECTS SUPPORTED BY THE MINISTRY OF SCIENCE, INDUSTRY, AND TECHNOLOGY



INVESTMENTS OF AT LEAST TRY 300 MILLION IN THE PRIMARY MOTOR VEHICLE INDUSTRY, TRY 75 MILLION IN MOTORS, AND TRY 20 MILLION IN PARTS, COMPONENTS, TRANSMISSION MECHANISMS, AND AUTOMOTIVE ELECTRONICS.



ELECTRICITY GENERATION BY MEANS OF MINERALS LISTED IN THE 4-B GROUP.

Elaborating on the matter, Timuray said 2012 was a particularly active year for private capital fund activities. Private capital funds influenced merger and acquisition activity in 2012 via 57 transactions worth a combined \$1.6 billion, an all-time record for Turkey. International funds were mainly interested in the e-commerce, retail, manufacturing, and services sectors. International investor and private capital fund interest—and thereby M&A activities—is expected to continue in 2013. The completion of the 2013 privatization program will contribute to this process. The interest in retail, services, entertainment, manufacturing, food and beverages, financial services, and infrastructure is expected to continue.

The fact that three legislative amendments have been made since the introduction of the new incentive system,

based on the requests of the private sector, indicates the dynamism present in Turkey and the seriousness with which it is handling the investing climate. The Ministry of Economy closely observes all industries in this context and quickly implements the necessary regulatory measures. Echoing this, Minister Zafer Çağlayan emphasizes that the ministry will implement any and all measures to clear the path for investors, based on consideration of private sector requests and developments both local and international.

Considering the signals of a recovery in the global markets and precrisis data from many countries, one could expect the worldwide investing climate to improve within a few years. Should Turkey be able to sustain the progress it has been making, it could easily be considered a candidate for one of the world's top investment-drawing countries.



**SERPİL TİMURAY**

Chairman, YASED

According to UNCTAD's "World

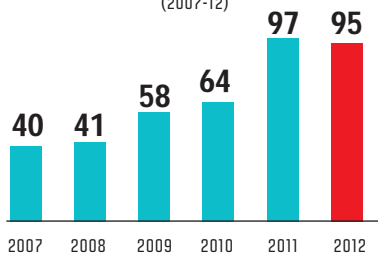
Investment Report 2013, carried out in Turkey by YASED, Turkey is among the countries that attract the highest levels of international direct investment in the world. In 2012, Turkey rose to the rank of 24th, two steps higher than its position the year before. Turkey ranked 14th among developing countries and first in the Western Asia region in 2012. Looking forward, we believe in Turkey's potential for rising even higher in these ranks. According to a survey included in the UNCTAD World Investment Report 2013, Turkey is the 19th country among the top prospective host countries for FDI in the 2013-2015 period. In parallel to its goal of becoming one of the top ten economies in the world, we believe Turkey should pursue a goal of entering the league of the top ten in international direct investments. This would correspond to a goal of increasing Turkey's FDI share from its current 1% to the region of 3%. As YASED, we assume a proactive role as a solution partner with all stakeholders, with the aims of establishing the best investment environment by global standards and increasing Turkey's competitiveness as a center of attraction for international direct investment.

### FDI INFLOWS TO TURKEY

FDI PROJECTS

**+27.5%**

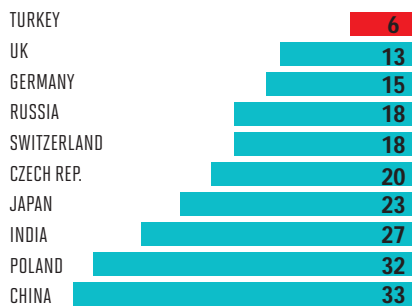
AVERAGE ANNUAL GROWTH RATE (2007-12)



Source: Ernst&Young's EIM, 2013.

### NUMBER OF DAYS TO ESTABLISH A COMPANY

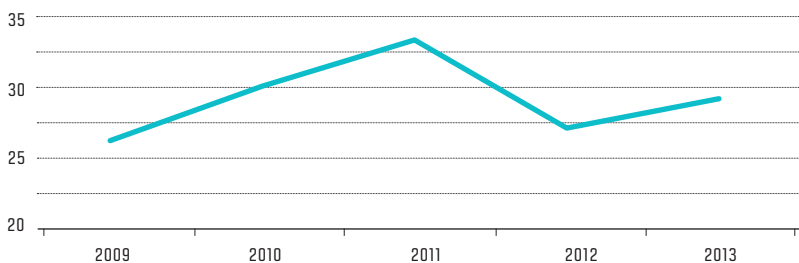
IN 2012



Source: World Bank Business Reports

### TOTAL VALUE OF TURKEY'S MOST VALUABLE BRANDS

BILLION USD







# ON DOING BUSINESS IN TURKEY

Turkey has set ambitious goals in a large number of fields for 2023. Investment Support and Promotion Agency President İlker Aycı is confident that the country will emerge as a strong global player. Aycı provided his evaluation of the investing climate in Turkey to The Turkish Perspective.

BY CAN GÜRSU

**TURKEY ATTRACTS investment from all over the world. Likewise, it invests in many different countries itself. What is your assessment of the endeavors Turkey has taken on in the past 2.5 years and the state of its investments?**

The recent global financial crisis and the ongoing euro zone crisis have had negative impacts on the entire world economy, let alone the Turkish economy. In a gloomy economic environment, global investors have had to either cancel or postpone their investments. However, as the Investment Support and Promotion Agency of Turkey (ISPAT), we are turning the crisis into an opportunity—global investors faced with recession in advanced economies are looking for safe harbors to anchor in. Emerging economies, like Turkey, offer safe havens rich with economic opportunities. Turkey was one of the fastest-recovering economies since immediately after the recent

global financial crisis and it now stands out as one of the most attractive foreign direct investment (FDI) destinations in the world. Secondly, as the advanced economies, which have traditionally been the main sources of FDI, falter in recovery, we have shifted our focus toward new sources of FDI in the world in order to diversify these sources. In this regard, emerging economies like China, India, and Russia have been emerging as new sources of FDI. We have developed new strategies for each of these countries. Similarly, cash-rich countries—such as oil-rich Gulf countries—have also become new sources of FDI, and we are proactively working to attract FDI from these countries.

Today, there are more than 32,000 foreign companies with active investments in Turkey. The country has attracted around \$123 billion of FDI over the decade since 2003. This is an impressive figure, as Turkey attracted only \$ 5 billion of FDI in

the eight decades preceding 2003. Moreover, according to projections by international institutions and experts, Turkey is expected to attract around \$130 billion of FDI over the next five years.

**The Investment Support and Promotion Agency has declared a target of attracting \$110 billion in investment in five years. What sort of activities are you pursuing to reach this target?**

Turkey has set specific targets to achieve by 2023 in fields from health care to the economy and from defense to education. These targets include becoming one of the top ten economies in the world, with a GDP of \$2 trillion; increasing exports to \$500 billion by value annually; upgrading the country's energy, transportation, and health care infrastructure through the construction of "hospital cities," increasing electricity generation by more than double, and building new bridges across the Bosphorus and Dardanelles straits. Also among Turkey's national targets is transforming Istanbul into an international financial center.

As Turkey implements its structural reforms, it has also been taking various initiatives in close cooperation with the private sector in order to improve the investment climate on. One of these initiatives is the Coordination Council for the Improvement of the Investment Environment, which is a key structure by which the private sector contributes to the process of improving the investment climate and which is recognized by international economic authorities as a success story of the public-private platform. The council rationalized the regulations on investments in Turkey, developed policies by determining the arrangements necessary to enhancing the competitiveness of the investment environment, and generated solutions to the administrative barriers encountered by local and foreign investors in all phases of the investment process, including the operating period. Moreover, the government has taken exceptional measures to provide a more business-friendly environment for foreign investors in Turkey. In addition to the Coordination Council for the Im-



**EVERY YEAR, AROUND 600,000 STUDENTS GRADUATE FROM OVER 170 UNIVERSITIES AND 700,000 FROM HIGH SCHOOLS.**

provement of the Investment Environment, the government established the Investment Advisory Council, with the participation of senior executives from prominent multinational companies, in order to address the administrative barriers to investment, improve the positive image of Turkey as an attractive investment destination, and provide a global perspective to the ongoing investment climate reform agenda. Since 2004, the Investment Advisory Council of Turkey has been meeting under the chairmanship of the Prime Minister, and it has

been making important decisions since then. These decisions constitute the top items on the reform agenda of the Coordination Council for the Improvement of the Investment Environment.

**Which industries are attracting the most investment? What kinds of incentives are offered to international investors in relation to these industries?**

If we look at the stock value of the existing FDI in Turkey, we will see that the manufacturing sector has been the most attractive sector in Turkey, followed by financial services, energy, ICT, retail, health care, and mining. Further delving into manufacturing indicates that food and beverages, automotive, electronics, chemicals, pharmaceuticals, petrochemicals, and machinery manufacturing are the main recipients of FDI.

There are also numerous investment projects through PPP and further opportunities in education, energy, defense, health care, transportation, and other



**\$2**  
TRILLION

Turkey's GDP target by 2023.

“Development and Investment” category. Istanbul scored the highest in the “Existing Property Performance,” “New Property Acquisitions,” and “Development Prospects” categories. Moreover, the government has amended the relevant legislation to allow foreign nationals to buy real estate in Turkey in exception to the reciprocity principle, which makes the field even more attractive.

