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The Turkish Perspective

JANUARY-FEBRUARY 2014 ISSUE 20

ECONOMY | BUSINESS | FOREIGN TRADE | ANALYSIS

EXCLUSIVE INTERVIEW

TIM Chairman Mehmet Büyükekçi shares his assessment of 2013 and predictions for 2014.



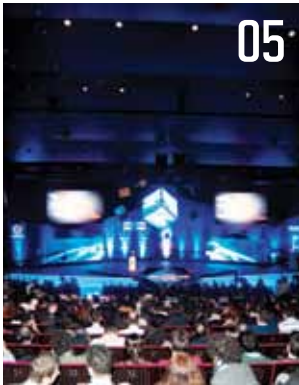
**TURKEY'S
EXPORTERS ARE
CONFIDENT AS
THEY ENTER
2014**

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

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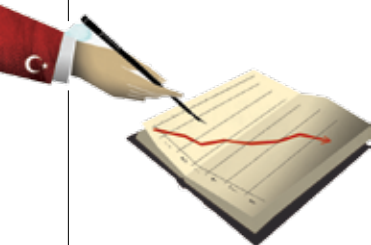


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The Turkish Perspective

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Editorial



MEHMET BÜYÜKEKŞİ
CHAIRMAN (TIM)

INNOVATION WILL BOOST TURKEY'S ECONOMY

By turning toward innovation, Turkish firms are increasing the share of value-added goods in their export every day.

AS THE WORLD UNDERGOES rapid change, Turkey isn't standing by the sidelines—it is continuing to develop and transform each passing day. Turkey is very closely monitoring the trend of innovation worldwide. By turning toward innovation, Turkish firms are increasing the share of value-added goods in their export every day.

As the Turkish Exporters Assembly, we have undertaken important roles in increasing awareness of innovation in Turkey. Every year, we hold Turkey Innovation Week, an event that brings world-famous speakers together.

The second Turkey Innovation Week, which we held November 28–30 of this past year, welcomed 26,000 visitors. Twenty thousand additional people who were unable to attend Turkey Innovation week followed our activities live via TIMTV and the event website. We were delighted to unite everyone with an interest in innovation—from students to businesspeople and from academics to executives—under one roof.

The participation of members of our government, most of all Prime Minister Mr. Recep Tayyip Erdoğan, was a great source of honor for us. As notable representatives of the business sphere attended our conferences, leading Turkish companies that stood out with their

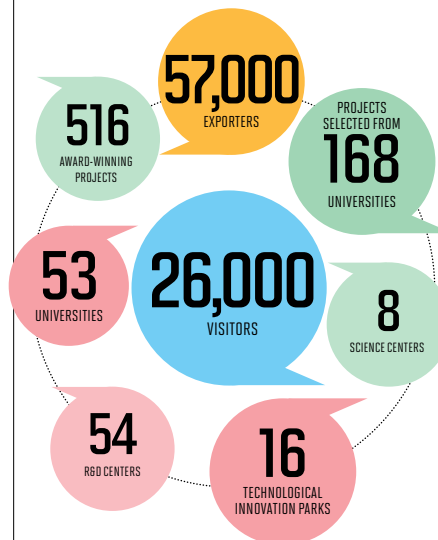
innovative efforts and the creators of the most innovative projects were given their awards in person by our prime minister.

Innovation gurus active in a range of fields from nanotechnology to brand management, design, urban living, energy, medicine, and digital marketing presented panels and conferences during Turkey Innovation Week. Over the course of three days, we exhibited 516 award-winning projects selected from

the R&D project markets and design competitions organized by our exporters' associations. Tens of thousands were introduced to projects selected from 168 universities via stands opened by 54 R&D centers, 16 technological innovation parks, 8 science centers, and 53 universities. Supported by such pioneering firms as Arçelik, Brisa, and TEB as strategic partners and Turkish Airlines as transportation sponsor, Turkey Innovation Week drew great interest from all segments of society.

We, as TIM, which represents 57,000 exporters, believe we will be able to reach the \$500 billion export target we have set for the year 2023 by further bolstering the innovation ecosystem in Turkey.

As Turkey strives to accelerate its export in the long term via innovation, Turkey's economy continues to grow despite challenging global circumstances. The economy grew at a rate of 4% over the first nine months of 2013. Meanwhile, as Turkey upheld its steady growth, Turkey's export of goods exhibited an increase of 5.4% over the first 11 months of 2013. We believe Turkey's economy shall continue to grow steadily and that 2014 shall be a much more successful year for exports compared to 2013.





...SİDİM A TANCİTİ...

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



INVEST IN TURKEY

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

REPUBLIC OF TURKEY PRIME MINISTRY
INVESTMENT SUPPORT AND
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First

INNOVATION, TELEVISION, AUTOMOTIVE, FOREIGN TRADE, SEAFOOD, AVIATION, INVESTMENT...



INNOVATIONS UNCOVERED AT TURKEY INNOVATION WEEK

Turkey Innovation Week, which was held by TIM November 28–30, gave participants the chance to discover the enchanting world of design.

TOP-LEVEL participants in Turkey Innovation Week pointed out the need to take steps toward modernizing Turkish products and create products with higher value added through science and innovation during the three days of activities. Prime Minister Recep Tayyip Erdoğan, speaking at the event, said, “Color is not poverty; to the

contrary, it is a great treasure. A society in which everyone thinks identically cannot produce new ideas. A society with standardized identities and standardized forms and brains cannot get ahead or become a leader.” Erdoğan stated that industrialists and entrepreneurs wish to enter areas with greater sophistication and more value added, em-

phasizing the concepts of R&D, innovation, design, and branding, adding, “Innovation is indispensable for a bigger Turkey.” TIM Chairman Büyükekeşi noted at the event that the foundation of change lies in innovation and said, “We practically pioneered change in the 20 years we are leaving behind. This power for change comes from innova-

tion.” The key role of innovation with respect to Turkey’s ambition to increase patent applications to at least 50,000 a year and to reach its export targets were also highlighted during Innovation Week.

The private sector also participated extensively in the event. Arçelik General Manager Levent Çakıroğlu spoke of the innovation-related projects

that the company is involved in abroad, while TEB General Manager Ümit Leblebici mentioned how the bank encourages entrepreneurs through the loans it provides and Brisa General Manager Hakan Bayman discussed how his company spurs innovation through the innovation teams established within the company.

TELEVISION

TURKEY'S \$180 MILLION TV SHOW EXPORT

US television production companies have been showing Turkish companies with partnership proposals to develop joint projects aimed at the Middle East. The CEO of a company that exports Turkish shows said, "American shows are too distant to Balkan and Middle Eastern culture. In our shows, on the other hand, they identify a certain closeness. For this reason, Hollywood-made shows are no longer able to find slots in the prime time. Everyone is buying Turkish shows." The industry's export by year-end is expected to total \$180 million and there is a stated target of \$250 million for next year. The export target for Turkish shows in 2023 is \$1 billion.

AUTOMOTIVE

TURKEY AND RUSSIA TO INCREASE COOPERATION

An intent to increase the current \$35 billion trade volume between the two countries to \$100 billion was expressed at the fourth meeting of the Turkey-Russia High-Level Cooperation Council, where decisions were made to cooperate in the fields of energy, tourism, and joint car production. Russian car-maker GAZ will establish a car production line in Sakarya, Turkey with a local partner.

REGIONAL COOPERATION

Bosphorus Summit 4 Takes Place

Bosphorus Summit 4, which welcomed such visitors as executives from BASF Turk and Yapı Kredi Bank, was held at the Four Seasons Hotel Bosphorus November 20–22.



HOSTED BY TIM and held under the auspices President Abdullah Gül, the fourth Bosphorus Summit, with the theme of "The Middle East and North Africa in Sustainable Global Competition," brought together politi-

cians, businesspeople, and academics from 55 countries. Mutual political, economic, and cultural cooperation among the Middle East, Balkans, North Africa, and Central Asia was highlighted at the summit.

FOREIGN TRADE

Grow with Turkey Held in London

GROW WITH TURKEY Conference organized by the Foreign Economic Relations Board (DEİK) Turkish-British Business Council was held for the second time in London November 26–27, welcoming high-level participants.

Turkish-British Business Council Chairwoman Suzan Sabancı, speaking at the Grow with Turkey Conference, stated that the current \$14 billion

volume of international trade between the two countries should be raised to at least \$20 billion to \$22 billion. "The latest crisis showed the strength of Turkey's economic muscle," said Sabancı. Also speaking at the meeting was UK Trade and Investment Minister Stephen Green, who shared a prediction that investment in Turkey's energy sector in the coming years would exceed \$100 billion.

MACROECONOMICS

TURKEY AMONG THE FIVE COUNTRIES TO GROW FASTEST

ACCORDING TO A CREDIT rating agency Moody's, Turkey is expected to rank as the fifth fastest-growing economy among the world's 20 top economies in 2013. In a report titled "Global Macro Outlook 2013–14," the agency estimates that Turkey, which will have displayed a growth of 3–4% in 2013, would grow 3.5–4.5% in 2014. China ranked first in the list with an estimated growth of 7–8%, followed by Indonesia in second place with 5–6%, India in third place with 4–5%, and Saudi Arabia in fourth place with 3.5%–4.5%.

INVESTMENT

TURKEY'S FDI STOCK ON THE RISE

According to the OECD, Turkey's inward FDI stock rose from \$135 billion in 2012 to \$184 billion in 2013. Turkey's outward FDI stock was reported to have increased from \$27.7 billion in 2012 to \$29.7 billion in 2013. These figures confirm that Turkey is maintaining its status as a safe harbor and stable country.



AVIATION

ENTREPRENEURS IN THE SKY

Turkish Airlines' new project, Invest On Board, gives entrepreneurs an opportunity to present their ideas on Turkish Airlines planes. Through the project, businessmen and investors traveling by air have a chance to follow and assess the boldest startup ideas while in flight. The first 11 start-ups to be chosen will be loaded onto Turkish Airlines' in-flight Planet entertainment system starting from December. For more information about the project, visit www.investonboard.com.

AVIATION

IATA AVSEC CONFERENCE IN ISTANBUL

Held annually by the International Air Transport Association (IATA), the IATA AVSEC Conference took place this year in Istanbul from December 5 to 7. The theme was, "Security in Global Hubs." IATA management and industry representatives convened at the conference, which presented a comprehensive, fresh overview of security. Turkish Airlines CEO Temel Kotil, PhD, was a speaker at the conference.

SEAFOOD

Seafood Exports Grow 24%



TURKEY'S SEAFOOD exports over the first ten months of 2013 totaled \$454.88 million, corresponding a year-over-year increase of 24%. According to the Seafood Promotion Group, the quantity of the export increased by 32% in that period

from 62,205 tons to 82,209 tons. The Netherlands had the largest share in these exports, accounting for more than \$91.62 million, followed by Germany with \$63.45 million, Italy with \$54.23 million, the UAE with \$27.18 million, and Russia with \$26 million.

AUTOMOTIVE

Auto Industry Export Surges Past \$2 Billion



FOR THE AUTO INDUSTRY, Turkey's leading export industry, 2013 was a good year. The industry's export volume broke the threshold of \$2 billion for the first time since September 2008 and was higher after the first 11 months of 2013 than it was in all of 2012. According

to export figures released by the Uludağ Automotive Industry Exporters' Association, the auto industry's international sales in November were worth \$2.78 billion. Year-to-date sales reached a figure of \$19.5 billion, surpassing the \$19.63 billion total export of 2012.

INVESTMENT

FDI INFLOW TO CONTINUE THROUGH 2014

Prime Ministry Investment Support and Promotion Agency (ISPAT) President İlker Ayçi announced that the inflow of FDI into Turkey would continue through 2014 and concentrate in the energy, automotive, and finance fields. Speaking to the press on November 29, Ayçi said the UNSC permanent member countries' and Germany's agreement with Iran on the country's nuclear program would have a positive effect on FDI.

EXPORTS

NOVEMBER EXPORT A RECORD IN NATIONAL HISTORY

Turkey's November 2013 export of \$13.8 billion, as reported by TIM, embodies a year-over-year increase of 8.8% and is the highest monthly export figure in the history of the Turkish Republic. The automotive industry had the highest share in exports, accounting for \$2.77 billion, followed by the apparel and chemicals industries.

Panorama



BY ASSOC. PROF. BESİM BÜLENT BALI, PhD



Turkey's Economy: **THE NEED FOR A NEW NARRATIVE**

The Turkish economy's new narrative must include elements of industrial policies that shall carry us toward the 2023 targets.

THE FIRST PANORAMA ARTICLE OF 2014 WON'T BE giving you expectations and predictions regarding the Turkish and world economies. I'm sure you have read and listened to plenty of such assessments.

What I would like to do, with just ten years remaining before the centennial of the Republic of Turkey, is to open a medium- and long-term perspective up for debate.

The second half of 2013 saw significant developments concerning the future of the Turkish economy. The Tenth Development Plan, covering the period from 2014 to 2018, was ratified on July 12 by Turkish parliament. On October 9, the Medium-Term Program covering the years 2014–2016 was announced to the public. The Fifth Izmir Economic Congress assembled October 30–November 1, and the Third Industry Council was held November 20–22.

The texts prepared, speeches delivered, and decisions taken in this scope all point in the same direction: the economic debate in Turkey, which aims to become one of the world's ten largest economies by 2023, must be carried beyond the

confines of the currency exchange rate–interest rate–stock exchange triangle. And one must always keep in mind that economic policies have purposes beyond diminishing the effect of cyclical fluctuations.

The idea of the paradigm gained currency with the publication in 1962 of Thomas Kuhn's "The Structure of Scientific Revolutions." "Paradigm," with its most basic definition, means "the scientific accomplishments that provide a model to a scientific community for a certain period and are accepted universally." This is precisely what Turkey's economy needs today: a new paradigm, and perhaps a new narrative, even.

The name of the new narrative would be "The Economy of Turkey within the Process of Global Restructuring." The 19th century was Europe's age; the 20th was America's. The 21st century, on the other hand, is a candidate for an age centered on the East: ex oriente lux. We are in a period in which the legitimacy of international economic institutions established after World War II is being subject to debate. Although the last crisis was global in nature, efforts to solve it were unfortunately

not global. Emerging economies do not yet carry weight in the global system proportional to the power they hold. The old world is showing resistance. Here, the Turkish economy's need for a new story becomes even more important.

The main purpose of the Tenth Development Plane is to “make Turkey a country that has risen to the upper echelons in the international value chain hierarchy, entered the ranks of high-income countries, solved its issue of poverty once and for all, and improved its income distribution.” It also envisions higher, more stable, and more sustainable growth performance and increased competitiveness and societal prosperity for Turkey.

The plan also aims for the following:

- The acceleration of capital accumulation and industrialization
- Improved effectiveness of production factors
- Reduced import dependency for the economy
- Increased innovation production capacity for the economy
- The facilitation of transformation in the organization of production through the unification of changes with the current organization of production

We now also face the necessity of shifting resources toward productive areas and bolstering the process of industrialization. If Turkey is to become “a country that has risen to the upper echelons in the international value chain hierarchy,” it must adopt advanced technology in the production of industrial goods. In other words, Turkey must increase its international competitiveness and its share in world exports. To do this, it is necessary to effect a transformation in the manufacturing industry; this is the only way it will be possible to move over to a high value-added organization and increase the share of high-tech industries in both manufacturing and exports. I believe the table below deserves mulling over.

Perhaps the following example would help me clarify the issue further. The city that exports the most in Turkey is

Istanbul. Istanbul carries out more than half of Turkey's total exports. However, the city with the greatest import is also Istanbul, which accounts for roughly half of all imports. I could say that Istanbul is the leading contributor (in the negative sense, surely) to Turkey's foreign trade deficit. In 2002, the balance of trade in Turkey nationwide was 70%; in Istanbul, it was 72.5%. In 2011, this proportion was, respectively, 56%

and 50%. Looking at Istanbul's total export over the past 15 years, one sees that a significant amount of it consisted of “low-tech products.” The share of low-tech products in total exports was 70% in the late 1990s. In the early 2010s, it is around 40%. In the same period, the share of “medium/low-tech products” in Istanbul's export rose from around 10% to the region of 30%. While Istanbul's “high tech” export has risen over time, it has always remained under 10%. The products that account for the largest share in Istanbul's import, meanwhile, are “medium/high-tech products,” accounting for roughly 40% of the total import.

According to the Ministry of Economy's “Study of Foreign Trade Potential by Province,” Istanbul is the province that carries the greatest potential to export products with more sophisticated qualities, based on its current industrial organization. However, the issue here is how production in Istanbul might be shifted toward technology-intensive fields requiring skilled labor—how will the

province's industrial transformation take place? How will foreign direct investments be put to use to this end? And so on...

The Turkish economy's new story absolutely must include elements of industrial policies that shall carry us toward the 2023 targets. The stakeholders—namely the public sector, private sector, universities, and NGOs—must identify these policies with oneness of mind. Our agenda should now include the following terms: R&D, innovation, sustainable industrial production, industrial investment zones, clustering, and international competition...



The second half of 2013 saw significant developments concerning the future of the Turkish economy.

DEVELOPMENTS AND TARGETS IN THE MANUFACTURING INDUSTRY

	2006	2012	2013	2018
Mfg. Industry / GDP (Current, %)	17.2	15.6	15.5	16.5
Mfg. Industry Export (USD Billion) ¹	79.6	129.9	144.1	257.1
Share of High-Tech Industries in Mfg. Industry Export (%) ¹	5.6	3.7	3.7	5.5
Share of Industries with Above Avg. Tech in Mfg. Industry Export (%) ¹	30.8	31.4	31.4	32.1
No. of Triadic Patent Applications in Turkey ²	14	353	63	167
Total Factor Productivity Increase in Industry (%)	1.2	-0.9	-0.8	1.9

Source: 2006–2012 data from TurkStat. 2013–2018 data from Tenth Development Plan estimates.
(1) Values do not include gold. (2) OECD Factbook, 2013. (3) 2010 values.

Content: Leather Industry Exhibits Momentous Growth **P13** ISPAT Continues Full Steam Ahead with Investment Promotion Activities All over the World **P15**
 A Fabulous Year-End for Turkish Airlines **P18** Qualified Staff Key to R&D Ecosystem **P20** **Editors:** Can Gürsu

Briefing

TOURISM, LEATHER, INVESTMENT, AVIATION, R&D...



TOURISM

TURKEY: EURASIA'S EXHIBITION AND CONVENTION HUB

A maximum of three hours away by plane to any point in Europe and five hours to countries in Central Asia and Africa, Turkey, with its rapidly growing economy, is a rising star in the world of exhibition and convention tourism.

BY BARAN KARAKUZU

ISTANBULAND Anatolian cities that have undergone sweeping transformations in the past decade are hosting scores of international exhibitions and conventions. Turkey hosted 405 such events—437 of which were international—in 2012 and 437—219 of which were international—in

2013. There are 411, 118 of which will be international, scheduled for 2014. Convention tourism accounts for 25% of world tourism revenue, generating roughly \$250 million annually.

The US, Germany, UK, France, Spain, and Italy lead the world in conven-

tion tourism. Around 59% of the world's conventions take place in Europe, 19% in the Americas, and 16% in Asia. According to data published by the International Congress and Convention Association (ICCA), while just 41 conventions were held in Turkey in 1999, this figure increased by

336.6% by 2012 to reach 179. Having hosted 128 conventions in 2012, Istanbul ranked ninth in the world by number of conventions hosted. Convention tourism alone is estimated to have drawn 4.5 million tourists to Istanbul in 2013, generating \$3 billion in income for Turkey. With the

Turkey is the most effective and reliable commercial meeting point in its region thanks to its infrastructure and skilled workforce.

inclusion of events in other cities, the number of tourists drawn by convention tourism is estimated to have reached 6.5 million, and it is thought that income shall reach \$5 billion within the next five years with better marketing. Exhibitions and conventions held in Anatolian cities are making these cities and their surrounding areas more attractive as commercial centers and contribute significantly to their economic and social development.

ICCA 2014 TO BE HELD IN TURKEY

With the launch of the Istanbul Congress Center and Haliç Congress Center in addition to the Istanbul Convention and Exhibition Centre, Turkey has been able to make significant progress in the field of convention tourism in recent years. Investments in convention and exhibition sites on the part of other large cities in Turkey, such as Ankara and Izmir, shall continue to bolster Turkey's position in the years ahead. In 2014, Turkey, an important regional player in the field, will be hosting ICCA's executive board meeting and thereby welcome at least 3,500 visitors active in the world convention industry. Based on delegates in attendance at the conventions it hosts, Turkey



ranks 11th worldwide with 148,000 delegates.

CONVENTIONS AND EXHIBITIONS DRIVE SERVICE INDUSTRY GROWTH

Special-interest exhibitions account for 99% of the exhibitions held in Turkey. These events contribute not only to the fields of their focus but also to the Turkish economy by bringing in more than \$1 billion in foreign currency. "We know that an exhibitions enrich the cities and countries in which they are held," says TÜYAP Exhibition Group Chairman Bülent Ünal. He adds, "Exhibitions actuate many professions besides that of the exhibition organizers, and the business opportunities that arise concomitantly

create value added that is worth ten times the market." According to Ünal, a broad group of professionals from architects to advertisers and cab drivers benefit from the commercial potential created by exhibitions. Exhibition tourism draws visitors from 90 countries in the host region. Exhibition and convention tourism directly attracts foreign currency by filling hotels and driving catering, transport, and entertainment spending. Furthermore, it is important as a platform for national promotion. CNR Holding CEO Cem Şenel explains the value added created by tourists as follows: "The amount of foreign currency spent on transport, accommodation, and catering by a visitor coming from abroad to visit conventions and exhibitions is roughly five times that of an ordinary tourist. The introduction of convention visitors to Turkish culture and history is of great importance to Turkey's promotion, too."

Turkey's growth in the field of tourism boosts convention and exhibition tourism, reciprocally boosting the former. It is not only the events held in Turkey but also the events organized by Turkey abroad that hold great significance.

The introduction of convention visitors to Turkish culture and history is of great importance to Turkey's promotion.

