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The Turkish Perspective

NOVEMBER - DECEMBER 2013 ISSUE 19

ECONOMY | BUSINESS | FOREIGN TRADE | ANALYSIS

EXCLUSIVE INTERVIEW

Turkish Airlines
Chairman Hamdi Topcu
shared his views on the
award-winning airline.



SOARING
TO THE
FUTURE

With its investments and the global brands it
has created in aviation, Turkey prepares to enter
the major league of countries operating in the
industry.





TURKEY
INNOVATION
WEEK



FUTURE IS IN ISTANBUL

28-29-30 November 2013

ICC, Istanbul Congress Center



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WORLD OF INNOVATION MEETS IN ISTANBUL

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Editorial



MEHMET BÜYÜKEKŞİ
CHAIRMAN (TIM)

POWER OF INNOVATION TO PROPEL TURKEY AHEAD

A portfolio of innovation-focused activities and events conducted by TIM are driving Turkey further along the way to the country's Vision for 2023.

THE WORLD ECONOMY is about to end the year having seen slow growth and gradual recovery. Though the growth expectation for 2013 was drawn down, expectations for 2014 are brighter. Global economic growth is expected to pick up next year with the recovery of economic activity especially in developed countries, and predictions are that the world economy will grow by 3%, the US economy by 2.6%, and the EU economy by 1.3%.

Over last year's quarter, the EU saw growth for the first time during the latest quarter. A drop in unemployment was also seen for the first time in August. These developments have brought clarity to the euro zone's process of exiting the recession. The recovery in the euro zone is a pleasing development for Turkey, as the EU still has a major share in its exports.

The budget conflict and debt ceiling crisis in the US has been overcome for the time being and the likelihood that the US Federal Reserve's abandonment of monetary expansion could be delayed until after the New Year has gone up, in turn delaying the arrival of a global rebalance. This is a significant source of uncertainty for 2014.

Exports worldwide increased 1.8% over the first eight months of the year; excluding China, this figure would be 0.6%. Signs of recovery in world trade, especially the relative increases in the import of

developed countries, have a positive effect on Turkey's expectations for the future.

The Turkish economy, meanwhile, enjoys sustained momentum in its moderate growth. According to the latest Medium-Term Program target announcements, our economy is expected to have grown 3.6% by year-end and to grow by 4% in 2014. We regard lively export growth in the coming term as being very important to regaining the twin growth dynamics of Turkey's economy. That the rate of industrial export growth over the first nine months reached 4.1% and that industrial capacity utilization rates have been higher year-over-year for the past five months give signs that we will increase this potential.

As concerns the above, we see innovation as the most important element to

increasing Turkey's export-based sustainable growth potential and facilitating higher competitiveness in the world goods trade.

Last year, we, as TIM, organized the Turkey Innovation Week events to carry innovation to the nation's agenda. This year, we aim to put the spotlight on innovation through a much more comprehensive series of events scheduled for November 28–30, with the hopes of highlighting the developmental power of innovation in the fields of science, technology, brand management, digital marketing, design, energy, urban management, business, and industry.

We will welcome numerous important speakers—including former Amazon.com Chief Scientist Andres Weigend, Seymour Powell Design Director Dick Powell, Udacity founder Sebastian Thrun, “How” author Dov Seidmann, Mars One Project primary endorser and Nobel laureate Gerard't Hooft, and oil and energy experts Grzegory Pytel, Aneesh Chopra, Genevieve Bell, Jeffrey Wright, Oğuz Can, and Aydoğan Özcan to Istanbul for the event. We will introduce visitors to technology parks, scientific and technological labs, and R&D facilities, as well as to the innovative ideas developed by these organizations. We will display the greatest projects developed by universities, students, and academics, and we will reward successful students by bringing them together with business representatives in our career workshop. The three-day event will allow us to discuss how innovation could contribute to sustainable growth and increased exports.

In the new way of trade, where competition on value added and branding takes center stage, we believe sincerely that we shall drive Turkey further ahead through the synergy we create from the tetrad of innovation, design, R&D, and branding.





More than 34,000 foreign companies have already invested in Turkey. How about you?



GE Healthcare



Indesit Company

MANGO
BARCELONA



ORACLE®



TOYOTA



INVEST IN TURKEY

- One of the fastest growing economies in the world and the fastest growing economy in Europe with an average annual real GDP growth rate of 5% over the past decade (2002-2012)
- 16th largest economy in the world with over \$1 trillion GDP at PPP (IMF 2012)
- A population of 76 million with half under the age of 30
- Access to Europe, Caucasus, Central Asia, the Middle East and North Africa
- The world's 13th most attractive FDI destination in 2012 (A.T. Kearney FDI Confidence Index 2012)
- Highly competitive investment incentives as well as exclusive R&D support
- Around 600,000 university graduates per year

REPUBLIC OF TURKEY PRIME MINISTRY
INVESTMENT SUPPORT AND
PROMOTION AGENCY



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IN TURKEY

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First

EXPORTS, TRADE RELATIONS, TECHNOLOGY, RETAIL, ENERGY, CULTURE...



SPOTLIGHT ON INNOVATION

Turkey Innovation Week, welcoming the leading entrepreneurs and creative minds of Turkey and the world, is being held November 28–30 at the Istanbul Congress Center.

THE TURKISH
Exporters Assembly (TIM) is bringing innovation, which is of crucial importance especially to accomplishing the \$500 billion export target, to Turkey's agenda once again. The event at the Istanbul Congress Center will have experts in science, technology, marketing, design, urban planning, business, industry, and energy

share their knowledge and experience with participants.

The first Turkey Innovation Week was held in 2011 under the auspices of President Abdullah Gül. TIM emphasizes the importance of innovation in every aspect of life to accomplish the vision for 2023 at the events, which are ever-more inspiring each year. Among the event's international

TURKEY INNOVATION WEEK IS NOTED NOT ONLY FOR THE ESTEEMED SPEAKERS IT IS WELCOMING BUT ALSO FOR THE EXHIBITIONS AND COMPETITIONS THAT WILL TAKE PLACE.

participants this year are Nobel Physics Laureate Gerard 't Hooft; Sebastian Thrun, developer of Google's "Junior" driverless car; and Dick Powell, product and packaging designer for numerous international brands. Participants from Turkey include Columbia University faculty member Prof. Özgür Şahin; Simit Sarayı founder Haluk

Okutur; and Aydoğan Özcan, who was named one of the ten most successful innovators by the Ministry of Foreign Affairs.

Innovation is a major priority for Turkey to become a leading actor in world trade by 2023. Turkey Innovation Week is one of many ways through which TIM is contributing toward reaching the targets for the centennial of the Republic.

EXPORTS

EXPORTS UP 11%

Exports continue to drive Turkey's growth.

TURKEY'S exports in September 2013 totaled \$12.56 billion according to figures from TIM. Exports year-to-date surpassed \$111 billion, having grown year-over-year by 0.6%. Increases of 12% to the EU, 12% to the CIS,

and 7% to the Middle East were reported for exports in September. By nation, exports increased to Guinea by 438%, Malaysia by 200%, Syria by 140%, Lithuania by 131%, Japan by 90%, the UAE by 80%, and China by 44%.



INVESTMENT

HITACHI INVESTS \$10 MILLION IN TUZLA

Hitachi joins the ranks of the many multinational companies investing in Turkey.

Having chosen Turkey as a manufacturing hub and established Hitachi Kokusai Turkey last June, Hitachi Kokusai Electric of Japan is now preparing to build a \$10 million factory in

Tuzla, Istanbul. Hitachi employs 300,000 employees worldwide and earns \$90 billion in revenue. Hitachi's investment is reportedly aimed at using Turkey as a springboard

to the Middle East and the Turkic nations in Central Asia. The facility is to occupy an area of 8,000 square meters and enter production within four or five months.

TRADE RELATIONS

FREE TRADE AGREEMENT BETWEEN TURKEY AND KOSOVO

ON SEPTEMBER 27, following more than a year of negotiations, a free trade agreement was signed in Ankara between Turkey and Kosovo, with the attendance of Mimoza Kusari Lila, Kosovo's Minister of Trade and Industry, and

Turkish Economy Minister Zafer Çağlayan. The agreement will enable customs duty-free sales for Turkey, thus reducing the prices of goods sent from Turkey by 10%, which is expected to increase Turkish investment in Kosovo.



GROWTH



TURKISH ECONOMY GROWS 4.4%

Turkey achieved 4.4% growth in Q2 2013, ranking as the top grower among OECD countries and the second-fastest growing country among BRIC countries, just after China, maintaining its title as Europe's fastest-growing economy. Turkey's sustained growth over 15 quarters, especially under the recent threat of shrinking in the global markets, is regarded as a major success.

TRADE RELATIONS

TATARSTAN OVERTURE

The agreements signed at the recent Tatarstan-Turkey Business Forum, held with the objective of fostering trade between Turkey and Tatarstan, are aimed to increase the volume of this trade from \$0.93 billion to \$4 billion. Twenty-six exporter firms and 33 representatives participated in the visit, which Economy Minister Zafer Çağlayan attended as well.

AWARDS

Fortune Award For Turkish Airlines

Turkish Airlines' continued growth is accompanied by a shower of awards.



Turkish Airlines President and CEO Temel Kotil with Turkey Advisory Board Chair Selim Seval.

THE FORTUNE 500 TURKEY gala evening, where Fortune magazine, one of the world's most prestigious business magazines, recognizes Turkey's 500 most successful companies every year, took place in Istanbul on September 11. Turkish

Airlines won top honors for Travel and Transportation Services at the event, which was attended by leading figures in Turkish business. Turkish Airlines' President and CEO, Temel Kotil, PhD, accepted the award on behalf of the airline.

THE FASTEST-GROWING INDUSTRIES

Automotive, chemicals, and apparel were the fastest-growing industries in September.

13.7%

AUTOMOTIVE

11.6%

CHEMICALS

11.3%

APPAREL

INNOVATION

\$60 BILLION R&D TARGET

Efforts to develop Turkey's economy into a highly competitive one with advanced science, technology, and innovation capabilities have been sped up in line with the country's Vision for 2023.

Turkey's R&D budget target for 2023 has been set at \$60 billion, roughly 3% of predicted national income. In the last 11 years, Turkey doubled the ratio of R&D spending to national income to current levels of 1%. Turkey's national income tripled during that time while R&D spending grew sixfold. By 2023, national income is expected to reach \$2 trillion, 3% of which should be allocated for R&D according to the plan, increasing R&D spending to \$60 billion annually.



60

BILLION DOLLARS

TURKEY'S R&D INVESTMENT TARGET FOR 2023

TRADE RELATIONS



UKRAINE ENTERING FREE TRADE ROSTER

Ukrayna and Turkey sign agreements to bolster relations both strategic and commercial.

ON THE HEELS OF the signing of a free trade agreement between Turkey and Kosovo, an agreement with Ukraine is reported to be in the works. Prime Minister Recep Tayyip Erdoğan, in an announcement following the third Meeting of the Ukrainian-Turkish High-Level Strategic Council, declared an intention to increase the current \$6.2 billion volume of trade between Ukraine and Turkey to \$20 billion by year-end 2015 and that an eight-article agreement package was signed between the countries to this end.

\$20
BILLION
TARGETED TRADE VOLUME
FOR 2015

EXPORTS

RECORD AUTO EXPORTS

THE AUTOMOTIVE industry's export reached a 60-month high in September, approaching the \$2 billion line with a 31% year-over-year increase to \$1.966 billion per month. A 148% spike was observed in auto exports to the UAE. Exports to the EU grew

37%. In reference to the industry's overall target for the year, Orhan Sabuncu, Chairman of the Uludağ Automotive Industry Exporters' Association, said, "We will exceed expectations for 2013, which we began with a target of 20 billion dollars."



TECHNOLOGY

SAP'S NEW TECH HUB: TURKEY

Franck Cohen, President of SAP EMEA for the German-based software giant, urged the big players in technology to invest in R&D centers in Turkey.

In his assessment of SAP's Q3 results, Cohen stated Turkey ranked in the top three for growth out of the 130 countries in which SAP operates and pointed out the innovation center to be established in Teknopark Istanbul with a €20 million investment: "Turkey stands out with its

improving infrastructure and economy. We decided we had to be here. I believe other global high-tech companies will direct R&D investments here." SAP's Turkish R&D center will be part of the 15-country SAP Labs network and create 300 jobs, primarily in engineering.



Franck Cohen

FREIGHT

Continued Growth in Air Cargo



TURKISH CARGO is continuing its investments with a new warehousing area built at Ataturk Airport. Officially opened on September 18, the new 10,500-square-meter warehouse area has consolidated Turkish Cargo's niche in the air cargo industry. Carrying its first international cargo in 1936, Turkish Airlines started out carrying mail and important documents, diversifying over time in line with cus-

tomers' needs. By 2000, the cargo department had undergone a restructuring within the airline. Renamed Turkish Cargo, it became a company of choice in the global air cargo market as an active and reliable player with an expert team in the field. Turkish Cargo ships to 239 destinations using 232 Turkish Airlines planes and runs scheduled cargo flights to 47 countries across the globe with its ten dedicated cargo aircraft.



From Left: Turkish Airlines Chief Human Resources Officer Ömer Faruk Öztürk, Turkish Airlines Chief Commercial Officer M. Akif Konar, Turkish Airlines Board and Executive Committee Chairman Hamdi Topçu, İstanbul Atatürk Airport Senior Manager Sıtkı Zeybel, Turkish Airlines President and CEO Temel Kotil, and Turkish Cargo Senior Vice President Ali Türk.



EXPORTS

TURKEY THE SIXTH MOST PROMISING ECONOMY

H SBC Global Connections' October-dated "Turkey Trade Forecast Report" places Turkey as one of the top six countries with promising world trade prospects, highlighting its increasing role in international commerce. While world trade is predicted to grow at 8% annually on average through 2030,

Turkey's trade is to grow 12% annually by 2020, according to the report. Turkey's export over the first nine months of the year totaled \$112 billion. Its year-end export target is \$153.5 billion. HSBC's report is one of many recent votes of confidence in Turkey's economy and impressive ambitions.

RETAIL

RETAILERS FLOCK TO ISTANBUL FOR APRCE

THE Asia-Pacific Retail Conference and Exhibition, organized by the Federation of Asia-Pacific Retailers Associations (of which the Turkish Council of Shopping Centers and Retailers (TCSCR) has been a member since 2000), was held at the Istanbul Congress and Convention Centre with more than 2,000 participants from 33 countries and the attendance of Prime Minister Recep Tayyip Erdoğan, Economy Minister Zafer Çağlayan, TCSCR Chairman Mehmet T. Nane, and

FAPRA Chairwoman Jannie Chan, PhD. The first day of the Retail Policies Forum featured appearances by representatives of the economy and trade administrations of five countries, directed by World Bank Chief Economist Richard Henry. Turkey is to be an industry leader in shopping malls by 2023 as gross leasable area reaches 9.9 million square meters with the opening of 53 new malls by the end of 2013, according to predictions expressed at the event.



TRADE RELATIONS

BUSINESS FORUM WITH DENMARK TAKES PLACE

Turkey is improving bilateral relations with several countries both culturally and commercially as it marches toward ambitious commercial goals for its exports.



The Turkey-Denmark Business Forum was held September 25 in Istanbul. Deputy Economy Minister Mustafa Sever, Danish Trade and European Affairs Minister Nick Hækkerup and Ambassador Ruben Madsen, and leading figures in Turkish business attended the meet-

ing. The current trade volume between the two countries is \$1.7 billion. Comparing this to \$0.66 billion in 2002, officials highlighted the \$5 billion target for 2014. Denmark and Turkey are expected to cooperate extensively especially in the fields of wind power and environmental technologies.

\$5

BILLION
TARGETED TRADE VOLUME
FOR 2014

APRCE IN NUMBERS

33

COUNTRIES

2,000

PARTICIPANTS

520

TOTAL SHOPPING
MALLS IN TURKEY BY
2023 (EST.)

53

SHOPPING MALLS TO
OPEN IN TURKEY BY
2023

9.9

MILLION SQ. METERS
LEASABLE AREA BY END OF
2013

SHOES



LEATHER SHOE EXPORTS ON THE RISE

According to the Istanbul Textile and Apparel Exporters' Associations, leather shoe exports from January through September rose 28% year-over-year to \$551.39 million. Leather shoes account for 39.8% of the leather and leather products industry, whose chief market is Russia. Leather shoe exports to Russia increased 18.7% to reach \$105.75 million and exports to Iraq totaled \$78.46 million.

ENERGY

Nuclear Energy Partnership with China

On the heels of a surprise missile contract with China, Turkey is enlisting Chinese cooperation for its nuclear power projects.



THE STRATEGIC cooperation between Turkey and China that began as an anti-air missiles contract was granted to the China Precision Machinery Import and Export Corporation (CPMIEC) is heading toward a nuclear partnership with Turkey's announcement

that Chinese companies are to participate in the development of its third national power plant. The high-altitude air defense missile contract drew significant international attention as the first missile systems purchase from China by a NATO-member country.

GROWTH

IMF CONFIDENT IN TURKEY

According to the IMF's "World Economic Outlook Report 2013," the global economy will end this year with a growth of 2.9% and grow next year by 3.6%. Turkey is expected to grow 3.8% this year and 3.5% next year in the report, which states that while recent troubles have caused shrinking for Turkey and developing economies, Turkey is expecting higher growth in the coming years relative to most developing economies.



EXPORTS

TIM AND WORLD BANK MEET TO DISCUSS EXPORT FINANCING

A meeting between TIM and the World Bank, with a focus on financing the activities of firms engaged in exports, recently took place. Also discussed at the meeting were World Bank loans and the programs for Turkey being run by the International Bank for Reconstruction and Development, International Finance Corporation, Multilateral Investment Guarantee Agency, and International Centre for Settlement of Investment Disputes.



CULTURE



CULTURAL BRIDGE FROM GERMANY TO TURKEY

Held in Germany once every three years, Turkey Week—sponsored by Turkish Airlines—was held October 21–27 in Bremen in its latest edition. Artists from Turkey and Germany delivered presentations and held exhibits at several cultural centers around the city.

MINING

MINING EXPORTS UP BY 26%

Mining exports from January through September totaled \$3.79 billion, corresponding to a year-over-year increase of 25.81%. The industry's five leading export recipients were China, the US, Iraq, Italy, and Belgium, respectively. For September alone,

mining exports totaled \$443.79 million, up from \$364.58 million last year. The top gainers in the industry's export over the first nine months of 2013 were Bulgaria with a 208.15% export increase, South Korea with 135.75%, and Libya with 94.71%.



TRADE RELATIONS

TURKISH BUSINESS ON US TOUR



A delegation led by Deputy Prime Minister Ali Babacan and TOBB President Rifat Hisarcıkloğlu toured the US for the purpose of furthering bilateral relations. A series of events held in Los Angeles, San Francisco, Seattle, and Chicago as part of Turkey Investment Week allowed representatives of Turkish business to present investing opportunities

in Turkey and served as a forum for exploring opportunities in the US and advancing mutual trade and economic cooperation. The Prime Ministry Investment Support and Promotion Agency of Turkey (ISPAT) organized a round-table discussion attended by representatives from leading US finance companies on the Chicago leg of Turkey Investment Week.

TRADE RELATIONS

Turkey Strengthens Ties with Africa



A memorandum of understanding was signed at the second term meeting of the Turkey-Uganda Joint Economic Commission with the participation of Deputy Prime Minister Bülent Arınç and Ugandan Trade Minister Amelia Kyanbadde. Speaking at the ceremony, Arınç said

the document signed would contribute to the development of economic ties between the two countries. Turkey's establishment of an action plan targeting Africa, with the purpose of fostering political, cultural, and economic ties with African nations, was also highlighted.

RETAIL



TURKEY UP SEVEN RANKS IN GLOBAL RETAIL DEVELOPMENT INDEX

In the country ranking of AT Kearney's Global Retail Development Index, Turkey shot up from 13th in 2012 to sixth place in 2013. There are three hypermarkets and 17 supermarkets per million people in Turkey. Two Turkish firms appear among the top 250 retailers in the world. The country's burgeoning consumer goods market holds a promising future.

SPORTS

ONE TEAM IN ISTANBUL

A workshop with the participation of 15 Euroleague teams was held September 17-18 in Istanbul as part of the One Team social responsibility project under the primary sponsorship of Turkish Airlines. The project aims to help integrate disadvantaged children into society through participation in basketball.

FREIGHT

Turkish Cargo Enters Singapore



TURKISH CARGO entered Singapore on September 19, 2013 with weekly flights on a circuit between Istanbul, Karachi, and Singapore. With the addition of Singapore, Turkish Cargo's shipping network covers 47 international locations. November's flights will begin as listed below.

FLIGHT NO.	DATE	DEPARTURE*	ARRIVAL*
TK 6514	NOV. 7, 2013	IST 04:00	KHI 12:20
TK 6514	NOV. 7, 2013	KHI 13:40	SIN 23:00
TK 6515	NOV. 8, 2013	SIN 01:00	KHI 04:55
TK 6515	NOV. 8, 2013	KHI 06:25	IST 09:40

* All times are local.

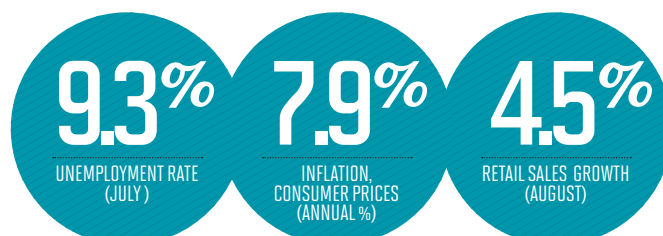
SCIENCE

2014 "YEAR OF SCIENCE" FOR GERMANY AND TURKEY

The Turkish Minister of Energy and Natural Resources, Nihat Ergün and his German counterpart, Johanna Wanka, PhD, Federal Minister of Education and Science, jointly declared 2014 as German-Turkish Year of Science. The two countries have been cooperating in science since 1951. The ceremony to mark the start of the German-Turkish Year of Science will be held in Berlin on January 23, 2014 with ministers from both countries. Numerous collaborations and bilateral delegations are planned for the year. The German-Turkish Year of Science is also expected to nourish diversity and social harmony in Germany, where there is a Turkish population of three million.