Attracting FDI is a major objective of the Turkish government. To this end, the government has improved the investment climate through comprehensive structural reforms and introduced lucrative investment incentives. Over the past decade, the government implemented three incentives programs—in 2003, 2006, and 2009 respectively—and announced the fourth one in April 2012. The schemes put into action in the past decade have played an important role in drawing investment. Each program was tailored to trends in the global economy and recent changes in the domestic market. The incentives scheme announced in April 2012 was prepared and improved according to the new conditions, trends, and requirements of domestic and global conditions.

**TURKEY RANKED AS THE THIRD MOST ATTRACTIVE REAL ESTATE INVESTMENT DESTINATION AMONG EMERGING COUNTRIES IN 2012.**

public services. Similarly, opportunities are also available in privatization projects. While Turkey's privatization efforts yielded \$49 billion in the last nine years, there are still several more areas to be privatized, such as infrastructure and energy generation (which has been partly privatized).

Real estate has also been one of the most attractive fields in Turkey. Turkey ranked as the third most attractive real estate investment destination among emerging countries in 2012, according to a survey conducted by the Association of Foreign Investors in Real Estate. Today, Istanbul is one of the most attractive real estate investment destinations in the world. Istanbul's rapid rise as a lucrative property investment location has left behind the likes of London, Paris, and Madrid, with the city emerging as the top growth market in Europe's real estate industry. According to a recent survey jointly prepared by PricewaterhouseCoopers (PwC) and the Urban Land Institute (ULI), Istanbul ranks at the top of the

The main objectives of the new incentives scheme include reducing the current account deficit and increasing production and investment for highly import-dependent intermediate goods. This means boosting investment support in the least developed regions, improving efficiency in industry and logistics, and investing in medium- and high-level technologies to achieve the transfer of technology. The new program comprises four different schemes, namely general incentives, regional incentives, incentives for large-scale investments, and incentives for strategic investments. More specifically, Turkey offers investors value-added tax (VAT) exemption and corporate tax reduction, as well as support for social security premiums, interest payments, and land allocation. This new system will contribute to the structural transformation of Turkey's industries, particularly through strategic investments, by encouraging domestic production of goods that are mainly imported. With the new system, the government has redefined the regions, decreased the minimum fixed investment amount for large-scale investments, and introduced a new instrument—incentives for strategic investments, which are intended to reduce Turkey's current account deficit.

Under the new system, the government intends to balance the levels of local development nationwide, particularly focusing on raising investment in the country's least-developed areas. To maximize the impact of the program, the regions were categorized according to their levels of development as a balancing mechanism. In preparation for this region-based approach, the government conducted thorough research to update information on each province's socio-economic ranking and grouped them into six categories. This ranking system is flexible, too, and it will be constantly updated as different areas reach new levels of development. With this new incentives scheme, the main purpose is to focus on the least-developed regions; therefore, incentives for investors in these areas benefit from a larger scope of support. The new incentives system also gives priority to several specific industries,





such as defense, automotive, aerospace and aviation, maritime freight/passenger transportation, pharmaceuticals, education, tourism, and mining. Investments in these industries are supported by means of incentives provided for Region 5, the second-least developed region. As for the incentives for strategic investments, the main goal is to promote and support investments in industries with considerable trade deficits. By reducing trade deficits in key industries, the government is aiming at reducing the current account deficit. It is important to highlight that strategic investments are strongly supported in all regions with identical incentives.

**How would you assess Turkey's investing climate in relation to the rest of the world? What kinds of opportunities does Turkey present to international investors?**

Turkey's strategic location allows investors to access multiple markets around Turkey, which collectively hold a population of 1.5 billion people and a combined GDP of \$25 trillion; provides investors in Turkey with logistics advantages; and provides Turkey with connectivity advantages. Moreover, Turkey's geographical proximity to export markets is supported by a legal framework through free trade and customs agreements—Turkey is part of the EU Customs



**IF WE LOOK AT THE STOCK VALUE OF THE EXISTING FDI IN TURKEY, WE WILL SEE THAT THE MANUFACTURING SECTOR HAS BEEN THE MOST ATTRACTIVE SECTOR IN TURKEY.**

Union and it has free trade agreements with 22 countries. Not only are there logistical advantages but there is also a relaxed legal framework enabling investors to export to different markets without customs duty. Moreover, the legal framework is reinforced by treaties to prevent double taxation with 79 countries and bilateral agreements with 75 countries for the promotion and protection of investments.

Education and a skilled labor force are also making Turkey more competitive. Every year, around 600,000 students graduate from over 170 universities and 700,000 students from high schools, with around half of the latter graduating from vocational and technical high schools. There are more than 40 universities in Istanbul, making it the largest concentration of higher education in the region, and they offer world-class education and training to meet the professional and technical demands of the business world.

Multinational companies are already taking advantage of Istanbul's strategic location by relocating their regional headquarters to Istanbul. For instance, GE Healthcare moved its regional headquarters from London to Istanbul to manage its operations in 80 countries in four major regions—

Central Asia, the Middle East, Russia, and Africa. Similarly, both Coca-Cola and Microsoft have their regional headquarters in Istanbul, from where they manage operations in 80 countries.

**How might the investing climate be affected by the increase of Turkey's credit rating to "investment worthy," signs that the Fed could end its expansionary monetary policy, and the Turkish lira losing value?**

Turkey's economic fundamentals have been strengthened as a result of Turkey's political and economic transformation. The political stability and sustainable economic growth in Turkey paved the way for comprehensive structural reforms that removed bureaucratic hurdles and streamlined procedures, thus creating predictability and giving confidence to global investors. Such a macroeconomic outlook—recently boosted by rating upgrades—is imperative to attracting FDI, and global investors are quite aware of such positive developments in the Turkish economy. All these developments are expected to pave the way for more FDI inflows to Turkey in 2013 and beyond.

**What regions in Turkey are investors targeting? Have changes been observed in fifth- and sixth-region investments with the new incentive system?**

An improved investment climate with lucrative incentives has attracted foreign investors to all around Turkey. Abundant investment opportunities are available in Turkey ranging from real estate, finance, automotive, ICT, energy, renewable energy, and iron and steel to petrochemicals. Turkey offers tremendous opportunities for global companies to penetrate the growing markets of the Middle East, North Africa, Central Asia, and the Caucasus.

**Turkey's image abroad has changed immensely compared to ten years ago. International investors are showing high interest in Turkey. In a historical context, what are your thoughts on this transformation?**

Over the past decade, Turkey has embarked on a comprehensive structural

reform program in order to improve its investment climate. A new FDI law was introduced in 2003, the corporate tax rate was decreased to 20% down from 33%, and all bureaucratic hurdles were removed; the legal framework was thus reformulated in favor of investment. To this end, the government, together with the private sector, established the Coordination Council for the Improvement of Investment Environment. It is an excellent platform for partnership between the private and public sectors, and it is where stakeholders identify and remove regulatory and administrative barriers to both foreign and local private investments. As a result, the investment climate in Turkey has improved dramatically. The reform process has yielded results including making Turkey the second-biggest reformer of its restrictions on FDI among OECD countries. Political stability since 2002 has made Turkey one of the most stable countries in the region. Moreover, together with political stability, economic stability has



**TURKEY OFFERS TREMENDOUS OPPORTUNITIES FOR GLOBAL COMPANIES TO PENETRATE THE GROWING MARKETS OF THE MIDDLE EAST, NORTH AFRICA, CENTRAL ASIA, AND THE CAUCASUS.**

also been secured, offering investors a safe haven. Another area is privatization, which has minimized the role of government in the economy, enhancing the efficiency of the privatized enterprises. The government has realized numerous projects in cooperation with the private sector in order to develop infrastructure. All these developments, reforms, and political commitment to economic development, coupled with Turkey's young and dynamic domestic market, have put Turkey in front of its peers.

Turkey has a bright future that promises more investment opportunities. This is not just our perception—many international institutions and experts have a positive stance on Turkey's future, their projections placing Turkey as one of the top ten economies in the world. More opportunities will come with the realization of Turkey's ambitious targets for 2023, the centennial celebration of the foundation of the Republic.

**Certain East Asian and Persian Gulf countries with current surpluses have lately set their eyes on Turkey for investment. Japan, Hong Kong, and China have especially been showing interest in Turkey, and you visited the area in August in connection to this interest. What are your expectations of these meetings?**

We are working relentlessly in order to attract FDI to Turkey. The main pillar of our strategy is to make Turkey one of top ten FDI destinations by 2023, the centennial of the foundation of the Republic of Turkey. East Asian countries will definitely be part that strategy, since most importantly, Japan, Hong Kong, and China are major investors in the world. Over the past five years, companies from Japan, Hong Kong, and China have been investing \$100 billion, \$80 billion, and \$70 billion respectively. Secondly, considering the nature of those economic models, investments from East Asia will have high value added, since they are technology intensive and quality oriented. For these reasons, we will follow investors from East Asia closely and do our best to bring them to Turkey for investment.







# THE REGION'S ENERGY FLOWS THROUGH TURKEY

With its growing energy market and its status as an energy transit country, Turkey is a prime choice among investors' favorite markets.

BY MEHMET ERDOĞAN ELGIN

**E**NERGY IS ONE of the essentials in our daily lives. The leading factor that determines quality of life is easy access to energy. Not so long ago, through the end of the 1990s, blackouts were frequent in Turkey, negatively affecting residential life and the practice of industry—one of the keystones of the economy—alike. In the early 2000s, significant changes started to appear in the energy sector, which was under complete state control until entering a period of liberalization at that time.