411

Number of conventions scheduled in Turkey for 2014

179

Number of conventions held in Turkey in 2012

\$500
BILLION

Value of the world convention market

4,5
MILLION

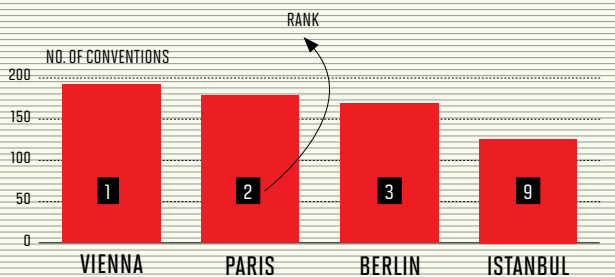
Number of tourists who visited Istanbul in 2012 for conventions

1.5
MILLION

Turkey's total bed amount in 2014

THE WORLD'S TOP CONVENTION DESTINATIONS (2012)

Istanbul is one of world's most important convention hubs.



Data: ICCA

TURQUALITY BOLSTERS PARTICIPATION IN INTERNATIONAL EXHIBITIONS

For the past few years, under the umbrella of the Turquality program, the state has been providing incentives to local companies in order to encourage participation in international events held abroad. Companies are able to apply to the program through their respective exporter associations. The state pays for up to 50–75% of costs for many international promotional activities within the scope of the program. As they promote themselves abroad, Turkish companies are drawn toward exports and contribute to the strengthening of international commercial and cultural ties.

Behind the growth in Turkey's exports over the past decade lie trade delegation visits, increased participation in international exhibitions, and exhibitions of Turkish products abroad. Several such exhibitions have been held in regions that share common values with Turkey and are among its potential markets, especially Africa, Southeast Europe, the Middle East, and Asia. Such exhibitions, held in locations ranging from Qatar to Brazil, India, and Mexico, are contributing significantly to expanding the market shares of Turkish products abroad.

GROWTH TO CONTINUE IN 2014

Among the factors that increase the field's potential are the importance given to sophisticated exhibition projects that appear sustainable and the further enhancement of the infrastructure needed to hold such events. Meanwhile, the incentives provided to exhibition participants should be viewed in terms of the quantifiable gains they bring to exports instead of a divide between domestic and international events, and the



focus must be on doing the best for the development of the field. According to Cem Şenel, 2014 will be a good year for Turkey's convention tourism industry: "Turkey is the most effective and reliable commercial meeting point in its region thanks to its infrastructure and skilled workforce, and it will contin-

ue to increase its standing in the years ahead." ITE Group Turkey General Manager Tuğber Yaşa states that travel and accommodation options have a direct influence on convention and exhibition tourism. According to Bülent Ünal, Turkey, having access to a potential population of more than 1.5 billion people,

is the most important country in the Eurasian region for convention and exhibition tourism.

Several investments are planned in the coming term to expand Turkey's convention and exhibition tourism capacity. Well-aimed projects and incentives are expected to boost tourism, one of the Turkish economy's driving forces, in the years ahead. Exhibitions are of vital importance with respect to marketing, the promotion of services, cognition of competition, and establishment of new business connections in the global economy. Should the diplomatic steps to support the convention and exhibition industry, an element of leverage in economic development, Turkey's share in the world convention and exhibition market, which is valued at more than \$500 billion, is expected to grow.

		
<p>BÜLENT ÜNAL CEO, TUYAP Exhibition Group</p>	<p>CEM ŞENEL CEO, CNR Holding</p>	<p>TUĞBER YAŞA General Manager, ITE Group Turkey</p>
<p>Turkey's noted exhibition organizations and globally renowned exhibition companies from abroad, especially from Britain and Germany, are exploiting the country's potential to a significant degree and see great promise in the future. Our ongoing projects to further growth are a good indicator of this expectation. Through new investments, we are expanding our current exhibition space of 98,000 square meters to 120,000 square meters by July 2014—a globally significant size. Turkey is now able to host exhibitions that rank from the top three to top five events in the EU and in the world.</p>	<p>The exhibition industry in our country has exhibited great progress in the past decade. Compared to the field globally, we are now able to compete with exhibitions in developed Western countries. What increased our competitive advantage was our adoption of international standards in exhibition organization. More than 400 exhibitions are organized in Turkey annually. Roughly a fourth of these exhibitions are international in scope. The number of exhibitions held in Istanbul accounts for more than half of all in the country, thereby making Istanbul—a city of culture and finance—the heart of our exhibition industry as well. Turkey's geographic advantages are clearing a path for it to become a hub for exhibitions.</p>	<p>Expanding to world markets begins through exhibitions. Every year, more than 100 licensed organizations that apply to TOBB hold nearly 450 exhibitions. The exhibitions are supported by associations, unions, foundations, federations, and other such civil organizations as well. Roughly 30% of the exhibitions are international in scope, and generally they are held in Istanbul. With the launch of modern exhibition areas in recent years, especially in Ankara and Izmir, there has been progress in expanding specialty international exhibitions nationwide and the diversification of specialty exhibitions.</p>

LEATHER

LEATHER INDUSTRY EXHIBITS MOMENTOUS GROWTH



The Turkish leather industry, which has an export volume of \$1.6 billion, continues its momentous export growth with an increase of 17.5% obtained over the first ten months of 2013 as it progresses toward becoming a key global player in the field.

BY MERVE EKER



WITH MORE THAN 23,000 leather production facilities that employ roughly 400,000 people, the Turkish leather industry has an export power of \$4 billion and a combined domestic and international market volume of \$5 billion, ranking as one of the top players in the leather industry worldwide. The production and trade of leather have been practiced in Turkey for thousands of years. Turkey's leather and leather products industry today ranks second in Europe and fourth worldwide in terms of infrastructure thanks to its investment in modern technology and know-how. Particularly in fleece (namely sheepskin),

the Turkish industry has held first place worldwide in terms of infrastructure and production capacity for years.

In recent years, the industry has been making great strides in leatherwear design and fashion, having combined distinct design with first-class workmanship and flexible, high-quality production capability. High quality and stylish design are among the industry's foremost advantages in the export market. Other competitive strengths include proximity to the chief markets and the ease and speed of dispatch and delivery. The production of leather is practiced in organized industrial zones devoted to leather using environmentally friendly



The production and trade of leather have been practiced in Turkey for thousands of years.

methods with such measures as clearing pools and dust-gathering facilities. For this reason, Turkey could be said to possess the cutting edge in manufacturing infrastructure worldwide.

EXPORTS GROWING CONTINUALLY

The international trade in leather and leather products worldwide in 2012 was worth roughly \$210 billion, although this figure also includes plastic items not made of leather in the shoe, bag, and belt product groups. Excluding such plastic items and considering only products that are made from real leather, Turkish leather holds around a 4% share in the world trade based on recorded exports, sales to tourists and passengers, shuttle trading, and international mail order sales. Regarding this figure, Lemi Tolunay, President of the Istanbul Leather and Leather Products Exporters' Association, says, "Although our share is actually quite small, our products are in the high value-added product group, being part of the upper and luxury segment. In turn, this proves that Turkish products have a much bigger future ahead to take their share from the world trade in leather products."

The Turkish leather industry ended 2012 with a total export of \$1.6 billion, and it is preparing to end 2013 with a momentous increase as well. The export of leather and leather products was up 17.5% at the end of ten months. The



shoe industry in particular emerged as the most successful subgroup, exhibiting 35% growth in exports. "We preserved our market share in the traditional market and, in spite of political instabilities, we managed to further our commercial relationships in the leather industry with neighboring countries. By year-end, we expect to have accomplished a historic success," says Tolunay, highlighting the industry's strong standing.

NEW MARKETS SHOW PROMISE

While the countries of the EU comprise the Turkish leather industry's traditional market, Russia, Ukraine, Azerbaijan, and Central Asia are starting to emerge as significant markets as well. Meanwhile, the neighboring countries of Iran, Iraq, and Syria have continued to gain importance despite ongoing political issues. For 2014, the Turkish leather industry is planning to hold various events in China and Japan, which are among its new target markets.

TRADE SHOWS PROMOTE THE INDUSTRY

Efforts to promote Turkish leather are generally scheduled according international trade show dates. Participation in assorted events at international trade shows in Italy, France, Russia, Hong Kong, and China is organized via the Leather Promotion Group. Leather creations by a number of artists shall be exhibited at trade shows in 2014. Furthermore, as part of Hatice Gökçe's "Anatolia 8" Project, a set of 16-piece outfits representing the attire of eight civilizations that have lived in Anatolia and made



For 2014, the Turkish leather industry is planning to hold various events in China and Japan.

from Turkish leather will be presented for promotional purposes. Last year, in November, the Istanbul Leather Fair (which will have its eighth edition this year) welcomed 300 participating companies and agencies from 23 countries, drawing great interest.

Tolunay says 2014 will be a much more successful year for the industry thanks to international marketing activities, purchasing commissions,

trade delegations, and an overall assessment of the coming trade shows. Economic balance is expected to be restored in the EU countries, which would in turn have a positive effect on the industry through increased demand for top-segment products. It is also predicted that promotional and interactive efforts to be held in the target markets of Italy, Russia, China, and Japan shall contribute to export growth.



LEMI TOLUNAY

Chairman, Istanbul Leather and Leather Products Exporters' Association

While there are many-pronged efforts in the leather industry to increase exports, the industry's internal dynamics remain inadequate and the concerned ministries should implement supportive measures at the state level. Since the leather industry runs on exports, the raw skins obtained from our country's consumption of red meat is far too insufficient, requiring the import of raw skins from various countries. Most importantly, national livestock policy and management must be reviewed and updated by the ministry in charge and the monitoring of animal species and supply of quality raw materials must be secured for the sake of this raw material. Such support to be provided by the state would be a start to the end of establishing the necessary standard to increase exports. Beyond this, target countries and markets, design and innovation, R&D, product development, and the value added to be created will provide significant support to the international marketing of leather and leather products and their export.



RUKEN MIZRAKLI

Chairman, Gündüz Kürk; President, Turkish Leather Foundation (TURDEV)

We aim to attain higher export figures with innovative products. We are advancing with cooperation with local designers who stand out on international platforms, authentic designs, and the strength of our nascent brands. Russia, Italy, China, and Japan have been identified as target markets, and efforts highlighting our industry's fashion strength and brand perception are being conducted in these markets especially. The aim hereby is to increase our market share in these markets and the global leather market alike.



Ayçi: "Turkey is determined to become an island of peace, stability and wealth in the region."

INVESTMENT

ISPAT CONTINUES FULL STEAM AHEAD WITH INVESTMENT PROMOTION ACTIVITIES ALL OVER THE WORLD

As part of its investment promotion strategy, the Investment Support and Promotion Agency of Turkey (ISPAT) organized and participated in a series of special events in Turkey and abroad during November 2013.

November 2013 was quite busy for ISPAT; promotion activities during the month started with the **Energy - ICT - Biotech Road Show** held in the United States, where ISPAT President Mr. İlker Ayçi and his team met with the executive officers from 16 different companies.

The next activity was the **4th Bosphorus Regional Cooperation Summit**, which was sponsored by TIM and ISPAT, the latter as a platinum sponsor. During the summit, ISPAT also participated in a panel titled **"Turkey as a Regional Business Hub" as a moderator**.

In addition, at the 10th Jubilee Meeting of the Vienna Economic Forum, co-organized by ISPAT, Mr. İlker Ayçi delivered a speech providing insights into the latest developments in the Turkish economy, as well as the existing and future investment opportunities in Turkey.

"Turkey is determined to become an island of peace, stability, and wealth in the region. The realization of Turkey's 2023 vision and targets will, with no doubt, contribute to increasing trade and investment flows," said Mr. Ayçi in his speech.

VIENNA ECONOMIC FORUM, NOVEMBER

ISPAT President Mr. İlker Aycı attended the 10th Jubilee Meeting of the Vienna Economic Forum held November 24–25, 2013 in Vienna.

The Vienna Economic Forum, established in 2004, is a regional economic forum popularizing and promoting economic development and investment opportunities, as well as strengthening regional cooperation in Eastern European and Southeastern European countries.

The 10th Jubilee Vienna Economic Forum, co-organized by ISPAT this year with the motto “Visions and Visionaries—The Economy is the Motor,” highlighted topics on the current economic development, the future shaping of the region, the course for the next decade, the definitions of the problems, and their solutions and future visions.

Mr. Aycı delivered a speech in the first opening plenary session that had the main focus on “The Visions in the Economy: the Motor of Development.” During his speech, Mr. Aycı presented the Turkish experience over the past decade and the vision for the next decade by giving information on the business environment and economic situation in Turkey, including progress in public–private partnership, as well as comprehensive reforms and internal progress, including structural reforms in economy, improved legislative environment and strengthened macrofiscal stability of the country.

ISPAT’S delegation visited San Francisco, San Jose, Los Angeles, and San Diego in a bid to present Turkey’s investment environment



Aycı said trade and investment volumes between Turkey and Southeastern European countries were far below potential levels and remarked that Turkey should have been attracting more investment from Vienna

Economic Forum member countries. He also addressed the 2023 targets and major projects, emphasizing Turkey’s increasing role of becoming a regional manufacturing hub for many global companies with the help of the country’s

İlker Aycı: “Turkey is becoming a regional management hub for many global companies, such as Coca-Cola, Microsoft, and Pfizer.”

strategic position that is located right in the center of key regions such as the Middle East, North Africa, Central Asia and Europe. Aycı added, **“Turkey is becoming a regional management hub for many global companies, such as Coca-Cola, Microsoft, and Pfizer.”**

ISPAT PRESIDENT MR. İLKER AYCı VISITS THE US

ISPAT President Mr. İlker Aycı was in the United States for the Energy - ICT - Biotech Road Show from November 11 through November 15, 2013. Mr. Aycı and his team covered five top cities for these industries and met with the executive officers of 16 different companies. **Starting from Seattle, the ISPAT delegation visited San Francisco, San Jose, Los Angeles, and San Diego in a bid to present Turkey’s investment environment and also to discuss possible investment**



plans of these companies.

In addition, ISPAT attended BIOCOM's annual dinner gala in San Diego as the guest of honor, and Mr. Aycı had the chance to exchange ideas with the Governor of California, Mr. Jerry Brown.

4th BOSPHORUS REGIONAL COOPERATION SUMMIT

The 4th Bosphorus Regional Cooperation Summit was held November 20–22, 2013 in Istanbul. Turkish President Abdullah Gül delivered the honorary opening speech of the summit. The keynote speech was made by Deputy Prime Minister Ali Babacan.

ISPAT was the platinum sponsor of the summit, and on November 19, a gala dinner was hosted by ISPAT, where Turkey's Deputy PM Bülent Arınç was the honorary guest. **ISPAT Vice President Mr. Arda Ermut, during his speech, stated that the summit would allow the representatives of the Middle Eastern, Balkan, North African and Caucasian countries to further improve the existing cooperation opportunities, and that ISPAT was glad to support such an event as a sponsor.**

On November 20, the “Turkey as a Regional Business Hub” panel was held under the moderation of Mr. Hasan Pehlivan, Principal Advisor to the



Starting from Seattle, the ISPAT delegation visited San Francisco, San Jose, Los Angeles, and San Diego in a bid to present Turkey's investment environment and also to discuss possible investment plans of these companies.



President of ISPAT. The speakers of the panel included the CEO of BASF Türk and MENA President Mr. Volker Hammes, the CEO of DP World Mr. Nichola Silveira and the Principal Economist of Yapı Kredi Bank Mr. Cevdet Akçay.

The panel started with a film screening, introducing ISPAT and Turkey's investment environment, followed by a speech delivered by Mr. Hasan Pehlivan. After providing information about the developing Turkish economy and increasing trend of the FDI in Turkey, Mr. Pehlivan gave the floor to the panelists to explain their views on the advantages offered by Turkey to local and foreign investors as a regional management center.

Having a management center in Istanbul and managing 21 countries from Istanbul, BASF Türk explained why they have chosen Turkey for this mission. Similarly, DP World, managing more than 65 ports all over the world, stressed that Turkey would become an important logistics center in the region over the next few years and gave information about their ongoing port investment in Kocaeli, Yarımcı. Finally, the chief economist of Yapı Kredi Bank, Mr. Cevdet Akçay, evaluated the impact of the latest economic developments on Turkey and underlined the importance of Turkey as a finance center. The panel lasted about one hour and ended with the Q&A session.

The “4th Bosphorus Regional Cooperation Summit” was held November 20–22, 2013 in Istanbul.

AVIATION

A Fabulous Year-End for Turkish Airlines

As Turkish Airlines unites myriad cultures, people, and thoughts, it is being presented with numerous awards for its ever-rising quality of service. After earning its third successive title as Skytrax's Best Airline in Europe, Turkish Airlines was deemed worthy of CAPA's Airline of the Year Award.

BY CAN CENGİZ

IN 2013, TURKISH AIRLINES won the CAPA Airline of the Year Award, which is given to the airline that has had the greatest effect on the development of the aviation industry. Turkish Airlines CEO Temel Kotil, PhD, received the award on behalf of Turkish Airlines at the CAPA Aviation Awards for Excellence, which is considered among the industry's most prestigious awards. Speaking at the award ceremony in Amsterdam, Kotil attributed the company's success to their dedication to making customers happy. CAPA Executive Chairman Peter Harbison, commenting on the selection of Turkish Airlines as Airline of the Year, pointed out that Turkish Airlines has "established itself as a formidable competitor in a geographic region that boasts many of the world's leading airlines." "Under the strong



Turkish Airlines CEO Temel Kotil attributes the company's success to their dedication to making customers happy.

and visionary leadership of its management and thanks to the dedicated efforts of its employees, Turkish Airlines has forged an industry leading service culture, numerous innovative marketing campaigns and a consistently high quality product offering," said Harbison. He also underlined the significance of Turkish Airlines' forward-minded fleet strategy.

BEST CATERING FOR PASSENGERS

Turkish Airlines is famous for presenting the finest in Turkish and world cuisine to its guest. At this year's Passenger Choice Awards, the airline won the award for Best Food and Beverage. Organized by the Airline Passenger Experience Association, the Passenger Choice Awards, whose results are determined based on votes submitted by passengers, had its fourth edition in 2013.

A few months ago, the catering service provided by Turkish Airlines in its bid to keep customer satisfaction at maximum levels was also recognized for excellence in the Skytrax World Airline Awards, which are considered the "Oscars" of passenger aviation. Turkish Airlines won the award for Best Business Class Catering in Skytrax's 2013 edition and attracted worldwide attention for winning the title of Best Airline in Europe for the third time successively. Turkish Airlines further raised the bar last month with its renewed catering concept, which includes candlelit romantic dinners and exclusive offerings such as freshly brewed espresso in custom-designed cups. The flatware and cutlery feature





Turkish Airlines extended its sponsorship of Euroleague, one of the largest events in basketball, until 2020.

prestige by extending the institutional partnership initiated in 2010 with Euroleague, one of Europe's top and the world's most popular basketball events, and said the agreement was one of the most important milestones in the process of strengthening the airline's global brand allure and steady progress toward its ambition in world aviation.

The new sponsorship agreement is expected not only to strengthen the partnership between Euroleague Basketball and Turkish Airlines going forward but also to serve as surety to dedicated sports clubs and loyal viewers of an elite competition that befits them. This agreement once again shows that Turkish Airlines is a permanent member of the European basketball scene.

DISTANT LANDS NOW CLOSER

Turkish Airlines possesses the most expansive flight network in the world. The airline continues to sign contracts to add even more destinations—the recent agreement with Russian airline UTair shall allow Turkish Airlines passengers to fly to more than 30 regions in Turkey on a single ticket.

Likewise, Turkish Airlines' codeshare agreement with Oman Air, which flies along 43 routes across the Middle East, Europe, Asia, and Africa, is aimed at maximizing the travel possibilities offered to passengers through its comprehensive flight network. Passengers are now able to fly round-trip between Istanbul and Muscat with the guarantee of high-quality products and services offered by Turkish Airlines and Oman Air.

modern, simple designs bearing Ottoman and Seljuk motifs. Turkish Airlines will thus continue its tradition of offering its guests service at a level far beyond that of its rivals through 2014 as well.

TITLE SPONSOR OF EUROLEAGUE BASKETBALL UNTIL 2020

Turkish Airlines is a fervent supporter of every kind of sports at every opportunity. This year, it took the decision to continue the strategic partnership it initiated with Euroleague Basketball in 2010 until 2020. The successful experience of Final Four 2020 in Paris with Turkish Airlines as the main sponsor of Euroleague Basketball, which signed a title sponsorship agreement with a brand for the first time in its history, had a positive

effect on cementing a long-term relationship between the two parties.

Speaking at the signing ceremony, Turkish Airlines Chairman Hamdi Topçu stated that Turkish Airlines took a strategic step to bolster its global recognition and

Turkish Airlines took another step forward in offering the very best to its guests with its renewed catering concept last month.



R&D

QUALIFIED STAFF KEY TO R&D ECOSYSTEM

Netaş CEO and YASED Board Member C. Müjdat Altay provided his views on the R&D investing climate in Turkey to *The Turkish Perspective*.

BY CAN GÜRSU

MULTINATIONAL corporations are responsible for more than two thirds of industrial R&D activity worldwide. The International Investors Association (YASED) is involved in efforts to encourage multinationals to carry out R&D investments and activities in Turkey in order to drive Turkey's R&D growth and reach targets. Netaş CEO and YASED Board Member C. Müjdat Altay provided his views on the R&D investing climate in Turkey to *The Turkish Perspective*.

YASED, active in Turkey for 33 years, works toward contributing to Turkey's ambition to become "the country with the best investing climate in the world." Within the scope of these efforts, YASED has issued a report titled "Determining Requirements for Attracting International Investors' R&D Investments to Turkey" with the aim of contributing to the development of a business and investing climate that would foster R&D in Turkey. Netaş CEO C. Müjdat Altay, whose comments are featured in the report, discussed the R&D conducted in Turkey and at Netaş as both a CEO and as a board member of YASED.

YASED has been active in Turkey for 33 years, which could be considered a long time. What kind of activities does YASED carry out?
Just as you said, YASED has



been operating in Turkey for 33 years, and it continues its efforts with the aim of contributing to Turkey attaining the status of "the country with the best investing climate in the world." We, as YASED, carry out efforts to make Turkey a "center of attraction for international investments," having established 18 working groups in such areas as R&D, IT, energy, health care, and law. With the aim of contributing to the development of a business and investing climate that would foster R&D in Turkey, we successfully facilitated the inclusion of two of our suggestions in the Coordination Council for the Improvement of Investment Environment (YOİKK) 2012–2013 Action Plan. The

first of these was "Putting together a program that aims to bring the R&D ecosystem in Turkey to a higher level than those of competitor—or potential competitor—countries, as well as establishing measurable targets and monitoring implementation." Our other suggestion was included in the plan as follows: "Building a structure through an integrated approach that will periodically compare the state of R&D support in Turkey with the sum of governmental and domestic R&D support (regional and municipality supported) by current competitor countries, and potential competitors."