RECENT ECONOMIC INDICATORS



Panorama



BY HALIL BADER ARSLAN, PhD

TODAY, TOMORROW, TURKEY

It was September 15, 2008 when Lehman Brothers filed for bankruptcy, the trigger of an awaiting financial meltdown that would erode the global economy with unending aftershocks. Today, the global financial crisis is five years old.



Millions of jobs disappeared, thousands of companies closed down, and many governments—more than dozen in Europe—collapsed.

Side effects suffered by countries individually have been various. Those with higher budget deficits and public debt had more severe and lasting defects, while many emerging countries sturdy enough to undergo outpatient treatment regained their 2008 GDP levels by 2010.

Turkey had a unique position during this period. Although troubled euro zone members were its largest trading partners, FDI sources, and financial backers, Turkey managed to reach growth rates of 9.2% in 2010 and 8.8% in 2011.

As follows is a brief summary of how Turkey could be a

healthy survivor of the perfect storm and why the country still offers major advantages.

One can see Turkey as a Western influence on the East and an Eastern influence on the West. That's not wrong at all.

One can see Turkey as the center of gravity in a triangle whose sides are Europe, Asia, and Africa. That's absolutely true.

The best simile, however, is that Turkey is the center of a circle whose radius encompasses a four-hour flight zone. Including 56 countries, this circle covers one-fifth of the world's population, diverse cultures, one-third of the world income, and half of world trade.

As Turkey stands at an equal distance to all its stakeholders, one can easily find access opportunities to any of the surrounding markets.

An active member of the G-20, NATO, the OECD, the Council of Europe, and the Organization of Islamic Cooperation (OIC), Turkey is one of the most attractive emerging economies, possessing a clear EU focus and deep historical and cultural ties with its surrounding area and beyond. Some of Turkey's advantages for foreign investors can be listed as the process of full membership in the EU, geographical proximity to developing markets, and a privileged position for entering neighboring markets.

Not only the environmental advantages but also the internal advantages have attractive qualifications—the population of 76 million, a well-qualified and young workforce, the structural enhancement and efficiency of its industry, a large services sector specialized in tourism, trade, construction, and communications are just a few.

UNFLAGGING MOMENTUM

Not all of the abovementioned characteristics are specific to Turkey, of course. What brings Turkey to the top of the list of places to invest is its momentum. Turkey has undergone a profound transformation over the last decade, a transformation in banking regulations, business legislation, transportation, aviation, health, pension plans, and social security. There are many other reforms waiting to be passed into law in the National Assembly.

Therefore, the 5.1% average growth rate between 2003 and 2012 is not a coincidence or a natural result of global dynamics. Rather, it is the score awarded after a ten-year performance review.

Today, Turkey has strong economic fundamentals, taking into consideration numerous negative externalities. Exports of goods hit a record \$152.5 billion in 2012 despite the ruin of three quarters of Turkey's export market at the hands of the European debt crisis and political tensions in the MENA region. All-time highs were observed in 97 out of more than 230 export markets. The slump in demand from the EU between 2009 and 2012 forced Turkish exporters to penetrate alternative markets, which in turn yielded a critical figure that demonstrates the geographical elasticity of exports—a cumulative market diversification of \$43.6 billion.

The export of services, on the other hand, reached \$43.5 billion in 2012, pushing Turkey up to rank 17th worldwide. Tourism is one of the main pillars of service exports. While 13 million tourists visited Turkey annually ten years ago, 36 million tourists arrived last year. Turkey is the fourth and sixth most visited country in Europe and the world respectively.

The ratio of consolidated gross government debt to GDP

declined to 36.1% in 2012, well below the Maastricht criterion of 60% and that of 24 EU members. The general government budget deficit to GDP ratio dropped to 1.6%, again below the Maastricht criterion and that of 21 EU members.

Perhaps one of the most crucial indicators of an economy's health is its performance in job creation. Since January 2009, the worst days of global recession, the Turkish economy created 6.5 million additional jobs. Hiring volume thus reached 26.3 million in June—another all-time high.

Momentum is keeping its pace in ameliorating the investment climate and rendering it more attractive for the investors.

DAZZLING DEVOTION

The foreign direct investment legislation provides a secure environment for foreign investors through liberal, transparent regulations; providing support via several bilateral and multilateral agreements and organizations; assurances of equal treatment such as granting foreign entrepreneurs the same rights and obligations as local entrepreneurs; and guaranteeing the profit, fee, and royalty transfer as well as the repatriation of capital.

These liberal, investor-friendly standards are further strengthened by the bilateral investment agreements Turkey has signed, which number 88 today.

Besides all of the above, the New Investment Incentive System, designed to transform Turkey's production capabilities in nontraditional industries, has unsurprisingly produced good results to date. From June 20, 2012 to August 31, 2013, 5,878 investment projects (up 19 %) were approved. The investment volume of these projects is TRY 88.6 billion (up 56%), of which TRY 12.9 billion is held by foreign investors. These investments are expected to create more than 218,000 new jobs (up 56%). The system aims not only to raise production by increasing investment but also to support income equality and balance the current account.

The question remains whether the next decade will be as bright as the last one for Turkish economy or not. Turkey's Vision for

2023 foresees an even brighter decade to come.

In its aim to enter the ranks of the world's ten largest economies by 2023, Turkey has sufficient motivation and devotion, affluent human capital, and internal and external market opportunities. The \$130 billion inflow of FDI during the last decade is a validation of these facts.

Targets in accordance with Turkey's "2023 Vision" are robust anchors for future policy steps that are certain to encourage prospective investment decisions.



*The Turkish
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million in June.*

Content: Fishery Targeting \$2 Billion Export for 2023 **P19** Turkey's Cement Export and the Vision for 2023 **P21** Jewelry Industry on the Rise **P23** The World's Hazelnut Capital **P23** Ford Believes in Turkey's Potential **P25** ISPAT on Investment Promotion Tour in the US **P27** Japan Hosts ISPAT **P28**
Editors: Can Gürsu

Briefing

CITY TOURISM, FISHERY, CEMENT, JEWELRY, HAZELNUT, INVESTMENT, AUTOMOTIVE...



CITY TOURISM

CITIES COMPETE AS BRANDS

To make better use of their resources and fully utilize their potential, the cities of today aim to create more livable spaces and transform these into centers of attraction to draw more visitors. Turkey's cities are pursuing a branding process to accomplish this goal.

BY CAN CENGİZ

THE COMPETITION
 among the world's cities is hotter than ever. Istanbul, London, New York, and other famous metropolises are pursuing constant renewal.

As the backbone of entrepreneurial culture, these cities host the fundamental economic dynamics of their respective countries. For smaller cities, brand develop-

ment is a much more challenging and lengthy process. The processes required of cities hoping to produce a brand include making the city stand out from its rivals, investing

in infrastructure and urban superstructure, and ensuring sustained recognition. As per Turkey's 2023 Tourism Strategy and its other goals for the centennial of the Republic,

Mardin is quickly moving toward entering the UNESCO World Cultural Heritage List.



many cities are renewing themselves to enter this global competition. Cities like Mardin, Erzurum, Hatay, and Konya are assembling brand identities from the strengths of their history and natural resources into brand identity; meanwhile, Izmir, Istanbul, Antalya, and other large cities have risen to the position where they can compete as brands against global giants.

The government is planning to invest more than TRY 750 million through 2023 in 15 selected cities, aiming to bring Turkey's other cities into the fold and improve their worldwide visibility. These cities are Adıyaman, Amasya, Bursa, Edirne, Gaziantep, Hatay, Kars, Konya, Kütahya, Manisa, Mardin, Nevşehir, Sivas, Şanlıurfa, and Trabzon. UNESCO, the EU, and other international organizations are also being encouraged to help support the brand development process. The transformation and improvements under way are clearer upon a close examination this process.

MARDIN **UNIQUE CULTURAL HERITAGE**

With its unique historical background, Mardin has always been a center of attraction for cultural tourism in particular. Famous for its tolerance and hospitality, Mardin has a range of notable natural and historic attrac-

tions, including Darülfazlan and Mor Gabriel Monastery, the madrassas of Kasımiye, Kızıltepe, Midyat, Nusaybin, Savur, and Derik. The city is a UNESCO World Cultural Heritage List candidate—a protocol was signed in June to further this cause. A €9 million project was put together for Mardin, funded by the Regional Competitiveness Operational Program run

by the Ministry of Science, Industry, and Technology under the EU Instrument for Preaccession Assistance Program (EU IPA).

İZMİR

A WORLD BRAND IN TRADE FAIRS

Izmir, Turkey's third-largest city and its westernmost metropolis, has been hosting scores of international events in recent years, drawing numerous global brands.



PROF. İBRAHİM KIRCOVA, PhD
Yıldız Technical University

We have no know-how or experience yet on how branding will be done. Cities that have high living standards and are relaxed, tranquil, and problem-free are becoming the focus of global citizens. Interest in such cities facilitates the flow of capital, too. Istanbul is heading toward becoming a global city, as made clearest by the property purchases made by foreigners in recent years. Turkey must realize a major structural transformation in the time until 2023, and in this respect it's very important to create brand-name cities.

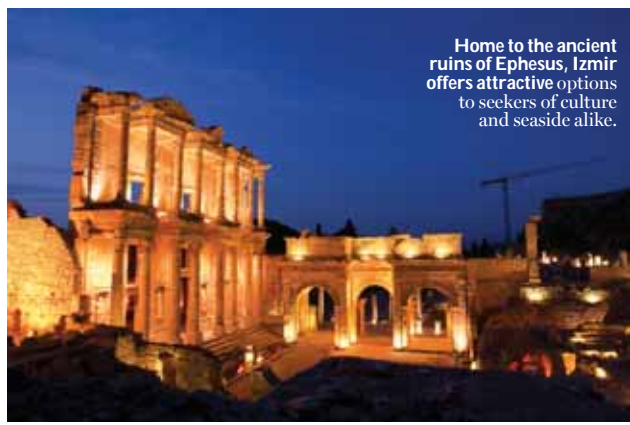


PROF. ERCAN GEGEZ, PhD
Marmara University

When you look at many cities in Turkey, you'll see plenty of structures that could be landmarks. The real work, however, starts after infrastructure work such as traffic and subways. The activities to equip and build infrastructure especially in certain Turkish cities are going quite well, in my opinion. In the brand development process especially of our Anatolian cities, regional characteristics come front and center. Cities must consider these values in their branding strategies but also be able to go beyond them. The threats that arise should be handled through a competitive approach and be transformed into opportunity using creative solutions.



Home to the ancient ruins of Ephesus, Izmir offers attractive options to seekers of culture and seaside alike.





Today, Erzurum is able to host championship-level events thanks to its winter sports infrastructure.



Several internationally renowned luxury hotel chains have locations in Izmir too. Scores of professional visitors both local and international flock to such events as the Marble International Natural Stone and Technologies Fair, the Izmir Art Biennial, the Izmir International Fair, Autoshow Izmir, the Travel Turkey Tourism Fair, and many more. International visitors to these fairs return to their countries with great admiration for Izmir and Turkey. European countries are the primary markets for companies from Izmir. The Izmir Development Agency's studies on the city's investing climate reveal that logistical advantages and proximity to raw materials are the leading drivers of investment. Besides being recognized as a trade fair and congress tourism destination with the dozens of events it hosts every year, Izmir is also one of Turkey's most important ports and a leading hub of industry, tourism, and education. There are 19 organized industrial zones and two free trade zones in the province. According to data released by TIM for January–September 2013, the city's exports in that period totaled \$6.57 billion by value. Tourismwise, the city offers attractive options to seekers of culture and seaside alike with the ancient

ruins of Ephesus and the resort towns of Çeşme and Alaçatı. Izmir is also noted for being easy to access—it is within three hours by plane to 48 countries on three continents.

ERZURUM THE BEST OF WINTER

With an airport and several highway and rail connections, Erzurum is of key importance to the development projects that encompass nearly all of eastern Turkey, drawing investor interest locally and abroad in its brand development efforts as a city. The city has been gaining increased prominence in recent years, with the International Universiade Winter Olympics it hosted in 2011 creating a permanent association in many minds. A world-class winter sports destination, the Palandöken ski resort presents high-quality snow at an ideal depth amid the natural treasures of its slopes. Today, Erzurum is able to host championship-level events thanks to its winter sports infrastructure. The city has much to offer to medical tourism as well: its hot springs in Aziziye, Pasinler, and Köprüköy are drawing more and more notice. Last year, a combined €6.3 million was supplied to Erzurum through projects run under the EU IPA program. The activities carried out as part of these projects are playing a major role in

Erzurum's brand development.

ANTALYA A TOURISTIC FAVORITE

Antalya is the country's touristic behemoth and a popular international destination, especially for summertime tourism, famous for its luxury hotels and beaches that stretch out into the horizon. The province's chief resort towns are Konyaaltı, Kemer, Lara, Belek, Side, and Alanya. Local and international tourists alike flock to Antalya's high-quality hotels, drawn especially by the price advantage they have over the competition. According to the Mediterranean Touristic

Hoteliers and Operators Association (AKTOB), 9.5 million international tourists visited Antalya from January to September 2013, a year-over-year increase of 7.8% from 8.8 million. In 2012, according to the Ministry of Culture and Tourism, Antalya drew 10.3 million international visitors, accounting for 32.4% of total international visitors to Turkey. These numbers clearly support Antalya's potential in tourism. Additionally, Antalya's harbor, which plays a key role in Turkish shipping and commerce, is rapidly expand-



Over the first nine months of 2013, 9.5 million international tourists visited Antalya.

FISHERY

FISHERY TARGETING \$2 BILLION EXPORT FOR 2023

The Turkish fishery industry increased its export in the 2011–2012 season by 17% year over year. The industry is hard at work trying to achieve its \$2 billion export target for 2023.

BY GİZEM GÜZEY

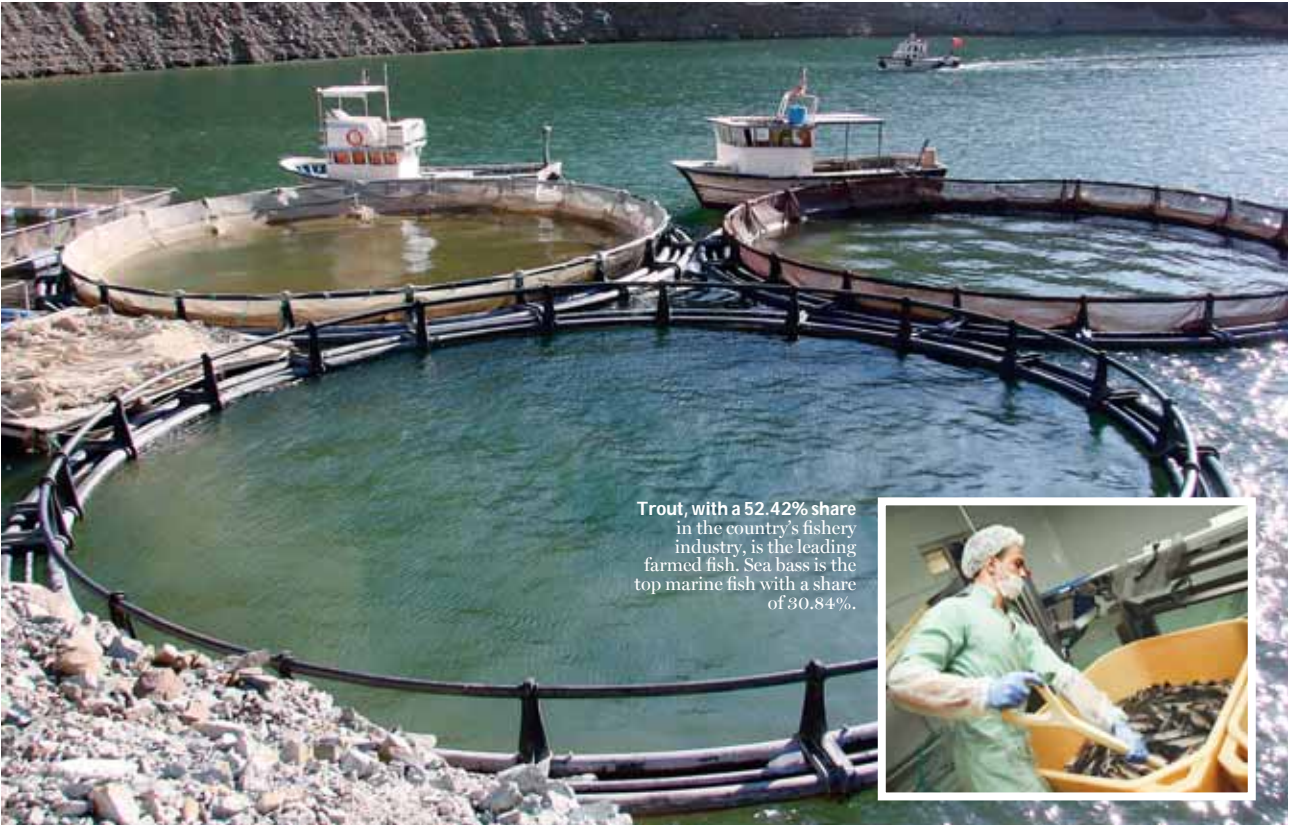
WITH ITS GEOGRAPHIC position and natural habitat, Turkey holds a great advantage in the field of fishery. The diverse ecosystem of Turkey's seas and freshwater systems provide for a broad range of export products ranging from frog to snails and sea bream to sea bass. Fresh and chilled types of fish account for the majority of these exports, which also include other fish,

invertebrates, and processed seafood products. Trout, with a 52.42% share in the country's fishery industry, is the leading farmed fish. Sea bass is the top marine fish with a share of 30.84%, and sea bream has a share of 14%. One of every four sea bream or sea bass caught or raised in Europe comes from Turkey. Seafood is the top-selling food category domestically according to Ahmet Tuncay



Sagun, Chairman of the Istanbul Fishery and Animal Product Exporters' Association. He believes Turkey's proximity to the Middle Eastern and European markets and its cumulative installed aquaculture capacity of approximately 260,000 square meters suggest exports could rise to much higher levels. In the first eight months of 2013, Turkey's export in the field was worth 292 million. With the launch of the fishing season in September, all eyes were drawn to fishery exports.

The industry achieved an export volume of \$1.64 billion in 2012, exhibiting growth of 17%. Its export target for 2013 is \$1.85 billion. Ali Can Yamanyılmaz, Chairman of the Mediterranean Fishery and Animal Product Exporters' Association, stated, "A growth of 25 percent was seen in exports in the first half of 2013. EU countries are behind most of this growth. These



Trout, with a 52.42% share in the country's fishery industry, is the leading farmed fish. Sea bass is the top marine fish with a share of 30.84%.



figures prove that the fishery products group represents its industry excellently within the nation's overall export." He points to the promising potential of the country and says the industry's objective is to utilize this as best as possible to help reach the \$2 billion export target set for 2023.

EU-STANDARD PRODUCTION PRACTICES

In recent years, Turkey has launched significant enterprises geared toward the production and export of fishery products, and the industry has grown in



2,044

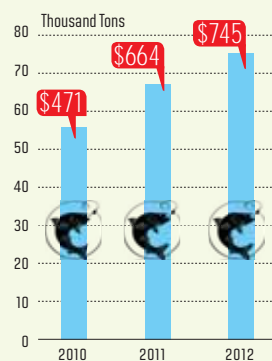
More than 2,000 businesses in Turkey are engaged in marine and freshwater fishery.

189

THOUSAND TONS

Farmed production adds up to nearly 189,000 tons.

TURKEY'S FISHERY EXPORTS



Data: TurkStat



line with these. According to Yamanyılmaz, Turkey's fishery export is constantly rising. Yamanyılmaz says, "Our facilities follow EU standards in production. Fishery products—the only animal products that Turkey can export to EU countries—is of particular importance to our country's exports. Rising demand for improved technologies and fishery products creates significant potential. Sea bass, sea bream, trout, and bluefin tuna rank foremost among our fishery exports. Fresh chilled fish account for the majority of fishery exports. Various other fishes, invertebrates, and processed seafood products are exported in addition to the above. Turkish exports are exhibiting successful performance in the EU seafood

The industry achieved an export volume of \$1.64 billion in 2012, exhibiting growth of 17%.

market. The chief indicator of this is that we sell one out of every three farmed fish in Europe. As it exports fishery products that surpass its rivals beyond comparison in flavor and quality alike, Turkey will sustain its growth in this market." It appears certain that the fishery products industry will deliver respectable figures at the end of this year, too, thanks to its annually increasing production capacity.



ALI CAN YAMANYILMAZ

Chairman, Mediterranean Fishery and Animal Product Exporters' Association

To strengthen our industry's exports, welcoming buyers to our country and organizing tours of our production facilities for them would allow the buyers to gain first-hand knowledge on the exporting companies and see how robust we are in the field of exports. Meeting with epicures and columnists from the countries of potential customers to promote our products, foster cordial relations, and take steps toward increasing product awareness would be to our benefit. And for markets that are hard to reach overland, Turkish Cargo providing expense support toward entering new markets would further strengthen the industry.



AHMET TUNCAY SAGUN

Chairman, Istanbul Fishery and Animal Product Exporters' Association

The entire community awaits the support of the government and concerned ministries for the growth and development of the industry. One matter that must be resolved is that of issues in the entry into the country of fish caught by Turkish ships in international waters (taxation, classifying it as importation, and so on.) What Greece, our neighbor, has that we don't is logistical and transportation support. This allows Greek aquaculturists and exporters to conduct low-volume—or partial—dispatches. We, on the other hand, have to work very hard to fill transports to capacity and cut logistical costs.

CEMENT

Turkey's Cement Export and the Vision for 2023

With the value added and employment it creates, the cement industry is one of the essential components of Turkey's economy. As the industry with the highest rate of local resource use to exports (and thus a low level of import dependency), cement also plays a key role for the vision laid out for 2023.

BY GÜZİN GÜZEY

CEMENT—one of the most widely used and adaptable materials in construction—is crucial to the development of industry in Turkey. In 2011, Turkey's cement output totaled 63.4 million tons. Compared to 2010's 62.7 million tons, output rose 1.06%. Cement output in 2012 totaled 60.3 million tons, just under the total domestic consumption

of 62.3 million tons. The information above draws attention to the role that the cement industry will play in Turkey's vision for 2023. Cement occupies a significant position in European economies, as it does in the overall worldwide economy. Ali Özınönü, Chairman of the Cement, Glass, Ceramic, and Soil Products Exporters' Union, says growth in the

The leading recipients of Turkey's cement exports in 2012 were, in descending order, Iraq, Russia, and Libya.