Especially after 2002, the need for energy was increasing rapidly in parallel with the growth of the Turkish economy. The liberalization of the energy market and increased energy demand brought new investments to the agenda, with investors both international and local scrambling to be part of Turkey's burgeoning energy market. According to data issued by the Energy Market Regulatory Authority, TRY 68 million was invested in the energy sector from 2002 through 2010. A vast proportion of these investments were private sector investments. Foreign capital, too, had a significant influence on such investments, with

OMV, E.ON, RWE, CEZ, and many other international giants investing in Turkey's energy market. The Akkuyu Nuclear Power Plant, which is to be Turkey's first-ever nuclear power plant, will be built and operated by the Russian state corporation Rosatom. Meanwhile, Mitsubishi of Japan and Areva of France

have notable roles in the construction and operation of a nuclear power plant planned for Sinop, which is to be the second nuclear plant in the country. It is possible to elaborate further on the numerous investments in the Turkish energy market made by global energy companies. There is no end in sight for these investments, and there are good reasons to expect them to continue. These reasons are examined below.

#### GROWING MARKET AND INCREASING DEMAND

The year 2023 will be the centennial of the declaration of the Republic of Turkey. The government and businesses have set specific targets for this symbolic year. One of the most striking of these targets is attaining an annual export volume worth \$500 billion.

Turkey's current export is worth around \$150 billion. Sustaining such an operation—at present levels—requires 240 kilowatt hours of energy per year. The Ministry of Energy and Natural Resources has published an estimate that approximately 500 billion kilowatt hours of electricity would be needed every year for \$500 billion in exports. This is precisely why new power plants must be built over the next decade to add between three and four gigawatts of capacity every year. The construction of facilities on such a scale could be achieved

**ACHIEVING A \$500 BILLION EXPORT VOLUME WOULD REQUIRE THE ANNUAL ADDITION OF 500 BILLION KWH IN ELECTRICITY CAPACITY FOR THAT PURPOSE ALONE, MAKING IT NECESSARY TO EXPAND CAPACITY BY 3,000–4,000 KWH EVERY YEAR.**

through new investment, especially foreign-funded energy investments. Many multinational companies have entered the market in the recent term. EnerjiSA, one of the chief players in Turkey's energy market, includes partnership with foreign companies in its growth strategy. The company parted ways in

The Akkuyu Nuclear Power Plant, which is to be Turkey's first-ever nuclear power plant, will be built and operated by the Russian state corporation Rosatom.



its partnership with Verbund of Austria, citing strategic differences. Today, it is sustaining a relationship with the German giant E.ON as it strives to achieve its growth targets in the Turkish market. "E.ON also changed strategy in line with developments in the European market. They decided to focus not on Europe but on growing markets. The markets they selected were Brazil, Turkey, and India," says Selahattin Hakman, Energy Group President at Sabancı Holding. "We will grow with our partner not only on the basis of electricity sales but also in generation. We plan to increase our market share on the generation side to ten percent. We will increase our generation to 8,000 megawatts. Besides, with our existing projects, we will have surpassed 5,000 megawatts between 2015 and 2016."

It is very clear that the Turkish energy markets are attracting companies hoping for aggressive growth in new markets. Local investors, too, are increasing their investments to ensure satisfying





market share gains. Ömer Faruk Özgül, CEO of Özgül Group—one of the fastest-growing companies in the sector—says, “I can now say that the regulations that constitute the foundation of the energy sector have attained maturity. It’s all up to investors in the process that is coming next. Until the mid-2000s, investors suffered many regulation-related predicaments. But the government has since implemented all the necessary

regulatory changes. Today, investors are given the highest level of incentives possible. More importantly, land is being provided free-of-charge to investor companies. In what other country could you find these opportunities?” he asks. He continues, “Mergers will begin in the coming term. From that point on, small-scale, marginal investors investing five to ten megawatts’ worth aside, mid-level investors won’t have much of a chance to

remain in the energy market. Either the small ones or the big ones will exist in this area. Medium-sized investors don’t have much of a chance on their own.”

Having attained a certain size and level of experience, Turkish energy companies are starting to gain influence over other countries’ markets. The great transformation of Turkey’s energy sector over the past ten years played a major role in enabling this situation, of course. One of the companies now wielding international influence is Zorlu Energy, which has investments in countries including Pakistan and Israel. Zorlu Energy General Manager Sinan Ak says, “As Zorlu Energy, we invest in four different countries, namely Russia, Israel, Pakistan, and Turkey. We decided on these investments beforehand and we had started building them. Now, we have begun reaping the fruits of these investments.”

#### TURKEY AS A STRATEGIC HUB

The Anatolian peninsula has been recognized in politics throughout history for its strategic position that connects the continents together. Turkey, the current occupant of the land, is an important global transit country and a regional hub. A similar situation exists in relation to the global energy markets—Turkey serves as a bridge between the Middle East and Caspian regions, with



their vast hydrocarbon resources, and the Western world, the chief consumer of such resources. Important routes in the global energy trade and energy corridors planned for future construction frequently intersect in Turkey, passing through there to Western Europe. For Turkey, such a distinction makes resolving energy supply issues easier. Speaking in May, President Abdullah Gül said, "It is natural for Turkey, which serves as a bridge between countries rich in hydrocarbon resources and the markets consuming them, to function as a significant hub in the transmission and marketing of these resources. Our country has accomplished many strategic projects along both the east-west and north-south axes. In the area of operational pipelines, the Kirkuk-Yumurtalik, Baku-Tbilisi-Ceyhan, Blue Stream, and Interconnector Turkey-Greece-Italy pipelines are the projects of foremost importance."

These projects can be expected to multiply in the future. The countries to the east and southeast of Turkey that depend mostly on oil and natural gas for their exports are planning to increase the export of these products together with the markets where they are sold. This suggests the construction of new pipelines, and Turkey is seen as a major transit hub in a great deal of such projects. One of the most important of these projects is the Trans-Anatolia Pipeline (TANAO).

Russia supplies the majority of the European demand for natural gas. Dependency on a single country is a considerable threat for these European countries. It is therefore necessary for them to secure different sources of natural gas. One of these sources lies in the Caspian Sea, in the Azerbaijan-owned Şahdeniz 2 field. Transferring this gas to the European market is a job that will be done by TANAP, which is to carry 16 billion meters cubed of the substance in the first stage. Turkey will buy six billion meters cubed of this gas for itself, while



**DUBBED THE "SILK ROAD OF ENERGY," TURKEY IS PLANS TO ATTAIN AN ANNUAL TRANSMISSION CAPACITY OF 31 BILLION METERS CUBED PER YEAR BY 2026, AND THIS WILL BRING ABOUT A MORE RELIABLE ENVIRONMENT FOR COMPANIES INVESTING IN ENERGY IN TURKEY, TOO.**

the rest will move on to Europe. Dubbed the "Silk Road of Energy," Turkey is plans to attain an annual transmission capacity of 31 billion meters cubed per year by 2026, and this will bring about a more reliable environment for companies investing in energy in Turkey, too. Kenan Yavuz, CEO of Socar Turkey, says, "The TANAP project has four stages. The first is extracting natural gas from the Şahdeniz 2 field. The next is to carry the gas that emerges to the Turkish border. The third is transporting the gas across Turkey, and the last is to carry it

to Europe, beyond Turkey's border." He adds, "Turkey is our partner in the third stage of this process. Turkey could be part of the fourth stage as well; it is up to Turkey to make that decision."

Recently, an important development occurred in connection to TANAP's stage leg, which involves what happens after the gas leaves Turkey. The Şahdeniz 2 consortium selected the Trans-Adriatic Natural Gas Pipeline Project (TAP) as its project partner to bring the gas to Europe. With TAP, Azerbaijani natural gas will pass



through Turkey, Greece, and Albania to reach the Adriatic Sea, and from there it will be sent to southern Italy, and finally to other European countries from there. This project presents various advantages to Turkey that could help in becoming an important player in energy on a global scale. "Since I entered TAP, I have made important contributions to the promotion of this project in Turkey. TAP will connect Turkey to the Balkans, with which it already has a historical connection. Turkey could have taken an active role in this. If they still have the desire, the TAP project will offer this possibility, absolutely. I see no reason for the Azerbaijan-Turkey collaboration that began with ANAP not to continue in the Balkans," says Cenk Pala, PhD, TAP's representative for Turkey.

Even on its own, this project to carry Azerbaijan's natural gas to Europe could



lend an advantage to Turkey in the regional energy game. Other resources that might be discovered in the future could strengthen the hand of the energy administration. The transportation of Iraq's oil and natural gas over Turkey, for example, could provide a great advantage. Likewise, the transport through Turkey of natural gas from Iran, Turkmenistan, or even the eastern Mediterranean could make Turkey the most important energy transit and hub country both regionally and globally. "The most profitable and logical way to transport Cyprus's natural gas passes through Turkey. Likewise, the most economical transport route for Israeli natural gas is a pipeline that would pass through Cyprus to Turkey, and from there connect to pipelines leading westward," says Ömer Faruk Özgül.

Turkey's energy sector is among the most investment-worthy sectors for today and the future due to rising demand and its location on energy transit routes. Foreign and local investors alike are sure to continue flocking to the industry in the years ahead.