As YASED, we have prepared a report titled "Determining Requirements for Attracting International Investors' R&D Investments to Turkey." The YASED R&D report—the product of a nine-month effort—includes comments and assessments by YASED members, every one of whom is a valuable voice in the business sphere. For my part, I provided my assessment of the R&D carried out in Turkey and at Netaş as both a CEO and a board member of YASED. Of the more than 600 engineers who work at Netaş's R&D center, 400 develop software according to the requirements of Netaş's customers abroad, while the other 200 work on various hardware and software projects in Turkey.

- Turkey is the second top reformer among OECD countries in the field of foreign investment.
- The R&D law that lightens the tax burden contains incentives for large-scale investments and regional investments.
- With equal treatment given to all investors, Turkey presents highly competitive, liberal investing conditions that are open to change.
- Major tax conveniences are provided to foreign investors in Turkey.

What are your views on R&D investments in Turkey?

It is crucial to improve the R&D ecosystem in Turkey and identify the policies and action proposals needed to do this. For the past nine years, decisive, strategic steps have been taken regarding the issue of R&D in Turkey. The R&D support system that has been launched is very comprehensive in its nature. As YASED, we believe reaching the 2023 targets will only be possible by following a determined roadmap. To this end, we are working closely as a solution partner with our government and all our ministries, especially the Ministry of Economy, and institutions in the public and private sector that share our interests. We are generating strategic proposals to support increased investment in R&D centers. We, as YASED, contribute to the determination of innovative policies and action proposals regarding R&D.

An advanced ecosystem is a prerequisite to creating commercial value added out of R&D and innovation and providing economic benefit. Foremost among the elements of the ecosystem for investors is qualified staff, which is followed by market potential, institutional mechanisms supporting R&D, and labor costs. The development of the R&D and innovation system in a way that edges out rival countries so as to become a global player will only be possible through policies in science, technology, and innovation.

What must be done in specific industries to foster R&D investment?

First of all, in order to increase R&D activity in, say, the telecoms industry, the state in Turkey should abstain from participating in R&D projects except in certain instances

where this would be necessary, as is the case in developed countries. On the other hand, it is also very important large public projects well ahead of time so as to allow R&D operations to be carried out. Additionally, as exemplified by successful projects internationally, R&D tenders must be launched for public needs.

Once these are fulfilled, the amount of international R&D investment in Turkey, which is steadily progressing toward becoming a regional technology hub, shall increase even more. The significance of private foreign R&D centers operating in our country to the national innovation system is indubitably critical. These centers shall provide a diverse range of gains such as the sharing of proven experience, local academic review of international R&D know-how, the possibility of their serving as examples for the national ecosystem as institutional models of R&D, the creation of demand for skilled innovation-focused employment, increased export potential, transfers of advanced technology and know-how, improved business conditions at SMEs and startups, and contributions to our national economy and global competitiveness in the medium term.

What is Netaş doing regarding these matters?

Through significant investment in recent years, our company has successfully managed an important transformation process and become Turkey's largest systems integrator. Over the past seven years, we have exhibited 25% annual growth on average, growing to a size of over \$300 million today. With the software developed by the engineers in our R&D unit, we have conducted software exports worth a total

Only by bolstering R&D and innovation will it be possible for Turkey to strengthen its competitiveness and rank among the world's top ten economies in 2023.

of \$400 million over the past decade. Netaş's performance also made it Turkey's fastest-growing IT company as of year-end 2012.

The capabilities and accumulated knowledge of the R&D department, which celebrates its 40th anniversary this year, indubitably plays a key role behind Netaş's success. Today, based entirely on the ability and power of the Turkish engineer, we develop solutions in-house that can rival the rest of the world—and even lead the world—with our own resources, creating value added for our country. We derive the competence that

The two recommendations for action included in the Coordination Council for the Improvement of the Investment Environment's 2013–2014 Action Plan on YASED's advice are as follows:

- Putting together a program that aims to bring the R&D ecosystem in Turkey to a higher level than those of competitor—or potential competitor—countries as well as establishing measurable targets and monitoring implementation.
- Building a structure through an integrated approach that will periodically compare the state of R&D support in Turkey with the sum of governmental and domestic R&D support (regional and municipality)

creates an edge for us in the industry through innovation, which permeates our DNA and constitutes one of the keystones of our corporate culture. We believe innovation is the trigger of progress in information and communication technologies.

Since establishing its R&D department in 1973, Netaş has searched for resources to further its R&D efforts within the scope of academia–industry cooperation. Each university in the US, where we see numerous successful examples of academia–industry cooperation, specializes deeply in a certain topic. By contrast, in our universities, steps are being taken to specialize in every topic. The capability and interest of academics also play a larger factor in specialization. Therefore, relationships are handled not institutionally but on a personal level and in a narrow scope. Progress must be made toward institutionalization to improve academia–industry cooperation beyond its current state. Once these conditions are established, I believe sincerely that we will bring R&D investments to our country.

Finally, what legal conveniences are being provided in Turkey to attract international investment?

It must be noted that Turkey is the second top reformer among OECD member countries when it comes to international investment. In terms of making international investment easier, great tax conveniences are provided in Turkey for international investors. The R&D Law that relaxes taxes contains incentives targeting large-scale investments and regional investments. In summary, with equal treatment given to all investors, Turkey presents highly competitive, liberal investing conditions that are open to change.





**TURKEY'S
EXPORTERS ARE
CONFIDENT AS
THEY ENTER
2014**

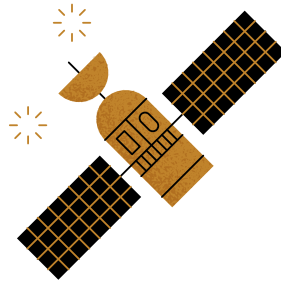
MEHMET BÜYÜKEKŞİ,
CHAIRMAN, TIM

“TIM’S AGENDA
FOR 2014:
INNOVATION,
DESIGN, R&D,
AND BRANDING.”

BY CAN GÜRSU BY SEREF YILMAZ

BY CAN GÜRSU





TIM CHAIRMAN MEHMET BÜYÜKEKŞİ provided his evaluation of 2013 and his expectations of 2014 for this issue of The Turkish Perspective. According to Büyükeksi, TIM's 2014 agenda includes innovation, value added, R&D, and branding. Büyükeksi highlighted the importance of the Turquality program to the continual development of brand consciousness among Turkish companies.

How did exports perform in 2013?

The growth rate of Turkey's exports in 2013 was higher than that of global trade. The leading export industry in Turkey was the automotive industry with an export of \$21 billion. The apparel and chemicals industries, with exports in excess of \$17 billion, also ranked among Turkey's top export industries.

The largest growth rate among the 26 export industries was seen in the olive and olive oil industry, followed by the ship and yacht industries and the mining industry.

Germany was the leading recipient of Turkey's exports in 2013, accounting for a \$13 billion share, followed by Iraq in second place with close to \$12 billion and the UK in third place with more than \$8 billion. These countries were followed by Russia, Italy, France, the US, Spain, China, and Holland.

Regionally, the EU accounted for the largest share in Turkey's exports. Exports to the EU grew 6% in 2013; meanwhile, Turkey's export to Africa displayed an increase of 5%, to East Asia, 4%, and to the countries of the CIS, 11%.

What targets and expectations are there for 2014?

We expect the world economy to grow 3% in 2014 and therefore predict that general demand in the international

market will pick up in 2014. We also believe expectations concerning Iran shall contribute positively to our exports.

The 2014 export target was revised to \$166.5 billion in the 2014–2016 Medium-Term Program issued most recently. The growth target for the Turkish economy was announced as 4%. We believe we will be able to reach these figures and, depending on our performance in exports, even surpass the targets. To do this, we request that export-based growth absolutely be given greater focus and that our export be provided more support.

What will be the new export markets and key products in 2014?

Among our nearby and neighboring markets, we expect the countries of the CIS to grow by 3.4%, the Middle East and North Africa by 3.6%, and sub-Saharan Africa by 6%, and that this growth will reflect on our trade with neighboring countries positively. These regions, which have high development potential, are among our target markets in 2014, too.

The volume of Turkey's export to its eight neighbors exhibited a 13-fold increase over the past decade, rising from \$2 billion to \$28 billion. Once regional risks die down, we believe our export to our neighbors will continue increasingly

in 2014. And on this point, our trade with Iran shall grow even stronger.

Meanwhile, as the EU is in the process of exiting its recession, the market there is picking up. We expect Turkey's export to the EU to rise as the growth of the EU economies accelerates in 2014.

What items are on TIM's 2014 agenda?

On our agenda at TIM for 2014 are innovation, value added, R&D, and branding. We are especially focused on bringing innovation to the agenda in 2014. Twenty-six thousand people attended the second Turkey Innovation Week, which we held this past year November 28–30. Innovation occupied Turkey's agenda for three whole days. Our most important event in 2014, too, shall be Turkey Innovation Week. The bar was raised significantly at our highly successful event this year; next year, we will try to make it even better.

We also launched the innovation index project this year. Over the course of three years, we will have the companies that value innovation compete against one another through this project. Based on the results of the first innovation index, we will present awards to our companies in several categories of innovation at Turkey Innovation Week 2014. We will also present comparative benchmark analyses to our companies against their respective industries and nationwide figures. We thus want to develop our companies' capabilities and approaches toward developing products with higher value added through strategies for innovation.

We will be contributing to the greatest investment that could be made in this country's future, that is to say encouraging creative leaders, by raising 12,000 leaders in innovation at primary schools together with the Young Guru Academy Dream Partners Foundation. Our Inova-TIM activities to foster innovative leaders at universi-

**"THE GROWTH
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ties, too, shall continue. We also aim to secure increased participation in and contributions on behalf of every one of our industries to all kinds of R&D project markets and design competitions aimed to nurture the synergy born of university–industry collaboration. We will continue organizing trade delegations and expo participation programs all over the world in 2014, and we will strive especially to diversify our export markets via foreign trade delegation programs aimed at alternative markets.

The private sector in Turkey has adopted the 2023 targets. What does it need to reach them?

We, as TIM, set out in 2009 and brought to life the project titled “The Implementation of Turkey’s 2023 Export Strategy and Performance Program.” The 2023 Turkey Export Strategy and Action Plan was ratified by the High Planning Council on June 6, 2013 and became an official state document after publication in the Official Gazette dated June 13, 2012, marking the first

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WITHIN THE NEXT
DECADE.”**



time in Turkey that an NGO actualized a long-term strategic plan.

We believe Turkey must focus more on an export-based growth model to reach its targets within the next decade. The current growth rate may not carry us all the way to our targets. To reach our 2023 targets, Turkey must grow faster. And we see no alternative but to turn to value added in order to grow more, export more, and import less. As we often point out, innovation, R&D, design, and brand development are the four key factors of high value added export, which will lead us to our 2023 targets.

What plans does the private sector have to reach these targets? What legal arrangements need to be done? What is being requested of the government?

As of 2012, we at TIM entered a process of consolidating and monitoring the action plans. TO this end, we hold periodic meetings with project leaders in all our industries during which we

monitor the progress of the 2023 action plans and strategic targets.

Our industries have reached a high level of awareness in innovation, R&D, design, and brand development. They expect significant support from our government on these matters. Support for our export in every stage from production to financing and sales to marketing is among the foremost priorities of our industries.

We provide reporting on the action items that constitute the critical success factors needed to reach our targets to Turkey, the exporters, SMEs, industrialists and businessmen, the government, and state officials. We aim to unify all exporters associations in a dynamic system by systematizing these efforts.

What kinds of efforts are conducted within the scope of the Turquality program to encourage global brand development in Turkey? What progress has taken place since the launch of the program?

With the Turquality project, which we launched together with the Ministry of Economy with the purpose of supporting the constant development of brand consciousness among Turkish companies, we have seen that Turkish brands are increasingly placing more importance on branding.

There are 104 brands belonging to 92 companies being supported within the scope of Turquality and 50 brands belonging to 47 companies within the scope of the Brand Support Program. We aim to provide support to 125 companies within the scope of Turquality and 50 companies within the scope of the Brand Support Program by 2023. So far, TRY 530 million of funds were provided to companies under the Turquality program. More than half of this amount was used on promotion and consulting services abroad.

In order to reach our \$500 bil-



“THE TURQUALITY PROGRAM FILLS AN IMPORTANT SPACE CONCERNING THE BRAND IMAGE OF OUR EXPORTER COMPANIES.”



lion export target within the scope of Turkey's export strategy, we want to produce ten world brands over the next ten years. To produce global brands, we believe companies must increase their focus on design, branding, innovation, and R&D.

We believe the Turquality program fills an important space concerning the brand image of our exporter companies. The figures attained so far are in support of this, too. The value of Turkish exports per kilogram is \$1.58 on average; for companies under the Turquality program, this figure rises to \$2.34. Our aim is to drive this figure even higher.



2013 AT A GLANCE

TURKEY STAGED SEVERAL DEVELOPMENTS THAT IMPRESSED THE WORLD IN REAL ECONOMIC FIELDS SUCH AS PRODUCTION AND EXPORTS AS WELL AS THE FINANCIAL FIELD. HERE IS A QUANTITATIVE SUMMARY OF THE TURKISH ECONOMY IN 2013.

337%

The Central Bank of Turkey's total foreign currency reserves, including gold, has exhibited an increase over the past decade of 337%, reaching historic record levels with a value of \$123.34 billion.

\$11.16 BILLION

Turkey's export in February 2013 exhibited a year-over-year increase of 10.4%, rising to \$11.16 billion.

JANUARY

FEBRUARY

\$3 BILLION

The groundbreaking ceremony for Istanbul's \$3 billion third bridge over the Bosphorus was held.

TRY 10.4 BILLION

Turkey's aviation industry contributes TRY 10.4 billion to the country's GDP, accounting for a 1.1% share of total revenues.

157

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

\$1.56 BILLION

The chemicals industry's July 2013 export totaled \$1.56 billion, which represents a year-over-year increase of 20.2%.

JULY

JUNE

MAY

APRIL

\$12.55 BILLION

Export figures for March 2013 were higher than last year at a reported level of \$12.55 billion.

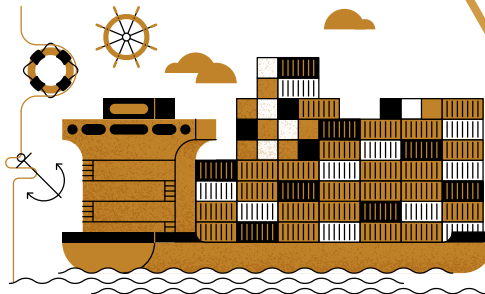
MARCH

The TIM-hosted Turkey Innovation Week featured world-famous speakers and welcomed thousands of attendants of all ages.

AUGUST

Automotive, chemicals, and apparel were the fastest-growing industries in September with growth rates of 13.7%, 11.6%, and 11.3% respectively.

13.7%



SEPTEMBER

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

The Marmaray Project, the world's first underwater tunnel between two continents, was opened to the public.

OCTOBER

Tiger Woods, the world's top-ranked golfer, pulled off a transcontinental golf shot on the Bosphorus Bridge to promote the Turkish Airlines Open.

NOVEMBER

\$13.8 BILLION

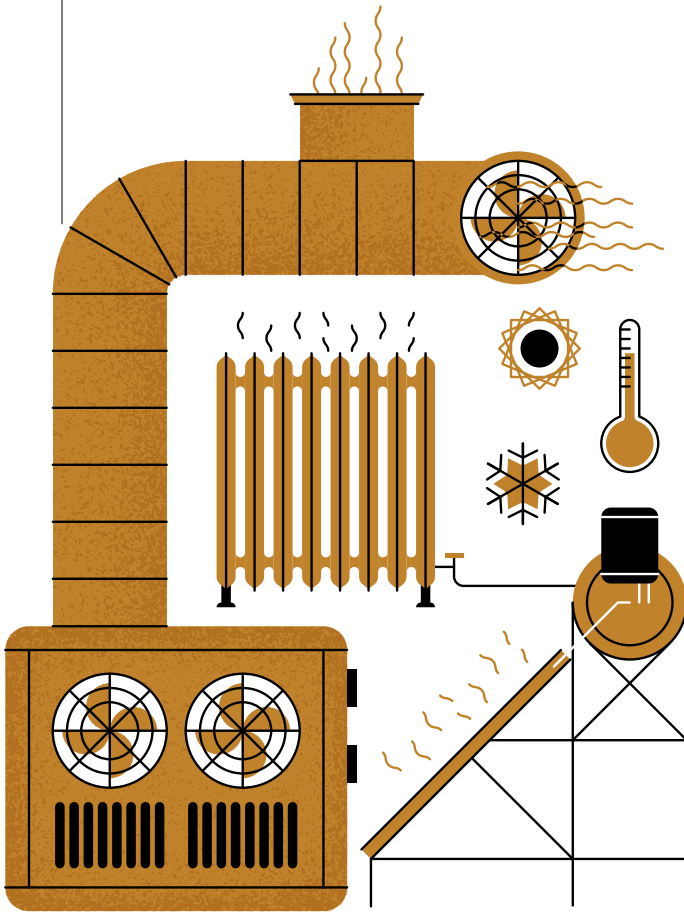
Turkey's exports experienced a record-breaking recovery, exhibiting 8.8% year-over-year growth to reach a total of \$13.8 billion for the month of November.

NOVEMBER

DECEMBER

DECEMBER

Final talks on investments concerning the Trans-Anatolian Natural Gas Pipeline Project (TANAP) and Trans-Adriatic Pipeline (TAP), which are being developed to transport natural gas extracted from the Şahdeniz 2 site in the Caspian, were concluded with a ceremony in Azerbaijan.



HVAC/R INDUSTRY

ZEKİ POYRAZ
HVAC/R INDUSTRY
COUNCILMAN



WE DREW A ROAD MAP TO CARRY THE INDUSTRY TOWARD ITS TARGETS FOR 2023.

\$446

BILLION

SIZE OF THE WORLD
HVAC/R MARKET

\$3.8

BILLION

JAN.-DEC. 2013
EXPORT

23

TURKEY'S RANK IN
THE WORLDWIDE
HVAC/R MARKET

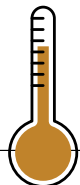
Our industry grew fivefold from 2000 to 2012 and it continued to grow in 2013. We expect an export of roughly \$5 billion by the end of the year. Our industry exhibited good performance in manufacturing and in sales both domestic and abroad this year. Together with all our associations, academic experts, and representatives in public organizations and institutions, we drew a road map to carry the industry toward its targets for 2023 and pinpointed our strategies. We have begun activities in every area from the development of R&D to the facilitation of university–industry cooperation, and from gaining more influence in foreign markets to improving labor quality.

Rising quality-of-life, increased environmental consciousness, higher incomes, and greater business volume thanks to urban transformation place our industry at an advantageous position in our country. Consumers have gained the means to guide producers through their needs and wants, and our investors are raising the bar on their ability to innovate and on quality every day. Our industry's future is bright.

The HVAC/R industry is one that is developing rapidly on the fronts of technology, production, and consumption worldwide as well. The size of the world HVAC/R market hit \$446 billion last year. The US accounts for the lion's share with \$60 billion, followed by Germany in second place with \$30 billion and China in third place with \$29 billion. Turkey ranks 23rd. Opportunities in the industry are abundant, and there is potential.

The Turkish HVAC/R industry is one that is esteemed on the global market. Turkish products are trusted now. The notable successes of our contractors abroad have a positive effect on us as well. We are able to follow technology closely and adapt very quickly to the times; this is why our products are gaining increasing acceptance.

Despite the crises worldwide, especially in Europe, we had a good year. I can say the progression through 2014 and in the medium term shall be favorable as well. We will start reaping what we have sown in 2013. In May, we will have the Istanbul Sodex trade show. This show is very important to us; it's one of the industry's most important international events. We also have a design competition that we started working on in 2013, which will be held simultaneously with the show and be a first for our industry. This competition is important for the present and future of the industry. Efforts to organize national participation in our trade shows abroad shall also continue. We will do whatever we can to become stronger both abroad and domestically. Each year must be better than the one before.



We could say that 2013 was a good year for our automotive industry—one that surpassed expectations, even. Automotive exports increased 12% year-over-year in the first ten months of 2013 to total \$17.5 billion. The increased rate of auto exports especially as of the second quarter of the year is what allowed this to happen. The export of parts and passenger vehicles, the two most important product groups, increased by 10% and 15% respectively, together having a positive impact on overall auto exports. Despite the continued decline in the EU market, our most important market, our passenger vehicle firms continued to produce new models during this year, facilitating growth in this product group. And in vehicles capable of trucking, our third-largest export item, the addition of new models allowed us to surpass last year's export figures—our export grew year-over-year by 14%. Meanwhile, growth in the auto components industry has reached 10%. A total export figure of \$9 billion is expected of this product group by year-end. As a result of all these, the \$20 billion export target set for 2013 shall be surpassed. The industry is expected to finish the year with an export of over \$21 billion.

Out of all of Turkey's industries, our automotive industry has been the export champion for the past seven years. Currently, it produces 1.1 million motor vehicles—this production volume makes it one of the leading producers of motor vehicles in Europe and the world. Growth rates (which have been in favor of growing countries in recent years) are expected to change in 2014. The growth rates of growing countries and developing countries are being equalized. A sophisticated interpretation of the estimated 4–5% growth rate suggests the domestic market might shrink but that there shall be some growth room in Europe in spite of that.

Turkey's automotive parts and components industry has accumulated experience over the course of sixty years, developed structure through the competitive conditions that were brought by the Customs Union acquiescence in 1996, built up discipline through the pressure to improve quality, and become competitive thanks to the rejuvenating power of entrepreneurial spirits. For this reason, Turkey's automotive parts and components industry is seen in Europe as an example, a benchmark.

With more than \$8 billion in export value, the Turkish automotive parts and components industry is responsible by itself for 5.5% of Turkey's total export. The number of people employed directly is over 200,000. With the addition of indirect employment, this figure surpasses 350,000.

Our automotive industry, the export champion of our country for the past seven years, posted a surplus of more than \$12 billion from 2006 to 2012.