Turkish cement industry's exports will be accompanied by a high contribution to value added, which would, in turn, reflect positively on Turkey's foreign trade balance.

RIISING UP IN 2013

With annual production in excess of 60 million tons, the Turkish cement industry is the largest cement producer in Europe and the sixth-larg-

Cement production is one of the most important indicators of growth in developing countries.



est worldwide, after China, India, the EU collectively, the US, and Brazil. Export-wise, with a 12% share in the world market, it ranks first, above several of the most important producers. Turkish cement exporters are seeking new markets. Exports increased 5% year-over-year in January–August 2013 to reach a volume of \$558 million. The highest export growth by destination country was observed in Libya, Iraq, Russia, Israel, and Syria.

A MAJOR GLOBAL CEMENT PRODUCER

Cement production is one of the most important indicators of growth in developing countries. In 2010, the Turkish cement industry's import and export added up to \$9.6 million and \$1.13 billion respectively. The figures for 2011 were recorded at \$7.8 million and \$0.91 billion, according to which Turkey can be said to have successfully risen to first place in worldwide cement exports that year, which provided a significant boost to growth. Exports were destined primarily to Asian countries. It is particularly notable that European countries ranked as the third most important market, coming behind Africa, where demand increased sharply, although they accounted for the majority of Turkey's export of clinker—an important raw material in cement production—with a share of 34%. Clinker exports to the African market exhibited growth, adding up to a share of 33%. The top recipient of clinker exports as a country was Brazil, a new market—South America's total share was 26%. Shares in the 2012 cement export can be broken down into Asia with 60%, Africa with

25%, Europe with 13%, and the Americas with 2%. The leading recipients of Turkey's cement exports in 2012 were, in descending order, Iraq, Russia, and Libya. Taken as a whole, this data points toward reduced levels of cement imports bound for domestic use and faster export growth as competition in the industry heats up.



ALİ ÖZÜNÖZÜ

Chairman, Cement, Glass, Ceramic, and Soil Products Exporters' Union

Our union's export target for 2023 is \$7.3 billion. Reaching the 2023 target should be possible with annual growth of 7% in the industry's total export over the next ten years. Within this decade, glass industry exports and ceramic industry exporters are expected to grow at an average annual rate of 9% and 12% respectively, with total export volume predicted to surpass \$3 billion. We aim to reach the 2023 export target by having a number of actors secure revenues for their brands through production abroad and by maintaining current levels in cement industry exports. Among the legislative changes required for the industry's development are signing free trade agreements with countries for which no such agreements are in place, achieving compliance with EU norms, reducing the incidence of logistical problems, and providing easier access to higher levels of export incentives, to list a few. Projects to cut down on energy costs—a crucial expenditure in our industry—and thereby increase competitiveness need support. Investments in and projects to improve energy efficiency must be given more support than they are in the current system.



BAHAĐIR KAYAN

Vice Chairman, Cement, Glass, Ceramics, and Soil Products Exporters' Union; President, Ceramics Promotion Group

The cement, ceramics, and glass industries are the industry's main subgroups. In terms of the value added and employment created in all three subindustries, our industry is one of the national economy's most important industries, and it is the industry that uses local resources the most and depends on imported goods the least. Ceramics, too, supports the development of the industry just as much as cement does. Design is of high importance to the ceramics industry. That R&D, product development, design, and management offices here are being supported is an important issue for the ceramics industry. In recent years, R&D efforts under Turquality and the practices of the Export-Import Bank have been providing a significant contribution in this area. In light of developments so far, I believe we can reach the 2023 export target if the exports of the industry—and cement in particular—are sustained at current rates.



1. CHINA
2. INDIA
3. EU
4. USA
5. BRAZIL

#6

Turkey is the world's sixth-largest producer of cement, ranking just below Brazil and the US.

\$558

MILLION

The export of Turkey's cement industry over January–August 2013 totaled \$558 million.

150,00

JOBS

The cement industry employs 150,000 people.

68

There are 68 cement factories—48 integrated facilities and 20 milling and packaging facilities.

JEWELRY

THE SPARKLE OF JEWELRY

Jewelry, one of the star industries of the Turkish economy, continues its growth over the past decade. A remarkable growth of 10% was seen in the industry's exports over the first eight months of 2013.

BY IRMAK TOLAY



ACCESSORIZING, self-ornamentation, and beautification are fields that humankind has held dear, given much thought to, and developed new techniques in for centuries. Interest in jewelry continues independently of the changes and economic crises in the world. The history of beautification through accessories dates back to ancient times. Jewelry making in Turkey, with roots extending to the 3000s BC, represents a legacy passed down from the Hittites to the Trojan, Urartian, Greek, Roman, Seljuk, and Ottoman civilizations. Today, Turkish jewelry manufacturers export their wares to nearly 200 countries located in Europe, Asia, the Americas, Africa, and the Middle East. Their

THE TOP EXPORT RECIPIENTS OF TURKISH JEWELRY

January–August 2013

UAE

IRAQ

RUSSIA

USA

LITHUANIA

GERMANY

success is based on expert craftsmanship, new technologies, and creative designs. Combined with competitive pricing, these advantages allow Turkey to satisfy the demands of international customers precisely and effectively.

The Turkish jewelry industry's 2012 export was in excess of \$2 billion. The industry thus ranked among all industries as ranking second in export growth. According to the Jewelry Exporters' Association's data for the first eight months of 2013, Turkey's jewelry export (excluding gold bullion) increased 10% year-on-year, reaching \$1.43 billion. Jewelry Exporters' Association Chairman Ayhan Güner is of the opinion that stronger exports are influencing manufacturing positively as well. Local companies are continually improving production quality through new manufacturing technologies, notes Güner. "Whether in the domestic market or in international markets, we continue to grow thanks to our original designs tailored to customer expectations, rapid distribution system, and—especially—the employment opportunities we supply to roughly 250,000 people," he says. Güner predicts that the industry will be able to attain its \$2.46 billion export target for the year by the last quarter with ease.

DIAMONDS IN A DEVELOPMENTAL STAGE

Every year, the Turkish jewelry industry uses roughly 400 tons of gold and 200 tons of silver to make its products. In the production of gold jewelry, Turkey ranks among the top five countries in the world. Global jewelry experts see Turkey as the strongest challenger to Italy, the world's



Turkey's jewelry export in 2008 totaled \$1.51 million. In 2009, with the effects of the global crisis, they fell to \$0.98 million. By 2012, however, the industry's export surpassed \$2 billion, and 23% growth is expected by year-end 2013.

top producer, in this area. Zen Diamond CEO and Jewelry Exporters' Association Board Member Emil Güzeliş states that gold in Turkey is in good shape. The diamond field is in a developmental stage; however, emphasizes Güzeliş, it is growing quickly—while diamonds grew threefold in the past 25 years worldwide, they grew threefold in Turkey over just the past five years. Experts believe the only barrier that the industry faces is the 20% private consumption tax imposed on rough diamonds imported for use in production, which puts Turkish exporters at a disadvantage against their worldwide rival and affects domestic jewelry production negatively. Otherwise, especially in the absence of this issue, the Turkish jewelry industry can be expected to shine brighter than ever.



AYHAN GÜNER

Chairman, Jewelry Exporters' Association

Turkey could become a manufacturing hub for the world jewelry industry. We could go so much further in exports. Considering our country's location on the world map, the stability of our economy, our advantageous logistical means, the green light given to international investors with the new commercial code, and the manufacturing and export potential of companies in the industry, we see that all conditions are to our favor. Currently, Turkey is not at the place it deserves to be, especially not in diamond jewelry. If we could combine gold and diamond jewelry and make the diamond exchange compatible with legislative changes, we would quickly rise to world leadership.



EMİL GÜZELİŞ

CEO, Zen Diamond

Although the burden of the private consumption tax in Turkey is heavy and producers do not receive enough support, there are encouraging efforts regarding these. The Turquality state-supported brand development program ("Ten world brands in ten years") provides support to companies in our industry on this matter. I believe the efforts will be successful and that brands from Turkey will participate in the world jewelry industry. The diamond segment is continuing to grow—Turkish women have been demanding diamonds for some time, having reached a degree of satiety in gold.



İSMET KOÇAK

CEO, Koçak Gold

We can attain power in exports by uniting the jewelry industry under one roof, solving the issue of taxes on precious stones, branding, and genuine cooperation regarding the industry's problems. Communications and agency, too, are very important in this regard. Jewelry should be represented on a single, serious platform, and a unanimous formula must arise. The rapid growth seen in the Turkish jewelry industry shall pass even greater targets through such efforts.

HAZELNUT

THE WORLD'S HAZELNUT CAPITAL

Turkey, the largest producer of hazelnuts in the world, accounts for 75% of global production by itself. In the 2012–2013 season, Turkey continued its lead, exporting 301,000 tons of hazelnut kernels in that period.

BY BARAN KARAKUZZU

GROWING ONLY IN A FEW certain parts of the world due to its unique attributes, the hazelnut reflects strong cultural traces from the places it is cultivated. In Turkey, hazelnut production is concentrated in the Black Sea region, mostly in the provinces of Giresun, Ordu, Trabzon, and Rize. The local hazelnut season runs from September to August. The majority of Turkey's hazelnut production is exported, as the domestic market consumes just 11–12%. Hazelnuts are the most widely cultivated shelled fruits in the world after almonds. In the early '60s, global output was around 250,000 tons per year; today, this figure is nearing 1 million tons.

SUPPORT FOR PRODUCERS ENHANCES COMPETITIVENESS

According to the Hazelnut Promotion Group, the law passed in 2009 concerning area-based income support and the payment of incentives to producers that shift to other products brought great momentum to hazelnut exports—with a reported increase of 37% by weight over the past three years—and accelerated market growth.

Having exported 301,000 tons of hazelnut kernels this year, Turkey is already approaching its 2023 export



target of 350,000 tons, proving the success of its policies. Oğuz Gürsoy, Chairman of the Hazelnut Promotion Group, points out the addition of hazelnut harvesting machines to the bulletin on supporting machinery and equipment purchases within the Rural Development and Investment Support Program as one of these policies. The International Food R&D Project Market series of an-

nual events, a TIM-supported initiative by food exporters to contribute to the development of the agriculture industry, related technologies, and new methods also supports the \$55 billion food export target set for 2023. Stelliferi Group CEO Kenan Askar notes that the support provided to conscious production techniques on licensed land as per the 2009 law has had a positive effect. The government will continue providing this support up to three years after the assessment carried out in April 2012. Askar strongly emphasizes that the government should never compromise on its new hazelnut strategy. "The motto should be to increase productivity, sustainability, and quality in hazelnuts," says Askar.

75%

TURKEY'S SHARE IN GLOBAL HAZELNUT PRODUCTION

37%

THREE-YEAR INCREASE IN TURKEY'S HAZELNUT PRODUCTION

350

THOUSAND TONS
TURKEY'S HAZELNUT KERNEL EXPORT TARGET FOR 2023

301

THOUSAND TONS
TURKEY'S HAZELNUT KERNEL EXPORT IN THE 2012–2013 SEASON

532

THOUSAND TONS
TURKEY'S HAZELNUT EXPORT IN 2012

The majority of Turkey's hazelnut production is exported, as the domestic market consumes just 11–12%.



WORLD HAZELNUT PRICES FOLLOW TURKEY'S LEAD

EU countries account for close to 90% of worldwide hazelnut consumption, using 80% as input to the chocolate and confectionery industry. The Turkish Grain Board's statistics for 2012 show Turkey as the leader once again with more than half a million tons exported, 22% of which was bound for Germany and 21% for Italy. Since Turkey is such a major supplier and exporter of hazelnuts, world hazelnut prices are determined by domestic policies and pricing.

Recently, Turkey has been focusing on further increasing exports by expanding in the Chinese and US markets. Gürsoy says hazelnut exports to the US have increased 86% in the past three years. The 2012–2013 harvest, he adds, has so far yielded 1,798 tons of hazelnut kernels, representing a 1,372% increase over levels 15 years ago. The law issued in 2009 had a major impact on the success obtained in hazelnut exports.

EFFICIENCY IS KEY

Possessing the world's most suitable ecological conditions for hazelnut cultivation, Turkey has the potential to further increase its exports through improving production efficiency. According to the UN Food and Agriculture

Organization, hazelnut yields per 1,000 square meters is 108 kg in Turkey, relatively low in comparison to 293 kg in the US, 201 kg in Georgia, 183 in Italy, and 125 kg in Spain. Improving hazelnut production efficiency requires establishing an agricultural alarm network to handle natural disasters, advancing shell removal technologies, focusing on organic production,

developing drying methods suited to the characteristics of local production, and the monitoring of production in every stage from the orchard to packaging. The government's new hazelnut strategy also encourages agricultural practices that improve efficiency and quality while reducing costs. This is bringing about a transition to licensed warehousing, the renewal

EU countries account for close to 90% of worldwide hazelnut consumption.

of old hazelnut plantations, efforts to raise awareness of modern harvesting and drying techniques, and activities to promote best practices in fertilizer use to increase yields. It will also be necessary to consolidate land used for hazelnut cultivation by solving the issue of fragmentation due to inheritance-related legalities and to identify the optimal size for hazelnut enterprises.

Turkey's hazelnut exports are expected to rise once efficiency and quality are improved. Concerning efforts to improve efficiency, Askar says, "Carrying these out imposes a cost in the initial phase, but there would be a long-term benefit to direct the use of the support being considered for producers toward this end."



DURSUN ÖĞÜZ GÜRSOY

Chairman, Hazelnut Promotion Group; CEO, Gürsoy Gıda

The aim is to increase the export every year through the stability provided by the free market. The industry's 2023 export target of 350,000 tons of hazelnut kernels can easily be reached by the continuation of the policies being pursued and by discovering new markets. Our efforts to popularize hazelnut harvesting machines suitable for use on the hilly terrain of the Black Sea region are ongoing. An important development for the future of Turkish hazelnuts was the record obtained with the export of 301,000 tons of hazelnut kernels—equivalent to 602,000 tons of hazelnuts with shells—during the 2012–2013 season.



ALİ HAYDAR GÖREN

Member, Hazelnut Promotion Group; Member, National Hazelnut Council

Investing in technology to modernize production, conducting market research on target countries, increasing the share of processed hazelnuts in total sales every year, bearing international and national quality certifications, holding well-equipped labs, and exporting to 106 countries, our industrialists are certain to reach 400,000 tons worth \$3 billion in hazelnut exports along the way to the 2023 targets—all that's needed is the ability to think globally, act locally, and establish the structural foundation that suits this.



KENAN ASKAR

CEO, Stelliferi Group

It is important to ensure awareness in all concerned segments—producers most of all—that the new hazelnut strategy was put in practice consciously as state policy and that its necessity is indubitable. Every kind of medium should be used to promote our products and ourselves correctly, including campaigns in print or visual media. It is crucial to implement the solutions that will support the new hazelnut strategy, and the process can be accelerated if every involved party fulfills the duty that is upon them.



AUTOMOTIVE

FORD BELIEVES IN TURKEY'S POTENTIAL

As Ford Europe's Vice President of Product Development, Barb Samardzich is responsible for operations including manufacturing, product development, purchasing, and environmental and safety engineering. Samardzich provided her assessment on Ford's plans with their Turkish partner Otosan for The Turkish Perspective.

BY CAN GÜRSU BY SELÇUK DOĞRUĞLU

FORD IS CONFIDENT in its Turkish partner, Otosan, as Turkey's automotive industry enters a new period. Barb Samardzich says, "Otosan has huge role in that the Otosan engineering team has given us great support in product development." As the European market faces constant challenges, Turkey's role in the world automotive industry is set to become even more significant.

Can you tell us about the situation of Ford in Europe and globally?

People are well aware that the European economy has been

facing challenges for several years, although we do see glimmers of hope. Though we're still disappointingly at a loss, it was at a lower level than what we and the market anticipated. That gives us increased confidence. We have seen the European economy rise up from its lowest point, and more importantly we can say that our global plan is working. The wheels we set in motion about a year and a half to two years ago essentially duplicate the plan that worked successfully during the US recession, and the same results are being seen here in Europe as a result.

We are very optimistic about improving business.

What new vehicles and technologies are in the pipeline?

We brought a mid-cycle face-lift to the Fiesta that could be seen as a complete redesign, to be frank. This was very well received by the media and more importantly by customers. Big products are indeed coming up, and Otosan plays a huge role in that the Otosan engineering team has given us great support in developing these. Q4 2013 will be followed by the introduction of a full-size, two-ton Transit

A full-size Transit model will be introduced after Q4, as will the B460, another Ford Otosan-supported product, early next year.

and, early next year, the B460, another Otosan-supported product.

Can you tell us how the new Ford Otosan R&D center in Sancaktepe fits into global product development and into Ford's overall plan?

I suppose one thing that has happened is that for about a decade now, we've enjoyed a growing partnership on engineering, which started with power train development. We have power train support from the European community, and it has gone global thanks to the engineering team and to the vehicle development efforts at Otosan. We have expanded our engineering community greatly, and I believe the new facility will suit and support further expansion. We're really looking forward to having it.

How does the product development process at Ford Europe operate?

I'd say the product development process in Europe is no different from how it is anywhere around the globe. We are truly global now. We have a single product development process and we follow it whether a product is engineered and designed in Brazil, in Turkey, or in Europe. Our only concern is to introduce our product to the market in time and with the highest level of quality, durability, and integrity.

Are you satisfied with production in Turkey? What are your product development plans for the Turkish market?

We are always looking at what opportunities there are in every market in which we participate. The plans for Turkey are very extensive. On the manufacturing end, the Transit is about to go truly global and be manufactured in the US. This will happen mid next year. Once the team launches the product, they will deliver the engineering details to the plant here in Kocaeli. Then they will return to Kansas City, where we will have to work to deliver an identical product with the same level of quality on time for the North American market.

What can you tell us about your area of responsibility in Ford and the projects on your agenda?

My title is Vice President of Product Development in Europe. This comes with a huge team that is responsible for the Transit well as our power train products. My role is to ensure that we act as an integrated community that delivers products around the globe. To give an example of how globalized product development at the Ford Motor Company has become, 43% of my overall engineering budget allocated out to support product development for other regions. This includes Europe, yes, but there are other regions as well, which goes to show how global we are now.

When did you come to Ford? What were your reasons for joining the company?

I had 23 years of experience and I was a trailing spouse. My husband got an offer from the Ford Motor



Company, and as he was deciding whether or not accept it, he said he would need a few weeks for consideration. When asked why, he told them his wife also had a job and that he would have to look at openings in Detroit, too. They asked what I did, and he told them I was an engineer. They asked that I send a resume and said they might be able to find a position for me, too. So I ended up following my husband there— Ford offered me a job, too, and everything has worked out just fine, as it seems.

What kind of assignments did you have before?

I was always on the engineering side and I was heavily involved in what we call “design and release.” I started in motor engineering and I was a design and release engineer. After that, I spent about seven or eight years honing my skill in motor engineering, work-

“The Koç family’s dealership connections in Turkey date back almost 90 years.”

ing on different components and different parts of engines. Then, I moved into the vehicle side of the business, and the rest of my career vacillated between vehicles and power trains. The position I had before my current one was as VP of Power Train Engineering. The technical expertise I earned served me very well initially and when I wanted to get into the vehicles side of the business.

As Turkey has some of the most expensive gas prices in the world, massive demand for electric vehicles would come as no surprise. What could you say about Turkey’s plans to introduce an electric car to the market?

We have increased our focus on electric cars and I am certain our marketing team would be happy to sell them anywhere. I think the main issue is having the infrastructure to support electric vehicles, as it does not exist in Europe or in Turkey. Consider an electric vehicle with a defined range of maybe 150 kilometers on average—after driving that long, you would have to plug in, and for that you’d need a charging station. I live in Cologne, where many people park on the street, and there isn’t anywhere to plug in our vehicles. Perhaps there are other technologies that could play well. A hybrid vehicle, for example, is great, since you don’t have to worry about running out of power thanks to the engine you also have.

43%

Share of overall engineering budget allocated to support Ford products in other regions

2.63%

Ford Otosan’s R&D allocation from 2012 net revenues

1,300

Year-end target for the size of Ford Otosan’s R&D engineering team



INVESTMENT

Investment Support and Promotion Agency (ISPAT) organized a "US Roadshow" intending to reinforce media and investor perception about the business environment in Turkey.

ISPAT ON INVESTMENT PROMOTION TOUR IN THE USA

The Republic of Turkey Prime Ministry Investment Support and Promotion Agency targets US companies looking for new growth markets. To convey the message of strong and stable investment environment of Turkey, foreign investors in Turkey shared their experiences with their compatriots.

THE REPUBLIC OF TURKEY Prime Ministry Investment Support and Promotion Agency (ISPAT) organized a "US Roadshow" under the leadership of Francisco J. Sanchez, the Undersecretary of International Trade of the US Department of Commerce, intending to reinforce media and investor perception about the business environment in Turkey.

The roadshow was held on 29th September and 3rd October. Aside from ISPAT President Mr. İlker Ayıcı and Principal Advisor Hasan Pehlivan, the Turkish delegation included Serra Akçaçoğlu, Citi Turkey Country Officer and the Chairperson of the American Business Forum (ABFT) in Turkey; Akin Kozanoğlu, Deputy Chairperson of Turkey's Internati-

onal Association (YASED); Eugene Willemsen, President of PepsiCo's South East Europe Region; Demet Sabancı Çetindoğan, Chairperson of Demsa Holding; Tankut Turnaoğlu, General Manager of Procter & Gamble Turkey and the Deputy Chairperson of ABFT; Cevdet Akçay, the Chief Economist at Koç Financial Services and Yapı Kredi Bank and senior ma-

nagers representing the promising investment industries in Turkey.