**Steven Young**, Managing Director of Bosch Turkey since 2011, states that they are producing technology for the world.







# BOSCH GOES BEYOND THE NEEDS OF THE TURKISH MARKET

Bosch has invested over €100 million and employs more than 300 engineers and staff solely for R&D activity. Bosch's R&D not only benefits the company's local activities but is also exported from Turkey to Germany.

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BY E. MELEK CEVAHİROĞLU ÖMÜR

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**G**UIDING its 300,00 associates worldwide based on a shared way of thinking, a good grasp of corporate principles, and action-oriented values, which combine to create the foundation for its global success, Bosch enables its workers to develop innovative and beneficial solutions and products on a daily basis. Steven Young, Managing Director at Bosch Turkey, indicates that with the help of their Turkish engineers and employees, Bosch produces technology for the benefit of the whole world.

**What has your experience in Turkey been like? What is different about working in Turkey?**

I have had a very exciting time over the past 17 years, and the business developments and experiences I witnessed in this time were extremely satisfying and fulfilling. We are operating in an extremely dynamic market here. 2001 can be defined as a milestone—pre- and post-2001, you could call it. I came here in 1995, when we had a coalition government here in Turkey. In the post-2001 era, you can wake up in the morning and find astonishing developments in law and legislation.

I would call the post-2011 era a golden period, one in which we have seen continuous and sustainable growth in the economy. We have seen signifi-

cant economic reforms—the Turkish economy integrated itself with the international economy. Because of this, Turkey has enjoyed a huge influx in foreign direct investment. Therefore, the Turkish market and the Turkish economy, I would say, are clearly in the radar of many multinationals—even midsize multinationals operating worldwide. The domestic demand has been extremely rewarding. The growth rate in the past ten years was 5% per annum—by world standards, this is very attractive. I would say that



**SINCE 2001, WE HAVE SEEN SIGNIFICANT ECONOMIC REFORMS—THE TURKISH ECONOMY INTEGRATED ITSELF WITH THE INTERNATIONAL ECONOMY. BECAUSE OF THIS, TURKEY HAS ENJOYED A HUGE INFUX IN FOREIGN DIRECT INVESTMENT.**

Germany and Australia are mature markets—the parameters of doing business are more or less set and the systems are in place. But Turkey is still an emerging market. You bear the characteristics of all the emerging markets here. Although

Turkey's economy is among the five—or even three—most attractive growing economies worldwide. This makes it extremely attractive for companies to establish or expand operations here.

Before Turkey, I worked in Germany and in Australia, where I started my career. Here, you have to adapt to the external conditions to survive. Things happen very quickly. You have to be on your toes. You have to position your company very carefully in order to avoid any turbulence that might appear. On the other hand, there are many opportunities. It helps to be proactive and it helps to have a good network here. And you must seize the opportunities as they arise.



**Bosch has invested over €100 million and employs more than 300 engineers and staff solely for R&D activity.**

we would like to have the best systems in place, many companies still operate with significant contributions from the individual. However, for managers who prefer to be in the driver's seat and take manual control instead of relying on automatic, this is the place to be.

**Given the important geostrategic location of Turkey, how would you describe the country's relations with its neighbors?**

Turkey has always enjoyed very strong commercial ties with the West, particularly with the countries of the EU. EU countries account for a significant portion of its imports and exports. The largest among these is its trade with Germany. And this provides our firm with great confidence and advantages. Meanwhile, thanks to its





geostrategic location, Turkey acts as a bridge that connects East and West. Accordingly, it has recently engaged in a multifaceted development of its commercial ties with the countries to its east as well. In particular, it has been investing heavily in Iraq and Central Asia. This transformation and development in commercial channels also brings significant advantages and opportunities for domestic and international firms based in Turkey. All our business partners in Turkey have already begun active operations in these newly opened regions. Turkey serves as a central hub for many international firms that wish to access and invest in these regions. In general, I believe that the ongoing political instabilities and problems do not have major impacts on commercial ties.



**TURKEY'S ECONOMY IS  
AMONG THE FIVE—OR EVEN  
THREE—MOST ATTRACTIVE  
GROWING ECONOMIES  
WORLDWIDE.**

#### **What is Bosch's view of the Turkish market?**

Present in Turkey for more than a century, Bosch Group today consists of six separate companies that operate in automotive technology, energy and building technology, industrial technology, and consumer goods. It is a net contributor to the Turkish economy with a turnover of €2.1 billion and exports of €1.3 billion as of year-end 2012. We want Turkey not only to reach but to surpass its 2023 targets. We account for 1.1% of Turkey's total exports. What underlies our contributions in Turkey's industrial and economic future can be examined under three basic headings: being a competence center, our "local-for-local" approach, and our human resources. As we create intellectual capital in our competence centers, it



is brought into Turkey as part of our local-for-local policy. We engage in know-how transfer and codesigning. We make maximum use of the Turkish subindustry and we manufacture here. With our production, we not only meet the needs of the Turkish market and substitute imports but also export to the rest of the world. Thus, we are contributors to the efforts to reduce the current account deficit. And we do all of this thanks to our skilled human resources. Our Turkish engineers and other staff have made significant contributions to Turkey's success. With their help, we are producing technology for the benefit of the whole world in Turkey.

**What is your view on Turkey's demographic development? What could it yield in the long term?**

Turkey has a young and dynamic population. Both its GDP and its per capita income are continuously increasing. One of the most important features of the Turkish population is its youth. The population in the 0-14 age group constitutes 24.9% of the total population, and based on 2012 data, the median age is 30. The proportion of the urban population has also increased significantly in Turkey. Turkey enjoys major advantages against an aging European continent, in my opinion. This advantage has two facets—the market and the qualified young workforce. Going forward, this demographic advantage will create demand for new products and services in the Turkish market. The new families to be started by this young population will also create demand growth for many items in the market, which in turn will help the country grow in its internal dynamics, too.



**ONE OF OUR KEY STRENGTHS IS THAT OUR ASSOCIATES ARE VERY RESULT ORIENTED AND CAPABLE OF DELIVERING RELIABLE RESULTS SWIFTLY.**

**Are there any challenges in working with Turkish employees? How do you manage your human resources?**

We have a highly qualified and flexible team. One of our key strengths is that our associates are very result oriented and capable of delivering reliable results swiftly. Loyalty and dedication are high, too. To elaborate, we, as Bosch Turkey, have many initiatives to motivate our team—we allow for different working models such as telecommuting, enable high connectivity through high-tech communication devices, and fund MBA programs and coaching for our associates. We also support career development via international assignment programs. Total training hours are approximately 4000 hours per year, which makes us very proud.

## AS WE CREATE INTELLECTUAL CAPITAL IN OUR COMPETENCE CENTERS, IT IS BROUGHT INTO TURKEY AS PART OF OUR LOCAL-FOR-LOCAL POLICY.



### What can you say about Bosch Turkey's upcoming projects?

Turkey grew significantly over the last ten years. Turkey now has ambitious plans for the centennial in 2023. Right now, we are in the middle of a 20-year window between 2001 and 2023. We can make forecasts for the next ten years based on what we achieved during the last ten years. The government has set several notable economic targets for 2023, including ranking among the world's top ten economies, achieving an export volume of \$500 billion, and raising budget allocation for R&D to more than 3% of the GDP. These are extremely challenging yet extremely exciting targets. We stand today with an export of approximately \$100 billion. To go from here to \$500 billion obviously

requires us to do something different—there must be a higher amount of local value added, a higher degree of intellectual content, and a diverse spread in export markets—not just Europe. Turkey predominantly produces products in the lower and middle segments at the moment. In order to achieve these targets, we need to be active in the high end of the market. This is where R&D comes in. I believe that the target of 3% R&D against GDP is spot-on, and the government is providing extremely attractive incentives to companies to encourage cooperation and to initiate or enlarge their existing R&D activities. Bosch has invested over €100 million in R&D and employs more than 300 R&D-dedicated engineers and other staff. Our R&D does not only serve the purpose of meeting local requirements; we export R&D from Turkey to Germany, too. All of this is done in Bosch Group's three government-accredited R&D centers in Turkey. And we were one of the first in 2008 to be granted accreditation. On the matter of human resources, we value our employees and believe that the Bosch team here in Turkey will carry our company to the future and thereby contribute to Turkey's 2023 targets. In this sense, we have initiated a number of local initiatives—many of which are pilot initiatives for Bosch worldwide—with the aim of making Bosch a first-choice

employer for all potential employees, including fresh graduates.

### Do you have any predictions for investment trends that might emerge in Turkey over the next few years?

The service industry accounts for 64% of the current GDP. If we are to achieve a \$500 billion export volume, we need to be designing and producing products of a technological nature with a significant contribution of local value-add. Here, I am referring specifically to the industrial sector. The benefits of what the industry can contribute to the overall economy of the nation are clear. Therefore, industrialization is a must if Turkey wants to achieve these challenging targets. That's my first point. My second is that when we analyze the import figures, we see energy at the top of the list of factors behind the current account deficit. Turkey needs to overcome this—one, it must produce more of its own energy, and two, it must utilize and consume energy in a much more efficient manner. Renewable energies, particularly wind, will no doubt contribute to resolving this issue. Apart from that, we believe the automotive technology will be a major contributor, and machinery manufacturing, together with construction, will constitute the back bone of Turkey's industrialization in the next ten years.