Productionwise, 2011 was similar to the year 2010; administratively, however, new projects being launched in 2013 account for most of the efforts under way.

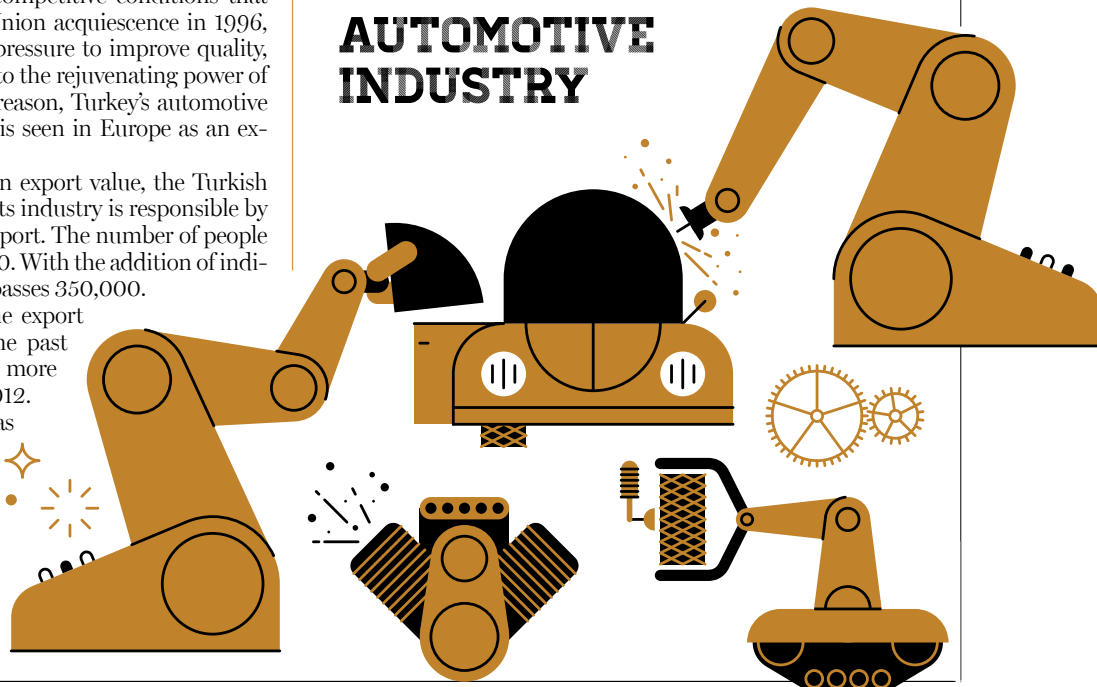


ÖMER BURHANOĞLU
AUTOMOTIVE INDUSTRY
COUNCILMAN

THE AUTOMOTIVE INDUSTRY
HAS BEEN THE EXPORT
CHAMPION FOR THE PAST
SEVEN YEARS.



AUTOMOTIVE INDUSTRY





FISHERY AND ANIMAL PRODUCTS INDUSTRY

SINAN KIZILTAN
FISHERY AND ANIMAL PRODUCTS
INDUSTRY COUNCILMAN



OUR FISH IS EXPORTED TO MORE THAN 70 COUNTRIES.

\$2.4
BILLION
2023 EXPORT TARGET

70

COUNTRIES RECEIVING EXPORTS

\$1.8

BILLION

JAN.-DEC. 2013 EXPORT

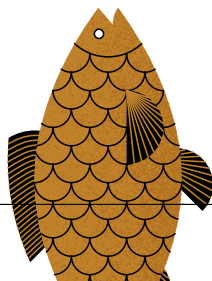
WE BELIEVE OUR INDUSTRY WILL ACHIEVE EVEN MORE THAN ITS 2023 TARGETS. AS WE STRIDE CONFIDENTLY TOWARD OUR 2023 EXPORT TARGET, WE AS THE INDUSTRY PREDICT THAT WE WILL FULFILL THIS TARGET AT 1.5 BILLION DOLLARS.

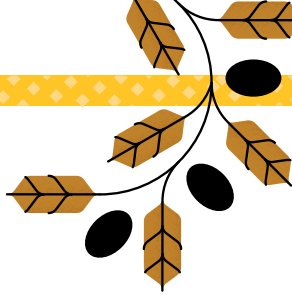
A \$1.49 billion part of Turkey's overall \$139 billion export in 2012 was accounted for by seafood and animal products, constituting 1.07%. In 2013, exports added up to \$1.611 billion in a ten-month period. Seafood and animal products accounted for 1.3% of this export. As such, our export is growing. It is notable that the seafood and animal product industry has seen one of the highest export growth rates out of all industries during this period.

The Turkish seafood industry has been on the attack for the past decade. In fish farming, the world's fastest-growing food industry, Turkey has become a star also. In sea bass and sea bream, Turkey has risen to the position of the top producer in Europe. According to data from the Ministry of Food, Agriculture, and Livestock, our farmed fish production in 2012 was 212,000 tons. It can clearly be seen upon considering that this value was around 5,000 tons in 1990 that progress has occurred with a rapid push. Besides production, this progress has reflected on our export, too, with the number of countries exported to surpassing 70. The Turkish Seafood Promotion Committee (STG) has made a significant contribution to this increase. As the STG, by participating in 18 seafood fairs and events in 2013 abroad, we have further bolstered our position. We are also holding Fish Sandwich Carnivals at primary schools to increase domestic consumption, which is currently at a level of 8 kg.

As the Promotion Committee, in consideration of the fact that the importance people ascribe to healthy living today is increasing continually, we aim to inform the interested masses of fish's positive effects on human health, thereby increasing consumption and the export and market share of Turkish seafood. In this scope, we aim to increase our market share especially in target countries and in the world, and for seafood's benefits to health to become associated with Turkey. And in order to reach these targets, in 2013 we attended the trade shows listed in the countries below, and we shall continue such activities through 2014.

We expect the support provided to the seafood industry, which has exhibited a great leap, to continue and increase in order to reach our targets for 2023. As figures for both production and export have shown increases, we believe that the outlook for the future of our seafood market is positive, in connection with these increases. We characterize our country's potential in seafood and the continued increase in efforts by official and private institutions to utilize this potential as developments that are positive for the progress of our seafood production.





Because our harvest grew so much this year, our industry was the one whose export increased the most. With the increase in Turkey's olive oil output and the reduction in the output of Spain, the world's top producer, there was a record increase in Turkey's export of olive oil to the US. Our olive oil export in the recently concluded November 2012–October 2013 season totaled 92,000 tons. In that season, the 90,000-ton figure for the 2004–2005 season, when Turkish olive oil exporters had shipped the largest quantity of product ever, was surpassed, breaking the record. With seven months remaining in the olive oil export season, there has been a 483% year-over-year increase in the amount of product being shipped to nearly 100 countries. According to these figures, the seven-month export was 208% higher by quantity than the total export of the previous season. The increase in value, meanwhile, has approached 200%. The largest increase in olive oil exports was to Italy, to which exports multiplied 44-fold, followed by Austria with a 11-fold increase. Our export of olive oil from Turkey to the US in the remaining ten months of the 2012–2013 season rose from 2,485 tons to 26,070 tons. By quantity, our olive oil export to the US exhibited an increase of 950%. The US has become the top destination country for the Turkish olive oil industry's exports.

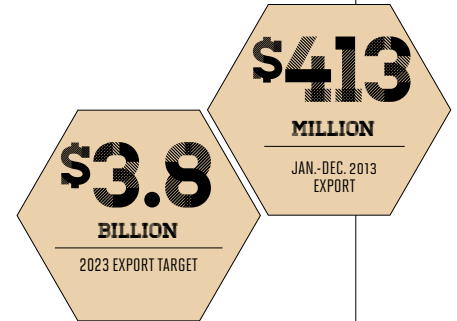
We might not be able to repeat this success next year. My estimate is that the maximum amount of olive oil that Turkey can export in the 2013–2014 season will exhibit somewhat of a decline to the region of 45,000–50,000 tons. When a product's export falls from 100,000 tons to 15,000 tons, when it rises to 30,000 tons in years when the product is plenty the increase is large. As the Turkish olive oil industry, we have repeatedly requested for many years an inward processing regime. Worldwide, among countries that are ahead of Turkey in olive oil production and exports—Spain, Italy, and Greece foremost—Turkey is the only one where inward processing is not permitted. This creates a significant loss for the market in Turkey and we are unable to compete on equal ground.

I expect our domestic consumption and our export to rise once the newly planted trees start to yield fruit. In the long term, I expect our olive oil export to increase with this as well. As consciousness of healthy nutrition becomes stronger worldwide and as olive oil consumption exhibits major increases, most of all in China, Japan, and the US, should Turkey allow the inward processing regime, it would be able to achieve its \$3.8 billion export potential in the year 2023.



ALİ NEDİM GÜRELİ
OLIVE AND OLIVE OIL INDUSTRY
COUNCILMAN

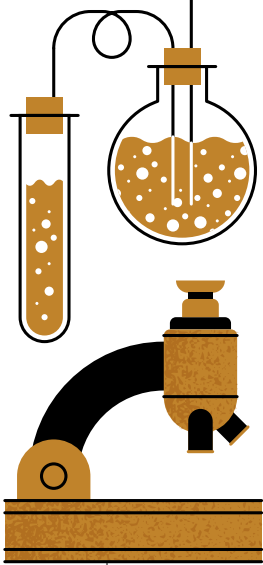
WE ENDED 2013 WITH A
RECORD OLIVE OIL EXPORT.



OLIVE AND OLIVE OIL INDUSTRY



CHEMICALS AND CHEMICAL PRODUCTS INDUSTRY



MURAT AKYÜZ
CHEMICALS AND CHEMICAL PRODUCTS
INDUSTRY COUNCILMAN



OUR GEOGRAPHIC POSITION AND PROXIMITY TO ENERGY RESOURCES ARE OUR ADVANTAGES.

\$50

BILLION

2023 EXPORT TARGET

\$15.8

BILLION

JAN.-DEC. 2013 EXPORT

I am hopeful of an increase in our regional trade should the tensions in the Middle East die down. The free trade agreement that the US and EU are about to make is highly important to us as well. The interests of Turkey, too, absolutely must be protected in this agreement. I believe the many price increases we experienced as of late shall influence inflation in some way in both the exchange rate and commodity prices. The chemicals industry finished last year with a total export of \$17.6 billion. We will end this year with a figure slightly higher than that of last year.

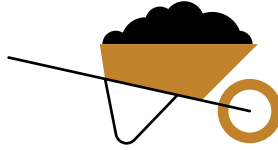
Our chemicals industry supplies raw materials for nearly every product and inputs for many industries. Chemicals have an impact over industries including automotive, leather, glass, textiles, and paper. It provides highly important contributions to our national economy in several areas from plastics to cosmetics and from pharmaceuticals to the dyes and paint industry. Chemicals account for a significant share in Turkey's exports as well. The current rapid rate of growth, unthinkable until a few years ago, gives all of us hope for the future and strongly suggests the chemicals industry shall reach its export target of \$50 billion for the year 2023.

The ten-year process ahead of us is very important to us. We have accelerated our efforts in order to reach our \$50 billion target. The chemicals industry is a model industry with its success in reaching new markets despite all the adversities in neighboring countries. We are very pleased by this.

Our industry is one that generates high value added, caters to intermediary goods production, and provides inputs to many products abroad. In addition to our production quality, our competitiveness is quite high as well. Furthermore, our geographic position and proximity to energy resources create important advantages for our country. Our quality standards are rising rapidly. As an industry, we ship our products to many countries worldwide. Besides Europe and our nearby territory, we are working toward growing stronger in other markets such as East and Central Asia, South America, and countries in sub-Saharan Africa. Our hope is that the issues in neighboring countries shall reach resolution in 2014. Egypt is the most important market for chemicals, but the effect of the events in the country has reached tangible levels over the past two months. We expect our trade to improve through sound management of the political process. 2014 will be a year in which we make progress via medium- and long-term targets despite all factors both internal and external and maintain our cautious stance.

THE CHEMICALS INDUSTRY IS A MODEL INDUSTRY WITH ITS SUCCESS IN REACHING NEW MARKETS DESPITE ALL THE ADVERSITIES IN NEIGHBORING COUNTRIES.





The main subcategories of goods in our industry are cement, ceramics, and glass. With the value added and jobs it creates in all three of its subindustries, our industry is one of the most important industries in our national economy, being the largest user of local resources in exports and having one of the lowest dependencies on imported products. Our industry's total export in 2012 was \$3.3 billion; over the first ten months of 2013, the export increased by 3% to reach 2.8%. The most important export markets are Iraq, Libya, Russia, Germany, and Azerbaijan. The industry is of strategic importance to Turkey by virtue of the value added it creates. Export growth in the industry would generate high value added, in turn having a positive impact on Turkey's foreign trade balance.

Turkey ranks fifth among the world's foremost cement-producing countries and seventh among cement-consuming countries. Through capacity increases attained since the early 2000s, the Turkish ceramics industry has become an important worldwide player. In exports, the Turkish ceramics industry ranks fifth worldwide. As of year-end 2012, the ceramics industry's annual export was in excess of \$1 billion. At the same time, the top producing companies in the Turkish glass industry—more than 77 years old as of 2012 continue their activities in world markets, diversifying them powerfully and ambitiously following the principle that the world is their market, shipping their products to 150 countries.

Our association's 2023 export target is \$7.3 billion. It appears it would be possible for us to reach our 2023 target with an average export increase of 7% per year over the next decade in the industry overall.

There is an export target of \$3.6 billion for our industry in 2014. The addition of amendments to existing incentive legislation to encourage efficient use of energy, incentives for companies that use energy efficiently and the provision of special discounts, the effectuation of related practices, compliance with EU legislation in energy taxation, easier access to sources of raw material, the lifting of barriers before the use of raw material sources, the elimination of issues in processing raw materials, the expansion of the rail network, the development of rail transport between manufacturing centers and raw material areas and ports, reduced logistical difficulties, and the signing of FTAs with countries with which there are no such agreements could be counted as important steps for our industry that must be taken urgently.



İ. ALİ ÖZİNÖĞÜ
CEMENT AND SOIL PRODUCTS
INDUSTRY COUNCILMAN

THE EXPORT OF THE OVERALL CEMENT, GLASS, CERAMIC, AND SOIL PRODUCTS INDUSTRY FROM JANUARY TO OCTOBER 2013 EXHIBITED A YEAR-OVER-YEAR INCREASE OF 3% BY VALUE, REACHING \$2.8 BILLION.

3%

YEAR-OVER-YEAR GROWTH OF EXPORT (2012-2013)

\$2.9

BILLION

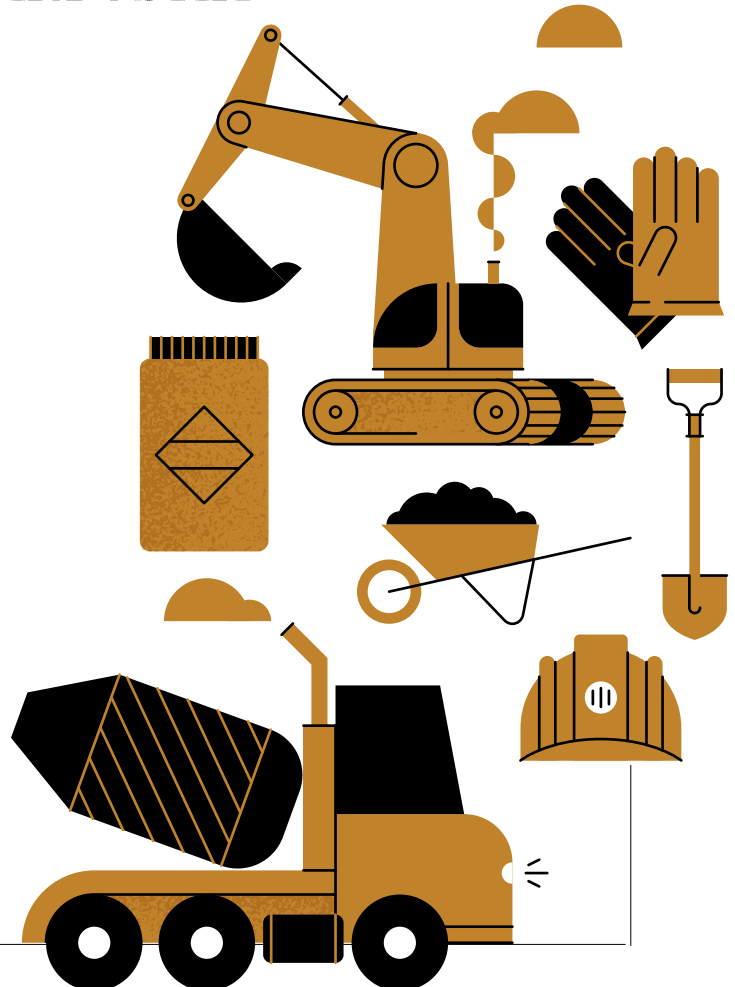
JAN.-OCT. 2013 EXPORT

\$3.6

BILLION

2014 EXPORT TARGET

CEMENT AND SOIL PRODUCTS INDUSTRY





FRUIT AND VEGETABLE PRODUCTS INDUSTRY



RIZA SEYYAR
FRUIT AND VEGETABLE PRODUCTS
INDUSTRY COUNCILMAN

OUR SHARE IN THE GLOBAL MARKET OF FRUIT AND VEGETABLE PRODUCTS IS AROUND 1.3% AT PRESENT.

\$1.2

BILLION

JAN.-DEC. 2013
EXPORT

\$4

BILLION

2023 EXPORT
TARGET

Compared to fruit and vegetable industry export figures for the first ten months of the year 2012, an 8% year-over-year increase occurred in the quantity of our export, which reached 985,000 tons. By value, exports increased by 3.5% to \$1.06 million. Exports were carried out to a total of 175 countries during this period, a figure significantly higher than the national average per industry. The highest export of goods was to Germany, as was the case last year, followed by Iraq. Additionally, the countries to which our exports increased the most year-over-year appear to be Saudi Arabia, Syria, and Switzerland. By product group, the canned vegetables group had the highest share in our exports. Relative to these figures, we could say 2013 was a positive year for fruit and vegetable products.

When you look at the shelves of the world's leading chain groceries today, Turkish brands appear in several product categories from tomato paste to canned fruits and vegetables and from sun-dried tomatoes to fruit juice. In addition, the diversity created in products is now as significant in the world as product quality, and companies are developing products according to the demands of the buyer. In connection to this, the importance given to R&D investment in our country is increasing by the day, and this ought to be made state policy.

Our country is among the world's most important countries in terms of both the variety of products grown and the quality of the products obtained. Turkey ranks first worldwide in apricot, pomegranate, fig, sour cherry, and cherry production; second in strawberry production; and third in watermelon, apple, cucumber and gherkin, and pepper production. This superiority in production makes it more convenient for the manufactured goods industry to procure inputs; however, it is necessary to increase the value added to products through product diversity and product development, as mentioned above. Our share in global market of fruit and vegetable products is around 1.3% at present. To raise this and to increase our industry's competitiveness, a number of technology-focused efforts are required. Furthermore, as constant improvement in logistical abilities brings distant markets closer, it has become necessary to create a new customer base by searching for new markets beyond existing markets.

Considering the manufactured goods trade changes according to production based on fruits and vegetables, we could say the production of fruits and vegetables in 2014 shall play a determining role in the manufactured goods industry. There does not appear to be any serious problems facing the industry according to current data. I believe this will reflect on our exports, too, provided that efforts regarding innovation continue to increase. I hope the year will be a productive one for the industry in taking one more step toward the \$4 billion export target set for the centennial of the Republic of Turkey.



DURŞUN ÖĞÜZ GÜRSOY
HAZELNUT AND HAZELNUT
PRODUCTS INDUSTRY
COUNCILMAN

**OUR COUNTRY'S HAZELNUT
INDUSTRY REFLECTS ITS
POSITION AS THE WORLD
LEADER.**

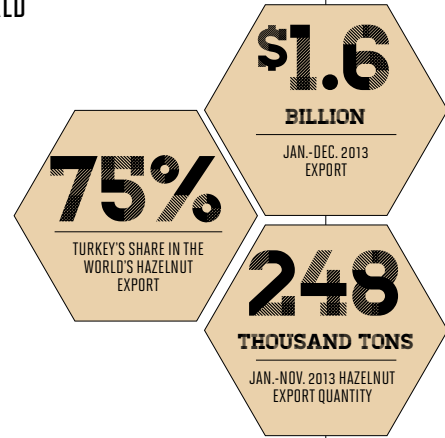
The performance of the hazelnut and hazelnut products industry in 2013 shows an export of \$1.57 billion in return for 247,510 tons of hazelnut kernels as of November 25. The export in the corresponding period for 2012 totaled 228,082, meaning there was a year-over-year increase since then of 9% by quantity. Considering the export that will have taken place over the last month, I think the 2013 export target of \$1.7 billion will be reached. It is possible to say that the state's adherence to the new hazelnut strategy it has followed since 2009 (in which prices are set according to the free market, with intervention in prices being out of the question) has had a major influence.

Our country's hazelnut industry indubitably possesses facilities equipped with the latest in technology, befitting its position as the world leader. The Turkish industry thus succeeded in escaping the bottleneck of being an industry selling to importers, as was the case many years ago, and reached the capability and capacity to deliver directly to manufacturing sites the hazelnuts now used in famous brands belonging to global chocolate and confectionery giants as per the specifications issued by these companies.