TURKEY'S INVESTMENT ENVIRONMENT ON THE GLOBAL STAGE

The President İlker AYCI remarked: **"This roadshow was the first of its kind. We have brought together a group of 'Goodwill Ambassadors of Business', a national team tasked**

with attracting foreign investments to Turkey so to speak. We brought this team together to convey the message of strong and stable investment environment of Turkey. We met with high ranking members of press such as Bloomberg, The Wall Street Journal and Reuters and explained the opportunities Turkey presents

During the past few weeks, ISPAT staged a series of meetings and seminars in Japan, USA, the U.K, Germany, France, Malaysia and Singapore as a part of its global investment promotion activities.

to investors by showing the example of successful American companies who also believe the future of this country. The immediate feedback of this event from the US media and business side was very positive but yet, it was suggested that such events should occur periodically to ensure even more positive imprint of Turkey's perception in the business community and the public eye. Also, we are planning on hosting US media and business representatives in Turkey soon in order to strengthen the message of healthy investment environment."

During the past few weeks, ISPAT staged a series of meetings and seminars in the USA, the UK, Germany, France, Japan, Malaysia and Singapore as a part of its global investment promotion activities.



JAPAN HOSTS ISPAT

Presenting Turkey's numerous investment opportunities to the Japanese business community, the Turkish Investment Seminar was held in Tokyo with the attendance of 400 Japanese investors.

THE TURKISH Investment Seminar jointly organized by The Republic of Turkey Prime Ministry Investment Support and Promotion Agency (ISPAT), The Bank of Tokyo Mitsubishi UFJ (BTMU) and Japan Cooperation Center for Middle East (JCCME) was held in Tokyo on August 29, with the support of Sankei Newspaper. The seminar, planned to provide a thorough view of Turkey, its economy, business environment and investment opportunities to Japanese investors, gathered representatives from four hundred Japanese companies seeking overseas growth.

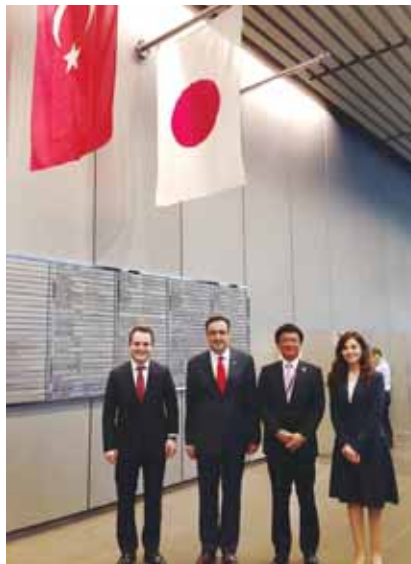
The seminar, realized with the participation of İlker Aycı, the President of ISPAT and Vice President of the World

Association of Investment Promotion Agencies (WAIPA); **Kazunori Kano**, the Chief Representative of BTMU's Istanbul Office; **Kentora Miya**, the Attorney of Anderson Mori&Tomotsune; **Tetsuo Shimizu**, the General Manager for the Foreign Trade Department of Sumitomo Rubber Industries and **Serdar Kılıç**, Turkey's Ambassador to Tokyo, showcased exemplary investment projects from Japanese companies in Turkey in the backlight of Turkey's vibrant economy and high-quality labor force. The closing speech was delivered by **Arda ERMUT**, the Vice President of ISPAT.

TURKEY ON THE RADAR OF JAPANESE INVESTORS

Stating in his opening speech that Turkey was attracting





"Japan, being one of the greatest economies of the world, is also one of the countries that invest most around the world. Within the last 3 years, Turkey has attracted investments from Japan amounting to 600 million dollars."

more and more investors focusing on long-term projects, İlker AYCI, said; **"Japan, being one of the greatest economies of the world, is also one of the countries that invest most around the world. Within the last 3 years, Turkey has attracted investments from Japan amounting to 600 million dollars. By reinforcing the close political relations with economic cooperation, we enjoy the added value of a larger share of investments originating from Japan. More than 150 Japanese companies are currently operating in Turkey in the fields of automotive, energy, chemistry, finance, service, health, food, logistics and wholesale industries."**

TURKISH AND JAPANESE ECONOMIES PROMISE MORE COOPERATION

Noting that these two powerful countries need close cooperation to further develop trade and business, **AYCI** pointed out that there has been an increase in the number of regional administrative centers by international companies established in Turkey, thanks to the coun-

try's strategic position located right in the center of key regions; the Middle East, North Africa, Central Asia and Europe. **"While advancing technology, Turkish and Japanese economies and their investment climates are promising with respect to future cooperation opportunities and joint projects. The "Marmaray Project", an undersea rail tunnel in Istanbul scheduled to be**

completed in October 2013, is one of the most noticeable examples of such projects.", Ayci remarked.

CHIEF REPRESENTATIVE OF BTMU: "TURKEY'S STEADY GROWTH TO CONTINUE"

Speaking on behalf of BTMU, one of the sponsors of the seminar, **Kazunori Kano**, the Chief Representative of BTMU's Istanbul Office said that they were

İlker AYCI: "Within the last three years, Turkey has attracted investments from Japan amounting to 600 million dollars."

pleased to support ISPAT's investment promotion efforts in Japan.

"As BTMU, we are pleased to provide support ISPAT's efforts to promote Turkey's investment environment in Japan. As the 17th largest economy in the world that has achieved one of the highest growth rates in recent years, we believe that Turkey will follow a steady growth path in the coming years as well, despite the debt crisis in Europe.

Turkey's policies that strengthen the finance sector liberalization and improve the labor market, coupled with ongoing structural reforms, will lift capital investments into the country to new levels. Having experienced a domestic financial crisis in 2001, the country's banking authority, the Banking Regulatory and Supervisory Agency, has adopted a very prudent strategy that helped the country emerge unscathed from the Global Financial Crisis.

With its resilient and efficiently functioning banking system, Turkey is one of the key engines of growth among the emerging markets of Europe, the Middle East and Africa.." Kano said, assessing the Turkish economy and financial sector.

During the past few weeks, ISPAT staged a series of meetings and seminars in Japan, Malaysia and Singapore as a part of its global investment promotion activities.

SOARING TO



THE FUTURE

With its investments and the global brands it has created in aviation, Turkey prepares to enter the major league of countries in the industry.

BY CAN GÖRSÜ





JUST A FEW years ago, the field of global aviation was in a deep crisis, shaken by a series of bankruptcies—and, in North America, a chain of mergers and acquisitions. This process

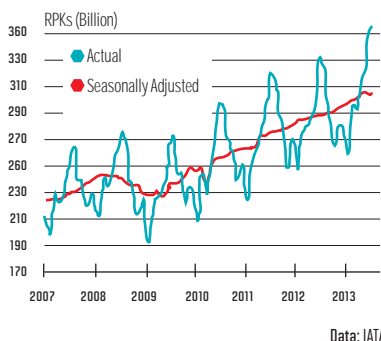
started in 2005, when US Airways bought America West. Delta Airlines and Northwest Airlines merged in 2008, and United Airlines merged with Continental in 2010. Early in 2013, American Airlines and US Airways were planning a merger that would create the world's largest airline company, though this venture fell through due to legislative barriers. Aviation—the essential vehicle for global tourism—is heading toward further monopolization and lower profit margins every day.

The UN World Tourism Organization's report titled "Tourism Highlights 2013" points to a rising trend in aviation over other methods of transportation, indicating that 46 million tourists enter the ecosystem every year. From May to August 2013 alone, air travel grew 4%, and a 4% year-over-year increase has been observed in reservations placed for October–December 2013. Air travel enhances regional and intercontinental tourism continually as more and more travelers prefer it to other modes of transportation. Studies indicate that the airline industry is set to change as the world's centers of tourism shift to new locations.

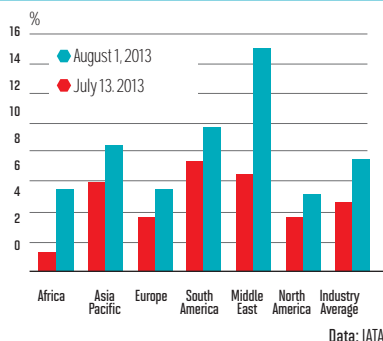
Europe and North America, the world's former aviation hubs, were deeply shaken by the effects of the global crisis, with their popularity



INTERNATIONAL PASSENGER MARKET

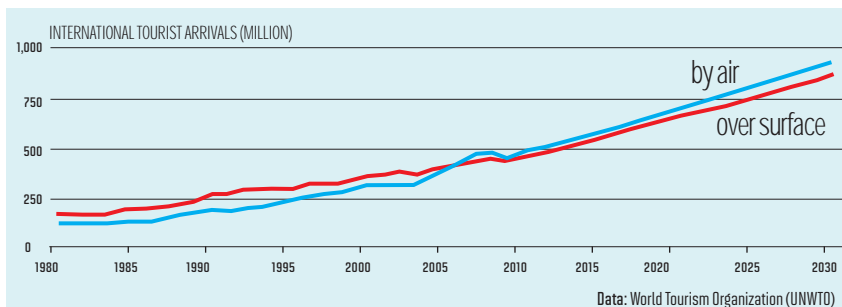


INTERNATIONAL PASSENGER GROWTH BY REGION



INTERNATIONAL TOURISM BY MEANS OF TRANSPORT

Air transport will continue to gain market share, albeit at a slower rate.



diminishing as trends indicate a shift toward Asia and the Middle East. Airbus's "Global Market Forecast 2012" states that the focus of the industry will shift eastward after 2020 as Istanbul, Doha, Abu Dhabi, Dubai, and other rising contenders establish themselves as the new nerve centers of air travel.

Istanbul: A Global Hub

National economies play a large role in the aviation industry worldwide, as they do in all other industries. Commercial passenger transport in Turkey is officially predicted to grow at an annual rate of 4.3% from 2012 to 2031, although it is expected that it will actually grow at a rate of up to 6% annually. Istanbul, located at the crossroads of the Europe–Middle East and Europe–Asia routes, where the market is liveliest and growing most, offers particular promise not only with its unique geographic position but also with the support of Turkey's steadily growing economy. As a transit hub, Istanbul is in flight range for narrow-body aircraft to most important air travel destinations in Europe and Asia, which gives airlines flying to or from Istanbul a major advantage.

According to "Airport Traffic Data," a



Commercial passenger transport in Turkey is officially predicted to grow at an annual rate of 4.3% from 2012 to 2031.

study released by Airports Council International, Turkey ranks ninth among the world's top passenger-carrying countries, having flown 88.2 million passengers in a year. Citywise, Istanbul ranked eighth with 62.4 million passengers. Additionally, the Center for Aviation's "2013 Yearbook" listed Istanbul Atatürk Airport—the city's main international airport—as one of the world's top 20 airports based on its seating capacity of 1.1 million. Radical changes in these balances can be expected once the new airport planned for Istanbul, for which the bidding process was completed this year, is in service.

A record \$22 billion was offered during the bid for the new airport, drawing the world's attention to Turkey before the project was even under way. The airport is expected to occupy an area of 76.5 million square meters, where there will be an apron with parking capacity for 500 aircraft and six runways, two of which are to run diagonally. The size indicated in the blueprints would make Istanbul's new airport the world's fifth largest after King Fahd International Airport in Dammam, Saudi Arabia and three US airports. The runways planned for the new airport will allow for landings of the Airbus A380 and Boeing 747-800 aircraft, the largest code F passenger planes. The airport is expected to open in 2017, though construction is slated to continue through 2020. Once construction is complete, the new airport will earn the title of world's largest airport by passenger capacity, able to serve 150 million passengers per year.

Several New Airports on the Way

There are 52 airports in Turkey at present. Efforts toward the modernization, expansion, and maintenance of these airports have been under way since 2003. Activities led by the Ministry of Transport, Maritime Affairs, and Communications are expected to result in 12 new airports being opened ahead of



10-YEAR DOMESTIC AND INT'L ROUTE EXPANSION IN TURKEY

	2003	2013	GROWTH
INTERNATIONAL DESTINATIONS	60	236	293%
DOMESTIC DESTINATIONS	26	52	100%

Data: SHGM



COUNTRIES BY PASSENGERS

COUNTRIES BY INT'L PASSENGERS

RANK	COUNTRY	TOTAL PASSENGERS	COUNTRY	INTERNATIONAL PASSENGERS
1	USA	709,908,390	UK	182,029,735
2	CHINA	214,477,064	USA	164,493,762
3	UK	202,182,871	GERMANY	149,790,425
4	GERMANY	175,725,840	SPAIN	126,408,631
5	SPAIN	159,869,597	FRANCE	96,017,058
6	JAPAN	117,264,215	ITALY	83,420,162
7	FRANCE	117,022,790	UAE	79,088,844
8	ITALY	110,323,171	TURKEY	62,411,935
9	TURKEY	88,222,709	JAPAN	57,971,882
10	UAE	79,744,285	HONG KONG	55,657,208
11	INDIA	79,352,497	NETHERLANDS	53,953,396
12	BRAZIL	78,560,182	SINGAPORE	49,909,599

Data: ACI Airport Traffic Data

schedule. Also among Turkey's targets to accomplish by 2023, the centennial of the Republic, is the construction of one major airport with an annual passenger capacity of 60 million, two with a capacity of 30 million, and three with a capacity of 15 million.

Turkey is already seeing the benefits of its aviation investments—with six airlines that fly 58.3 million passengers annually to 48 destinations from seven hubs in the domestic flight network, its prospects are soaring, and Turkey has not only the fastest growing domestic aviation market in Europe but also an enviable 293% growth rate over the past decade in international travel. The sound policies implemented by the government and the achievements of Turkish brands play a substantial role in Turkey's success.

High Demand for Low Cost

The phenomenon of low-cost airlines is one of the most hotly debated aviation issues to emerge in recent years. Such airlines have exhibited significant growth worldwide over the past decade, increasing their 5% share in the European market in 2001 to 26% by the end of 2011. Low-cost airlines are expected to continue growing in their respective domestic markets in the coming term.

The leading low-cost airline in Turkey is Pegasus Airlines. Founded in 1990, the Pegasus brand entered a phase of rapid expansion after a buyout in 2005. Today, it is Turkey's second-largest airline and conducts scheduled flights to 72 destinations—43 domestic and 29 international—in 30 countries. The 2012 Official Airline Guide named Pegasus Europe's Fastest-Growing Airline out of the 25 largest European airlines based on seating capacity. In 2012, the company placed an approximately



For three consecutive years, Turkish Airlines has been named Best Airline in Europe in the Skytrax World Airline Awards.

\$12 billion order for 100 aircraft, 25 of which are on option, which broke the record for largest single aircraft order in Turkish civil aviation history.



Atlasjet is another of Turkey's important airlines. Since 2001, it has been flying to numerous destinations domestically and internationally. Atlasjet's fleet initially consisted of two Boeing 757-200 aircraft; today, with 15 aircraft, it occupies an important position in Turkish aviation.

Domestic Giants

Turkey has proven exceptionally adept at satisfying the constantly expanding scope and range of passenger demands today. Borajet was the first company to offer charter air service in the domestic market. Since its founding in 2008, when it entered the market with a fleet of low-cost aircraft, Borajet has shown rapid growth, increasing the frequency of its domestic flights very quickly and opening its first international route with the introduction of flights to the Greek island of Mykonos.

Anadolujet, a Turkish Airlines subsidiary that draws on Turkish Airlines' strengths and combines them with the advantages it has attained

FLEETS AND FLIGHT NETWORKS OF AIRLINES IN TURKEY

	PEGASUS	ATLAS	BORAJET	ANADOLU	TURKISH
 FLEET SIZE	43	15	5	28	233
 DESTINATIONS	72	21	16	37	238

Data: flypgs.com www.atlasjet.com www.borajet.com www.anadolujet.com www.turkishairlines.com



very quickly in the domestic market, has been growing rapidly since its establishment in 2008. Anadolujet flies to 40 destinations in Anatolia, with Ankara—the nation's capital—as its operational hub.

Turkey's Flagship

Turkish Airlines is recognized worldwide for its sponsorship contracts, awards, and achievements. Since its founding in 1933, the airline has flown the Turkish flag all over the world. For three consecutive years, it has been named Europe's best airline in the Skytrax World Airline Awards. Turkish Airlines is growing at above average levels regionally and globally. Today, it is the airline that flies to the highest number of countries in the world and to the most international destinations from a single airport.

In sharp contrast to the world aviation market, which grew 79% over the past ten years, Turkish Airlines grew 275% in that period. In 2002, the airline carried 10.3 million passengers—by the end of this year, it aims to have carried 46 million. The airline has also set high targets for the year 2023. In addition to sustaining 10%

average growth every year, Turkish Airlines aims to expand its fleet to 450 aircraft.

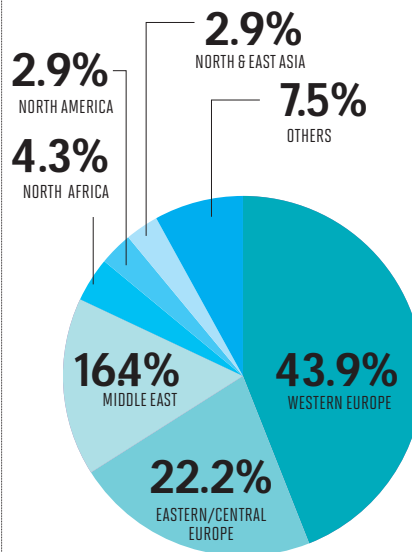
The Capa Yearbook 2013 Europe states, "As the future course of the industry is set, the newer airlines—short and medium haul, low cost, hybrids, and Gulf carriers (and Turkish Airlines)—promise to be the source of growth." In its recent medium-term traffic forecasts, Eurocontrol predicted that Turkey will become the fastest-growing air travel market in Europe through 2019, with average annual growth of 7% compared to 2.3% for Europe overall.

Destination 2023

Turkey may exhibit success beyond predictions based on the targets it has set for itself. The Turkish aviation field overall is planned to expand its fleet to number 750 aircraft (100 wide-body, 450 narrow-body, and 200 regional jets). Accomplishing this would increase total passenger capacity to above 350 million. Becoming not only the regional leader by fleet size but also a hub that can accommodate the 5,000-aircraft combined fleet expected in the region and serve the entire territory is among Turkey's goals as well. Additionally, if it can launch its locally produced plane by 2023, Turkey has a strong claim to entering the ranks of the world's select few countries in aviation.

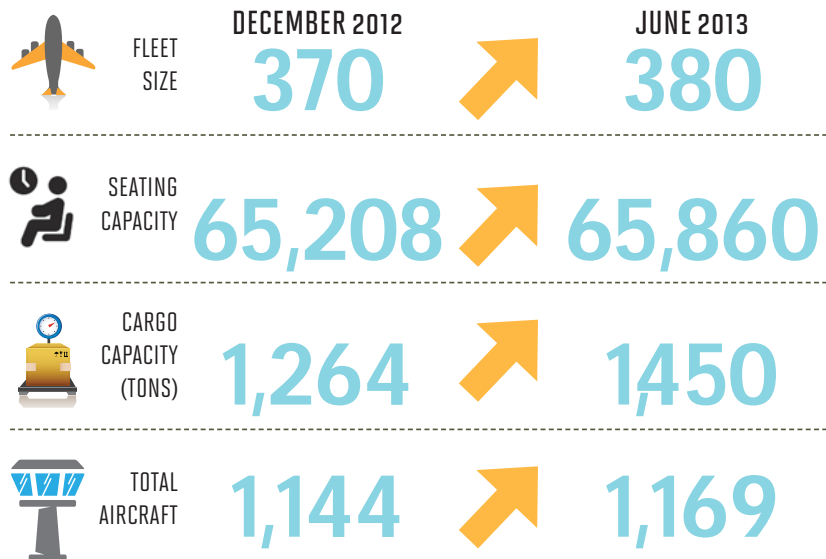
TURKEY'S INTERNATIONAL SEAT OCCUPANCY BY REGION

April 8, 2012–April 14, 2013



Data: CAPA

TURKISH AVIATION INDUSTRY GROWTH







THE SECRET TO SUCCESS

Turkey's flag carrier, Turkish Airlines attracts worldwide attention for its international awards, sponsorship contracts, and ever-larger and younger fleet. Turkish Airlines Chairman Hamdi Topçu discusses plans and the strategy behind the success of "Europe's Best Airline."



BY CAN GÜRSU



BY AHMET BİLAL ARSLAN

TURKISH AIRLINES IS ONE OF THE FEW COMPANIES TO turn the crisis into an opportunity. Several airlines announced their bankruptcies during the crisis. How did Turkish Airlines turn the crisis to its favor? Could you tell us about the strategies you pursued in the crisis period?

At the foundation of the growth Turkish Airlines achieved in sharp contrast to the economic crisis that befell the world are expansion and a transformation from a local airline to a global airline. The geographic position of Turkey and Istanbul undoubtedly has the lion's share in our success. Istanbul possesses an unmatched geographic location for aviation. Roughly 70% of world air traffic passes over Istanbul. Within a three-hour range of our country and Istanbul are 41 countries and 78 cities, or 116 cities including those in Turkey; 53 countries and 118 cities, or 116 cities including Turkey, within four hours; and 66 countries and 143 cities, or 181 cities including Turkey, within five hours. As you can see, Turkey and Istanbul enjoy a peerless location for aviation.

We aimed to take a share of the traffic above us and developed strategies to this end. In other words, we recognized Istanbul's potential as a hub and made investments to realize this potential.

Istanbul has become an important transit center especially for long-haul journeys. With 239 destinations in the 104 countries we fly to, we are the airline that flies to the most countries and possesses the fourth-largest flight network in the world. Last year, Turkish Airlines ranked third in market share in Europe by passenger numbers. We want to maintain this in 2013, too. Transit passengers have an important place in our increasing passenger numbers in recent years. The number of our transit passengers grew 35% from 2005 through 2012. We are aiming for a 42% increase this year to 12.7 million transit passengers.

The wide-body, long-range aircraft we have been buying in recent years bolster Turkish Airlines' strength especially on international routes. International routes are of vital importance to us for sustainable growth and profitability. Turkish Airlines obtained roughly 82% of its 2012 income from international routes. Currently, of the 239 routes we fly, 42 are domestic and 197 are international. The distribution of our flight destinations, too, gives an idea on the source of our income.

Investment shouldn't just be taken to mean new aircraft and new international routes. While we invested and grew significantly in these areas, of course, we have become a global brand that not only sells services to the market but also produces services with the moderniza-

tion of Turkish Airlines' infrastructure and the partnerships we are establishing in every field in aviation.