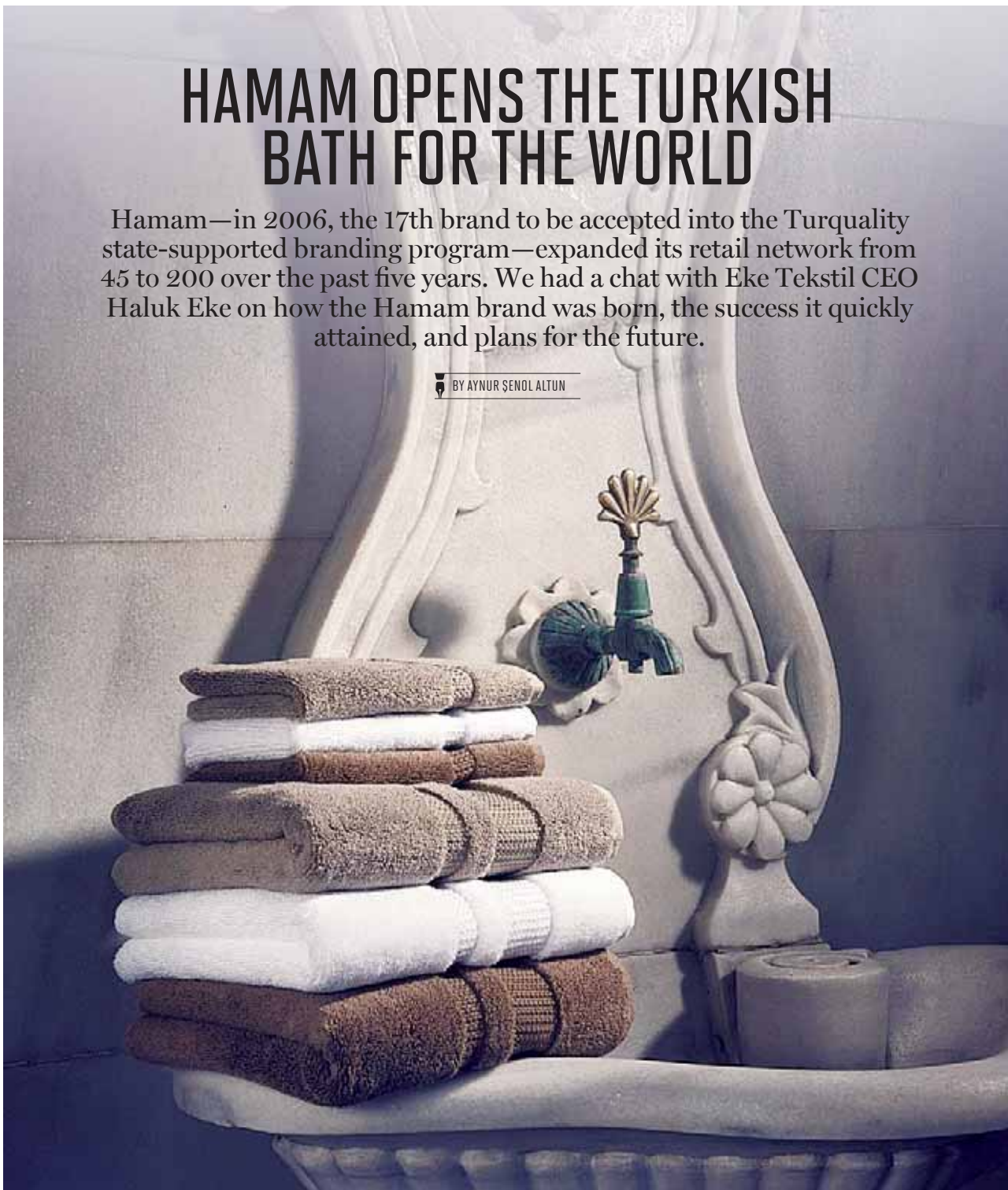
# Brands

TEXTILES, OFFICE SUPPLIES, CHEESE

## HAMAM OPENS THE TURKISH BATH FOR THE WORLD

Hamam—in 2006, the 17th brand to be accepted into the Turquality state-supported branding program—expanded its retail network from 45 to 200 over the past five years. We had a chat with Eke Tekstil CEO Haluk Eke on how the Hamam brand was born, the success it quickly attained, and plans for the future.

BY AYNUR ŞENOL ALTUN





**E**KE TEKSTİL entered the domestic textile industry in 1989. Initially, it worked with famous brands—American brands primarily—appealing to the luxury segment. The experience gained in these endeavors and its R&D team’s innovation-focused efforts kicked off the process of its becoming a brand. In 1999, Eke began exploring ways to exploit the lack of a luxury bathroom textile brand in the market. The name for the brand that resulted, Hamam, was chosen by Haluk Eke’s wife. Trademarking and patent applications were begun immediately. The brand’s public launch, under the creative direction of İdil Tarzi, was held in the high-prestige “Dreamland” setting in 2003’s Heimtextil exhibition in Frankfurt, Germany. Hamam became the first Turkish brand to enter the bathroom textiles category.

#### TARGETING HIGH INCOMES

Hamam’s target audience consists of people who take care of themselves and their homes, are generally aged 35 and above, rank high in

socioeconomic terms, and value design. Hamam’s products are presented in locking antibacterial packages to ensure they are delivered to the buyer in a hygienic manner. Specialty materials such as silk, linen, cashmere, and organic cotton are meticulously spun into threads and woven into fabric using Hamam’s custom technologies before becoming products sold at the world’s most prestigious retail locations. Every item in its collection has its own concept, lifestyle target, and color palette. According to Eke, most sales are abroad: “Exports account for 80 percent of our sales. We had aimed to increase all our sales in 2013 by 30 percent. The increase in exports over the first six months came in at 20 percent. We predict the total sales increase by year-end to be 30 percent.”

#### THREE PRIORITY MARKETS: FRANCE, RUSSIA, AND CHINA

Eke says the most important markets for Hamam are France, Russia, and China. In 2006, Hamam opened its first showroom, which is in Paris. The Maison & Objet

exhibition held twice a year in Paris is of high importance for Hamam, emphasizes Eke. For Russia, the company assembled a special team to address logistical issues. Currently, the brand reaches consumers in Russia thanks to a 20-person team, three stores, and two corner outlets. For distribution in China, says Eke, they have been working for three years with one of the country’s largest retailers: “Right now, we have one franchise store and 20 retail locations. The products are sold at much higher prices compared to other countries. Its identity as a manufacturer aside, China holds significant potential in the field of luxury consumption, too.” However, the majority of Eke Tekstil’s exports overall—90%—are to the US, and the company opened an office on 5th Avenue in New York City last year.

#### INDUSTRY EXPORTS RISE 6.6% IN TWO QUARTERS

In 2012, the Turkish ready-to-wear clothing and apparel industry’s exports totaled \$16.88 billion in value.

*Hamam’s products are presented in locking antibacterial packages to ensure they are delivered to the buyer in a hygienic manner.*





Over the first two quarters of 2013, the industry increased its exports by 6.6% relative to the corresponding period in 2012. To further this, as Eke points out, high-profit production—to be achieved by a continued increase in quality and the use of R&D to achieve differentiation—is crucial. Eke says, “R&D is very important to us. We have a crew of 20 textile engineers at the factory. Several projects are under way with Japanese silk firms



Over the past five years, Hamam expanded its retail network to 200 locations across 45 countries.

in particular. We also have projects developed with TÜBİTAK [the Scientific and Technological Research Council of Turkey]. We, as Eke and Hamam, always give importance to innovation, and we recognize that we have established differentiation through these means.”

#### TURQUALITY LIFTS HAMAM UP TOWARD ITS TARGETS

In 2006, Hamam became part of the first group of brands to enter Turquality, the state-supported branding program. After the performance it delivered over the first five-year period, it earned the right to remain for a second period. Turquality supplied significant advantages that helped Hamam achieve its targets quickly. Eke notes that the company benefited tremendously from Turquality especially

in the area of promotional and advertising support, a key requirement of branding, in addition to international office and retail location procurement and operation, fairs and exhibitions, and consulting. Over the past five years, Hamam expanded its retail network from to 200—including six concept stores, 40 corner outlets, and 160 retail locations in various prestigious parts of the world—across 45 countries. The company has distributorship and master franchising agreements in place in several categories. Eke adds that there are projects for which talks are ongoing, too.

In the name of securing Hamam's position as a world-famous brand, the company has plans to establish foreign partnerships that would provide financial support: “If you want to become a world-famous brand, you must pursue cooperation with firms that have experience in branding and investment,” says Eke.





## A HANDWRITTEN BRAND STORY: ADEL

ADEL has achieved rapid growth both domestically and internationally. In 2011, ADEL founded the company Faber-Castell Anadolu in Russia, through which it hopes to accelerate its growth in the world's largest country.

BY NESRİN KOÇASLAN

**T**HE EXPERIENCE OF writing has deep meaning associated with its beginning, when humankind discovered it—that of truly leaving a mark on history. Although writing has partially been replaced by digital technologies, the traditional pen or pencil still takes up some space in one's bag or on desks, and they still play a big role in life. ADEL's story is one that essentially begins with the pen and pencil. ADEL may be known

as a pioneering office and school supplies brand today, but at its heart is a relationship based on the venerable writing implement. Founded in 1967, the brand was later partnered with the world office supply giant Faber-Castell, which would prove an important step toward becoming an international player. ADEL, an Anadolu Group brand, started using the Faber-Castell trademark on its own products and became the company's dis-

tributor in Turkey thanks to this partnership. Today, with the company it established in Russia with Faber-Castell, ADEL continues to grow. ADEL General Manager Evrim Hizaler details the brand's journey so far and its future plans below.