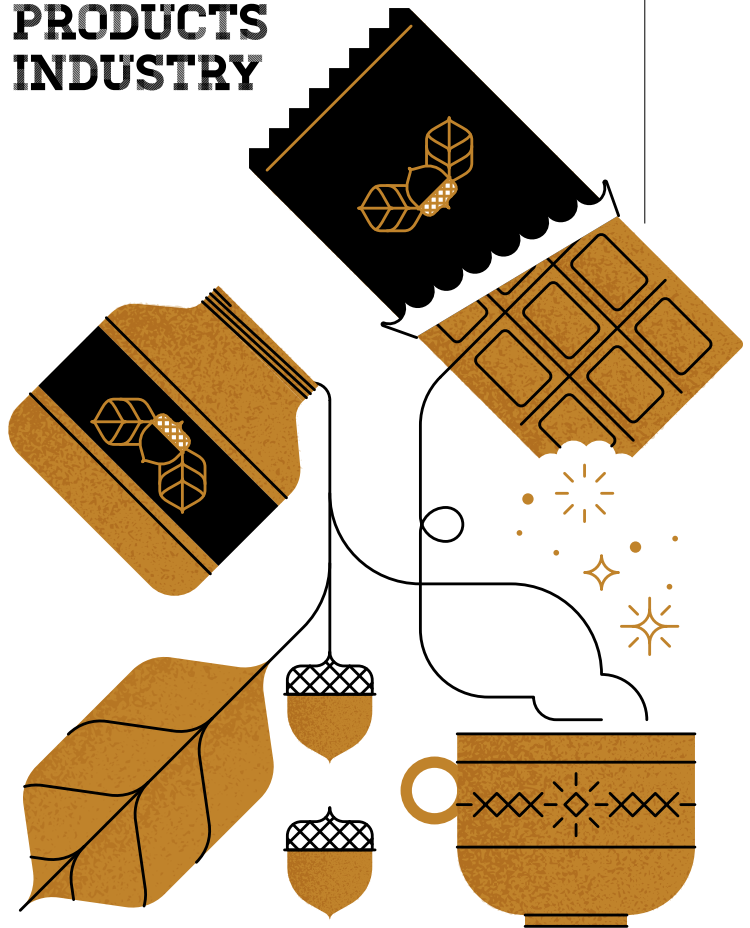
Turkey, one of the few countries in the world that possess climate conditions needed for hazelnut production, accounts for 75% of world production and 70-75% of exports. Italy on the other hand, as the country that is the second-largest producer, accounts for 10-15% of world production. At the same time, very little hazelnut is sold to retail outlets, since 90% of hazelnuts are sold to manufacturers. With the strategic shift in 2009, branded product sales especially targeting the Balkan countries, Russia, neighboring countries, and the Middle Eastern market took off. It is predicted that branding will have widespread growth in the hazelnut market in the coming decade as companies invest increasingly more in brand development with each passing year.

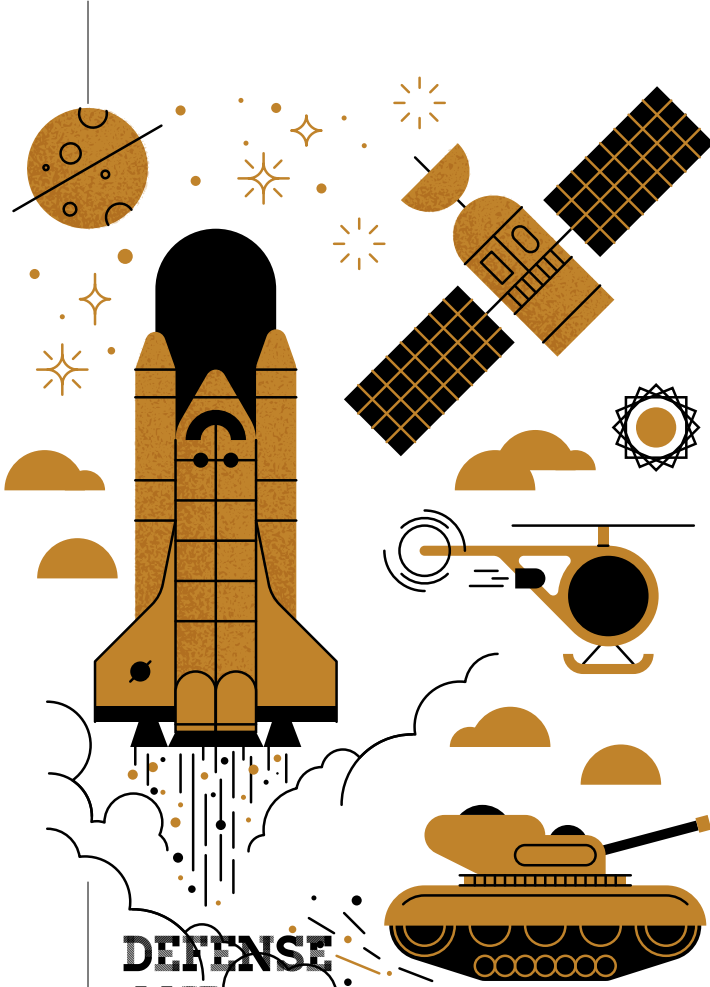
I believe it would be better to evaluate our industry's export by season instead. A harvest of 645,000 tons of hazelnut kernels is expected from current 2013-2014 season, which started on September 1. The determining factor behind the level of export that will take place in the new season—as compared to the 2012-2013 season, which produced a record harvest of 301,000 tons of kernels—will be the harvest collected in the new season. Exports will proceed entirely according to the harvest of the season ahead of us.

**TURKEY IS ONE OF THE FEW COUNTRIES
IN THE WORLD THAT POSSESS THE
CLIMATE CONDITIONS NEEDED FOR
HAZELNUT PRODUCTION.**



HAZELNUT AND HAZELNUT PRODUCTS INDUSTRY



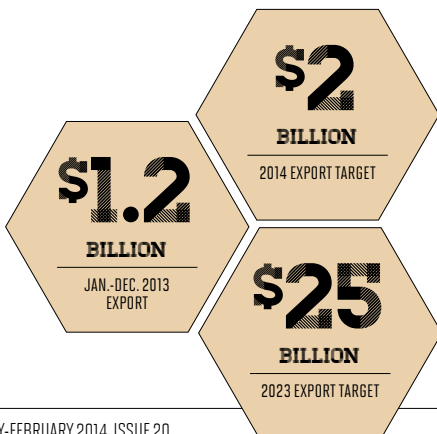


DEFENSE AND AEROSPACE INDUSTRY



LATİF ARAL ALIŞ
DEFENSE AND AEROSPACE
INDUSTRY COUNCILMAN

"OUR AIM FOR 2014 IS \$2 BILLION IN PRODUCT AND SERVICE EXPORTS."



The defense industry develops on a technology- and innovation-oriented basis in our country as in the entire world. With acknowledgement of this fact and our ambition for progress, we are moving forward on our way by adding a plus every day.

Looking back on 2013, achieving product diversity in our exports especially brought the Turkish defense industry to a more qualified level as an indicator of the momentum in the industry's growth.

With regard to the product with the highest rate of sales throughout the year, we highlighted the quality and technologic characteristics of the Turkish product especially in aircraft and helicopter components, aircraft engines, armored land vehicles, vessels and speedboats, missiles, rockets and launch pads, light weapons and ammunition, electronic systems.

We are putting an effort to support efficient positioning of our SMEs in exports. It is critical that our SMEs focus on well-defined areas in the system and are encouraged in this respect. 2013 was highly intensive in this regard and this will continue increasingly in the coming years.

Our exports target by the end of 2013 is \$1.5 billion. Our aim for 2014 is \$2 billion in product and service exports. By 2023, we will be one of the major global suppliers in the defense and aerospace industry.

The defense and aerospace industry increased its export rate at the highest level in 2012 when compared to the export growth of other industries in Turkey. Our export was \$600 million in 2008, \$1.26 billion at the end of 2012, and more than \$1.2 billion in the year to date as of November 2013. In other words, there was a year-over-year increase of 12.6%, a rate above the overall export growth rate in Turkey.

More than \$1.75 billion was spent globally on defense in 2012. The US accounted for \$682 billion of this spending. China ranked second with a share of \$166 billion. Turkey ranked 15th globally, having spent \$18.2 billion on defense that year.

Turkey sells products to the US, which has the biggest share of the world market in the industry. The US ranks first among our export markets.

The spectrum of the countries we export to broadens every day. Considering our top export markets in 2013, it is possible to say we are preferred in North America (namely the US), the CIS, the EU, the Caspian, the Persian Gulf, and Southeast Asia. The Turkish defense and aerospace industry has proven itself to the world.

The defense and aerospace industry is an important industry that demonstrates the current roles played by Turkey regionally and globally as well as future roles to be undertaken in the medium and long term.

As well as R&D, capital power, qualified labor force, coordinated state support, Turkish Armed Forces inventory works, a powerful exports team, and the facilitating role of bureaucracy, the activities towards foreign markets are also important and essential.

2014 will be period in which the peak of innovation and improvement is reached in our industry and in which we shall realize great accomplishments that will guide us in the future.



ELIYA ALHARAL
DRIED FRUIT AND PRODUCTS
INDUSTRY COUNCIL, TIM
SECTORS COUNCIL

"2023, OUR COUNTRY'S DRIED AND SHELLED FRUIT EXPORT IS AIMED TO REACH \$4 BILLION."

\$1.3
BILLION
JAN.-DEC. 2013 EXPORT

\$4

BILLION

2023 EXPORT TARGET

5%

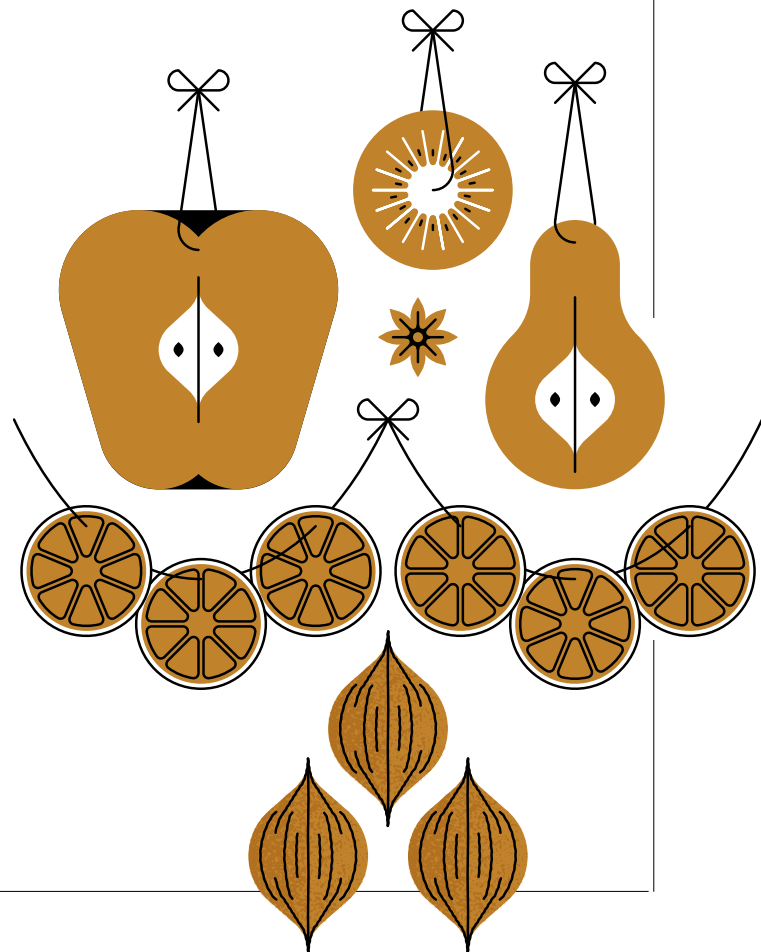
2013 EXPORT
GROWTH

The year 2013 was a comparatively lively one for the dried fruit and product industry, especially in terms of imports. As shown below, most of our dried and shelled fruit export items exhibited growth over the first 11 months of 2013 by quantity and value. Overall, the quantity and revenue of our export increased by 5%. We estimate that our year-end export will total roughly \$1.45 billion.

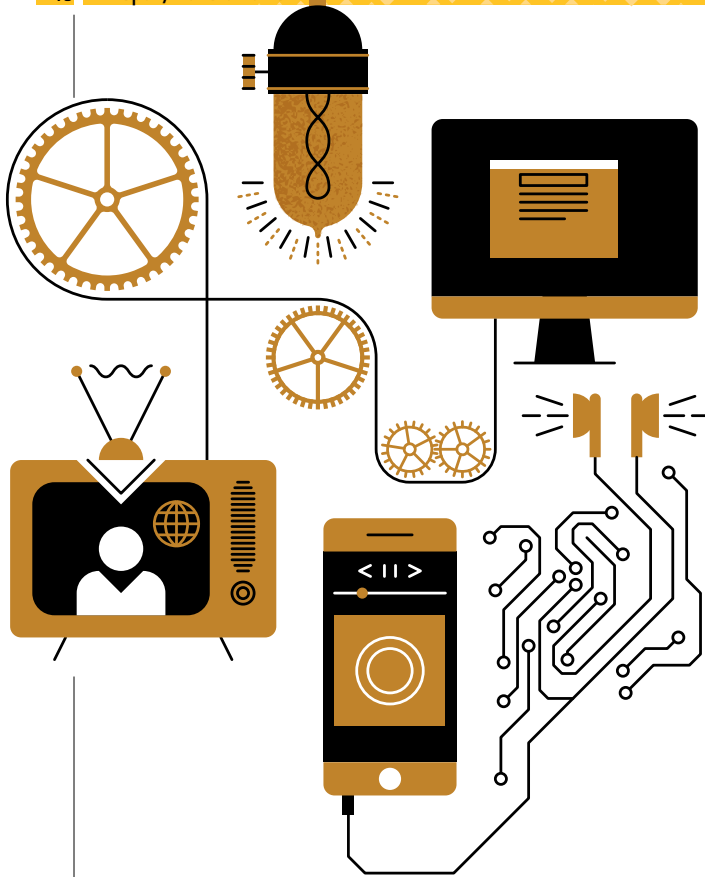
The dried fruit and products industry in our country is an industry that is continually becoming livelier with shelled fruits. This is evident in the new and differently packaged types of products on sale in stores as well. However, because production in our country of relatively high-demand products such as walnuts and almonds is low, there is a loss of foreign currency of over \$100 million every year caused by the import of such shelled products. For this reason, the space devoted to the cultivation of products for which demand is expected to grow in the domestic and international market in the long term—such as walnuts and almonds, pine nuts, dried figs, and prunes—must be increased. Our expectation from the state regarding this matter is to increase planting of these products in regions suitable for cultivation by encouraging the planting of saplings of these products and providing support in the form of saplings in the allotment of degraded forest lands owned by the treasury ("2B lands.")

The global annual trade value of dried fruit alone (dates, apricots, raisins, figs, plums, etc.) is around \$10 billion. Considering dried and shelled fruits together, the trade volume exceeds \$30 billion. Our country's dried fruit export, being worth around \$1 billion, accounts for 10–11% of the global export. In dried and shelled fruits, including hazelnuts, its share is slightly below 10%. With the planned expansion of cultivated fields by 2023, our country's dried and shelled fruit export is aimed to reach \$4 billion. If the world trade in dried and shelled fruit reaches \$40 billion in the year 2023, our country shall hold a share of around 10%. However, if your dried fruit export rises to \$3 billion, our share in the \$12 billion global market will be 25%. We are of the view that so long as a global-scale crisis does not take place and a significant decline in production quantity does not occur in 2014, interest in and demand for dried fruit will continue and our export shall reach the level of \$1.6 billion.

DRIED FRUITS INDUSTRY



THE SPACE DEVOTED TO THE CULTIVATION OF PRODUCTS FOR WHICH DEMAND IS EXPECTED TO GROW IN THE DOMESTIC AND INTERNATIONAL MARKET IN THE LONG TERM—SUCH AS WALNUTS AND ALMONDS, PINE NUTS, DRIED FIGS, AND PRUNES—MUST BE INCREASED.



ELECTRICAL, ELECTRONICS, MACHINERY, AND INFORMATION TECHNOLOGIES INDUSTRY

GÜVEN UÇKAN

ELECTRICAL, ELECTRONIC, MACHINERY, AND INFORMATION TECHNOLOGIES INDUSTRY, TIM SECTORS COUNCIL



“THE COUNTRIES OUR INDUSTRY EXPORTS TO DIVERSIFY CONTINUALLY”

\$10.6
BILLION

JAN.-DEC. 2013 EXPORT

100

COUNTRIES RECEIVING EXPORTS FROM THE INDUSTRY

3.2
TRY BILLION

ELECTRICAL EQUIPMENT

3.2
TRY BILLION

HOME APPLIANCES EXPORT

2

TRY BILLION

EXPORT OF CABLING

“THE LEADING RECIPIENTS OF OUR EXPORTS WERE, RESPECTIVELY, THE UK, GERMANY, IRAQ, TURKMENISTAN, AND RUSSIA.”

The market in the euro zone—our primary market for durable consumer goods—shrank this year for the second time. Electronics shrank by around 15% while home appliances shrank a little less. Modest growth occurred only in the markets of Poland, Russia, and Turkey. A significant decline in LCD TV exports occurred in connection to these developments. The growth in Middle Eastern and African countries significantly drove up exports of the electricity generation and distribution equipment group, causing this segment to rise to first place this year for the first time ever. The cabling group maintained its position from last year, but exports declined somewhat along with the decline in copper prices. As of the end of November, the export of electrical and electricity generation and distribution equipment grossed \$3.23 billion. Home appliances exports grossed \$3.15 billion, electronics exports \$2.53 billion, and cables \$2.02 billion. The leading recipients of our exports were, respectively, the UK, Germany, Iraq, Turkmenistan, and Russia. If one were to consider the entirety of the export market, one would see that the industry has succeeded in spreading its export to more and more countries. However, despite efforts toward market diversification, EU countries account for a 60% share of the export market in durable consumer goods.

The electrical and electronic equipment industry is bolstering its position in our country's economy each passing year in terms of production, employment, value added creation, and exports. The companies that create the most value added, possess the largest R&D centers, and hold the most patents in our country are part of our industry. Two of our country's ten top exporter companies operate in our industry. Through the reforms implemented as part of the EU accession process, the investing climate in our country became much more attractive, and many multinational companies thus invested in our country and thereby contributed to our economy.

European countries are our industry's largest market in several product groups. Our longtime commercial relationship with Europe is an indicator of our industry's advanced technology and production quality, too. We have become Europe's manufacturing hub for this industry. The solid reference provided by Europe strengthens our hand in other markets. Significant growth is expected in the year ahead in our markets in Russia, the Middle East, Asia, and Africa. As regards these expectations, we expect our industry's export next year to be even more successful. The support given to our industrialists and exports shall fuel the growth of our export.

The main target for the year 2023, the centennial of the establishment of the Republic of Turkey, is to raise exports to \$500 billion and the total trade volume to \$1,1 trillion. With respect to this target, what we as the ferrous and nonferrous metals industry must do is to attain \$25 billion in exports in 2023. To reach this target, the industry needs 13% growth every year. We have identified targets for every year and term within the scope of the Strategic Action Plan we put forth long before, and we are pursuing efforts to this end.

Our ferrous and nonferrous metal export grew 1.4% in 2012 to total \$6.56 billion. Our 2013 target for the industry was to surpass the target figure of \$6.56 billion that was obtained in 2012. Upon examining the industry's exports according to data for 2013 through October, we see that we have reached a figure of \$5.52 billion in exports, which embodies a year-over-year increase of 5.7%. This shows us that the industry may struggle to reach the target. However, we believe we will near our 2013 target of \$7 billion in spite of all the negative assessments. This is because we know the importance of being positive and acting without prejudice, and through our efforts, we are moving forward with complete focus on our target.

Global economic developments and the question of when the developed economies will emerge from their present economic stagnation are sure to affect our globally integrated industry. For instance, while it is true that the crisis in Europe is having a negative impact on world trade, one must also look at—and not only look at, but see—the full half of the glass. The crisis is causing Europe to turn its attention toward Turkish goods that are both high in quality and relatively inexpensive, and this opens up a new door for us that needs to be put to use.

On the path toward our targets as an association, we are striving to send delegations not only to well-known markets such as the US but also to geographically distant, so far neglected countries that have potential. We last went to Mongolia and saw there a high-potential market that our exporters could turn to account. Once we are truly able to exploit all these opportunities, I believe reaching the \$7.5 billion target we set for 2014 would not even be a matter of question.



TAHSİN ÖZTİRYAKI
FERROUS AND NONFERROUS
METALS INDUSTRY COUNCILMAN

**“DEVELOPMENT SHALL ONLY
BE POSSIBLE THROUGH
ADDING VALUE TO THE
PRODUCTS WE MAKE.”**

FERROUS AND NONFERROUS METALS INDUSTRY





FRESH FRUIT AND VEGETABLES INDUSTRY

KEMAL KAÇMAZ
FRESH FRUITS AND VEGETABLES INDUSTRY,
TIM SECTORS COUNCIL



IN TERMS OF PRODUCTION AND EXPORTS, TURKEY IS AN IMPORTANT ACTOR IN THE WORLD FRESH FRUIT AND VEGETABLE INDUSTRY.

\$2
BILLION

JAN.-DEC. 2013
EXPORT

\$10
BILLION

2023 EXPORT TARGET

In terms of the suitability of its geographic position and climate, and with the fertile nature of its soil, our country is an extremely important center for the production of fresh fruit and vegetables. The fresh fruit and vegetable industry, the most important industry group within agriculture, possesses significant potential by virtue of the employment it creates and the net foreign currency inflow it provides to the national economy.

The fresh fruit and vegetable industry exported over three million tons of fresh fruit and vegetables in 2012, providing more than \$2.18 billion in foreign currency to the national economy.

The year 2013 was one in which there were some challenges for the fresh fruit and vegetable industry, whether in connection to climate conditions or to political developments that took place in neighboring countries. Besides the challenges that arose in the access of products to the markets based on these cyclical causes, the shuttering for an indefinite term of the largest wholesale fresh fruit and vegetable market in Moscow, where over half the fresh fruit and vegetable products exported from Turkey to Russia were sold, caused difficulties for producers and exporters in marketing their wares. Despite such challenges, however, a year-over-year increase of 7% by amount and 6% by value was seen in 2013.

We continue our efforts in line with the \$10 billion export target of the fresh fruit and vegetable industry for the year 2023 in sight. We are readying our industry according to the road map that emerged in line with these efforts.

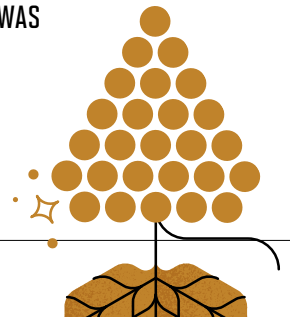
In terms of production and exports, Turkey is an important actor in the world fresh fruit and vegetable industry. Turkey ranks fourth in global fresh vegetable production and tenth in global fresh fruit production. In addition, Turkey ranks tenth in global fresh fruit, vegetable, and citrus exports.