Another important point is that we have invested in the strength of Turkey's brand. Since our target passengers used to be Turkish passengers, we only flew to places where Turks lived. Now, we have expanded our vision worldwide, and we want to carry passengers from all nations to every part of the world, as per Turkey's potential. Today, Turkish businesspeople and investors are now seeking investing opportunities in the places Turkish Airlines flies to. Turkey, with its businesspeople and industrialists, is opening up to the world along with us. Our success is the result of our

belief in Turkish Airlines, in Turkey, and in our people.



**TOTAL PASSENGERS
NUMBERED
25.4 MILLION IN
JANUARY–AUGUST
2012. IN THE
CORRESPONDING
PERIOD FOR 2013,
THE PASSENGER
COUNT REACHED 31.7
MILLION, UP 25%
YEAR OVER YEAR.**

the number of international airports in our flight network.

In the coming term, we plan to launch flights to Kano (Nigeria), Ndjamena (Chad), Asmara (Eritrea), Abuja (Nigeria), Boston (USA), Caracas (Venezuela), Kharkov (Ukraine), Luanda (Angola), Montreal (Canada),

Flying to 104 countries, Turkish Airlines ranks as the world leader by the number of countries in its flight network. What are Turkish Airlines' aims for the future? To what new destinations is Turkish Airlines planning to fly?

Currently, we fly to 239 cities and 241 airports in 104 countries. Forty-two of these destinations are domestic while 197 are international. Thus, we rank first in the number of countries, fourth in the number of cities, fourth in the number of airports, and second in



San Francisco (USA), Bamoka (Mali), Bogotá (Colombia), Nantes (France), Havana (Cuba), Mexico City (Mexico), Mazar-i Sharif (Afghanistan), Rotterdam (Netherlands), Abha (Saudi Arabia), Lankaran (Azerbaijan), and Juba (South Sudan).

What is the passenger count for the year to date? What is your year-end target?

Our aim for this year was to carry 46 million passengers. The figures for the first eight months show we will surpass this target.

Total passengers numbered 25.4 million in January–August 2012. In the corresponding period for 2013, the passenger count reached 31.7 million, up 25% year over year. There were 24.2% more passengers on domestic routes and 25.1% more on international routes.

In international Business/Comfort Class and international-to-international transit passenger numbers, too, there



Our success is the result of our belief in Turkish Airlines, in Turkey, and in our people.

Turkish Airlines directly influences the growth of Turkey's exports. What is your assessment of this impact? What efforts are you conducting with the Turkish Exporters Assembly?

Turkey's export figures have increased by leaps and bounds in recent years, surpassing \$150 billion—while there was a worldwide economic crisis, at that. The most important factor here was that companies discovered new markets in the place of shrinking markets and increased the number of export-receiving countries.

As the European market shrank during the economic crisis, the African market expanded, for example. The Ministry of Economy, the Turkish Exporters Assembly, and other institutions clearly influenced and contributed to this.

You may fly directly from Istanbul to 239 destinations to 104 countries in the world. This is a great convenience for businesspeople. Access to regions to which Turkish Airlines did not fly directly—such as Africa, South America, and East Asia—used to be quite challenging, requiring 20–24 hours of flight time and at least two or three connections. With it being so difficult to go back and forth, businesspeople were hesitant and ambivalent about visiting countries in said regions.

With the new routes it has launched, Turkish Airlines provides a significant contribution to exports. Exports to new destinations have seen increases with the launch of our flights.

Turkey has signed civil aviation agreements with 64 countries in the past decade. Thirty-eight of these are African countries. These agreements have contributed significantly to our foreign trade with African countries. Africa has become one of the continents in which Turkish Airlines is growing the most. Currently, Turkish Airlines flies to 34 destinations in Africa. We launched flights to 15 new locations in Africa in 2012. Our airline has the second-largest

were increases of 24.8% and 30.2% respectively over January–August 2012.

The passenger occupancy rate increased by 2.5% to 79.8%.

The number of destinations, 200 in January–August 2013, rose 20% in this period for 2013 to 239. Cargo and post increased by 17% from 305,983 tons in January–August 2013 to 357,333 tons in this period for 2013.

Where have Turkish Airlines' aircraft purchases been standing in recent months? Will they continue? Are you planning to purchase more aircraft in the years ahead? What purchasing goals does Turkish Airlines have? Which models are your orders focused on?

Generally, there are two types of aircraft we use, wide-body or twin-aisle for long-haul flights and narrow-body or single-aisle for short flights. As per our needs we have ordered aircraft in both types from Boeing and Airbus, the

world's two largest plane manufacturers.

Turkish Airlines makes its plans not only with the next few years but 2020, and even 2023—the centennial of our Republic—in its sights. As per these targets, we signed a contract for 117 planes with Airbus, the largest single purchase in civil aviation ever.

At the end of 2020, Turkish Airlines' fleet, including cargo aircraft, will number 420 in total with the 117 planes that will start entering the fleet in 2015 and the exit of planes whose leases are to expire. The fleet's average age of 6.6 years at present will fall to five with the addition of the new planes.

Currently, we have 20 orders each for wide-body planes from Boeing and Airbus. For narrow-body aircraft, we have a total of 252 orders in place—117 from Airbus and 95 from Boeing. We will end 2013 with 235 aircraft.

Our aim is to become one of the world's largest airlines, and we are making our plans accordingly.



Prime Minister
Recep Tayyip Erdoğan oversees the delivery of new aircraft entering Turkish Airlines' fleet at Sabiha Gökçen Airport.



Turkish Airlines' growth can serve as an example for airlines across the world.



Turkish Airlines flies Turkey's national soccer team toward success all over the planet.



Export inches upward with each new route, bringing the Turkish economy one step closer to its objectives for 2023.



flight network across the African continent, and with the ten new locations we plan to add this year, we aim to become the airline that flies to the most destinations in Africa. In parallel with the newly opened destinations in Africa, our passenger numbers are showing increases, too. Our passenger count of around 450,000 in 2008 reached roughly 1.4 million as of 2012.

We are observing developments paralleling those of Turkish Airlines in the field of trade as well. Our foreign trade volume grew by a factor of 21.4 for Uganda, 20.4 for Tanzania, and 15.4 for Kenya. There is a constantly growing market in Africa. We are striving to make Africa easily accessible to Turkish entrepreneurs for the sake of developing commercial and economic ties with Africa.

Naturally, we take our country's foreign policy endeavors into consideration when identifying new routes and launching activities, expanding our flight network in a way that parallels these endeavors. We have Turkish Airlines offices in locations where our country does not yet have foreign agencies, too, and in these places we serve as an agency for our country in practice.

We run joint efforts with the Turkish Exporter Assembly as well. Besides our events to promote a route during its launch, TIM plays a role through promoting it to Turkish businesspeople and investors. Businesspeople go on exploratory missions on newly opened routes to observe market conditions and the competition, and to identify the segments where there is demand, thus clearing the path for exports.

We, as Turkish Airlines, are delighted to contribute to this process. I wish to state that Turkish Airlines' growth was accomplished through a similar strategy—discovering alternative markets to shrinking markets and flying to them was the path Turkish Airlines followed in its growth.

A number of airlines announced bankruptcy in recent weeks, and American Airlines went bankrupt a few months ago. What do you believe to be the reasons behind these bankruptcies?

The global economic crisis that began in 2008 caused significant shrinkage in the aviation industry. As a result, several companies went bankrupt. Some

WITH 239 DESTINATIONS IN THE 104 COUNTRIES WE FLY TO, WE ARE THE AIRLINE THAT FLIES TO THE MOST COUNTRIES AND POSSESSES THE FOURTH-LARGEST FLIGHT NETWORK IN THE WORLD.



airlines merged with others to avoid bankruptcy.

The effect of the global economic crisis dropped this year. However, since economic improvement and recovery wasn't fast enough, crisis-stricken companies failed to achieve profitability and thus went bankrupt. In this regard, these bankruptcies can be described as the aftershocks of the global economic crisis.

What are your views on mergers and acquisitions?

We abandoned our project buy airlines in Europe. We put LOT Airlines of Poland aside for the same reason. If effective control is held by a non-EU citizen or company, control is transferred to the other party irrespective of share percentage and the affected party is unable to automatically claim the rights granted by the EU legal acquis. We could buy 49% of LOT but still be unable to participate effectively in its management. Besides, LOT isn't able to handle the job as it is. We won't go somewhere we wouldn't be able to manage. We set out with the claim that we would show Europe how Turkish-style management is done, but we hit a regulatory snag. Thus, we aren't considering acquiring a company in Europe—though we have had offers from seven or eight airlines, we avoided them. After reading the legislation, everyone acknowledged our right. Therefore, we aren't considering such an enterprise in Europe.

There were recent rumors that Turkish Airlines would be privatized. What are your comments on this matter?

This matter is in the hands of the Privatization Administration. We don't have the authority to comment. However, the Privatization Administration did issue a written statement on the matter stating no ongoing effort to privatize the public share in Turkish Airlines and warning that such news should not be taken seriously so long as the administration does not release a statement itself.

Brand Finance's brand equity study revealed that Turkish Airlines doubled its brand equity from 2008 to 2013. Turkish Airlines also ranks among the Turkish brands enjoying the highest worldwide recognition. What is Turkish Airlines brand strategy? What can you say about the brand identity practiced by Turkish Airlines over the past five years?

Let me immediately state that Turkish Airlines' investments in recent years were not only aimed at growth. As we made new investments to improve quality and took steps toward becoming a global airline, we set a communications strategy to announce all these steps to the world, too.

We have signed sponsorships with world-famous sports clubs and, again in line with our regional marketing strategies, sponsored famous names in their respective regions. We selected global and regional faces to represent our brands and filmed commercials suiting our vision. Turkish Airlines proved that it is a world brand by tendering sponsorships in many fields from soccer to basketball and tennis to cultural activities.

Numerous recognized figures from FC Barcelona to Manchester United and Borussia Dortmund, and from Kobe Bryant to Lionel Messi, Kevin Costner, and Kivanç Taltıtuğ, have become the faces and stars of Turkish Airlines' global and regional advertising. This strategy also has a large share in our success, of course.



THE KEY LINK IN THE VALUE CHAIN: INNOVATION

The Turkish Exporters Assembly (TIM) is preparing this year for the third edition of Turkey Innovation Week. The primary objectives of the event are to emphasize the importance of R&D efforts to the process of transformation under way in Turkey, put the spotlight on investments in this field, and increase these investments. Having set ambitious targets for the year 2023, Turkey is nearing these targets through the momentum provided by R&D.



BY MERVE EKER

TIM CHAIRMAN Mehmet Büyükekşi emphasized the importance of innovation at last year's Innovation Week with the words, "Turkey must position innovation as the key link in its value chain. Creativity must be at the top of this chain." TIM shall continue its support toward encouraging innovation, he indicates. In its third edition this year, Innovation Week stands out as one of TIM's several important contributions with its rich content and roster of noted speakers.

MEHMET BÜYÜKEKŞİ
Chairman, Turkish
Exporters Assembly



Innovation a Necessity for 2023 Export Target

While the share of R&D spending to national income is 0.86% in Turkey, it is 2.77% in the US and 1.94% in EU member countries. By 2023, we aim to have increased this share to 3%. For this purpose, we are assigning great importance to design and branding.

Within the new consumer-focused approach to trade, we aim to improve perception of our products in international markets through branding and to increase value added. To this end, with the aim of producing a Turkish brand that can fully represent the perception of Turkish goods and reflect the unique potential we have, we are conducting a Turkish brand project to line up with the target for 2023.

There does not appear to be any other choice but to move over to innovation-based products with high value added in order to reach the 2023 export target. It is impossible to develop, grow the economy, and shrink the current account deficit without innovating. Rising above our rivals in the current international competition depends on our ability to produce product with high value added and advanced technology. To increase value added, we must focus on innovation. And for this, investment in R&D must be increased. Representing 57,000 exporter companies nationally and internationally, we as the Turkish Exporters Assembly are monitoring the rate of R&D spending to industry revenues as part of our 2023 export strategy.

TIM'S CONTRIBUTIONS TO INNOVATION

Over 15,000 people attended the Turkey Innovation Week events last year. Forty-seven local and international speakers took part.

Nine exporters' associations in several different regions in Turkey have conducted a total of 19 design competitions and eight R&D project market events this year.

The projects and products that qualify in the competitions are exhibited at Turkey Innovation Week. The most innovative product of the year is named from among these.

Büyükeksi strongly believes in the necessity of a focus on innovation to becoming a world leader by 2023: "We are at a time when the way to being competitive is through innovation. The share of high-tech products in our country's total export is roughly 2%. We don't see this share as being sufficient for Turkey, which has a \$500 billion export target for 2023. On our agenda for 2023, innovation, R&D, branding, and design come first. We must put innovation and entrepreneurship in every part of our lives in order to produce global brands. If we want to produce ten leading global brands by 2023, we must sharpen our focus on innovation."

Innovation ranks as one of the leading factors behind success in the international arena. A focus on innovation—an essential for branding and for Turkey's stakes in becoming a global challenger—reveals that companies emphasizing R&D efforts are improving their positions relative to the international competition. To the end of reaching the targets Turkey has set for 2023, too, an emphasis on innovation will serve as the country's driving force in all industries.

PROMISING RISE IN PATENTS

A transformation has been under way in the Turkish market since local companies identified innovation as a key matter in recent years. The Turkish Statistical Institute's figures substantiate the claim of an increased focus on innovation. According to TurkStat data, patent applications rose from 10,241 in 2011 to 11,500 in 2012. By comparison, just over 5,000 applications were made in 2006, and by 2023, this figure is expected to multiply tenfold to surpass 50,000. According to figures for the first eight months of 2013, local patent applications increased 10.3% over the corresponding period in 2012, reaching 3,024, while foreign applications increased by 5.6% to 4,809. The number of registered patents grew by 22.4%.

According to the World Intellectual Property Organization's data for 2011, Turkey ranked 17th in patent applications filed nationally, sixth in trademark applications, and fifth in design applications. By total industrial property rights applications filed nationally, Turkey ranked ninth worldwide, above such countries as the UK, Russia, Spain,



FIGURES

12%

INCREASE IN PATENT APPLICATIONS, 2012–2013

10%

INCREASE IN PATENT APPLICATIONS, 2011–2013

5,136

PATENT APPLICATIONS IN 2006

11,500

PATENT APPLICATIONS IN 2012

10,241

PATENT APPLICATIONS IN 2011

50,000

TARGETED PATENT APPLICATIONS FOR 2023

7,296

LOCAL AND FOREIGN PATENT APPLICATIONS (JAN.–AUG. 2012)

7,833

LOCAL AND FOREIGN PATENT APPLICATIONS (JAN.–AUG. 2013)

14.4%

PATENT APPLICATIONS GROWTH, 2006–2012



and Brazil. While in 2006, local patent applications accounted for 21% of all applications, the percentage increased to 39% in 2012. For an economy based on innovative production, however, this percentage must further increase. To achieve the \$500 billion export volume and 50,000 annual local patents that Turkey has identified as its aims for 2023, the inadequacies in the country's intellectual and industrial property rights system must be addressed. Given this, it is otherwise certain that Turkey shall bolster its already strong economic position with the support of its technological ability.

THE IMPORTANCE OF HUMAN RESOURCES TO R&D INVESTMENT

Companies that allocate large portions of their GNPs for the use of R&D and innovation precipitate scientific and technological change today and lead the competition. According to a report by the OECD on the ratios of national R&D investments to GNP, this figure is around 3.26%, 2.84%, and 2.77% for Japan, Germany, and the US respectively. In 2004, this figure was approximately 0.52% for Turkey; by 2011, it increased to approximately 0.85%. The continuing rise shows that Turkey is increasing its focus on R&D investments by the year. TurkStat's 2010 Innovation Study, showing that 51.4% of all enterprises nationwide with ten or more employees were engaged in innovation-

related efforts in the three years from 2008 to 2010, affirms these figures.

Neylan Süer, Brand Manager for Bosch Home Appliances—a company whose regional R&D efforts are highly respected—says there is much progress to be made yet in innovation: “One must not forget that innovation and R&D go beyond such material investments as machinery and factories; they are investments in brainpower and human resources, too. And it is very important to invest in human resources that will produce new, innovative ideas. Based on the idea, ‘As the twig is bent, so is the tree inclined,’ we believe introducing young people to innovative thought, science, and technology at an early age and guiding them toward these fields will yield productive results.” Increased collaboration between academia and the private sector is expected to contribute significantly to accelerating this process.

Peppers & Rogers founding partner Martha Rogers—named one of the century's 19 most important business gurus by Business 2.0 magazine and considered the visionary behind the most impressive innovative approaches by the World Technology Network—highlights the necessity to companies that want to be innovative of identifying the right kind of human resources: “In my mind, the very best thing you can do when you want to be innovative is to hire the right people—hire people who are rebels, people who are creative and think in a different way from the rest of us.” Investing in innovation therefore requires investing in the people who can generate the ideas behind it.

Ford Otosan, as Turkey's leading R&D force in automotive, currently employs 1,240 engineers in support of its R&D efforts, which it launched in 2006 with 304 engineers. Enur Mutlu, Vice President of Product Development at Ford Otosan, says, “Through our investments as Ford Otosan, we are reversing the flow of the brain drain from our country, protecting the value that we have here. Engineers not only from Turkey but also from all over the world are applying to work in Ford Otosan's R&D department. Now, with our R&D center, we are exporting engineering output as well,” pointing out Ford Otosan's human resource investment in the scheme of innovation.

CEM KURAL

Director of R&D,
Arçelik



Turkey's competencies in innovation will determine its future position

One of the most important elements behind a company's success is its technological competency and ability to manufacture original products using its own technology. To bring higher value-added to products and services, and to facilitate Turkey's development and rise to a leading position among the world's economies, innovation must be made a part of corporate culture. Supporting efforts in the field of innovation and increasing current investments are an important responsibility for everyone. The value of a company today is determined by the brands, technologies, sales and distribution networks, and know-how and ability of its employees—that is to say the value of its intangible assets. Innovation is the transformation of these intangible assets into a product or service that can create a difference in the market. Arçelik has come where it is now because it is able to do this well.

ARÇELİK'S ACHIEVEMENTS

Named Most Innovative Company at the Innovation Congress held in December 2012 by the Turkish Exporters Assembly

Opened a R&D unit at METU Teknokent (in addition to its corporate R&D center) to bring a new dimension to academia-industry collaboration, which sits at the core of R&D efforts

Expanded R&D capacity and competency with an R&D office established in Taiwan



Telve, a Turkish coffee machine to replace the traditional Turkish coffee pot.

NEYLAN SÜER

Brand Manager, Bosch
Home Appliances

The common characteristics of brands that have achieved long-term success are an uncompromising approach to quality and seeking constant improvement while maintaining an innovative perspective throughout.

Innovation ranks as one of the most important factors behind success in the Turkish market and worldwide arena alike. Therefore, it is key to brand development and becoming a global challenger. Turkey is a country with a young population and a high development potential, thanks to which it is named as one of the growing economies. The brands in our country need to take advantage of this opportunity to increase competitiveness on the international market by emphasizing R&D efforts and innovation.

The improvement and constant development of design, technology, consumption, and performance at Bosch are accomplished jointly by both engineers and designers, based on the consumer needs and necessities identified. R&D—the studies and technology Bosch guides through its innovative approach—constitutes the foundation of the path Bosch follows in pursuit of producing sustainable, efficient, aesthetic, economical, and useful home appliances. This principle serves as the compass of all our work in all of our departments, from environmentally friendly manufacturing techniques to technological research on energy efficiency.

BOSCH'S ACHIEVEMENTS

Developed the Zeolite dishwasher drying technology, an innovative product that won the German Innovation Prize for Climate and the Environment in an organization run jointly by the Federal Ministry for the Environment and the Federation of German Industry



The Bosch HomeProfessional i-DOS washing machine shines in its category with unmatched ease of use, intelligent technology, superb performance, form, and ten-year motor warranty.

ERNUR MUTLU

Vice President of
Product Development,
Ford Otosan

To the end of reaching the targets Turkey has set for 2023, an emphasis on innovation will serve as a driving force in all industries.

Present and future developments in technology, the development of new technologies, and discoveries enable companies to stand out in competitive environments. For this reason, we, as Ford Otosan, see technology and innovation as our priority, and according to our philosophy of constant improvement, we thus invest in new product development and R&D activities with increasing budgets every year.

Once the new R&D center we laid the foundations of in July launches, it will be Ford's third-largest R&D center worldwide. Also, on behalf of Ford Otosan, I would like to state that we are the company that has the most significant automotive R&D capability in Turkey. Our TRY 257 million R&D investment in 2012 is at 2.63% of our revenue, meaning we have surpassed the 2% targeted R&D spending rate for the private sector in Turkey by 2023 a decade early.

FORD OTOSAN'S ACHIEVEMENTS

In 2009, the Ford Transit Connect, the first fruit of the global R&D services launched by Ford Otosan at its Gölelik factory, accounted for the first Turkish automotive export to North America

Developed for Ford worldwide at the Ford Otosan R&D center in Turkey, the Ford Ecotorq and Duratorq engines pioneered several technologies especially in the fields of fuel economy and emission reduction



The Ford Otosan R&D center played an important role in the development of the Ford Transit, Transit Connect, Courier, Cargo, and Custom models.

ENGİN AKSOY

Chief Enterprise
Business Officer,
Vodafone Turkey

Foremost among the elements that provide the most support to the development of a country's economy are innovation and the spread of mobile technologies among the masses.

Information and communication technologies in Turkey currently account for an economic volume of \$35 billion, a figure expected to reach \$45 billion by 2017 and \$160 billion by 2020. Important strategic steps are necessary to capture this momentum. Mobile communication technology providers must be encouraged to invest in innovation and R&D. In particular, to increase the mobile penetration rate in our country from its current level of around 90%, the product of a 25% tax on private communications imposed on the consumer, to the levels seen in Europe (in excess of 130%), a new tax system that would encourage investors' appetites is key. We believe incentives toward innovation and technological production in Turkey must be identified as a matter of strategic priority. Operating in Turkey, which progresses toward 2023 with the objective of being in the economic and societal focus of information and communication technologies, we as Vodafone Turkey shall continue our investments in the development of mobile technologies.