### LONG RELATIONSHIPS WITH DISTRIBUTORS

According to Evrim Hizaler, ADEL, now active in the industry for many years, is perceived as stable and trust-

worthy. Hizaler ascribes this success to being a member of the large conglomeration that is Anadolu Group and its partnership with the world giant Faber-Castell, and the fruits this has yielded have been collected for years. The best evidence of this, says Hizaler, is the distributorships they have been working with for 43 years now. Today, ADEL enjoys a fruitful relationship with 90 distributorships.

### EXPORTS TO 55 COUNTRIES

ADEL's partnership with Faber-Castell conveyed recognition of the brand beyond Turkey's borders. Hizaler says the brand exports its products to 55 countries, including products under its own brand and those of Faber-Castell. A significant amount of these products bear ADEL's brand. "In the context of Faber-Castell's



ecosystem, ADEL is very important when you see its success in Turkey. Faber-Castell has de facto operations in 15 countries, and we are the second-biggest market after Brazil. Today, we have achieved a volume even greater than that in Germany, the brand's native country," says Hizaler.

New Company in Russia Anadolu Group's experience and ADEL's success created the result of a new partnership opportunity in late 2011, when ADEL and Faber-Castell jointly established a new company in Russia, Faber-Castell Anadolu. Hizaler says they are quite hopeful of Russia: "Russia is truly one of the most important markets worldwide for any industry. It is a developing economy,

emphasizes that all opportunities in the country are open for consideration: "The place also represents to us a market development and discovery task. Therefore, in time, once we attain a certain volume in exports, we will certainly be assessing the opportunities again."

#### NEW FACTORY, NEW OPPORTUNITIES

In June, ADEL signed a TRY 50 million contract for the construction of a new factory in Kocaeli Province, which is expected to enter operation one year later. The new factory will give them a higher effectively and adaptability, says Hizaler, according to whom such investments will also support capacity increases in parallel with recorded growth.

*"In the context of Faber-Castell's ecosystem, ADEL is very important when you see its success in Turkey. Faber-Castell has de facto operations in 15 countries, and we are the second-biggest market after Brazil."*



## ADEL'S JOURNEY AS A BRAND

**1967:** ADEL brand established.

**1969:** ADEL's Kartal, Istanbul factory enters operation.

**1980:** ADEL's pencil slat (wood) factory enters operation. The import of cedar slats is slashed when slats can be produced from locally grown poplar, the result of a collaboration with Karadeniz Technical University.

**1995:** Faber-Castell partners with ADEL. ADEL starts using the Faber-Castell trademark on some of its products and becomes Faber-Castell's exclusive distributor in Turkey.

**1996:** ADEL goes public. Today, 27.1% of ADEL's shares are traded on Borsa Istanbul.

**2000:** Having exhibited steady progress, ADEL starts taking significant steps toward expansion abroad.

**2011:** ADEL and Faber-Castell establish Faber-Castell Anadolu LLC in September, a 50/50 joint venture.



Evil Hizaler says ADEL's largest export market is Russia.

it has a high population, and it's relatively much wealthier. In whatever industry you may look at, you see many players both large and small in the area. In that regard, Russia is a high-potential market for us." Currently, according to Hizaler, the company operates just as a sales and distribution outlet, but she

## ADEL BY NUMBERS

15.4%

FABER-CASTELL'S SHARE IN ADEL

27.1%

PERCENTAGE OF ADEL'S SHARES TRADED ON BORSA ISTANBUL

90

DISTRIBUTORSHIPS IN TURKEY



## INNOVATION IN CHEESE: MURATBEY

Muratbey is one of the first brands to come to mind in Turkey on mention of cheese. The company has a 25-year background in the industry, and over the past decade it grew by 40%. We had a talk with Chairman Necmi Erol on the change undergone by the industry in recent times, the process of turning companies into brands in Turkey, where Muratbey stands today, and what the company's plans are for the future.

BY BARAN KARAKUZU

**U**P UNTIL TWO-AND-a-half to three decades ago, what passed for branding in Turkey was little more than a name printed on an item's packaging (with the exception of products by the very largest corporations). Once the market started growing in the 1980s, branding—especially in retail—started gaining more importance in the eyes of companies that were slower to act. Muratbey, then known

as Karadeniz Gıda, was aware of how crucial branding is almost since it was founded, and it started using the Muratbey marque in that decade. Muratbey CEO Necmi Erol has witnessed all that happened in branding up to this day. Today, he emphasizes, they approach the matter much more professionally. Following the lead of world's powerhouse countries, the company carries out such activities as register-



*Muratbey won the Istanbul Chamber of Industry Innovation Award in 2011.*

ing trademarks, designing packaging, and controlling how the products reach the consumer, says Erol, and he adds that they enlist professional support in the field of marketing as they monitor developments in the field. "Since we are able to ensure product quality and standards in the North African and Central Asian markets, too, our brand is perceived as quite trustworthy." He continues, "We are thus able



to sell a number of value-added products more easily. The situation in Iraq and the Southeast Anatolian region is not unlike that of Anatolian culture in general.

**"OUR AIM IS TO CONTINUE BOUTIQUE CHEESE PRODUCTION"**

There are several advantages that come with being a brand, Erol states emphatically. He highlights the effect it has on product pricing—every product has an associated basic cost, and the purpose of sales is to gain a profit from a product's price after its production costs are considered. However, for companies that have not gone the way of becoming brands, this is a minor concern, notes Erol. "Every company has a group in which it positions itself. The unbranded companies set the initial conditions for the market, but if you have achieved branding, then you may determine the price of the product. For unbranded



companies, fate ends up being controlled by others."

Monopolization has rapidly been overtaking the cheese market, says Erol. Ten years later, he warns, 90% of the market could be dominated by just five brands. For this reason, boutique and custom production very important to Muratbey. Though Muratbey may not be aiming for the top five in the industry, says the CEO, they plan to stand out in the

top ten with high-quality boutique products. "As Muratbey, we want to achieve world-class standards with boutique products that no other brands offer. Because of this, our target audience will always be the distinguishing customer."

**FEED AN IMPORTANT EXPENDITURE**

Feed accounts for 70% of livestock farming expenses. Cheaper feed translates to a good reason to be optimistic about the industry's future. In a climate where raw materials are short in supply and prices inch upward, livestock farming becomes an expensive pursuit, in turn leading to potentially significant price hikes for many industries. Elaborating on the issue, Erol says, "Dairy products are expensive, for one, and various methods are explored to enable cheaper prices. But then the quality of the cheese plummets." Per capita cheese consumption

*Muratbey stands out in the field with its high-quality boutique products.*







in Turkey is around 5–5.5 kg annually. For Europe, this figure is 20 kg, and for Americans and Greeks it is roughly 25 kg. However, these results also suggest that Turkey's potential in the field has significant room to grow.

#### MONETIZING KNOW-HOW

Muratbey has several products developed solely of its own innovation. The company is engaged in talks for collaboration on some products with the world's select giants in this area. "With the collaboration we plan to see to fruition, we will expedite our expansion abroad. With the know-how we sell to our foreign partner, we will be able to appear on market shelves under our own brand instead of practicing foreign-bound subcontract manufacturing," he explains.

On investigating new markets, Erol says, "We could consider introducing innovative products to the Western market, but if there is to be significant consumption of products manufactured in Turkey, then we could sell to people



who come from similar cultures and have similar habits. Imported cheeses come to Turkey, too, and although they are of high quality, they are unable to attain the results they desire because of the cultural difference." "We have products that generally appeal to countries that were in the old Ottoman territories and whose cultures descended from the same as ours," he notes, and summarily points out that everything relies on palate compatibility.

#### STANDING OUT FROM THE PACK

Competition in Turkey's cheese market guides brands toward pursuing brand differentiation. Innovation is of vital importance to brands for this reason, indicates Erol. That is also why Muratbey pursues differentiation, he notes, and he adds, "The cost of copying something is very clear, but pursuing something authentically, adding value in the process, gives meaning to this. Small-scale companies have no recourse but to focus importance on innovation and ingenuity in a world where the economy is monopolized to such a degree."



**NECMI EROL**  
CHAIRMAN, MURATBEY

We will continue producing world-class, boutique-type products that no one else offers. Having achieved quadruple growth in ten years, we would like to continue this five and ten years later, too. In 2011, we won the Istanbul Chamber of Commerce Innovation Award, and we rank alone as a limited liability company among giant corporations.

We have ongoing talks regarding collaboration with foreign companies, and after some time we would like to sell our know-how. There is rapid monopolization in the market, and this continues with increasing momentum. Ten years later, 90% of our field will be held by five brands at most, and they won't be balanced among themselves. Other than that, companies that produce boutique and custom-produced items will come to the fore. And we, as part of the top ten, stand out with our superior-quality boutique products. We want to continue this.

# Agenda

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



## *İzmir Autoshow International*



**SEPTEMBER**

**19-22**

İzmir Autoshow  
International İzmir  
Fair Center—İzmir

The world's largest auto firms are scheduled to appear at İzmir Autoshow, where visitors will find opportunities to see the latest in the field, obtain detailed information about the new models, have hands-on experiences, and to purchase vehicles. The six-day fair included 78 companies in 2011, when it welcomed 52,104 visitors. This year, more than 100 companies and 100,000 visitors are expected to attend the fair.