Scientific studies show that worldwide demand for fruit and vegetable products will continue to rise in the years ahead. The chief causes for this are the rise in the world's population, the continued growth of the world economy, and ever-increasing consciousness of healthy diets.

In accordance with the 2023 export targets, we, as an industry, expect our exports to grow 10–12% in 2014.

WE EXPECT OUR EXPORTS TO GROW 10–12% IN 2014.

A YEAR-OVER-YEAR INCREASE OF 7% BY AMOUNT AND 6% BY VALUE WAS SEEN IN 2013.





Our carpet export gained significant momentum over the past three to four years, surpassing \$2 billion as of year-end 2012. In the period from January to October 2013, our country's carpet exports increased year-over-year by 8.7% to \$1.8 billion. In relation to this, the large export increase exhibited by our industry at a time when our country's overall export fell 0.2% is a clear sign that our industry is on the right path and that the right things are being done despite declines seen in the global markets. The four largest markets for our carpet exports are, respectively, Saudi Arabia, Libya, Iraq, and Germany.

The short-, medium-, and long-term export targets and critical success factors for our industry were identified within the scope of the 2023 export strategy and action plans have been prepared to this end. With respect to these targets, our 2013 carpet export target was set as \$2.1 billion. In consideration of the data for January–October 2013, it is predicted that our targets set for 2013 will be achieved or even surpassed. In terms of per-month export performance in 2013, our industry exhibited an average monthly export performance above \$175 million. The assessment in light of this data is that the remaining \$300 million portion of the export target can be attained in the last two months of the year and even be surpassed.

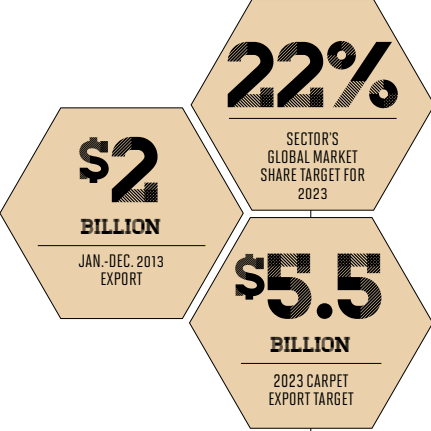
The Turkish carpet—one of the few products in which our country has made a name for itself globally—is not only a product but also a global brand name. Furthermore, according to statistical data, the carpet industry accounted for a 1.42% share in Turkey's overall export from January to October 2013, and Turkey's carpet production is estimated to total roughly 300–350 million square meters.

According to 2012 figures for total handmade and machine-made carpet exports, our country ranks right after China as the world's second-largest carpet exporter, holding a share of 14–15%, and with a 7.8% share in handmade carpet exports, it follows India, Egypt, Iran, and China as the fifth-largest exporter. Within our targets for the year 2023, our export volume target is set at \$5.5 billion, and the global market share target for our country is set at 22%. High-volume export performance of 2013 will intensify in 2014. Our export target for 2014 has been set at \$2.3 billion, \$200 million of which is projected to come from handmade carpet exports and \$2.1 billion from machine-made carpet exports.

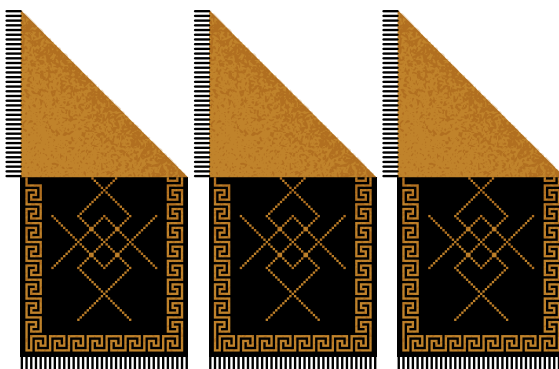
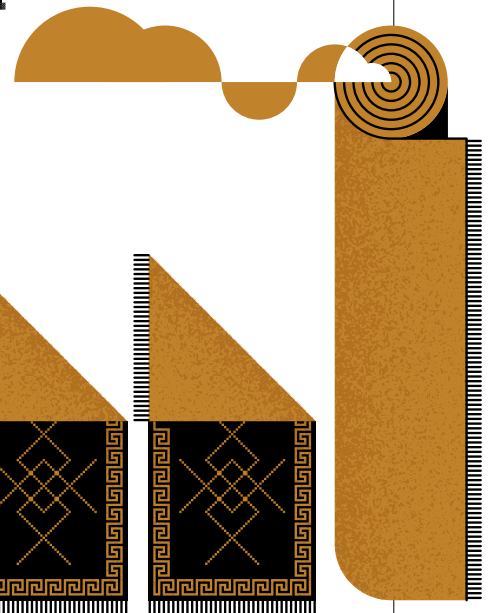
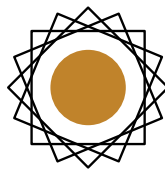


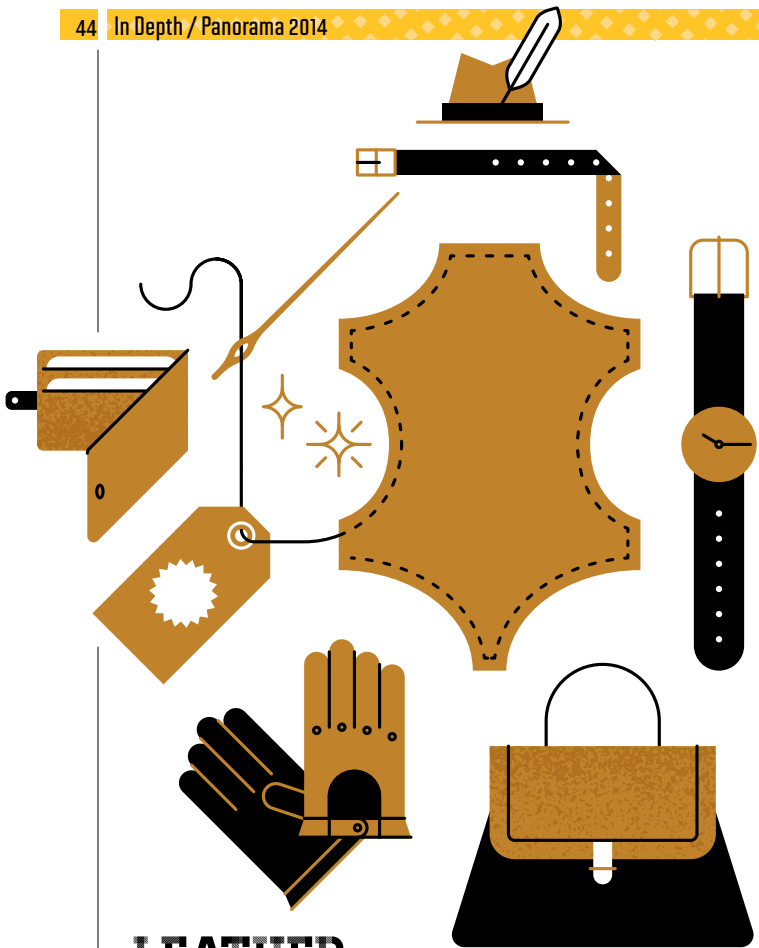
İBRAHİM YILMAZ
CARPET INDUSTRY
COUNCILMAN

OUR EXPORT TARGET FOR 2014 HAS BEEN SET AT \$2.3 BILLION, \$200 MILLION OF WHICH IS PROJECTED TO COME FROM HANDMADE CARPET EXPORTS AND \$2.1 BILLION FROM MACHINE-MADE CARPET EXPORTS.



CARPET INDUSTRY





LEATHER AND LEATHER PRODUCTS INDUSTRY



LEMI TOLUNAY
LEATHER AND LEATHER PRODUCTS
INDUSTRY COUNCILMAN

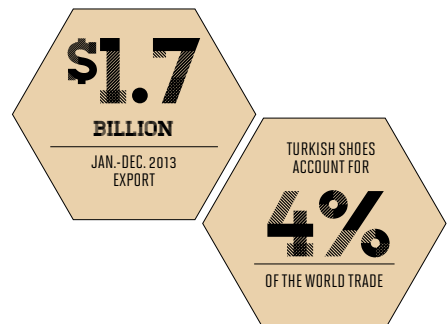
"WE PRESERVED OUR MARKET SHARE IN THE TRADITIONAL MARKET AND, IN SPITE OF POLITICAL INSTABILITIES, WE MANAGED TO FURTHER OUR COMMERCIAL RELATIONSHIPS IN THE LEATHER INDUSTRY WITH NEIGHBORING COUNTRIES. BY YEAR-END, WE EXPECT TO HAVE ACCOMPLISHED A HISTORIC SUCCESS."

The leather industry is one of Turkey's traditional lines of work. Leather production and processing has been practiced in the land we occupy for roughly a thousand years. With the modern technologies and know-how of today, our industry ranks second in Europe and fourth worldwide in terms of infrastructure. Particularly in fleece (namely sheepskin), we have held first place worldwide in terms of infrastructure and production capacity for years.

2013 was a very successful year for the Turkish leather industry. As of the first ten months of the year, we have accomplished a proud increase in our exports of 17.5%. Estimating that our country's overall exports will have grown by around 6% by year-end, our sales abroad should be more than three times the overall national export average. And within the leather industry, the shoe industry in particular was the most successful subgroup, exhibiting an export increase of 35%.

By the figures for the year 2012, the world international trade in leather and leather products has a size of approximately \$210 billion. In this sum, however, there are also products made of plastic materials as well, not only leather, in the shoe, bag, and belt product groups. After excluding plastic products and taking only real leather products into consideration, Turkish leather products—in terms of recorded exports and sales to tourists and travelers—account for a total share in the world trade of around 4%. Although our share is actually quite small, our products are in the high value-added product group, being part of the upper and luxury segment. In turn, this proves that Turkish products have a much bigger future ahead to take their share from the world trade in leather products.

We hope next year shall be an even more successful one for our industry. We have received preliminary forecasts suggesting 2014 will be a very positive year for our industry, based on an overall assessment of our international marketing activities, purchasing committees, trade delegations, and trade shows. The recovery of economic balance in the countries of the EU—the traditional markets for leather and leather products—and increased demand for up-market products will have a positive impact on our industry. We also believe that promotional and interactive efforts to be conducted in Italy, Russia, China, and Japan—our target markets—will contribute to an increase in our exports.



To such factors as its nutritive value and growing consciousness of the superior healthiness of vegetable protein and its availability at better prices, pulse consumption is on the rise worldwide. The highest levels of per capita food consumption are observed in Eastern European, Asian, and Latin American countries, where incomes are rising and population growth is declining. While pulse cultivation in Turkey is declining, cultivation and production in Russia and South America are rising. In the near future, countries in these areas shall become the chief producers of pulses. The decline of pulse production in our country has accelerated in recent years. Growers have moved toward planting corn, sunflower, cotton, and other such products thanks to increased access to irrigation and the addition of two products to year-round cultivation through the Southeastern Anatolia Project, which is being implemented in one of the main pulse cultivation regions. Through irrigated agriculture, growers have shifted toward products that provide greater yields and garner higher incentives. Pulses were planted in poorer, infertile soils in these regions.

Turkey's expected corn harvest for this year is around five million tons, or 20% higher than before. Such a harvest has allowed our country, once an importer, to become an exporter. Corn production has increased and prices have risen to the level desired by farmers. All these factors have fueled increased planting. Another reason farmers have moved toward planting corn is GMO corn—since GMO corn cultivation is very widespread abroad, especially in America, Turkish farmers worked to improve their own production by planting their own seeds, supporting both the oil and feed industries. We expect corn production to continue to grow in the coming period.

Red lentils are grown mostly in Southeast Anatolia, while green lentils are grown in Central Anatolia, broad beans in the Aegean and Southern Marmara regions, and chickpeas and haricot beans are grown all over. Pulse production totaled 1.19 million tons in 2012 and 1.23 million tons this year. Certain measures must be taken to ensure growth in pulse production in future years—incentives for pulses must be increased and value-added tax rates must be cut down.

Through the reclamation efforts it has carried out in recent years, Turkey has accomplished much in terms of fertility in paddy production. In terms of productivity by area, Turkey competes with Egypt, Austria, and the US, generally ranking among the top three. In 2000, Turkey practiced paddy farming on approximately 600 square kilometers, which yielded around 350,000 tons of product. In 2012, it grew 900,000 tons of products on an area of more than 1,000 square kilometers. The Osmaniçik variety of rice is famously regarded in Turkey and worldwide, as well as in academic sources, as the top yielder. While in the early 2000s, Turkey's level of self-reliance in rice was around 40%, it surpassed 80% in 2012. Meanwhile, rice exports increased from 945 tons in 2007 to 97,953 tons in 2012.



MAHMUT ARSLAN
CEREALS, PULSES, OIL SEEDS,
AND PRODUCTS INDUSTRY
COUNCILMAN

"INVESTORS WHO IMPORT PRODUCTS WITH INWARD PROCESSING PERMITS AND EXPORT THEM AFTER PROCESSING LEAVE THE VALUE-ADD IN TURKEY. IF THIS SITUATION CONTINUES, INVESTORS COULD MOVE ABROAD."

1.23
MILLION TONS

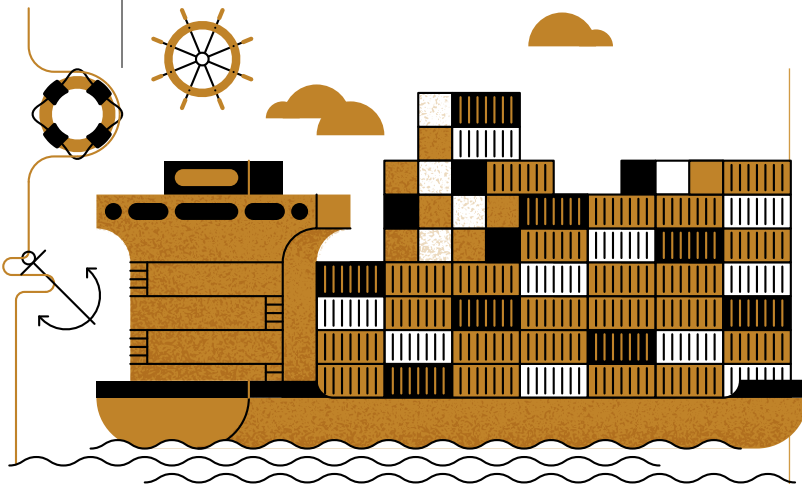
2013 PULSE
PRODUCTION

\$5.9
BILLION

JAN.-DEC. 2013
EXPORT

CEREALS, PULSES, OIL SEEDS, AND PRODUCTS INDUSTRY





SHIP AND YACHT INDUSTRY

BAŞARAN BAYRAK
SHIP AND YACHT INDUSTRY
COUNCILMAN



WITH ITS SHIP AND YACHT INDUSTRY, TURKEY RANKS AMONG THE TOP TEN SHIPBUILDING COUNTRIES IN TERMS OF SHIP PRODUCTION WORLDWIDE BY NUMBERS AND THE TOP FIVE IN MEGA YACHT BUILDERS. IN

\$10

BILLION

2023 EXPORT TARGET

\$1.1

BILLION

JAN.-DEC. 2013
EXPORT

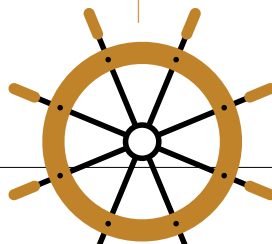
We could say the year 2013 was a successful one for the ship and yacht industry compared to the previous year. However, we have not yet been able to reach the performance our industry displayed in previous years. Still, despite so many negative circumstances, our performance this year gives hope for the future.

The ship and yacht industry was one of the industries most deeply affected by the global economic crisis that erupted in 2008, of course. Because of this, our industry, which had an export of \$2.6 billion then and which was investing significantly in the future, lost significant performance, and in 2012 its export declined to \$812 million. The industry started to recover this year, having been restructured to successfully produce and export custom niche products in addition to ordinary produce. Our industry entered a search for new markets and succeeded to a certain degree, increasing its export to Norway—a high-ranking seafaring country—significantly. In the first ten months of the year, we managed to increase our export year over year by 30%.

With its ship and yacht industry, Turkey ranks among the top ten shipbuilding countries in terms of ship production worldwide by numbers and the top five in mega yacht builders. In terms of market share, however, the top three countries—China, Korea, and Japan—hold more than 90% of the market. The reason there is such a great difference is the huge amount of state support provided in these countries; in other words, one mustn't forget that it is caused by unfair competition.

The year 2013 is giving us greater hope for 2014, but the state support provided by rival countries to their domestic industries and the continued uncertainties in the markets worry us. Reaching our 2023 targets will only be possible by the developing financial models to suit the industry and bringing these to life, the development of different marketing models such as bartering, and the introduction of incentive packages as found in other countries. Political support for marketing is also of importance to our industry.

DESPITE NEGATIVE CIRCUMSTANCES, OUR PERFORMANCE THIS YEAR GIVES HOPE FOR THE FUTURE.



Textile exports increased year-over-year in the first three quarters of 2013 by 7.3% to reach \$6.2 billion. In the same period, Turkey's industrial goods export increased 4.1%, and our overall export increased by just 0.6%. This alone shows that the textile industry continues to maintain its position within the stalling export. However, one must also take notice of the fact that the stalling that impacted the overall export figures likewise affected textiles, too. Still, especially in the home textiles product group, 2013 yielded pleasing developments. Over the first nine months of the year, our home textile export increased by 15.7% to reach \$1.5 billion. Meanwhile, while the industry's capacity utilization rate was 77.8% in September 2012, this figure rose to 79.2% in September of this past year. All of these things show that the textile industry continues to produce and export. We really feel the positive outcomes of textiles' status as a powerful, deep-rooted industry in this challenging period. The realities behind this performance must be read carefully.

There is a psychological barrier of \$10 billion before our industry. Our industry maintains a solidly grounded presence. However, it seems that going up from the level of around \$8 billion to \$10 billion will take longer than we thought, due to a number of global adversities. Nevertheless, our industry continues to develop in accordance with its long-term program in various product groups and various markets. We are selling more branded goods and collections. The production and export of value-added products continues. This data shows we are heading the right way. But the stagnation in the EU market poses a challenge for us just as it does for exporters of goods and services all over the world.

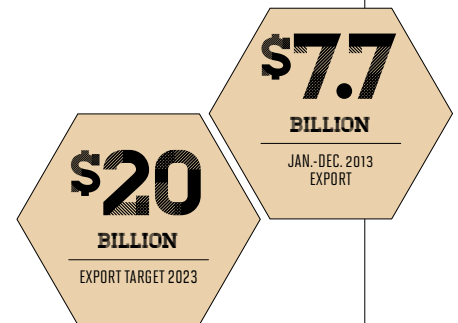
The near-term target for us is to obtain real growth independently from fluctuations in raw material input costs. This means carrying out more than \$8 billion in exports. Growth of no less than 5% per annum is significant in the context of the current economic situation.

Whether in terms of exports or installed capacity, Turkey's textile industry is one of the world's largest producers. We are a textile country that can play in many directions, able to sell branded goods to fashion-producing countries such as Italy while simultaneously competing with large Asian producers on volume. Today, Turkey is an extremely important actor that sells goods to all the world's markets from South America to North Africa and from Eastern Europe to the Caucasus, including China. The most important target before our industry, meanwhile, is to increase the value added to export products year upon year.

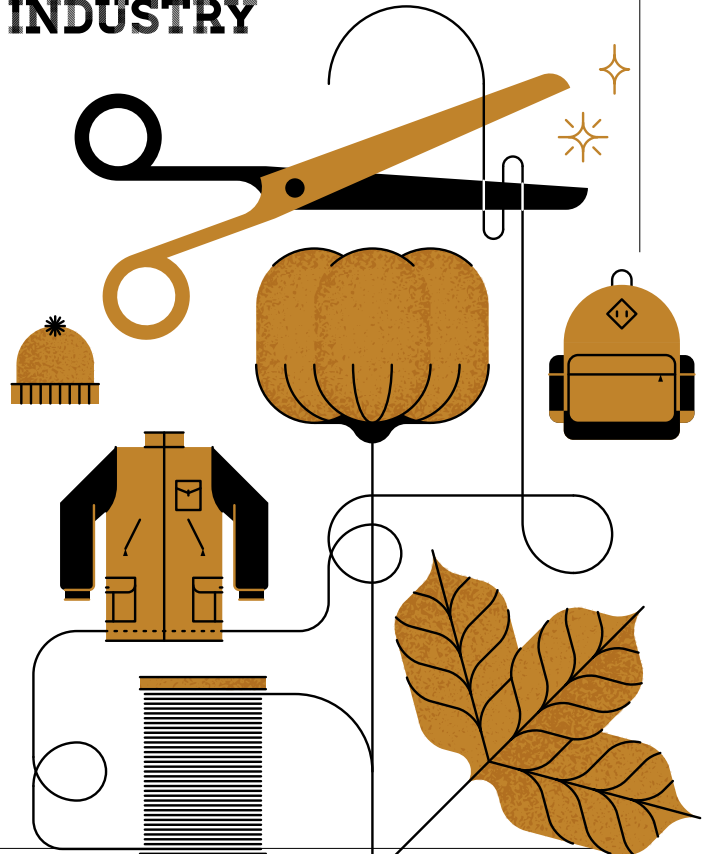


İSMAİL GÜLLE
TEXTILES AND TEXTILE RAW
MATERIALS INDUSTRY
COUNCILMAN

**"WE ARE A TEXTILE COUNTRY
THAT CAN PLAY IN MANY
DIRECTIONS"**



TEXTILE AND RAW MATERIALS INDUSTRY





STEEL INDUSTRY

MUSTAFA ÇIKRIKÇIOĞLU
STEEL INDUSTRY COUNCILMAN



"OUR GREATEST AIM AS THE TURKISH STEEL EXPORTERS' ASSOCIATION IS TO INCREASE OUR INDUSTRY'S CONTRIBUTION TO THE NATION'S ECONOMY AND TO BOLSTER ITS STANDING IN THE WORLD. WE PREDICT THAT AN ENVIRONMENT OF POLITICAL AND ECONOMIC STABILITY WILL BE SECURED IN THE WORLD IN OUR COUNTRY NEXT YEAR AND THAT WE WILL HAVE A BETTER YEAR FOR OUR INDUSTRY."