VODAFONE TURKEY'S ACHIEVEMENTS

OKSİJEN, which was selected as Vodafone's global R&D center, is run by Turkish engineers.

The TRY 80 million Vodafone Turkey Cloud Technologies Hub, Turkey's largest data center, provides effective cost management, efficiency, and competitive advantage to the company's corporate customers through its cloud computing capabilities. The 400-rack data center is operated in tandem with data backup centers in Tuzla and Izmir as the headquarters of IT services monitoring and operations

RIZA DURCASUGIL
Netaş

To remain competitive and foster the development of global brands in Turkey, one must first spread consciousness of R&D and innovation across all segments of society and increase investment in R&D.

The way to remain as a player in today's harsh competitive environment and to have a strong, sustainable economy fundamentally goes through investment in R&D and innovation, and R&D is what constitutes the most important step of innovation. Raising the currently nearly 1% rate of R&D spending to GNP to 2–2.5% is among the most significant goals. We have more than 700 engineers on the job at our R&D center, which is celebrating its 40th anniversary. Entirely through the capabilities and strength of the Turkish engineer, we are developing globally competitive—pioneering, even—internally, with our own resources, to create value added for our country. This competency, which allows us to stand out in the industry, comes from innovation—a core element of our DNA and one of our culture's most important foundational blocks. We believe innovation is what triggers progress in information and communication technologies. Our vision is very clear—to become Turkey's global technology brand.

NETAŞ'S ACHIEVEMENTS

Operates one of the world's top ten VoIP multimedia laboratories

Invested \$30 million in R&D last year



Foremost among the innovative projects run in Netaş's lab—the largest digital signal processing lab in the region—is its 4G LTE project. As part of a project launched three years ago, the 4G LTE mobile and stationary wireless broadband access technology was developed with both hardware and software created from scratch.

TOYOTA

We strive to integrate innovation as part of our corporate culture and to have all employees adopt this approach in their professional activities.

We are in an era in which innovation is of continually higher importance in national and international competition. For countries and nations alike, innovation facilitates the conversion of developments to commercial benefit in the present competitive environment and provides for sustainable growth as well. Seen in this light, that Toyota, a leading company in auto manufacturing, allocates \$10 billion for R&D spending annually is an indicator of its innovative approach.

Strategic partnerships, too, play a large role in the development of innovation. We are carrying out projects to improve the services and developments we offer in line with Toyota's innovative approach and increasing overall mobility. To this end, we currently have partnerships with Microsoft and Intel.

TOYOTA'S ACHIEVEMENTS

Toyota introduced the “3S”—sales, service, and spare parts—plaza concept to Turkey in 1991, moving customers out of the body shop and into stylish, genteel showrooms

Toyota's greatest strength is in its ability to disseminate its practices across its entire distribution network. As a first in Turkey, Toyota established a linked communications system allowing all dealers simultaneous access to a unified body of information

MARTHA ROGERS
Founding Partner,
Peppers & Rogers
Group

We believe the best kind of innovation is not just the kind that brings constant improvement to your products and services—the best kind of innovation is the kind that becomes a business model and a better way to make money from customers.

Every time you have something new, all your competitors will eventually imitate or match it, which brings you back to your previous situation.

This makes innovation imperative. Continuous innovation is thus necessary in order to stay ahead of competitors and meet the needs of customers. We believe the best kind of innovation is not just the kind that brings constant improvement to your products and services—the best kind of innovation is the kind that becomes a business model and a better way to make money from customers.

I think the advantage of emerging countries is that the old ways are not set in stone. However, it's also true that many economies are still in the hands of big companies that do things the way that they always done. Therefore, I think we have to see whether the big companies and new companies will innovate or simply try to make money in the same ways they always have. But the opportunity is massive. I believe entrepreneurial business is the best source of innovation and economic growth. Typically, we see more of this in the US than we do in Europe, although I think we see it a lot more in parts of East Asia in fields where the rules are already set in the US. In this sense, emerging countries should be able to do interesting things. The countries, economies, and companies destined for success will achieve success by taking into account what the customers want instead of focusing on what consumers can give to them. Customers want to believe in the companies they do business with. If a company does something (or even appears to do something) that harms its trustworthiness, customers will be unwilling to do business with that company in the future—this costs everybody a lot. Companies that maintain the customer's trust and build great relationships are sure to have a steady supply of customers, and in the long run, it is these companies that will do well. Whether these companies come from emerging markets or developed markets, the key matter is to captivate the customer and accumulate more business over time. To do this, a company needs to act in the best interests of the customer and carry out its operations competently. And that is the best kind of innovation.



INTERNATIONAL FUNDS SHOW INTEREST IN TURKEY'S PENSIONS

Vakıf Emeklilik General Manager Mehmet Bostan provided his views on Turkey's new individual pension system, the advantages it offers, and the interest it has sparked among foreign funds.

BY CAN GÜRSU

As of September 20, 2013, the cumulative assets of Turkey's individual pension plan industry were worth more than TRY 24.4 billion. By asset value, where does Turkey stand worldwide?

The year 2013 has been one in which we saw many changes in the individual pension plan industry. With new advantages and especially the support of the state behind its back, the industry was the subject of much discussion with the records it broke and the value-add it has provided to the economy, becoming one of the most important items on the economic agenda.

According to the latest data published by the Pension Monitoring Center, the industry's total accumulations have reached TRY 24.27 billion. In 2012 overall, total participants increased by 468,000. The industry

surpassed this within the first five months of 2013, and by the end of the first nine months, a net increase of 744,000 people—more than double year over year—had taken place. The generation of contributions multiplied by one and a half year over year, with the contribution generation volume reaching TRY 4.22 billion by the new year.

The individual pension plan is a system with a promising future thanks to rapid growth and our country's macroeconomic parameters and demographics. Comparing the system in our country to those in other OECD countries in terms of distribution of contributions across different types of investments, one sees that participants here largely prefer instruments that yield returns with minimal risks. While the average propor-

tion of stock market investments in the pension funds of OECD countries was 37.7%, in Turkey this proportion was just 16%, according to 2012 year-end data. In this respect, the risk tolerances of individual pension participants in OECD countries and participants in Turkey are clearly different.

To compare the systems in OECD countries in terms of cumulative assets, the weighted average asset to GDP ratio for pension funds in OECD countries was 72% according to 2011 data, while in Turkey, it was in the region of 2%. Looking at trends in pension funds for the past decade (2001–2011), total pension fund assets grew at an average of 6.4% annually across OECD countries, while annual growth in Turkey was 91%. Since the system in our country is one without

a particularly long history, it is smaller but much faster growing compared to systems that have been in place for years in other countries.

On the other hand, when comparing a system with a very brief history at present to systems in place in OECD countries for years based only on total assets, it would be more prudent to keep various parameters in mind. The population aged 20–44 accounts for the bulk of potential individual pension participants. The system's penetration in this age group is, according to the latest statistics, around 12.9%. It could be said that examining the individual pension system in our country from this angle reveals more clearly the potential of the system. We predict participant counts of ten million people by 2018 and more than 15 million by 2023.

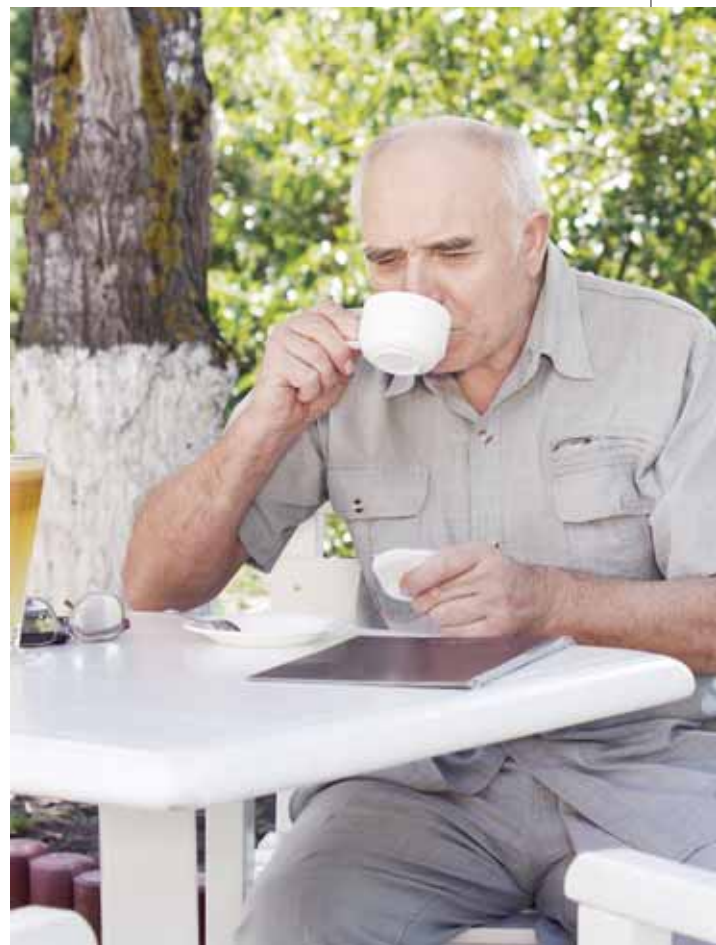
How will new legislation contribute to the individual pensions industry? What changes came with the new law?

Several new regulations were introduced to the individual pension system this year. The most important of these changes was doubtlessly the introduction of the state contributions model to the system through the support of our government's vision to increase savings and its regulatory authority. In the previous system, there was an incentive based on income tax; for this reason, only those subject to income tax were eligible. The state contribution model in the new system eased access to the publicly provided incentive for all citizens aged 18 and above and the distribution of the public incentive across the various segments of society. Furthermore, state contribution

claims were made conditional, encouraging longer participation in the system. In turn, this extends the term of savings accumulated in the system and clears the path for the establishment of a long-term source of funds for the economy.

On the other hand, there is a term length mismatch between deposits and credit in Turkey. Local investors' average investment terms in the stock market measure 46 days. For deposits, which are seen as the primary source of the financial markets' funds, the average term is 67 days. For credit, the average term is around 20 months. The term structures of deposits—the main source of funds—and credit—the main investment item—point to a term mismatch. The briefness of the deposit term and the ownership of the majority of total deposits by a small number of customers create a potential liquidity risk. The average term for individual pension funds, meanwhile, is 645 days. Therefore, it could be said that the solutions for both liquidity risk and problems related to short terms can be found in the individual pension system.

Also among the changes introduced to the system are withholding deductions. Furthermore, the deductions that pension companies are able to make were reworked in favor of the participants, with fund management fees being reduced by 50% on average and administrative expenses fees by 75%. The employer-paid individual pension contribution can be deducted from declared taxes up to 15% of the employee's salary when the maximum monthly contribution is made, or up to gross annual minimum wage in the case of the maximum



The drastic change in international funding is a reflection of the great economic development and environment of political stability exhibited by our country over the past decade.

yearly contribution, independently of payroll. The previous legislation allowed for around 10%.

What advantages does Turkey's individual pension system, as it grows with a 25% state contribution, offer to international investors and funds? Compared to about a decade ago, Turkey's image abroad has exhibited drastic change. International funds are showing significant interest in Turkey. What is your assessment of this sea change?

It first bears mentioning that the share of full-paid capital stock held by international funds has changed dramatically over the past decade. While there were no significant changes in the share of international



capital from 2001 to 2005, a rapid increase took place in recent years. The share of international capital in the individual pension industry was 17.91% at year-end 2001, while by year-end 2012, according to the most recent data, this figure grew to 68.93%.

The drastic change in international funding is a reflection of the great economic development and environment of political stability exhibited by our country over the past decade. At the same time, the individual pension plan system in our country holds great growth potential due to being just ten years old and growing at a much higher rate over OECD averages in recent years, as discussed above. Sources of international capital that

realize this potential are thus showing significant interest in the industry.

Another matter that could be of interest to international capital is the Istanbul Financial Center Project, which is highly important to Turkey's vision for 2023. The Istanbul Financial Center Project is a multifaceted project with many aspects. One of these aspects is the matter of asset management or fund management. We believe the development of the fund management industry in our country will provide a great contribution to the Istanbul Financial Center Project. One of the greatest contributions of the fund management industry to sustained economic growth is in its behavior as a bridge in the conversion of savings to investment. Thanks to funds accumulating in the individual pension system, which will grow rapidly according to projections to reach significant sums, it will be possible both to provide for the liquidity required by the financial markets soundly and to guide savings toward investment in a more active and efficient manner. We thus predict that the fund management industry will develop significantly thanks to the individual pension system. The individual pension industry further supports this project by boosting the capital markets, diversifying its investment instruments, and contributing to the formation of a long-term source of funds.

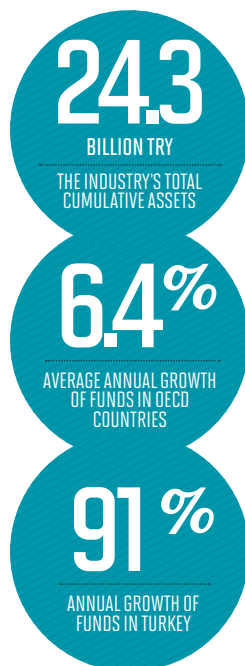
How might Turkey's new investment-grade credit rating, the US Federal Reserve's indications of ending its policy of monetary expansion, and the

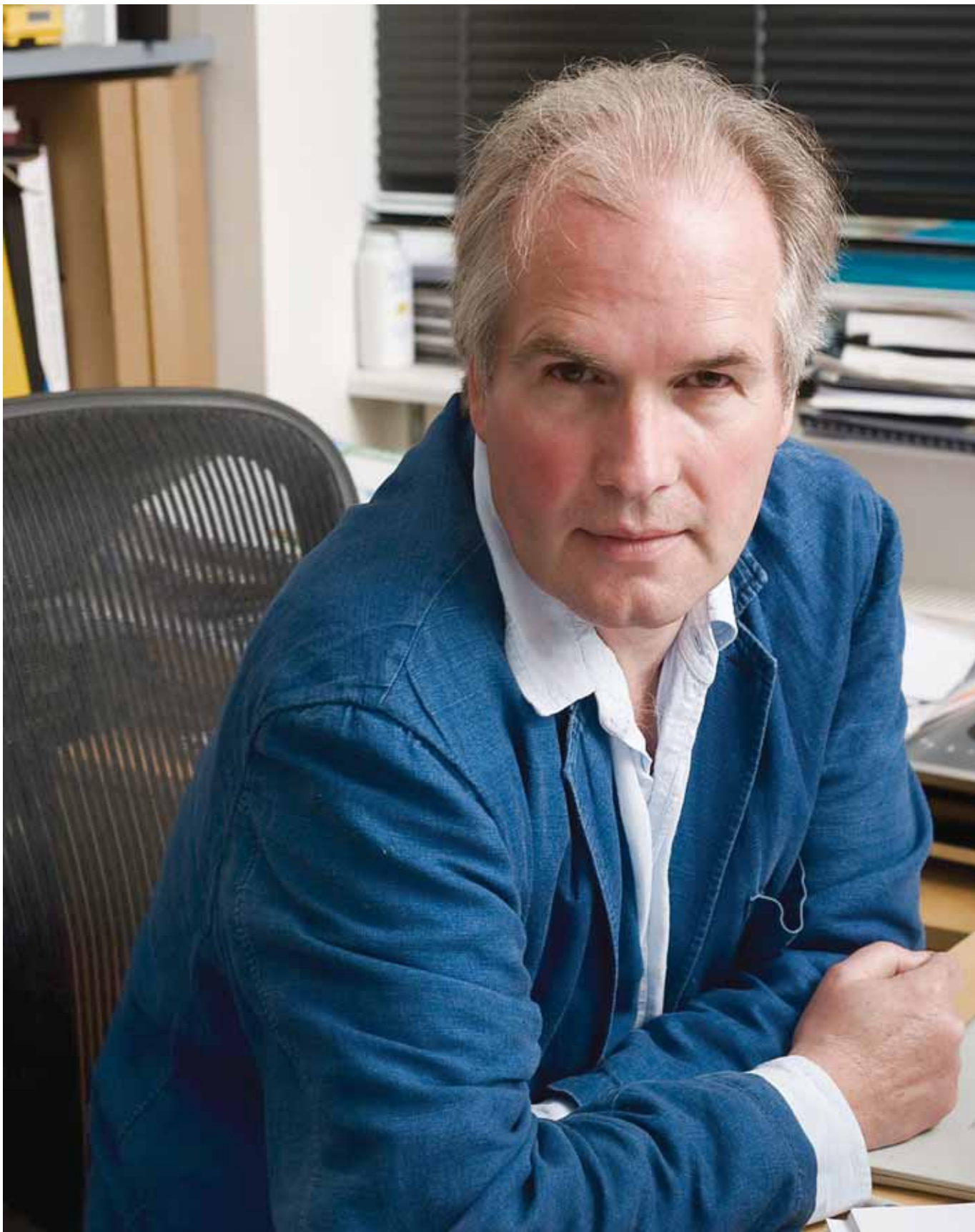
devaluation of the Turkish lira affect the flow of funds into Turkey and the investing environment?

Turkey's credit rating was upgraded first by Fitch and then by Moody's and JCR to investment grade. A study on the macroeconomic effects of the rating upgrade shows that countries whose credit ratings are upgraded to investment grade enjoy increased access to foreign capital—through portfolio investments and credit channels—and lower rates for foreign loans. Also according to this study, the exchange rate shows a tendency to rise before the upgrade, a tendency that continues after the upgrade too.

These effects were observed in Turkey, too, in part. But the effects of the rating upgrade were not felt much in the aftermath of powerful global developments. A market upset occurred in connection to the expectation that the US Federal Reserve would end its bond-buying program. This influenced national markets worldwide, causing exchanges to lose plummet, interest rates to rise, and currencies to lose value, and it particularly affected the markets of developing countries. Later, the announcements made at the Fed's meeting in September relaxed the markets somewhat, but this air of respite did not last long either.

The Fed ending the monetary expansion would mean liquidity and international capital withdrawing from developing countries and shifting to the economies of developed countries. Turkey, however, with its strong macroeconomic parameters and climate of political confidence and stability, has characteristics to distinguish it positively among the developing countries.







LEADING THE DESIGN MARKET

Dick Powell is cofounder and design director of British design firm Seymourpowell and one of the most innovative contemporary designers. His work ranges from mobile devices to household objects. It's quite possible that you may already be familiar with his designs through products from major brands including Panasonic, Tefal, Nestlé, Unilever, and LG. He is one of the speakers of this year's Turkey Innovation Week. Powell, who is one of the leading industrial designers of our time, shared with us his thoughts on innovation, marketing, and product design.

BY ALI HALİT DİKER

How might inadequate marketing produce the result of an innovation failing to reach enough customers?

There are more things conspiring to defeat innovation than there are to make it happen! Creating an innovative, world-shaking product that meets a consumer need or desire, is fit for purpose, is available at the right price, and is done with a manageable investment is not enough. First, it will fail if its intended customers don't know about it, and second, it

will fail if they can't find it to buy! Both are the job of the marketer. The Internet has mitigated these difficulties to some extent, but they remain the most common pitfalls for innovators who blindly believe in the old saying, "If you design a better mousetrap, the world will beat a path to your door." It won't and it doesn't! Failure to invest in advertising and communication, and in securing distribution rights, remains a common cause of innovation failure.

Especially in electronics, design can be thought of as having two distinct levels. One is the software interface (a design product) and the other is the design of the product as a physical object. Which of these influences product sales the most?

We use the term "metaproduct" to describe products that are a seamless blend of hardware, software, and service. And it is the provision of service that distinguishes a metaproduct from more traditional electronic and digital

products. The key to success lies in the word “seamless,” such that all three elements work so well together that the user no longer distinguishes them. Apple makes great metaproducts.

In our office, the UI and ID teams work hand in glove, with equal priority, to ensure an holistic user experience—it is this complete experience, where every aspect is satisfying, that wins sales.

Does the modern-era tenet that “form follows function” still rings true for product design today, or could the design be considered more of a package to sell the product?

Many years later, Mies van der Rohe’s famous axiom still holds truth for designers in that function should never be sacrificed on the altar of form! Products that look great but don’t work rarely succeed! These days, I prefer “form is function” because the two are inseparable—the days when designers wrapped some new clothes around a functioning chassis are long gone! Designers have a double duty in ensuring that look-and-feel proves seductive at the store and constantly rewards ownership at the same time.

Over the course of history, Turkey has been home to an incredible number of civilizations. This lends a particular authenticity to the country. How could this quality be applied to contemporary product designs? How might it be marketed globally? Do you know of any Turkish brands that would be capable of this?

In my world of designing products, nearly all of our clients seek to create global products that can sell everywhere. The exceptions



tend to be where cultural or functional requirements demand more localized solutions—a rice cooker, for example, is predominantly an Asian product. Sometimes, those localized products can spark interest elsewhere in the world: sales of rice cookers are making headway in the West, fueled by TV cookery shows.

Turkey’s rich history and culture are incredible and a rich source of inspiration for designers. If I were a designer working in Turkey on products for the Turkish market, I would certainly be exploring and tapping into that. But exporting these to Western markets may be difficult. The creation of innovative products, especially if they create new paradigms, requires a compelling story, which in turn often forms the backbone of their communication. So, wherever there is an interesting and compelling Turkish story behind a product, there could be potential. An example: I think of Turkish coffee (and Turkish delight for that matter) as an exportable experience—the ritual of preparation, its serving and, of course, the equipment



used... Wrap all of that up as a contemporary product offer, build awareness through social media, endorsement, and product placement, and focus its communication on the “experience,” and maybe you could create a new category of product. Starbucks introduced espresso-based coffees to a largely ignorant market. And Nespresso built a huge business around bringing it into the home. A Turkish brand like Arçelik could certainly do this!

What are your views on design trends in the Middle East and Turkey?

Given my earlier comments about global versus local and rarely designing for local markets, we don’t monitor these trends very closely except insofar as they affect a particular category. A good example is airlines—for most carriers, their provenance is a defining aspect of their brand

The currency of design is ideas. Wherever there are new, interesting and challenging ideas, design will flourish.



and its culture, and so needs to find expression in the design of their airplanes.