# SEPTEMBER

## SEPTEMBER 5-8

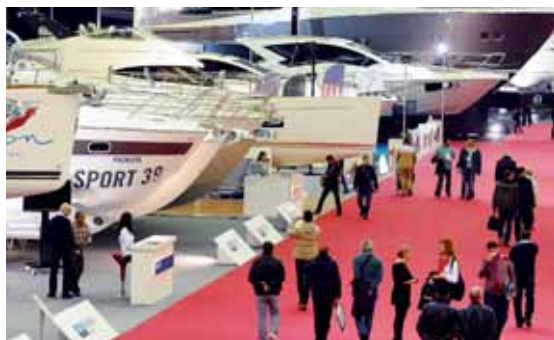
21st International Food Products and Processing Technologies Exhibition  
CNR Expo Yeşilköy Exhibition Center—*Istanbul*

Organized by EUF, ITE Group's Turkish office, this exhibition is expected to welcome a broad set of participants in its edition for this year, based on its previous performance. Worldfood Istanbul's participant profile covers the fields of milk and dairy products, meat, confectionery and chocolate, vegetable oils, and foods made with flour. This year's Worldfood guest country is Azerbaijan.

## SEPTEMBER 19-22

9th International Agroexpo Eurasia  
Agriculture, Greenhouse, and Livestock Exhibition  
International Izmir Fair Center—*Izmir*

With a largely professional audience, Agroexpo 2013 is expected to retain its distinction of being the most productive agriculture exhibition this year. Agroexpo Eurasia 2013 will see companies showing off their latest products in the categories of tractors, agricultural machinery and components, irrigation and greenhouse equipment, and agricultural chemicals.



## SEPTEMBER 21-29

32nd International Istanbul Boat Show  
Marinturk Istanbul City Port—*Istanbul*

Set to take place over an area of 150,000 square meters, Boat Show will welcome 300 companies to show off the products of 650 brands and more than 380 boats. Up to 80,000 visitors are expected to come to the exhibition, which will include companies in the categories of engines, sailboats and sailing equipment, marine equipment, consumer-level products, components, and services providers.

## SEPTEMBER 27

Agile Turkey Summit  
Mövenpick Hotel—*Istanbul*

Professionals from the world's foremost companies in agile practices and expert speakers in the subject will be meeting Turkey's IT industry in Istanbul. With the rich content it promises and important speakers recognized worldwide, Agile Turkey Summit 2013 stands out as the first large-scale agile methodologies event to be held in Turkey and its surrounding region.

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## OCTOBER 2-6

ANKAFF Ankara Furniture Fair  
ATO International Convention and Exhibition Center—*Ankara*

With the taglines "the exhibition that unites furniture with art" and "products that make a difference in furniture," ANKAFF will provide potential buyers of new furniture the opportunity to choose from a range of new models at affordable prices.



## OCTOBER 3-6

19th YAPI-TURKEYBUILD Izmir Exhibition  
International Izmir Fair Center—*Izmir*

One of Turkey's most comprehensive exhibitions for the construction industry, TURKEYBUILD Izmir will introduce its visitors to the latest innovations, products, and technologies. The range of companies expected to participate in the show covers infrastructure, electronic and building equipment, bathrooms and kitchens, and landscaping.

## OCTOBER 10-12

Beverage Istanbul  
Istanbul Expo Center, Yeşilköy—*Istanbul*

Beverage Istanbul will present consumer soft drink products and technologies. Topics covered will include energy drinks, concentrates, and healthy beverage options. Various certification bodies are to participate in the exhibition, too. Beverage Istanbul has the aim of bringing visitors together with international participants from the food, beverage, and food processing technology industries.

## SEPTEMBER 24-25

EIF 2013 International Energy Congress and Fair  
ATO International Convention and Exhibition Center—*Ankara*

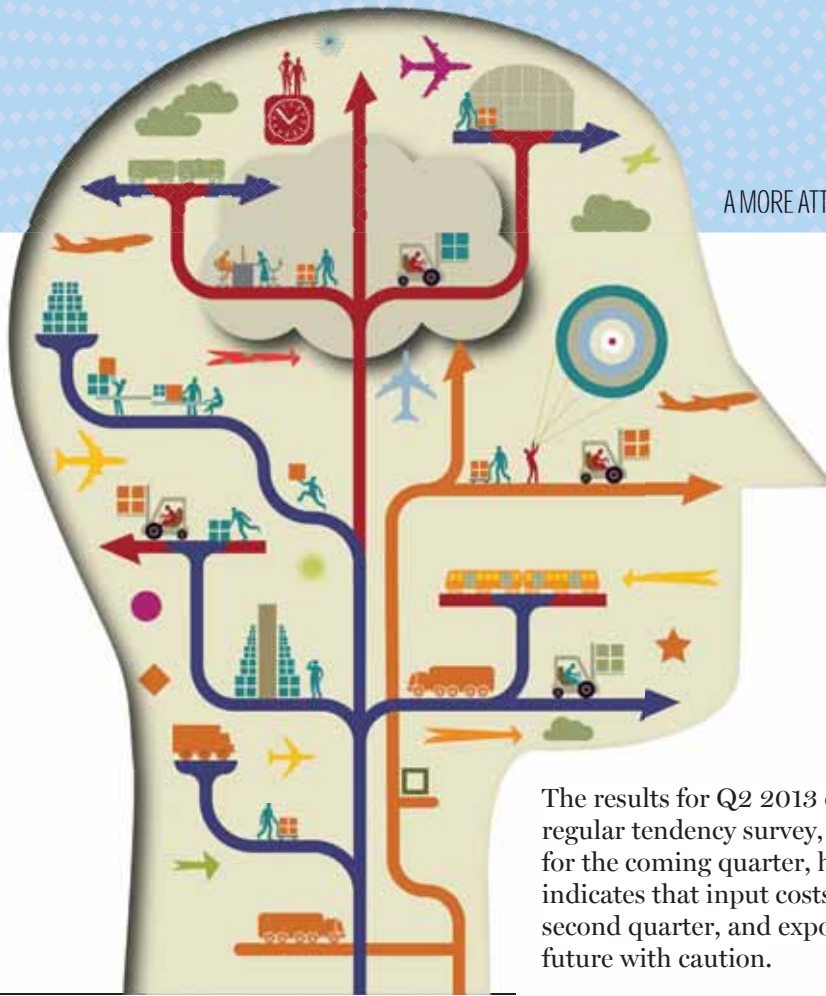
Organized by the Global Energy Association with the support of the Ministry of Energy, EIF 2013 emphasizes the idea that the prominent position of energy in the world agenda, together with the increasing world population and the expected depletion of energy sources in the near future, is an issue that merits assessment in a global context.

# OCTOBER



# Figures

A MORE ATTRACTIVE COUNTRY FOR FOREIGN INVESTORS



## TIM EXPORTER TENDENCY SURVEY RESULTS FOR Q2 2013



The results for Q2 2013 of Turkish Exporters Assembly's regular tendency survey, including exporters' expectations for the coming quarter, have been released. TIM's survey indicates that input costs rose as profitability fell in the year's second quarter, and exporters appear to be approaching the future with caution.

### RESULTS FOR Q2 2013

Prompt: "Report the developments of the past three months (April–June 2013) in comparison to the corresponding period last year."

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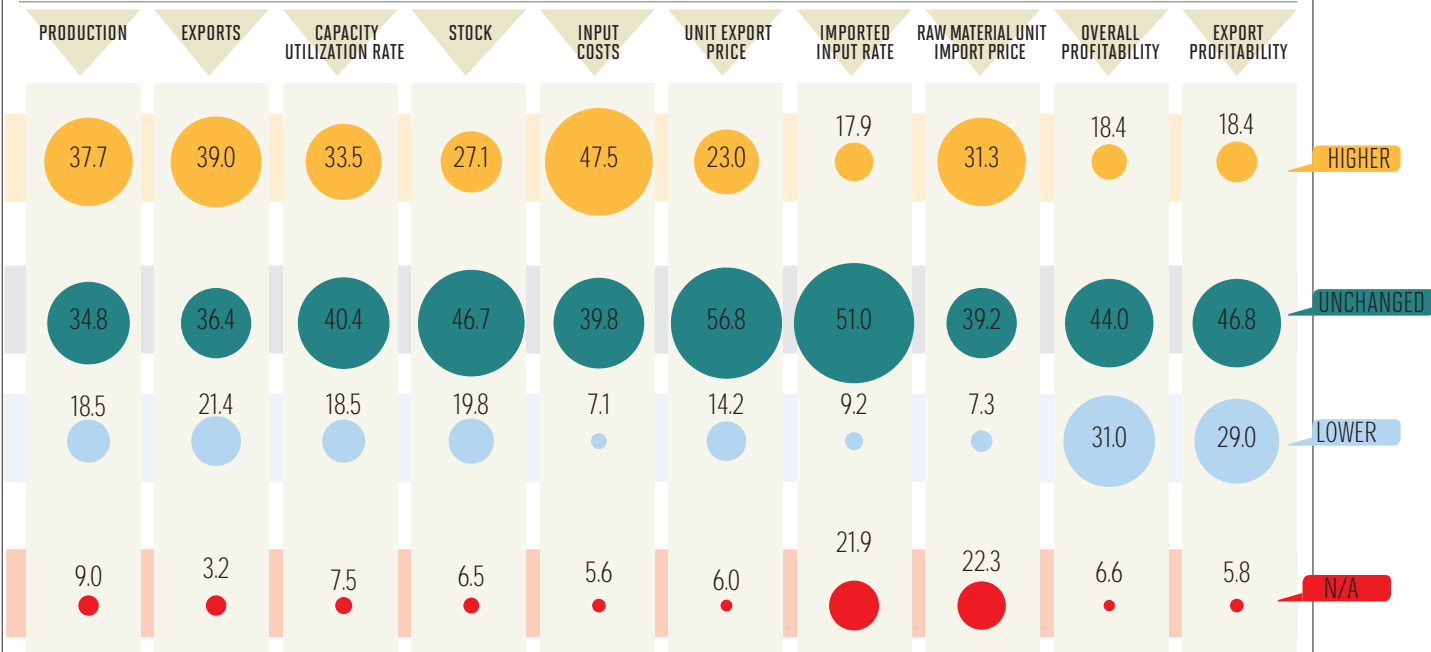
	PRODUCTION	EXPORTS	CAPACITY UTILIZATION RATE	STOCK	INPUT COSTS	UNIT EXPORT PRICE	IMPORTED INPUT RATE	RAW MATERIAL UNIT IMPORT PRICE	OVERALL PROFITABILITY	EXPORT PROFITABILITY
HIGHER	37.7	39.2	32.5	26.9	61.5	28.6	17	38.8	15.6	17.6
UNCHANGED	31.3	29.8	36.5	42.7	27.3	48.8	53.1	30.6	39.0	39.2
LOWER	22.7	29.2	23.8	23.8	6.7	17.4	7.9	9.4	40.4	37.4
N/A	8.3	1.8	7.3	6.7	4.6	5.2	22.1	21.3	5.0	5.8