35.9
MILLION TONS

RAW STEEL
OUTPUT IN
2012

\$12.7

BILLION

JAN.-DEC. 2013
EXPORT

The steel industry is one of the four large industries that account for more than half of Turkey's exports and provide a significant contribution to the economy. Whether in terms of production or exports, the steel industry is among our country's key industries, and when adding to the industry's direct exports iron and steel products in the fields of activity of other associations, Turkey's total steel export from January to October 2013 reached 16 million tons by quantity and \$13.34 billion by value.

The Turkish steel industry is among the most important actors in the world steel markets. We manufacture high-quality products that fully comply with international standards and export them to more than 180 countries through our developed logistical networks. With 35.9 million tons of raw steel output in 2012, we ranked eighth in the world. Also in 2012, with an export of \$15.6 billion, we ranked seventh in total exports. Additionally, we are the world leader in the export of structural steel.

North Africa, the Middle East, and the EU, which are home to countries with which we have free trade agreements, are our most important export markets. An examination of our exports over the first ten months of 2013 reveals that the markets we carry out the most exports to are, respectively, the Middle East with 6.5 million tons, the EU with 2.35 million tons, and North Africa with 1.6 million tons. The sort of agreements we have in these markets is of great significance to bolstering our presence in the global markets. The Ministry of Economy is running ongoing efforts regarding this matter, and I believe FTAs shall be signed with target markets with which we do not yet have FTAs, too.

On the other hand, as our rivals closely monitor such rapid growth, they are attempting to slow us down by filing antidumping suits and launching protectionist investigations, or through imposing nontariff trade barriers. However, we are quick to react as an industry against such suits. We work with international legal firms on our suits and maintain lobbying activities in the concerned countries. So long as the Turkish steel industry continues to grow, it shall face such suits. As an industry, however, we are against dumping and we are quite sensitive to the matter in our actions. This is why we will emerge from such suits launched against our country cleared from blame and continue along our way with strengthened presence in our target markets.



The ornamental plants industry in Turkey has shown great progress in recent years in terms of both production and exports. Our export of ornamental plants is growing continually every year. The export of ornamental plants and products exhibited year-over-year growth of 5% in January–November 2013, rising to \$70 million. In particular, the export of live plants grew 15% in 2013 to \$37 million. We aim achieve export growth of 10% by year-end to reach \$80 million.

Our set of export markets continued to expand this year. We export ornamental plants to more than 50 countries. The Netherlands, UK, Germany, Turkmenistan, Iraq, Azerbaijan, Ukraine, Russia, and Romania are our chief export markets. The entire world today is well aware of the progress of Turkey's ornamental plants industry and values Turkey highly in this respect. The companies in our industry are being presented with new partnership opportunities and new markets. We, meanwhile, carry out endeavors to pave the way for such progress through the efforts of our association and promotional group. . Annual per-capita flower consumption in developed countries is up to €80–100, yet in our country, per-capita consumption is at a level as low as €1–2. The development of the domestic market would also fuel growth in exports.

Looking at the decorative plants industry worldwide, we see that it has a total trade volume of \$20 billion, whereas Turkey's share in this industry is at a very low level of around 0.2%. Today, we are seeing such rival countries as Italy and Spain, which are important producers in our industry worldwide, are giving up production due to high costs. By contrast, in Turkey, the production and export of decorative plants are exhibiting increases. This is an important development for us. The production and export of new varieties in Turkey shall grow, and this is how we shall enter new markets.

When we look at the significant importer countries, we see that we account for a very small share of the imports of especially such nearby markets as Germany and Russia. The total cut flower import of Germany—one of the industry's leading importers—it around \$4 billion per year. That of Russia, our close neighbor, is around \$2 billion. Yet Turkey's export to these countries accounts for just 0.2% of the market. These figures show us that there are many opportunities before the industry that we could take advantage of.

Our aim for 2014 is for our export to grow by 25% to reach \$100 million.



OSMAN BAĞDATLIOĞLU
ORNAMENTAL PLANTS INDUSTRY
COUNCILMAN

"WE SHALL ACQUIRE NEW
VARIETIES AND MARKETS"

\$70
MILLION

JAN.-DEC. 2013 EXPORT

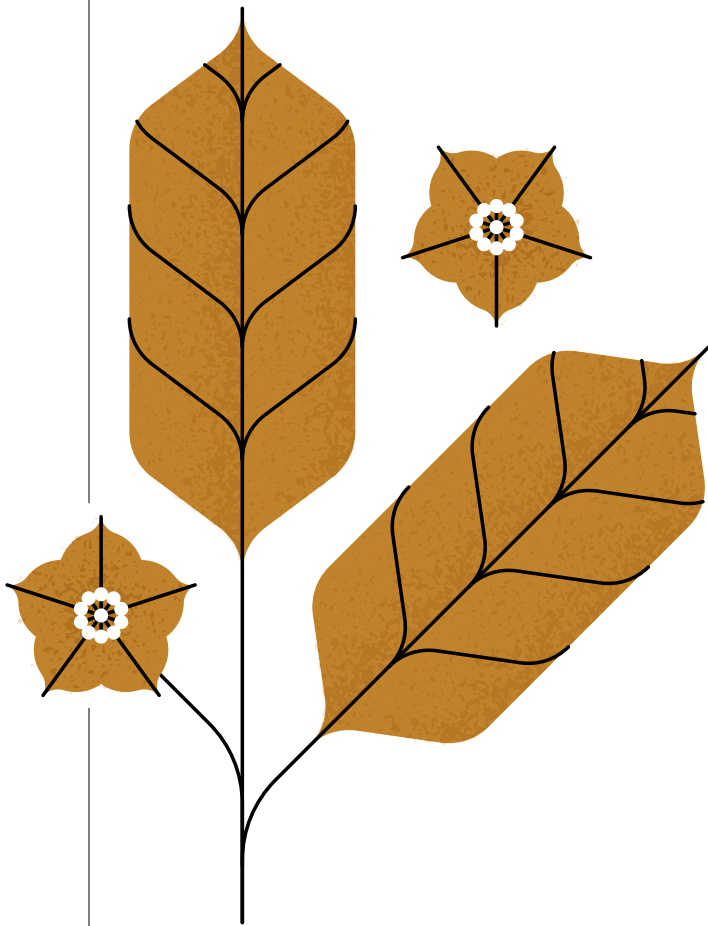
\$100

MILLION

2014 INDUSTRY
EXPORT TARGET

ORNAMENTAL PLANTS INDUSTRY





TOBACCO INDUSTRY

NOYAN KAZIM GÜREL
TOBACCO AND TOBACCO PRODUCTS
INDUSTRY COUNCILMAN



**"2014 WILL BE A YEAR
IN WHICH DEMAND AND
PRODUCTION SHALL BE
BALANCED"**

85,2

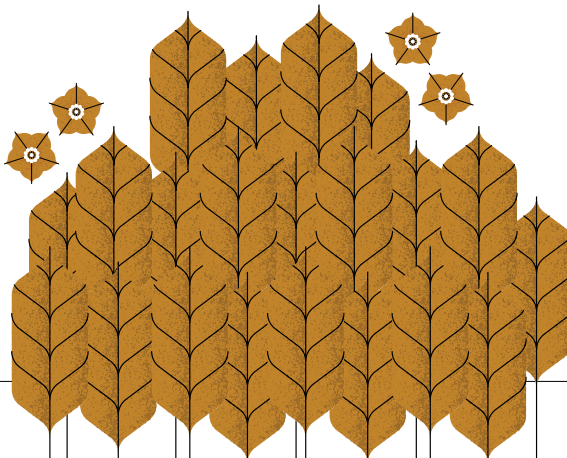
TONS

2013 LEAF TOBACCO
PRODUCTION

\$817

MILLION

JAN. - DEC. 2013
EXPORT



The year 2013 was a year in which our industry expanded significantly in terms of leaf tobacco production. Total leaf tobacco production grew from 68,800 tons last year to 85,200 tons. Fluctuations occurred in foreign market demand throughout the year, and so we faced a year with surplus production. At the same time, the standards applied to our industry are constantly being raised higher, and we transmit these standards to our producers through constant training. This is especially significant when it comes to foreign bodies in production. We are training our producers about these standards constantly and, with sadness, we indicate to producers who are unable to reach or maintain these standards that we cannot sign production contracts with them next year.

The leaf tobacco industry's investments in production are ongoing. Our efforts to modernize field preparation and seedbed preparation continue in full force. Thanks to new machines, we have been able to better prepare our fields. When it comes to planting, our efforts to renew existing planting machines as well as introducing new planting machines are under way. We have made significant progress in laying stronger, better nursery beds. Our seed improvement program is proceeding swimmingly, and with regard to meeting the industry's needs for the production of patented seeds, we are continuing to increase our production of such seeds. The industry is continuing to fulfill its production responsibilities very dutifully. Turkey is the only country that produces Oriental tobacco without state support—a cause for joy and sadness for our industry in a country that incentivizes all forms of agriculture besides tobacco cultivation. Meanwhile, efforts to improve mechanization of harvesting and drying tobacco are still under way.

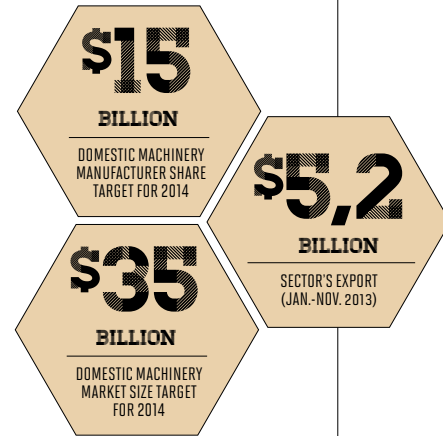
Turkey is the leader in Oriental leaf tobacco production—it is the leader on both quantity and value. We can maintain our leadership provided we play our policies smartly. 2014 will be a year in which demand and production shall be balanced. Efforts guided toward innovation shall be continued. 2014 shall be a year in which the standards introduced to the industry will be cemented. The World Health Organization's campaigns against our industry continue to mount up; for this reason, 2014 shall be a very important year. We need to continue and mount our struggle against smuggling.

**OUR SEED IMPROVEMENT
PROGRAM IS PROCEEDING
SWIMMINGLY, AND WITH REGARD
TO MEETING THE INDUSTRY'S
NEEDS FOR THE PRODUCTION
OF PATENTED SEEDS, WE ARE
CONTINUING TO INCREASE OUR
PRODUCTION OF SUCH SEEDS.**



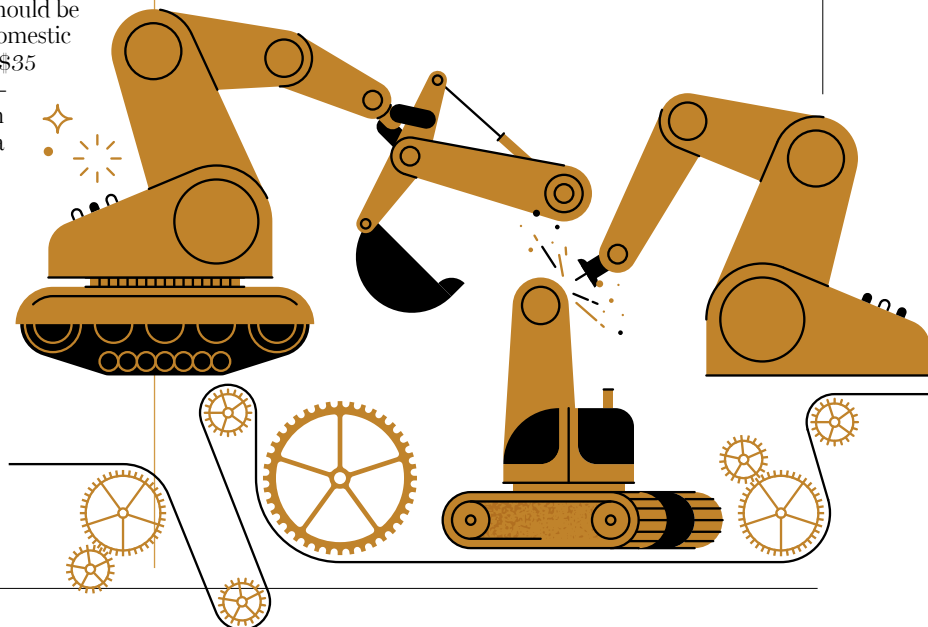
ADNAN DALGAKIRAN
 MACHINERY AND MACHINERY
 ACCESSORIES INDUSTRY
 COUNCILMAN

**THERE IS AN EXPECTATION
 OF FASTER GROWTH FOR THE
 MACHINERY INDUSTRY**



In connection to the economic slowdown in Turkey in 2013, machinery investments have been declining for the past six quarters. Besides this, however, there is growth in the economy supported by consumer spending and public investments. The growth in 2013 shall thus be beneath Turkey's growth potential. Meanwhile, the foreign markets are host to circumstances caused by the slowdown in the world economy. Despite such adversities, however, the machinery industry's production exhibited 3.5% growth over the first nine months of the year, slightly below the average manufacturing industry growth of 3.9%. In exports, a 7% increase was obtained over the first ten months, which is significantly higher than the average industrial export increase of 3.6% over the first ten months. The machinery industry's production was worth around \$9.7 billion in 2001; today, it is \$26 billion. Germany, the UK, France, Italy, and the US rank among the top ten countries for both imports and exports in Turkey's foreign trade in machinery. We sell a significant amount of Turkish machinery to the world's top countries. Furthermore, the export of machinery to OECD countries comprises 38% of our total machinery export, and the import of machinery comprises 46% of our total machinery import. There is a long road ahead of us, however. I am of the belief that our industry can rise to a much higher level in terms of export volume. We expect market conditions to be better in 2014. There is an expectation in the industry of comparatively higher growth over the past two years in connection with the recovery in the economies of developed countries, which are the main market in the world trade of the machinery industry especially. The determining factor in the domestic market in 2014 will be private sector investments and the resurgence of machinery investments. With the resurgence in private sector investments in 2014, there is a possibility that machinery imports, too, will gain momentum, which will in turn reflect on machinery demand. There is an expectation of faster growth for the machinery industry in 2014 in connection to this. The export of machinery imports shall total \$13.5 billion to \$14 billion in 2013 and \$15 billion in 2014 with an increase of 10-15%. Industrial production should be able to grow by at least 6-7%. The size of the domestic machinery market shall reach approximately \$35 billion in 2014. Within this amount, foreign machinery imports will have a share of \$20 billion domestic machinery manufacturers will have a share of \$15 billion.

MACHINERY AND MACHINERY ACCESSORIES INDUSTRY





MINING AND MINERALS INDUSTRY

AHMET KELES
MINING AND MINERALS
INDUSTRY COUNCILMAN



"WE BELIEVE THE FUTURE OF THE MINING INDUSTRY IS EXTREMELY BRIGHT."

\$4.6
BILLION

WORTH OF EXPORTS
(JAN.-DEC. 2013)

22%

INCREASE IN
EXPORTS

The mining industry made a quick entry into 2015—though our export dropped by May in parallel with the economic stagnation in European countries and heated developments in the Middle East, we continued to grow over the previous year.

The Istanbul Minerals Exporters' Association aimed to increase its export in 2013 by 8% to reach \$4.5 billion. We are extremely delighted with how our industry attained an export figure beyond its target in a time so challenging for the world.

Mineral reserves exist in nearly all of our country's regions, and a total of around 60 types of minerals are produced here. According to data from the Mineral Research and Exploration General Directorate (MTA), Turkey ranks 28th in the world among 132 countries in total mineral production by value and tenth in terms of mineral diversity.

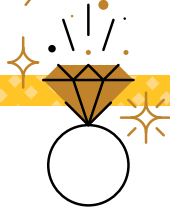
Despite the rich mineral reserves we possess, we aren't where we would like to be nationally in the mining industry. The mining industry's share in the GNP ranged from 1.5% to 2%.

We believe the future of the mining industry is extremely bright. On this point, our plan is for \$15 billion of the \$500 billion export target set by Turkey for the year 2023 to come directly from the Turkish mining industry. With the added consideration of our industry's indirect exports, or the value contributed by the subsidiary industries, our contribution to the economy of Turkey shall be around \$70–90 billion.

Turkey's mining industry occupies an important place in the international market. However, to further bolster the industry's position worldwide, there are some steps that must be taken. Foremost among these is bringing the rich mining resources we possess to the world markets by following sound strategies. Particularly necessary to increasing exports are increasing market diversification and offering a greater range of products to our existing export markets.

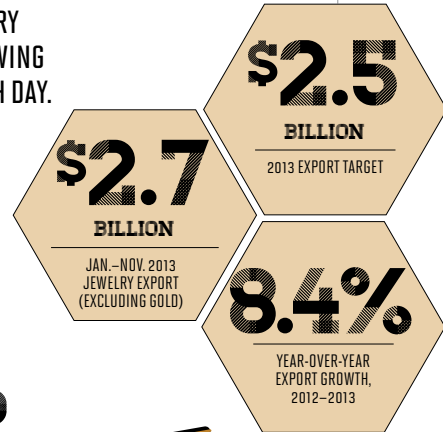
In 2014, we expect our industry to maintain the export growth it has obtained and expand production based on its export. We estimate that our industry will increase its export in 2014 by around 10%.

Thanks to the rich mineral reserves in our possession, we conduct exports to 170 different countries today. We aim to expand to new markets while preserving our existing markets in the coming term.



AYHAN GÜNER
PRECIOUS METALS AND JEWELRY
INDUSTRY COUNCILMAN

**THROUGH THE SUCCESSFUL
PERFORMANCE WE EXHIBIT
IN BOTH PRODUCTION
AND EXPORTS, WE, AS
THE TURKISH JEWELRY
INDUSTRY, ARE GROWING
SLIGHTLY MORE EACH DAY.**



We ended 2012 with an export of \$2 billion, excluding gold, which represents an increase of 42.6% over 2011. We therefore ranked second among industries that exhibited the highest growth in exports. Our industry continued its growth trend in 2013, too. At the end of 11 months, as of the end of November, we surpassed last year's total export and set our sights on our year-end export target of \$2.46 billion. At the end of November, our export excluding bullion gold reached \$2.71 billion, having grown year-over-year by 8.4%.

The export of jewelry made from precious metals in Turkey grew significantly over the past decade. With this increase, our country's rank in this industry went up, and we have become one of the leading countries. The jewelry industry in Turkey has the capacity to process roughly 400 tons of gold and 200 tons of silver annually to turn into jewelry. We are increasing this capacity through renewed production technologies and continuing our development.

Currently, there are more than 50 large companies operating in our industry that employ 200-1,500 qualified employees each. As the precious metals and jewelry industry, which is among Turkey's largest manufacturing industries, we also provide jobs to approximately 250,000 people.

The center of our gold jewelry production is Istanbul, followed by Ankara and Izmir. We have production in certain provinces in Eastern and Southeastern Anatolia as well. Additionally, I could point to the establishment of the Istanbul Gold Exchange in 1995 and the Istanbul Gold Refinery, which began production in 2002, as two important developments for our industry in recent years.

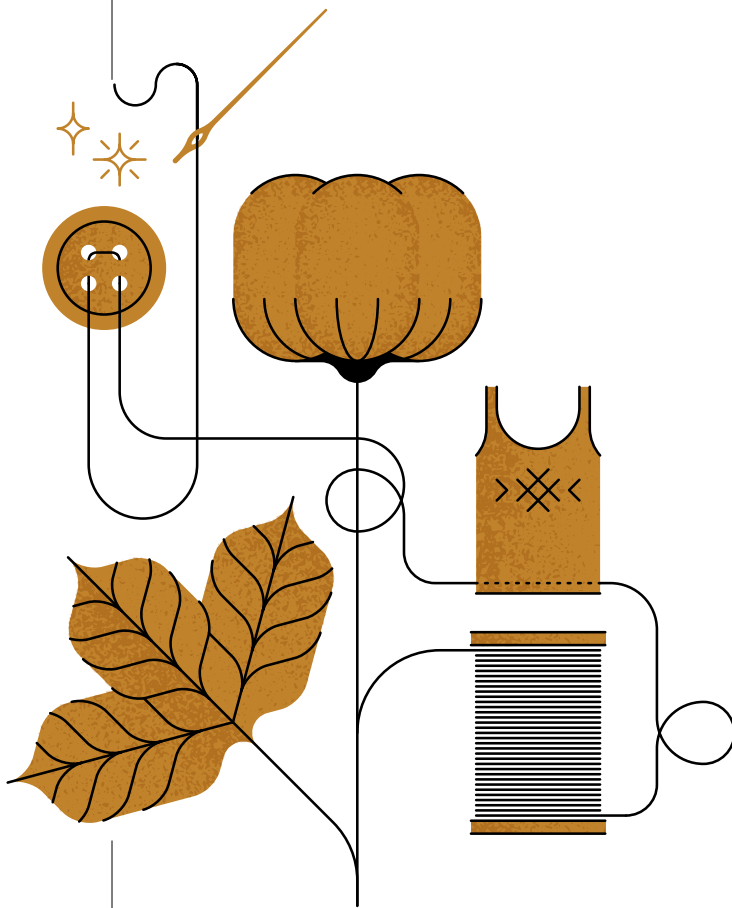
We, as the jewelry industry, conduct exports to nearly 200 countries in places from Europe to Asia and from America to Africa and the Middle East. Our products rank among the top choices of buyers and companies all over the world by virtue of both their design and quality.

Our country's gold jewelry manufacturing industry ranks among the top five in the world. The Middle East is foremost among our export markets. The countries to which our industry conducted the most exports this year, through November 2013, were the United Arab Emirates, Iraq, Lithuania, Germany, and Libya, respectively.

With the lifting of the special consumption tax, which has a negative impact on domestic production and our export, our export shall easily rise to \$15-20 billion over the next five years, and production in our country shall multiply as well. In the case that the legal arrangements are implemented, we can attain a significant increase in our export of gold bullion to Iran. Permission to bring jewelry from Turkey into Iran is necessary; once that is provided, our industry's export shall increase by at least \$1 billion.