How have worldwide design trends been changing in the recent term? Could you discuss your company’s design activities?

I’ll be showing many examples of our recent activities in the Conference. We rarely think of worldwide design trends in isolation; they are usually ideas that build momentum quite slowly, often within specific product categories, before reaching the critical mass where their influence spills over into other product categories. Once they have achieved critical mass, they stop being a coming trend and become the new “normal” (and obvious to everyone). Our job is to spot them building critical mass to ensure that our future products catch that wave.

These “long-wave” trends

have different degrees of influence in different product categories, some of which lead and some of which follow. But rather than being the determinant of what we do, they tend to provide the context for a product's design, which is more likely to be determined by its own context—its environment, its competition, its brand, and its target market.

Designwise, which industries will prove more open to change and promise the most diversity in the near future?

If there is one big change in the last ten years, it's the widespread appreciation and understanding of design in every facet of society. These days, it is unimaginable that a business creating products and services would not engage with design! The only question is to what extent they do so—and there is plenty of data out there to prove businesses that invest in design do better than those which don't! Therefore, businesses that currently underinvest in or misunderstand the role of design in the genesis of new products are the businesses that have the most potential for change!

There is a significant relationship between a product's design and its quality. Distinctive product designs distinguish products and render them more attractive, thereby giving way to the impression of a unique, high-quality product. Which kinds of products do you think benefit most from design?

All products benefit from great design, from a humble low-cost product to a luxury high-end one. And great design pretty much costs the

business just the same as poor design. It costs the same to do it well as it does to do it badly! And yes, there is a relationship between design and quality—the former can reinforce the latter, but it can't substitute for it. Poor quality can be disguised initially by design, but it will quickly trash a brand's reputation once it's revealed in postpurchase use. We put a lot of emphasis on “touch-points” at point of sale—if you watch people evaluating, say, a new washing machine, they open and shut the door, pull out the detergent tray, and fiddle with the buttons. If these feel cheap and imprecise, that conveys a poor quality impression of the whole product. If they feel well designed, really solid and well engineered, that tells the consumer that the level of quality (and thinking) probably pervades the whole appliance.

Do you keep current with design trends in Turkey? As Turkey jacks up its exports, the domestic automotive and shipbuilding industries are producing a range of different designs. Where do you think Turkey stands worldwide in terms of product diversity?

In interiors, architecture, textiles, ceramics, there is a rich heritage of Turkish design for all to see. In industrial design (by which I mean designing durable products for mass production), there is less visibility. We see Turkish successes in the West—Ross Lovegrove's range for Vitra and the work of Arçelik's design team for example—but we see them because of their global availability. Design awareness of Turkey's best products is limited, to be frank. I know you have

TOP HONORS IN 2012

Seymourpowell won Red Dot Awards in three categories in 2012—Entertainment, Productivity, and Communication Design for Editorial and Corporate Publishing. The firm won four other design awards in 2012.

Turkey's rich history and culture are incredible and a rich source of inspiration for designers. If I were a designer working in Turkey on products for the Turkish market, I would certainly be exploring and tapping into that.



Design Turkey Awards for example, but I failed to find images of winning products on the Internet!

Trends in domestic innovation and design point to great progress. Designs tending toward the surreal are becoming more popular in the construction and automotive industries, to name a couple of fields. In this context, what will changes in design bring to the concerned industries in the coming term?

The currency of design is ideas. Wherever there are new, interesting and challenging ideas, design will flourish. As a rule, businesses hate change, because change costs money. Nevertheless, it's just not possible for an industry to stand still and hope to keep making the same old things (which they would much rather do!)—that way leads to atrophy and decline. Design and innovation offers a way out of this spiral for any kind of industry, a way to revitalize the business or brand, a way to envision its future, a way to redefine the business, and a way to lead rather than to follow. And underneath all these promises lies a simple truth—the power of ideas!

Brands

LEATHER, PIPING, GAMING, COSMETICS...

RICH TRADITIONS BOLSTER LEATHER APPAREL AND ACCESSORIES EXPORTS

Matraş, one of Turkey's deepest-rooted companies, is making plans to grow internationally. Matraş Board Member Erdal Matraş says the company desires a presence in the world's capitals. Among Matraş's short-term objectives are entering several European capitals and achieving an annual export of \$100 million by 2015.

BY GİZEM GÜZEY



MATRAŞ'S STORY begins in 1947. Hakkı Matraş, the founder of the company, established a leatherwork shop in Beyoğlu, Istanbul to practice the profession he was introduced to as a child. Over the years, Matraş's company advanced and expanded, and today, it offers customers a broad product range that encompasses purses, shoes, suitcases, briefcases, attaché cases, coin purses, and leather apparel in addition to makeup bags, office accessories, game sets, key chains, and many other items.

As one of the Turkish leather industry's most important brands, Matraş has followed a credo of quality-focused production for 66 years. More recently, the company has been investing especially in the area of brand development. Matraş Board Member Erdal Matraş believes the company's greatest advantage in brand development lies in the know-how and experience it has accrued. Matraş has three manufacturing facilities and 17 sales outlets in Turkey, and currently, it is cautiously examin-

ing its options to acquire stores abroad. Erdal Matraş believes it is more important to be in the right place than it is to be in all places.

KEY STRENGTHS IN MANUFACTURING AND EXPORTS

Exports are essential to Matraş. According to Erdal Matraş, exports account for 65% of total revenues. He adds that the rise in the currency exchange rate shall provide the desired momentum to help achieve the company's sales and revenue targets for 2013.

Workmanship, experience, and competitiveness are what distinguish Turkey from other countries in the market. The craft of leatherworking dates back to ancient times in Turkey. Even now, it operates on the basis of a master-and-apprentice relationship with deep historical roots and tradition. According to Erdal Matraş, Turkey is highly competitive in the leather market, having the ability to stand against its rivals on both labor and quality. "One of the most important factors that improve our competitiveness is our high-quality

Workmanship, experience, and competitiveness are what distinguish Turkey from other countries in the market.



manufacturing. Furthermore, in terms of logistics, being situated very close to Europe is highly advantageous for Turkey, especially for efforts targeting the euro zone. These are the leading factors that enhance our competitiveness," he says.

Europe is famously fond of Turkish leather. Erdal Matraş claims this is rooted especially in Europe's failure to reach the level of quality it desires through East Asian production, which is known to have issues concerning scent, dyes, and stitching, thus failing to satisfy consumer expectations. According to Matraş, Turkey was forced to return to high-quality production once European brands realized price wasn't the only factor in the competition. It thus appears that Turkey shall further the success of its production in Europe as a country that is able to bring its quality approach, labor, and craft to the product in a sound manner.

BRANDING REQUIRES DESIGN

Paralleling rising per capita incomes, domestic interest in leather has been increasing in recent years. Leather, positioned at a higher price point over textiles, is known as a quality, prestigious product. The demand for leatherwear corresponds linearly to increases in buying power. According



Leather, positioned at a higher price point over textiles, is known as a quality, prestigious product.




“Leather is in a category that appreciates against textile products as it is used.”

to Erdal Matras, the unique feel of leather is what makes it so indispensable, and the contribution it provides to personal style is incomparable to that of any fabric. As consumers become increasingly aware of this, the demand for leather in the domestic market should continue to rise according to these factors.

Another advantage Erdal Matras points out is that leather is an embodiment of longevity. “Leather is in a category that appreciates against textile products as it is used. After ten years of use, leatherwear will become a vintage item with higher value. This makes leather a material that is seeing continually increased use and preference in the domestic market.”

Turkish leather companies have invested significant sums in recent years toward brand development, says Erdal Matras, who believes several brands may emerge from Turkey within

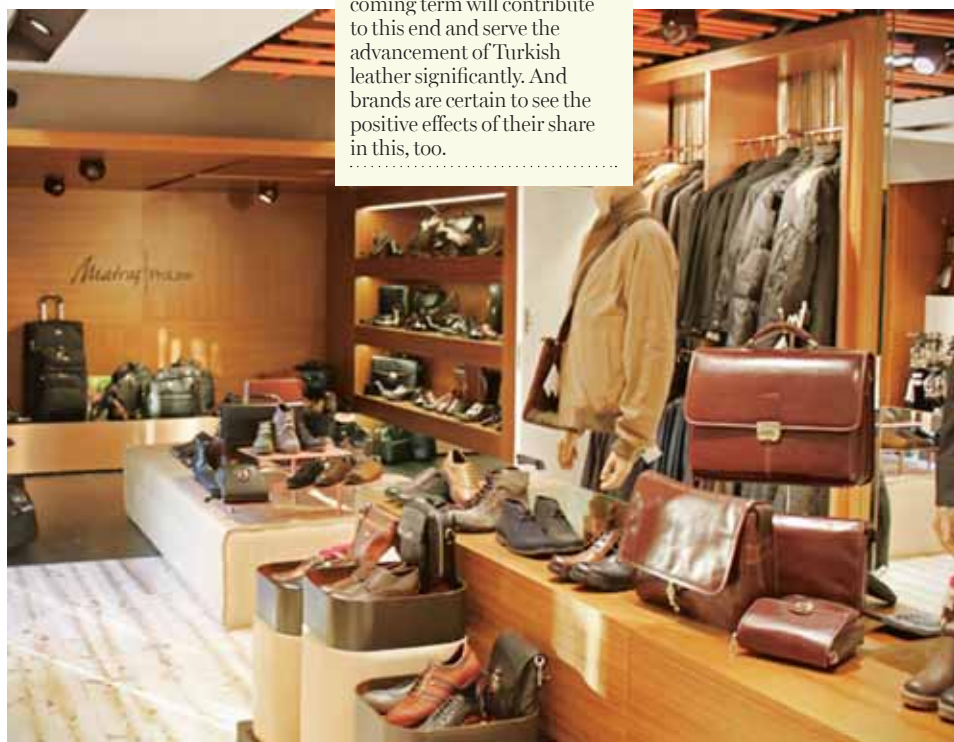


ERDAL MATRAS

Board Member, Matras

We have in our hands several instruments to raise the standing of our leather to the highest levels, including the fact that leatherworking is a tradition in Turkey, the fact that a certain standard in quality has been achieved, and the selection of high-quality materials. However, we question how much this resonates around the world. Though brands might want to do things on their own, these kinds of enterprises require operations that will make a bigger splash. This is where the Leather Promotion Group comes into play—they made quite a splash in Europe and other parts of the world through previous campaigns. The new projects to be implemented in the coming term will contribute to this end and serve the advancement of Turkish leather significantly. And brands are certain to see the positive effects of their share in this, too.

a decade if such enterprises are sustained, although he warns that such an undertaking will be long and arduous, requiring significant levels of patience, investment, and know-how: “We believe the most important step toward brand development must go through design. An emphasis on design is an unquestionable requirement for brand development. This process represents a long path in which design meets the balance of quality and price in production and becomes one with advertising and marketing efforts. Furthermore, the ease of communication and the benefits that social media offers to producers and consumers simplify and expedite the brand development process.” With a defined strategic vision to handle this matter, Matras is prioritizing investment in brand development over expansion abroad for the moment.





THE INDUSTRY OF JOY

Though the games industry in Turkey is very young, it is developing quickly and holds a significant share particularly in the Middle Eastern market. Turkish companies are expected to be competitive players in the games market, one of the fastest-growing markets in the world, within a few years. Currently, the industry leader in Turkey is Joygame, with Barış Özistek at the helm as CEO.

BY ALİ HALİT DİKER

THE VIDEO GAMES industry is one of several new areas to emerge in Turkey during the past decade and develop rapidly. The games industry in Turkey is worth roughly \$300 million. Joygame is the largest company in Turkey's games industry. It was founded in 2009, locally funded in full, and today it is a leading company in the Turkish and Middle Eastern market. Since 2011, Joygame—a developer and publisher of massively multiplayer first-person shooters and role-playing games, as well as mobile games—has been under the leadership of Barış Özistek as CEO. Something happened this year that would accelerate Joygame's expansion beyond Turkey and the Middle East to the

global market—on May 24, 2013, CJ Games, the world's second-largest mobile games company, purchased a 50% share of Joygame with a \$15 million investment. "Modoo Marble," the first fruit of this partnership, was released worldwide on September 13. A localized version was developed for the Turkish market. Also recently, "Battle of Immortals," a massively multiplayer online role-playing game, was released in beta form to the delight of gamers around the world.

FROM ZERO TO HERO

When Joygame was founded in 2009, it was a small company. One of the few entirely locally funded companies to enter Turkey's games market, Joygame grew with leaps

and bounds over the course of four years. At the time of its founding, all the games companies with popular, mass-audience games were nonnative companies investing in the region. Joygame, now Turkey's leading games company, has offices in three countries and plans to open another office soon in Dubai. The Middle East is an important market to Joygame, says Barış Özistek. He adds that as the company exhibits growth paralleling that of the market in Turkey, it is growing even faster—much faster—in the Middle Eastern and North African markets in particular.

One of the most important reasons behind the rapid growth of Joygame and the widespread appeal of the games it publishes is that these games, most of which are developed in Asia, are proven successes in their markets of origin. Instead of translating the games into Turkish directly or from English, however, Joygame focuses on meticulous localization, working with its own design and programming crews. For instance, "Wolfteam"—a massively multiplayer online first-person shooter—features "maps" of Taksim and Topkapı Palace in Istanbul: the fact that such localized maps (as added by Joygame) can be added to a game developed by a Korean games company is among the reasons why it gained popularity in the Middle Eastern market. Another game localized for the Turkish market is "ZombiRock." The members of the Turkish rock band maNga worked in Joygame's studios during the process. Gamers are able to select and play as members of the band. Another Joygame-published game, "Goley," features Sabri Ugan, one of Turkey's best-known voice actors.



On May 24, 2013, CJ Games, the world's second-largest mobile games company, purchased a 50% share of Joygame with a \$15 million investment.



Clearly, localization is an important aspect that influences the popularity of a game in the market in which it is released. Özistek says it takes around four to eight months to localize a game. Throughout this process, the game is tested continually against inconsistencies and errors. Joygame's biggest localization challenge and longest-running project so far is "Battle of Immortals"—it took a year and a half to finish the localization process. "It was almost as arduous as developing the game from scratch," says Özistek.

Quickly rising up the ladder of success through its localization and marketing strategies, Joygame became a leader in the Turkish, Middle Eastern, and North European games markets. This led to a partnership agreement with CJ Games of South Korea, which was signed on May 24. Joygame's first global release, "Modoo Marble," developed by CJ Games, is one of the most successful games in the Asian market. The South Korean company entrusted the game's title and distribution rights to Joygame, believing in Joygame's ability to handle a global marketing campaign. Özistek expresses hope that the CJ Games partnership will produce the result of Joygame becoming a leading player in the European and South American markets.

THE GAMES MARKET IN 2023

In Turkey, video games are considered part of the IT sector. Worldwide, however, they are seen as part of the entertainment industry. The likes of television and cinema magnates such as Warner Bros. and Walt Disney have made significant investments in the video games market as of late.

Özistek says video games do not contribute much to the current \$35 billion volume of Turkey's IT sector yet, but he adds that the industry's rapid development could provide a great boost to the \$160 billion export target set for the IT sector. "When what is essentially zero today is doubled or tripled, this contribution will be much easier to grasp."

One of the requirements for Turkey's \$160 billion export target in the IT sector by 2023 is to increase the rate of software investment from 20% to 50%. This would contribute to growth in game development as well. Additionally, the Ministry of Transport, Ministry of Economy, and TÜBİTAK are providing significant incen-



tives to the games industry in every stage from development to marketing. Özistek says that while certain aspects may be overlooked, it is possible for the games industry to obtain state support in every stage of the process. Therefore, though this support contributes significantly to the development of the games industry, further optimization is necessary. As an example, Özistek points to South Korea—once China duplicated Korea's system, it became one of the world's top three games exporters



ONE OF THE RISKIEST INVESTMENTS

Though the games industry may appear to present a delightful and relaxed working environment, it is one of the riskiest areas of investment. Particularly if a game developed from scratch is unable to reach its targets in the market, nearly all of the investment may have to be written off as a loss. Investing in games is not like building a factory, says Özistek: "If a factory project fails, you could still recover as much as 80 percent of your investment."

over the course of six or seven years through its support of the industry. Key to South Korea's strategy is not only material support but also expert crews dedicated to improving the field, offering training to companies through state institutions. For instance, when a company starts developing a new game in South Korea, state-assigned engineers come to examine the game, design an optimal server configuration needed for it, and test it. The state's support thus reduces the cost to buy or lease the required expertise and qualified expert consulting. Such policies to support the video games industry could be optimized in Turkey, too. This would contribute significantly toward the objective of becoming a global leader in a \$75 billion worldwide market.

According to Özistek, the entry into the Turkish market of such companies as Crytek—responsible for several AAA blockbusters—and their pursuit of local production and exports will contribute both to the development of the games industry in Turkey and toward a larger role in the global games market.

One of Joygame's dreams is to develop a massively multiplayer online role-playing game based on Ottoman history. This would require a team of 100–150, three to four years of production time, and an investment of \$15–20 million. The talent and capital needed to develop such a game from scratch is not yet available in Turkey, says Özistek. With Joygame's partnership with CJ Games, however, they might be able to turn this dream into a reality sooner than thought, he indicates, but he adds that a start date for such a project has not yet been set.

The Middle East is an important market to Joygame, says Burak Özistek. He adds that as the company exhibits growth paralleling that of the market in Turkey, it is growing even faster—much faster—in the Middle Eastern and North African markets in particular.

Vesbo Aims to Grow through COMPACT FACTORIES ABROAD

As per the strategy it developed based on examining the export strategies of global brands, the pipe manufacturer Vesbo plans to establish compact factories abroad to manufacture low value-added products.

BY GİZEM GÜZEY



IN A GLOBALIZED EXPORT market that is subject to ever-higher competition, Turkey is notable as a self-sufficient country that has progressed through achieving its targets and expanding its vision, having reached the position where it can compete against its rivals in the international export market. Naturally, these developments affect all industries—including the pipe industry.

Paralleling the skyrocketing of the construction industry, the Turkish pipe industry is on an unstoppable rise. Thanks to urban transformation projects,

drinking and irrigation water infrastructure building, and investments in hydroelectric power plants, production is expected to have increased by 3% by year-end 2013. There are 30 companies active in the industry, which employs 8,000 people. Roughly a third of the industry is involved in the production of plastic pipes, which is expected to reach 760,000 tons by weight and \$2 billion by value by the end of the year. The leading export recipients are Iraq, Russia, Azerbaijan, Turkmenistan, and Georgia. In steel piping, the industry's 2012 output totaled nearly 4.25 million tons, placing



ISO 9001-certified SPIRA PIPE is active domestically and abroad with its crew of experts in plumbing systems aiding construction firms on contracts and projects.

Turkey as the largest steel pipe producer in Europe and the fifth largest worldwide. The industry's steel pipe exports in 2012 totaled 1.83 million tons. In the first half of 2013, steel pipe exports were 3.3% higher year-on-year.

TAKING LOCAL BRANDS GLOBAL

Vesbo accounts for 4% of Turkey's total exports to Vietnam. As per the strategy it developed based on examining the export strategies of global brands, the pipe manufacturer plans to establish compact factories abroad to manufacture low-value-added products. Ömer Faruk Berkşan, CEO of the parent Kar Group, says they will continue to manufacture high-value-added products in Turkey.

The brands supported by the Turquality program, which aims to foster the development of global brands in Turkey, are becoming stronger by the day. Vesbo was taken under the program's wing in 2006—that year, its export totaled \$19.2 million; in 2012, this figure rose to \$36 million thanks to Turquality's support. Vesbo's target for 2013 is \$42 million by year-end.

TURQUALITY DOUBLES GROWTH

Under the Turquality program, Vesbo expanded its staff from 293 to 578 and increased its revenue from \$37.6 million to \$75 million. Production capacity has also multiplied. Vesbo is active in 72 markets at present, and among its new targets are France, Spain, Poland, and Iraq.

Berkşan says Vesbo increased its export to East Asia by 275%, becoming one of the most recognized brands in the market especially in Vietnam. "Vesbo is responsible for a 4 percent

share of Turkey's export to Vietnam all by itself. We are very proud of this. Our products are sold in Vietnam at more than 200 retail locations, marketed as 'European-quality' products in the top segment." With a total of 800 distributors and shops, Vesbo is an important player in the Vietnamese plumbing market.

COMPETING WITH LOCAL MANUFACTURERS

Before Vesbo joined Turquality, it focused equally on the domestic market and exports. Afterward, says Berkasan, they altered their strategy to concentrate on exports: "We examined the strategies of worldwide brands and developed our export strategy accordingly. In the coming years, we aim to establish compact factories abroad to manufacture low value-added products locally, enabling competition against local rivals by eliminating the shipping cost. Products with high value-added, on the other hand, we plan to send from our factory in Turkey." A long view of the matter suggests Vesbo will enrich its global economic relations and further Turkey's powerful vision in plumbing exports.

"In the coming years, we aim to establish compact factories abroad to manufacture low value-added products locally, enabling competition against local rivals by eliminating the shipping cost."



ÖMER FARUK BERKASAN

CEO, Kar Group

With more than 3,000 retail locations nationwide, Vesbo is a key element of the Turkish plumbing industry. Vesbo also enjoys an expansive worldwide distribution network with offices in Singapore, Russia, and Kazakhstan. Today, Vesbo products are in use in 75 countries in Europe, East Asia, the Middle East, CIS, Africa, and America.

TWO DECADES OF SUPERIOR QUALITY

Novaplast, one of Turkey's pioneers in plastic plumbing systems manufacturing, is known worldwide and locally especially for its Vesbo-branded PP-R pipes and fitting components.

Since 1994, Novaplast has been offering solutions to the construction business in the areas of infrastructure and the transmission of water within buildings. Engineers, contractors, architects, plumbers, and consulting companies across the world use Vesbo PP-R pipes and fittings; PE-X, ALPE-X, and PE pipes; and PVC wastewater pipes and fittings in infrastructure and superstructure construction as part of solutions to improve quality-of-life for the end users.

A PILLAR OF TURKEY'S INFRASTRUCTURE

In 2009, Novaplast absorbed Çamlica İnşaat, another Kar

Group subsidiary active in the construction materials industry. One of the primary gains of this action was SPIRA PIPE U-PVC technology, which encompasses products that range from 150 mm to 2,600 mm and can be produced in the field, enriching Novaplast's product portfolio and making it a brand that bolsters Turkey's infrastructure.