While production grew in exports during Q2 2013, profitability fell. However, exporters seem more hopeful of the coming quarter.

## EXPECTATIONS FOR Q3 2013

Prompt: "Report the developments of the past three months (July–September 2013) in comparison to the corresponding period last year."

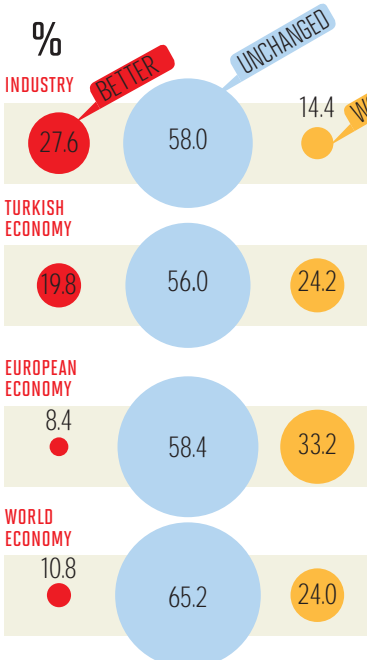
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Despite regional turmoil and signs of a slowdown in the world economy, exporters have no trouble in expanding to new markets.

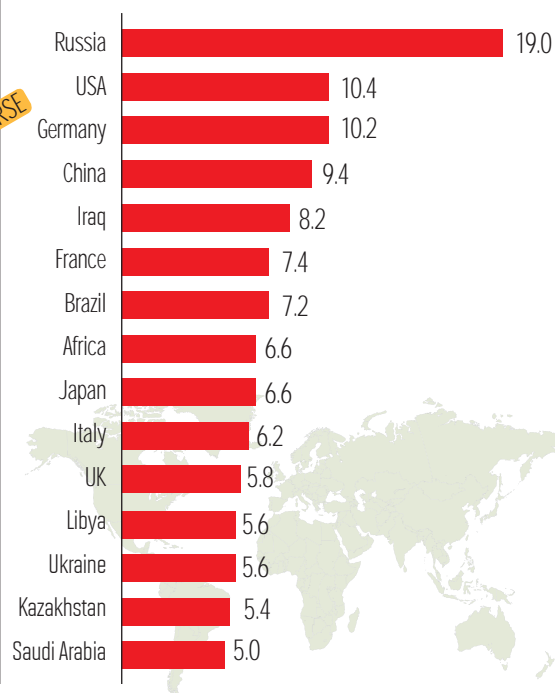
## OVERALL ECONOMIC EXPECTATIONS FOR THE YEAR 2013

Prompt: "What is your expectation of how the rest of 2013 will play out?"



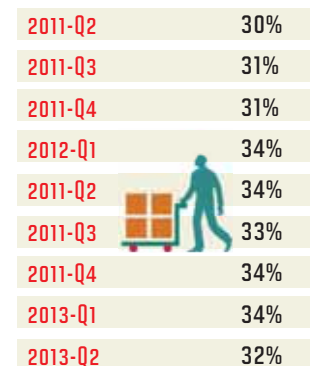
## MARKETS TO BE ENTERED FOR THE FIRST TIME IN Q3 2013

Prompt: "List five markets you plan to enter for the first time within the next three months (July–September 2013)."

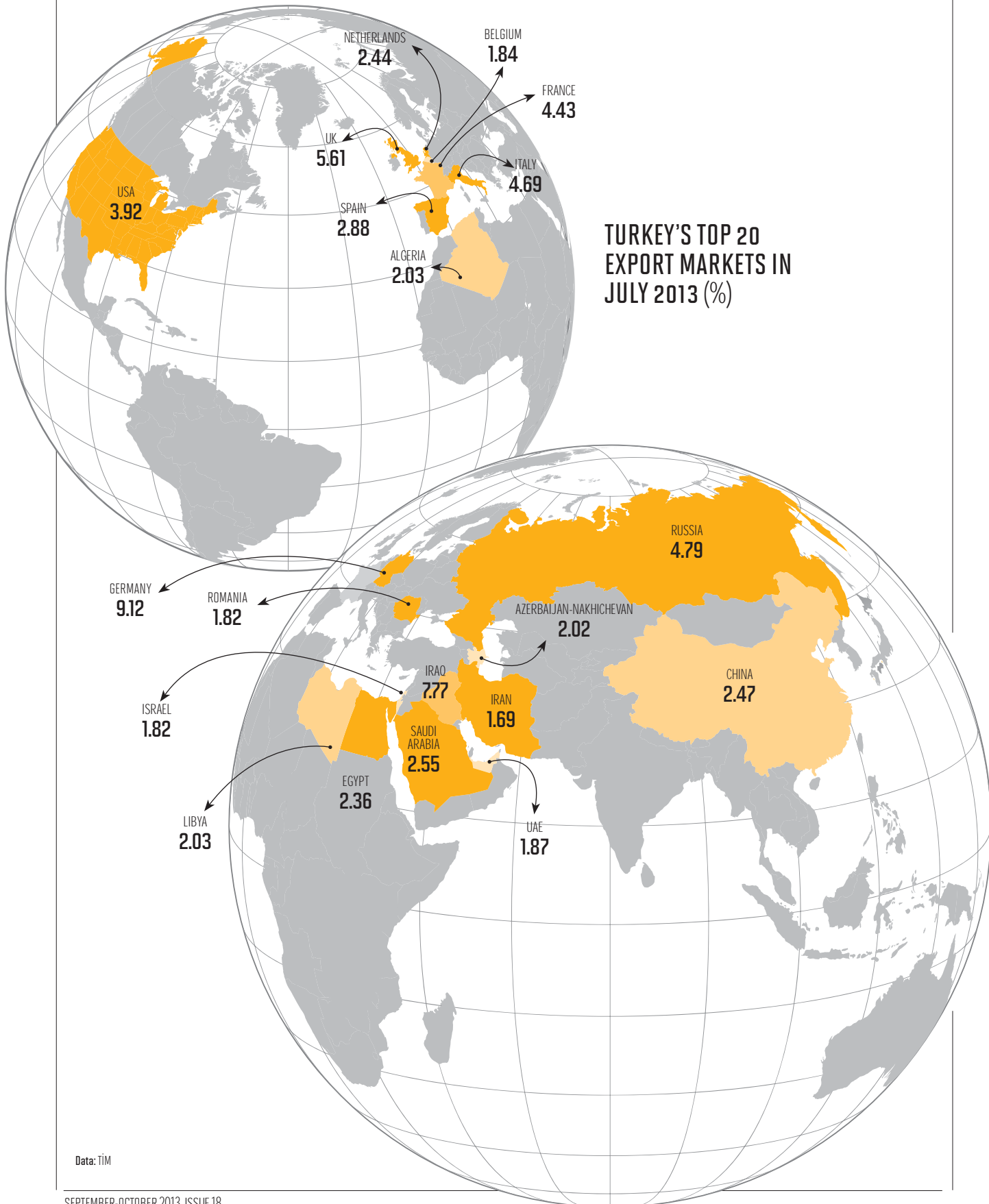


## NEW EXPORT MARKETS IN Q2 2013

Prompt: "Have you been able to enter new export in the past three months (April–June 2013)?"



The leading choices among exporters aiming to expand to new markets were Russia, the US, Germany, China, and Iraq. Recently, Iraq has been leading the pack of countries where Turkish businesspeople work the most.



Data: TIIM



# For the third year in a row, we are chosen the best airline in Europe.

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For the past three years, the answer has always been the same.

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We would like to thank you and congratulate our employees for making this possible.



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