THE KEY TO SUCCESS: APPROACH TO MANUFACTURING AND QUALITY

All Vesbo products carry certification and testing reports issued by globally recognized and approved labs and institutes. The quality of PP-R pipes and fittings is approved and certified by quality control institutions located in Germany, including DVGW, Hygiene Institut, and Kreis Recklinghausen. Vesbo's products also carry AENOR (Spain), GOST-R (Russia), and NSF (USA) certification, as well as quality and hygiene certification from many other countries including Ukraine, Romania, Poland, Portugal, Libya, and Syria. Vesbo's products are also certified in Singapore, Vietnam, and China, opening the door for their use in projects throughout the region.



VESBO'S EXPORT PERFORMANCE

\$19.2 MILLION

Vesbo's export totaled \$19.2 million in 2006.

\$36 MILLION

Thanks to Turquality's support, Vesbo increased its export to \$36 million in 2012.

\$42 MILLION

Vesbo's total 2013 export target.



Neva Kozmetik's new factory in Çerkezköy brought an 80% increase in output through systems that measure the effects of sunlight and aerial moisture to ensure product quality.

NEVA'S COLORS GO WORLDWIDE

Neva Kozmetik, a pioneer in Turkey's cosmetics industry, is partnering with global cosmetics giants to enter the world market.

BY BARAN KARAKUZZU

THE COSMETICS industry worldwide is growing at an annual rate of 4–5%; in Turkey, the growth rate is more than twice that. Neva Kozmetik, one of the key players in Turkish cosmetics, has recently launched a number of undertakings in connection to this. As one of the leading actors in the Turkish cosmetics industry and the first local hair dye producer, Neva's field of vision goes beyond the quickly developing market in Turkey, having expanded its export goals by opening its first store abroad—in Düsseldorf, Germany—in May 2013. Within two years, Neva aims to have opened ten stores abroad. The company was founded in 1991 by Teoman Okay, a former sales manager

at a multinational cosmetics corporation, entering the market with the first Turkish hair dye brand. With Turkey's strength behind it, Neva is set to grow quickly in its bid to expand across the world.

NEVA'S GIANT MANUFACTURING INVESTMENT

Europe's largest hair dye manufacturing facility was made operational this year in Çerkezköy, near Istanbul. The manufacturing and warehouse facility covers 10,000 square meters. Neva invested \$10 million in the factory, which uses fully automated manufacturing, filling, and quality control equipment and cutting-edge manufacturing techniques developed by its expert technical team.



Neva Kozmetik is Turkey's leading hair dye and hair care product brand with domestic production.

Neva's factory produces hair dye and other hair care products using the latest "smart" equipment. Neva is admirably conscious of the environment, having cut down environmental damage to practically nothing. Its product is world class, possessing all the key quality certifications. Technology is what comes first in cosmetics manufacturing, says Neva Kozmetik CEO Armağan Okay. "As we did at our old factory in Merter, we supply continuous work safety and health training to our employees via consulting companies—our employees are very important to our company," he says, underlining the company's commitment to quality in human resources, too.



A GLOBAL HEAVYWEIGHT IN COSMETICS R&D

Growing from a small beginning dye shop founded in Brooklyn, N.Y. in 1897, Jos H. Lowenstein & Sons is today the world's largest manufacturer in the field, manufacturing millions of tons yearly in a complete range of colors. The company's R&D center, which employs roughly 200 engineers, is one of the world's largest. Jos. H. Lowenstein & Sons engineers are currently coordinating with Neva Kozmetik engineers for operations in Turkey.

500

NO. OF HAIR DYE
COLORS

90

MILLION TRY
2013 REVENUE TARGET

40%

MARKET SHARE
GROWTH TARGET
FOR 2013



ARMAĞAN OKAY

CEO, Neva Kozmetik

We manufacture on behalf of companies that are worldwide leaders in the field of hair dye, and we possess an expansive color palette. We are highly competitive on price. Our greatest dream for Neva Kozmetik is to make it a global brand. To this end, we are in constant contact with other countries. There is high demand for our brand's products in Azerbaijan, Iran, Iraq, South America, and Macedonia, among others. As of 2013, we, as Neva Kozmetik, have a range of 500 different colors for hair dye, and we aim to increase our market share by 40% and thereby reach TRY 90 million in revenue by the end of 2013.

"WE HAVE GAINED THE INDUSTRY'S TRUST"

As Turkey's first hair dye manufacturer, Neva has proven the strength of its brand over the course of 22 years, says Okay: "The greatest advantage of being the sole player in the field is that we have gained the industry's trust." The trust Neva earned attracts local and domestic companies seeking contract manufacturing, a field in which Neva has significant experience. Neva provided end-to-end support to its customers in matters ranging from R&D to graphic design and color selection. The new Çerkezköy factory was designed with a specific focus on these concerns, says Okay, and he adds, "Our hair dyes are manufactured under extremely hygienic conditions with zero contact contamination. With our factory, Neva Kozmetik is among a select few Turkish producers." With its highly professional manufacturing team, Neva does contract production for international and local companies in countries such as US, Italy, Spain, Argentina, Algeria, Egypt, and Iran.

COLLABORATING WITH GLOBAL GIANTS

Neva is engaged in the development of new hair care



products daily with seven engineers at its R&D center, which it established using know-how received from a Spanish company with 71 years of expertise in hair care, hair dye, filtration, and environmental safety. Neva's R&D efforts are concentrated on hair care products. Neva Color Premium, its latest such product, contains eight different oils that nourish and enhance hair. Coconut oil is one of the chief ingredients in this formula, which prevents shedding, strengthens the hair, and accelerates growth.

JOS. H. LOWENSTEIN & SONS PARTNERSHIP TO BOOST INNOVATION

Disclosing another recent Neva partnership effort, Okay states they reached a preliminary agreement in September with Jos H. Lowenstein & Sons, which has the world's largest hair dye manufacturing and R&D facilities. According to Okay, the New York-based cosmetics giant recognized Neva's manufacturing output, domestic sales volume, and recent capacity expansion with its new factory and initiated contact to express interest in partnering with Neva on hair dye manufacturing and sales activities in Turkey.



Neva Kozmetik's export markets include Azerbaijan, Iran, Iraq, Algeria, South America, Macedonia, and Egypt.

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

Agenda

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



The Future Is in Istanbul

Istanbul Congress Center

NOVEMBER 28–30

Innovation, as one of the key dynamics of a country's progress and development, appears in all aspects of life today—not just in technology. Innovative enterprises enhance quality of life and add value.

Accordingly, with the purposes of raising mass consciousness of innovation and its importance, TIM is presenting the progress-driving effect of innovation in the fields of science, technology, marketing, urban planning, business, industry, and energy as the organizer of Innovation Week Turkey. Themes for day one will be

technology, successful Turkish inventors (in science), and brand management. Day two will focus on innovation, design, cities and living, energy, and R&D. The last day will focus on digital marketing, e-commerce, science, and entrepreneurship. A career workshop will also take place that day.

The career workshop being held during Innovation Week Turkey will bring university students together with leading business figures. Eligible students will be offered internship and scholarship opportunities.

NOVEMBER



WEBIT Congress
Haliç Congress Center, Istanbul
NOVEMBER 6-7

The leaders in digital technology and telecommunications are set to convene at the WEBIT Congress 2013, which will examine the issues of technology focused on the EMEA region and the development of entrepreneurial ecosystems. There will be seven conferences held as part of the congress, which is expected to welcome more than 8,000 participants from over 100 countries.

Lifestyle Expo
Istanbul Convention and Exhibition Centre, Istanbul
NOVEMBER 14-16

Lifestyle Expo is the most important of the events organized by the Hong Kong Trade Development Council to promote products and designs made in Hong Kong in the world's chief markets. On exhibit at Lifestyle Expo will be consumer electronics, ornaments and novelties, fashion accessories, and wristwatches. Previous Lifestyle Expo hosts include Hungary, China, India, Poland, Indonesia, and Dubai. This year, more than 200 quality-focused, leading companies—especially from Guangdong—will participate in the fair to establish commercial connections in Turkey.



Railway Istanbul 2013
CNR Expo Center, Istanbul
NOVEMBER 28-30

Turkey, which has been noted for its recent massive project undertakings and rapid rail investments, is uniting heavy industry, IT, and rail companies active in the railway technologies, rail systems, and public transportation fields at the Railway Istanbul fair, which is being held in an indoor space measuring 100,000 square meters. The fair is being supported by the Turkish State Railways (TCDD).

Renewable and Sustainable Energy Technologies and Solutions Fair

CNR Expo Center, Istanbul
DECEMBER 5-8

At a time of increasing importance for the use of alternative and renewable energy resources worldwide, the Renewable and Sustainable Energy Technologies and Solutions Fair will focus on the latest trends in wind, solar, hydroelectric, geothermal, and biomass energy resources and in their mass deployment. Sponsored by the Turkish Ministry of Energy and Natural Resources, the fair expects to welcome 10,000 visitors.



China Trade Fair
CNR Expo Center, Istanbul
DECEMBER 12-15

The China Trade Fair aims to reveal the latest in commercial Chinese products, services, and technologies, with exhibitions of textiles, ornaments and gadgets, cosmetics, toys, sports goods, glassware, electronics, furniture, construction equipment, plastics, chemicals, medical equipment, and office supplies. Turkish and Chinese companies shall meet at the fair to further expand the volume of trade between China—the world's rising power—and Turkey.

Health Tourism Expo
Istanbul Expo Center, Istanbul
DECEMBER 19-22

Featuring the attendance of hospitals and medical centers, spa and hot spring facilities, wellness centers, beauty and grooming centers, and health care institutions, the Health Tourism Expo will be welcoming visitors from travel agencies specialized in medical tourism, treatment centers, and athletic health centers, as well as individual visitors. The fair has a particular focus uniting parties involved in medical tourism, an area of great potential for Turkey as revealed by the 60,000 medical tourists the country welcomed last year. The fair will be held in halls no. 9, 10, and 11 of the facility.



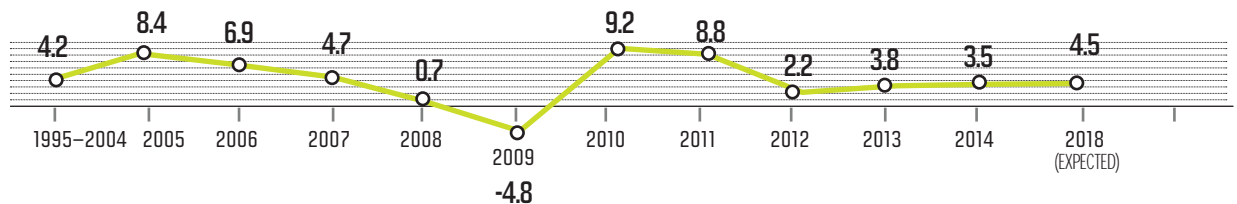
DECEMBER

Figures

STEADY GROWTH CHARACTERIZES TURKEY'S ECONOMY

TURKEY UPS ITS GDP CONSTANTLY

Showing Turkey's annual real GDP growth rate, this graph demonstrates that growth expectations for Turkey remain steady despite lethargy and predicted shrinking in the global markets. Steady growth gives Turkey an advantage over developing economies, too.



GLOBAL OUTLOOK REMAINS DULL

Turkey's positive prospects outshine uninspiring projections for the global economy.

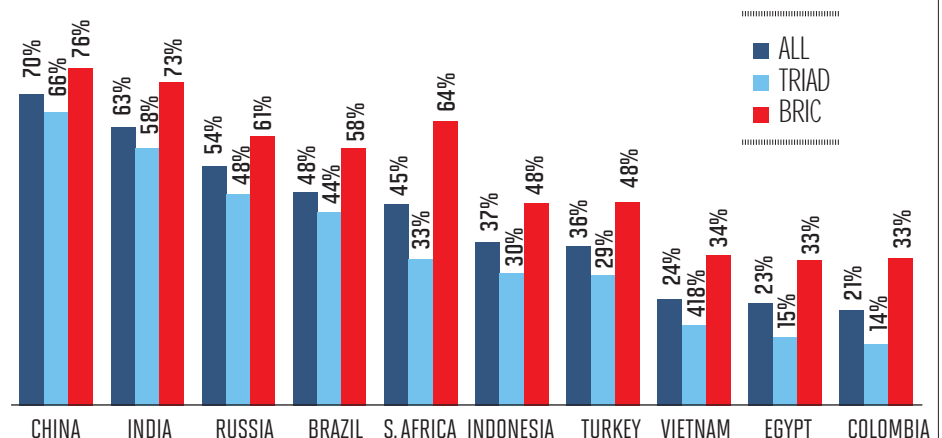
2013
2.3%

2014
3.0%

TURKEY'S AUTO EXPORTS FLOURISH

In September, the export of Turkey's automotive industry exhibited year-over-year growth of 31%, reaching a volume of \$1.97 billion.

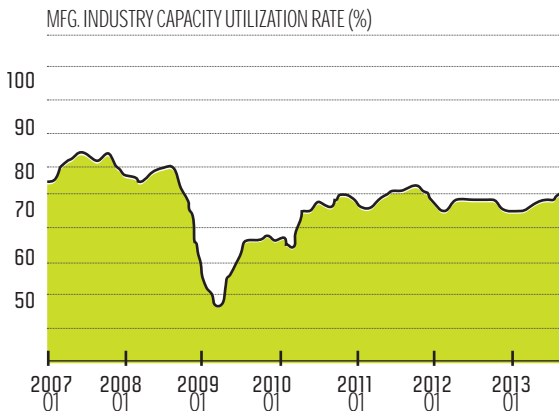
INVESTMENT GROWTH BY COUNTRY



Data: KPMG Global Auto Executive Survey 2013

MANUFACTURING INDUSTRY CAPACITY UTILIZATION FOLLOWS AN EVEN PATH

Capacity utilization in Turkey shows no drastic changes, maintaining relative stability against global markets and preserving productive capacity.



Data: www.tcmb.gov.tr/imalat

TURKEY'S UNWAVERING GROWTH

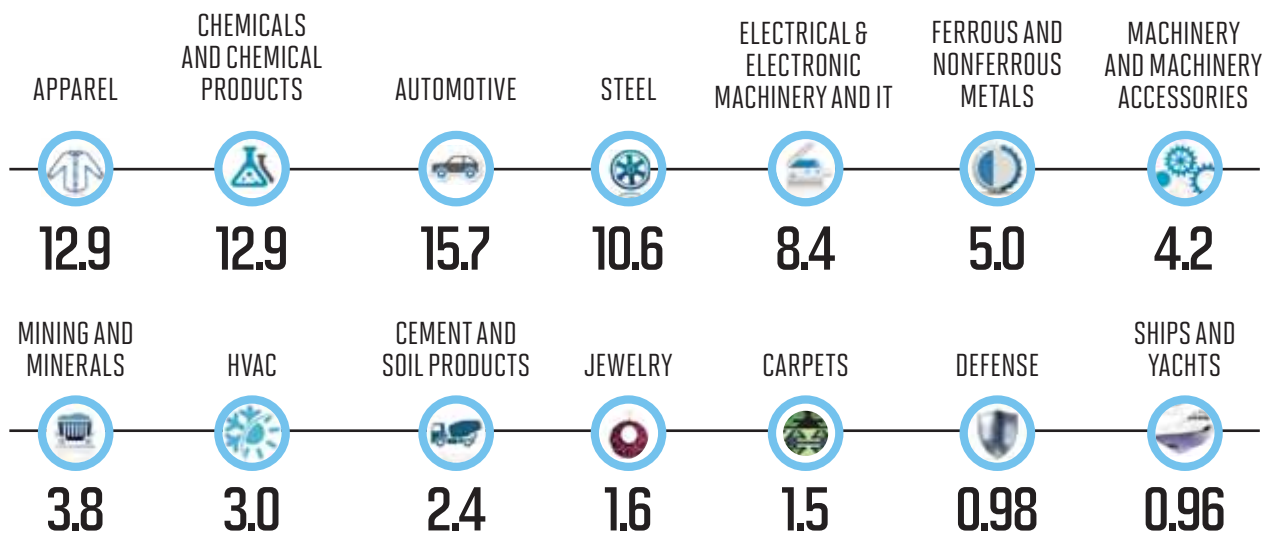
According to several international organizations, the growth trend in developing countries, Turkey in particular, is set to continue. Turkey is the only country in the European region to exhibit noteworthy growth.

GROWTH IN SELECTED COUNTRIES/GROUPS (%)

		TURKEY	EURO ZONE	USA	BRAZIL	RUSSIA	INDIA	CHINA
IMF	2013	3.4	-0.6	1.7	2.5	2.5	5.6	7.8
	2014	3.7	0.9	2.7	3.2	3.3	6.3	7.7
OECD	2013	3.1	-0.6	1.9	2.9	2.3	5.3	7.8
	2014	4.6	1.1	2.8	3.5	3.6	6.4	8.4
WB	2013	3.6	-0.6	2.0	2.9	2.3	5.7	7.7
	2014	4.5	0.9	2.8	4.0	3.5	6.5	8.0
UN	2013	3.2	-0.3	2.1	3.3	4.4	6.7	8.3
	2014	5.4	0.9	2.3	4.5	4.4	7.2	8.5

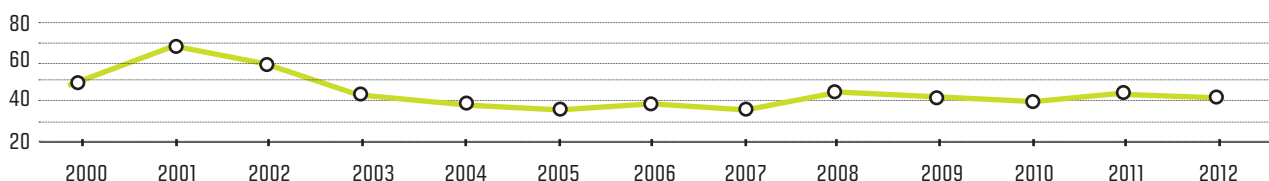
Data: IMF, OECD, UN, WB

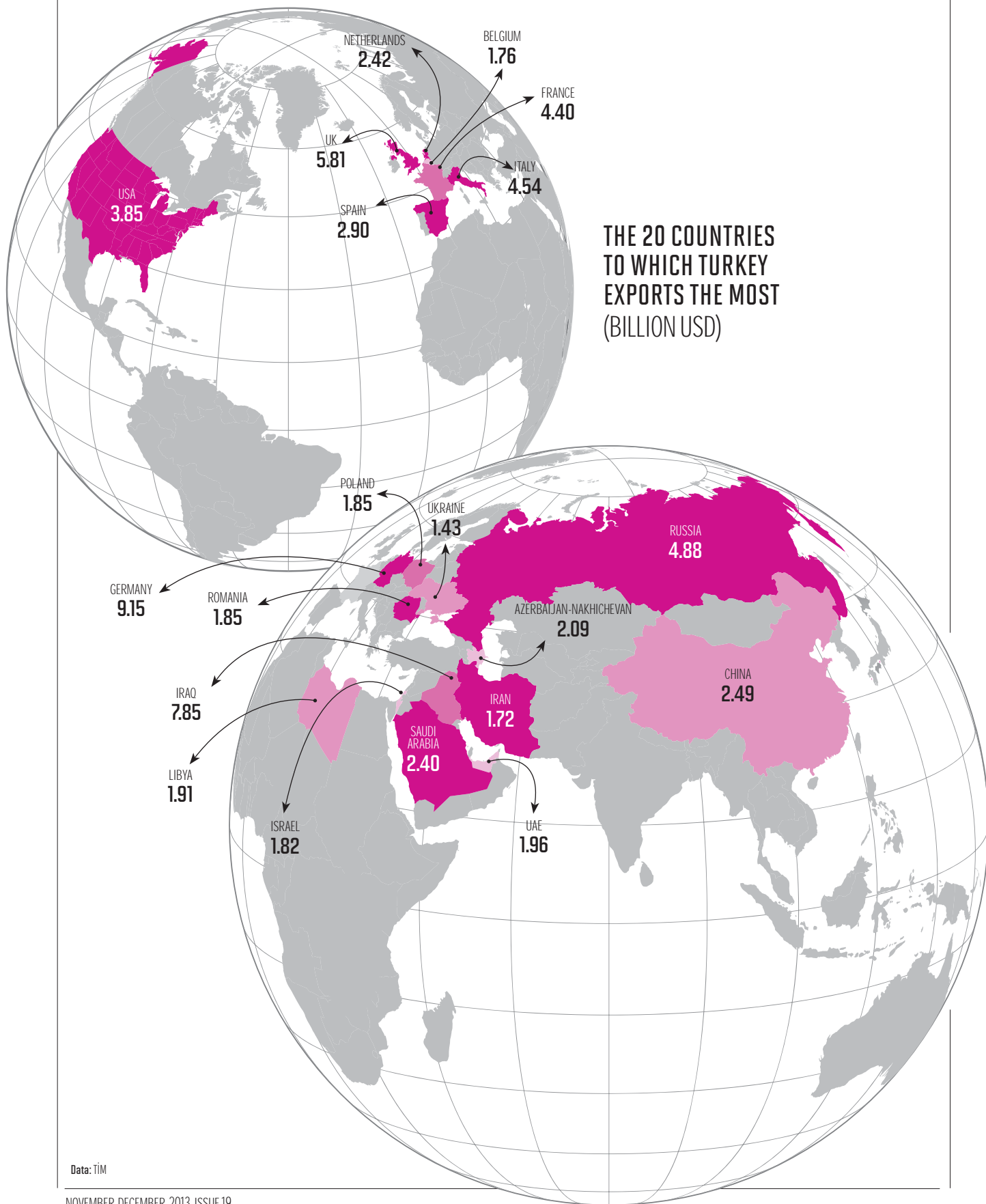
EXPORT INDUSTRIES, JANUARY–SEPTEMBER 2013 (EXPORT VOLUME IN BILLION USD)



EXTERNAL DEBT STOCKS ON A DECLINE AGAINST GDP

The private sector has come to dominate the market in Turkey over the years. Turkey's outstanding execution of its privatization strategy has reduced external debt.





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



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MONTGOMERIE

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