PRECIOUS METALS AND JEWELRY INDUSTRY





APPAREL INDUSTRY

AHMET AKBALIK
READY-TO-WEAR AND APPAREL
INDUSTRY COUNCILMAN



**OUR TARGET FOR 2014 IS TO
GAIN MORE INFLUENCE IN
NEW MARKETS**

**TURKEY RANKS AS THE
SEVENTH TOP EXPORTER OF
APPAREL WITH A 3.4% SHARE
IN WORLD PRODUCTION AND
AS THE SECOND-LARGEST
SUPPLIER TO THE EU MARKET
WITH A SHARE OF 14.1%.**

\$60
BILLION

SECTOR'S
2023 EXPORT
TARGET

\$16
BILLION

JAN.-DEC. 2013
EXPORT

Apparel industry is among Turkey's leading and propelling export industries. In particular, it is an industry that maintains the inflow of foreign currency into the country during challenging times of global crises and keeps up the struggle despite difficult conditions. In 2012, the Turkish apparel industry carried out \$16.1 billion worth of exports. In the first ten months of 2013, the country's total export fell by 0.2% while apparel exports increased by 8.1% to \$14.3 billion, making the Turkish apparel industry Turkey's largest industry after automotive. The apparel industry is focused heavily on exports, nearly 74% of which are bound to EU countries. Despite issues in the EU economies and the shrinking market as of mid-2011, the industry's total export over the first ten months of 2013 to the countries in this area grew by 6% year-over-year to reach \$10.7 billion. High growth outside the EU was seen during this period in the Iraqi and Ukrainian markets. The industry is also a leader in value-added exports. In January–October 2013, the overall export unit price was \$1.5 dollars per kilogram—in apparel specifically, it was \$18.2 per kilogram. Therefore, the industry possesses not only voluminous exports but also a dominant role in value-added exports. According to data for the first nine months of 2013, the industry holds a \$10.7 billion foreign trade surplus.

In the apparel industry it is \$18.2 dollars per kilogram, making the industry an important one in value-added exports. In fact, an assessment based on export volume by unit price—considering the annual \$2.1 billion and \$1.3 billion export of the jewelry and defense industries, respectively—would make it possible to say that the apparel industry, with its export of \$16.1 billion and unit price of \$18.2 dollars per kilogram, is the country's leading export industry. The industry's export grew from \$106 million in 1980 to \$16 billion. Exports of apparel are conducted to 195 countries. Turkey ranks as the seventh top exporter of apparel with a 3.4% share in world production and as the second-largest supplier to the EU market with a share of 14.1%. In the German market—the leading importer in the EU and Turkey's largest market—Turkey has a market share of 18.6% in apparel, almost a fifth of the market. The Turkish apparel market holds a 61% share in the Bulgarian market, a 32% share in the Slovakian market, a 25% share in the Czech market, and a 24% share in the Austrian and Romanian markets.

Turkey has started focusing on products targeting the A and A+ consumer segments in the world apparel market particularly as of late. In the EU market, Turkey sells its products at a price 31% higher than the EU average import unit price, and in China at a price 40% higher than the unit price. According to this growing trend, the apparel industry of Turkey is predicted to reach its \$60 billion export target for 2023 and expand its share in the global market from 3.4% to 4.2%.

Our target for 2014 is to gain more influence in new markets. A number of trips to and trade shows in new markets are being organized to this end.



The continued recession in the EU and political tensions with neighboring countries affected all our industries, especially furniture. Despite all these difficulties, our furniture and accessory industries had a successful year thanks to their dynamic organization. Our packaging industry also painted a successful picture in 2013 thanks to its high-tech infrastructure and creativity.

All the industries we represent are labor-intensive industries. The furniture and accessories industry is one with an open path ahead of it, paralleling the development of the housing industry, and it uses the latest technology. Packaging is a branch of business that is rising in importance for every industrial and agricultural product. Significant investments were made in this industry in our country recently, and we have come to the stage where we can compete worldwide. Cleaning products are something for which demand is constantly rising in connection to rising incomes, and we predict that this process shall continue for this industry. And in exports, our country is currently the leading supplier in the world especially in thyme and bay leaves.

Although our industries don't rank at the top in the world markets, they could gain leadership in certain products or countries. For instance, while we have never been the world leader in furniture, we are able to rank first among foreign suppliers in the Turkic nations of Central Asia and in some neighboring countries. To push toward the top worldwide, we must quickly overcome brand development and national image issues. By increasing our unit or kilogram-based export price, we could rise in the ranks. In packaging, we are a country that stands out as a rival always feared by advanced countries and has the status of an important supplier. Additionally, in the furniture accessories industry, we are a supplier that has been able to enter markets where competition is intense, including the EU.

2014 is, of course, a year we regard with hope, as always. It is extremely important that the costs of raw materials we obtain domestically and energy be at levels competitive with the world markets, firstly. The recovery of the EU economies and positive feedback from efforts targeting new markets show our industry shall exhibit growth of 12-15% in 2014... By quickly addressing our inadequacies in innovation and design, it will be possible for us to appear in a range of different markets and positions as the market maker.

IN EXPORTS, OUR COUNTRY IS CURRENTLY THE LEADING SUPPLIER IN THE WORLD ESPECIALLY IN THYME AND BAY LEAVES.



NURETTİN TARAKÇIOĞLU
WOOD AND FORESTRY PRODUCTS
INDUSTRY COUNCILMAN

WE MIGHT SAY 2013 WAS A WAVY YEAR FOR OUR INDUSTRY. BUT SINCE THE WAVES WEREN'T THAT TALL, THEIR EFFECTS WEREN'T TOO DELETERIOUS EITHER.

12%

GROWTH IN EXPORT OF
FORESTRY PRODUCTS
EXCLUDING WOOD,
2012-2013

\$4

BILLION

JAN.-DEC.
2013 EXPORT

WOOD AND FORESTRY PRODUCTS INDUSTRY



TURKEY IS ASCENDING WITH !INNOVATION

THE SECOND EDITION OF TURKEY INNOVATION WEEK WAS HELD THIS YEAR STARTING NOVEMBER 28, LAUNCHED WITH OPENING SPEECH BY TURKISH EXPORTERS ASSEMBLY (TIM) CHAIRMAN MEHMET BÜYÜKEŞİ.

BY ALİ DİKER BY COŞKUN CELER



The three-day activities of Turkey Innovation Week included conferences and workshops presented by leading figures in the field of innovation worldwide and continued with an innovation-focused exhibition. The event drew more than 26,000 visitors. Inspiring speeches were delivered by noted speakers in a range of fields, such as Nobel laureate physicist Gerard 't Hooft and Google driverless automobile project cocreator and Udacity cofounder Sebastian Thrun. Turkey Innovation Week, which drew heavy interest from university students, was described by TIM Chairman Mehmet Büyükekşi as a particularly important opportunity to uncover the productive capacity of the country's young population. The top five students of the engineering departments of 168 universities were invited to the event. Büyükekşi stated that Turkey Innovation Week's strategic sponsors—Arçelik, Brisa, Turkish Economy Bank (TEB)— and strategic partner Turkish Airlines play a large role in addressing the disconnect between academia and industry in Turkey.

A TWO-DECADE PROCESS

TIM's chairman began his opening speech for the second Turkey Innovation Week with a reflection on last year's event. On behalf of TIM, Büyükekşi thanked the ministers, strategic partners, and stakeholders who are supporting the end of reaching the targets set for 2023. Underlining the growth of the world economy over the past two decades, he pointed out the increase in total national revenue worldwide from \$25 trillion 20 years ago to \$72 trillion as of 2012, with the volume of international trade alone rising to \$18 trillion, and he went on to speak of the contribution of Turkey's economy to the world economy in this period.

"Turkey did not tread water as the world underwent a rapid transformation. Turkey progressed and adapted more to the transformation every day. The national income was 242 billion dollars 20 years ago and the foreign trade volume was just 45 billion dollars. As of 2012, our national income has reached 800 billion dollars and the foreign trade volume has reached approximately 400 billion dollars. The share of national income allotted



AN INTERNATIONAL INNOVATION AND TECHNOLOGY WORKSHOP WAS ALSO LAUNCHED THIS YEAR IN ASSOCIATION WITH YILDIZ TECHNICAL UNIVERSITY AND GATWICK UNIVERSITY.

for R&D, which was not even 0.5 percent, reached the range of 1 percent," said Büyükekşi, illustrating Turkey's astonishing advancement. His choice to review the past 20 years in particular was significant in that 2013 was also the 20th anniversary of the foundation of TIM.

TIM has been contributing significantly to Turkey's export strategies since its establishment, playing an important role in economic and societal development during this time. "Since the year we were founded, we have provided significant contributions to our country in the international competition during this sweeping change. We had just 20,000 export companies and an export of 15 billion dollars 20 years ago. Today, our export companies number 57,000,

and we have raised our export to 153 billion dollars. We stood at the forefront change in the 20 years previous. As we did in the past, we are changing in the present as well, and we shall continue changing later as well. This power to change comes from innovation. We sprint forward through innovation, and where sprinting isn't enough we use innovation to fly forward. We have made significant progress when it comes to creating awareness through innovation," said Büyükekşi.

Büyükekşi also highlighted the crucial role played by Turkey Innovation Week in Turkey's growth, progress toward the export targets set for 2023, and especially spreading awareness of innovation through joint efforts between academia and business. Approximately 20,000 young university students followed Turkey Innovation Week this year. Entrance was free of charge.

FIRSTS AND MORE IN YEAR TWO

This year, the fair section of Turkey Innovation Week saw a number of firsts in addition to serving as a platform that brought several notable speakers together with representatives from several in-



Prime Minister Erdoğan highlighted the Middle East's historical role in the development of innovation, science, and technology.

A 20-PERSON TEAM SELECTED FROM AMONG UNIVERSITY STUDENTS AND MEMBERS OF THE PRESS WHO ATTENDED TURKEY INNOVATION WEEK WILL BE TAKEN TO CERN, WHICH IS CONSIDERED THE HEART OF INNOVATION IN EUROPE.



dustries and students. One of the firsts in the three days of events was the visit organized to CERN—considered the heart of innovation in Europe—of a group of twenty participating university students and members of the press. In his opening speech, Büyükekeşi also mentioned plans for next year to organize a similar visit to Silicon Valley. Also this year, a group of successful students selected for the innovation project launched this year targeting universities had the chance to work with TIM. The organizations assembled to represent TIM in universities are later planned to be merged with university innovation clubs. An international innovation and technology workshop was also launched this year in association with Yıldız Technical University and Gatwick University. The joint training and certificate program will provide grants to 30 successful students. The innovation workshop protocol signed jointly by the Ministry of Economy, the Ministry of National Education, and the Young Guru Academy Dream Partners Foundation established the groundwork for 50 innovation workshops in 50 primary schools in need. An innovation index

project initiated this year shall serve as a competitive platform for companies that value innovation over the course of three years, and an innovation index suitable for implementation in all industries shall be developed based on innovation index results to be released for the first time at Turkey Innovation Week 2014.

A RETURN TO LOCAL ROOTS

Speaking at the opening of the last day of the event, Prime Minister Recep Tayyip Erdoğan reminded audiences that the Middle East at one time played a highly significant role in the development of innovation, science, and technology. “Developments that took place in astronomy, mathematics, medicine, and various fields of engineering in this period served as the foundation for work done in later periods. Many such geniuses as Avicenna, Averroes, Piri Reis, al-Jazari, al-Khwarizmi, Mimar Sinan, and Ali Kuşçu guided the future of humankind with their work in this period. Western historians of science, too, agree that the European Renaissance was built on top of the incredible accumulation of knowledge passed on to the West through al-Andalus and the

Ottoman Empire. Likewise, in the Seljuk and Ottoman periods as well, several Anatolian cities from Konya to Bursa, and from Sivas to Edirne—and, of course, Istanbul—were important world centers of science, culture, and trade. But this giant civilization, which possessed some of the world’s most important centers of science and culture from Samarkand to Cordoba and from Baghdad to Cairo, was practically buried in ashes, rendering its shining light invisible,” said the prime minister. Turkey, which aims to become a major economic power in the world thanks in part to the contributions of TIM, plans to resurrect this practically obscured civilization.

Participation in the second edition of Turkey Innovation Week, an event organized by TIM as part of its committed efforts to create the necessary climate in Turkey for innovation, was comparatively much higher over last year’s event. The steps taken this year show that next year’s Turkey innovation Week shall have an even greater impact on spreading awareness of innovation in Turkey and furthering Turkey’s bid to play a larger role in the world economy.

THE ESSENCE OF INNOVATION

AMONG THE SPEAKERS AT TURKEY INNOVATION WEEK WAS NOBEL LAUREATE GERARD 'T HOOFT. THE DUTCH THEORETICAL PHYSICIST DISCUSSED THE BENEFIT PROVIDED BY SCIENTIFIC RESEARCH AND INVESTMENTS IN THEORETICAL SCIENCE TO THE CREATION OF VALUE ADDED.

How important do you think it is for a country to invest in scientific research? What role do such investments play in a country's economic development?

Scientific research is of vital importance for any country, big or small. Not only are there many subjects that would be of direct interest for whatever special needs a country might have, such as issues concerning the local flora and fauna, its own history and prehistory, demographic problems, and so on, but also many subjects that interest humanity in general, fundamental science issues in mathematics and astronomy, medicine, biology, and so on. The point there is that by participating in general scientific research, a country can develop and maintain a scientific tradition, a class of people who are well educated in science, who can be the teachers and the general sources of information that the population will ask for.

There seems to be a notion that spending large sums on theoretical scientific research is a waste of time and money. Could you give us some examples of how the results of previous studies are influencing the world today?

Well, there are many smaller countries where most of the scientific research is theoretical research because they do not have the means, or they consider themselves too small, to do large and complex experimental research at the level they would be interested in. That excuse is not totally



GERARD'T HOOFT

The Dutch theoretical physicist Gerard't Hooft holds a position at CERN. The work he did under the supervision of M. Veltman at Utrecht University won him a Nobel Prize in 1999. The scientist also worked on the MarsOne Project and delivered a speech on the topic during Turkey Innovation Week titled "Is Extraterrestrial Life Becoming a Reality? Full Details of the MarsOne Project."

justified, since small scale experiments are also possible, and one can always consider to join large experimental institutions abroad, such as CERN. The global community, that is, the entire population of theoreticians on the planet, is proceeding very rapidly, so if one does not

What do international research programs like CERN have to offer to member countries?

They offer two things in general: first, the direct aim is to gain knowledge and understanding. We want to know what matter is made of, how the natural laws work, what our universe is made of, how it evolved and will evolve, and what humanity's place is in all this. Many people are interested in such questions in general. But in trying to investigate such questions as best as we can, these institutions are employing the most advanced techniques and knowledge available, and we are often forced to invent improvements.

This year, Turkey launched its first high-resolution earth observation satellite, Gökürk-2. Its design and software are mostly the work of local engineers and scientists. How do you see the future of space research? How much should developing countries like Turkey invest in the field?

A nation that can accomplish such things hardly deserves to be called a developing country. Perhaps countries like Turkey could benefit from disturbances in the global economy if they are affected by these disturbances differently from other countries. Today, space research is also done by private enterprises and so it becomes a competitive activity. Turkey must continue to participate in such competitions. But watch out: there is no need to have all the development, software and design for space probes done by local people. Local researchers should do as much as they can to improve on the things that are already known, but should not try to reinvent the wheel, unless when it is done with the intention to learn and obtain more experience.

A nation that can accomplish such things hardly deserves to be called a developing country. Perhaps countries like Turkey could benefit from disturbances in the global economy if they are affected by these disturbances differently from other countries.

join them one may lag behind and not be productive at all. But as long as theoreticians stay closely connected to the rest of the world, participate in the discussions on the internet and do all they can to stay completely informed, then theoreticians anywhere on the globe, in small and big nations alike, have equal opportunities to make decisive contributions.

COMPUTERS, EDUCATION, AND THE FUTURE

SEBASTIAN THRUN IS COFOUNDER AND CEO OF UDACITY, AN EDUCATIONAL ORGANIZATION SPECIALIZED IN COMPUTER SCIENCE. HE IS ALSO A RESEARCHER AT GOOGLE. HE'S ALSO A PROFESSOR IN STANFORD UNIVERSITY. THRUN ANSWERED OUR QUESTIONS ON THE FUTURE OF HIS FIELDS.

You worked on the development of Google's driverless car systems. How common do you think driverless cars will be in the future? How will it influence the auto market? Would driverless car systems revolutionize public transportation around the world?

Driverless cars will make traffic safer. Every year the WHO estimates that over one million people die in traffic accidents. This number should be significantly reduced through our technology. We also believe that self-driving cars will free up some of the time behind the wheel, allowing us to spend our time more productively.

Could you tell us briefly about Udacity? How does it differ from traditional college education? What are its goals? How has it developed since its foundation?

Udacity is a totally new kind of university, mostly built by industry to get people jobs. No admissions, very low fees, and training that is directly related to job requirements in the tech industry. Udacity has partners with a dozen leading tech companies who endorse our courses and our certificates.

As an academic active in the field of AI, would you say it might be possible to improve AI to a level where it surpasses human intelligence? If you do, what outcome would this produce?

In many ways, this has already



happened. The advent of smart machines is enhancing people's productivity and shifting entire labor markets. The general AI machine is still far out and the consequences are hard to predict.

You serve as an academic and the president of Udacity at the same time, and you have a several highly innovative projects. Which project do you believe to be the most important?

Right now I am spending most of my time on education because solving the education crisis promises the highest impact on the world.

SEBASTIAN THRUN

One of the leading inventors of "Junior," the driverless car by Google, Sebastian Thrun was named one of the five most innovative people around the world by Popular Science Magazine in 2005. He has a CAREER Award from National Science Foundation (1999-2003) and an Olympus Award from the German Society for Pattern Recognition (2001).

Udacity was founded when we learned about the massive interest in the first open course on artificial intelligence.

Udacity creates an opportunity for you to combine your wealth of knowledge as an academic and your market-related activities in one arena. How did you come up with the idea of founding Udacity?

Udacity was founded when we learned about the massive interest in the first open course on artificial intelligence. We realized that there is an enormous desire for high-quality education that is accessible.

Could you tell us about the process?

Not much. Fast launches, many failures, and fast learning are essential to Udacity.

You won the Smithsonian American Ingenuity in Education prize last year. Do you have any ambitions along the path paved by the success of Udacity?

We really want to empower every human being on the planet to get the education they deserve. It should be the people's personal limitations—not the lack of access to great education—that set the path of each one of us through life. We are very far away from this right now, so plenty work to do.

DATA, DECISION, ACTION, CONCLUSION

GERMAN COMPUTER SCIENTIST ANDREAS WEIGEND GAVE A TALK ABOUT HOW DATA IS IMPORTANT BOTH IN OUR PERSONAL LIVES AND IN BUSINESS DURING TURKEY INNOVATION. WEIGEND TOLD US THE DETAILS ABOUT HOW CAN WE USE DATA TO MAKE BETTER DECISIONS.

What's the importance of data in innovation?

Data is important for two reasons. The first one is, what you can't measure you can't manage. The second is, only if you do experiments can you establish causality. Essentially the physical scientists are amazing because data became available.

What's the difference between data, information and knowledge? Especially in digital mediums.

There's traditional business go?? way data, information, knowledge and sometimes ends up with wisdom. I don't think that helps us very much. I think the distinction which is important now and a part of my talk in Turkey was how we turn big data or transform big data into decisions. What matters is the action they take. To the search the rank order the item is distinct, making the item to appear in the search or will they make it cheaper whether a promotion etc. I think the main point is to transform big data to decisions.

Can information or knowledge be transformed to decisions?

Sure. I ??? the difference is between data and action. Let me give you an example in 1854 there was cholera epidemic in London and many people died. It is found that's because of water and it's specifically because of one pop(?). And pop was taken of.



ANDREAS WEIGEND

Andreas Weigend is the former chief scientist at Amazon.com and the author of over 100 scientific papers on the application of machine learning techniques to finance and business problems. Andreas Weigend's expertise is in the future of big data, social/mobile technologies, and consumer behavior. He studies people and the data they create.

Is it possible to misuse data to corrupt information? Especially the data collected from social media.

That's a good point. I think we don't believe everything we read on newspapers. Still we have some model of whether something is correct or some might be bogus. Similarly I

good at understanding what makes sense.

What's the most critical thing about reading data and data literacy?

That's a very good question. Thank you for asking. If you read data, and that is a very good term, then just if you read something in the newspaper you try to make sense out of what you see. That might be some voice you don't know but you get a very good feeling whether it makes sense or not. Data literacy is the same thing not for the newspaper but for data.

As it is not just a question about how to get data but more and more how to interpret data because we have so much already. A new notion of, what I call, data literacy is setting in and what data literacy means is just to make sense out of what you have. So literacy means make meaning. You're literate.

What would change in your opinion if you knew every detail, every data about your life in the past ten years? You asked in your speech, "what would you ask yourself if you knew your 24/7 geolocation* in this case what would your question to yourself be?"

I think the key is that economics of data collection. It was possible hundred years ago to follow a person and look at where they are 24/7 like a detective and follow. Now you can do it by the millions. So to follow a person needed a couple of detectives, now a couple of people can follow millions. That is the big change. The economics of data has changed. What that means is we can know things which we couldn't even dream of being able to do before. So the question I would ask is, and this is new I have not said this before, coupling my geolocation with my happiness.

The notion of literacy changed over the centuries. There's so much information. We need to be good at understanding what makes sense.

think we have to teach people, educate people for a similar filter about data. For example, I sent an invoice to a German company. The invoice is around 10 thousand dollars but they only paid 10 dollars. I was a bit confuse because it was below I should be paid for. I realized people just didn't have a feeling about what makes sense in terms of the data. So the point I would like to make here that we need a new data literacy. The notion of literacy changed over the centuries. There's so much information. We need to be

NEW ENERGY POLITICS FOR EUROPE

DURING TURKEY INNOVATION WEEK, POLISH ENERGY EXPERT AND SOBIESKI INSTITUTE ENERGY SECURITY SPECIALIST GRZEGORZ PYTEL SPOKE OF WHY INVESTING IN SHALE GAS IN EUROPE WOULD BE EXTREMELY WISE. WE HAD A CHAT WITH PYTEL—WHO VIEWS TURKEY AS A PROMISING FIELD OF INVESTMENT—ON SHALE GAS AND THE FUTURE OF ENERGY.

How do you find Turkey's environment for investing in the area of energy?

Generally, I see Turkey as a low-risk investment country. However, having not worked closely with investments in Turkey, there is a lack of image of Turkey: what the key points of attraction. Quite often Turkey is perceived to be a riskier country than it actually is. Therefore, a more active awareness campaign in the media would benefit Turkey in terms of attracting additional investment.

How do you evaluate energy politics/economic regulations globally in general?

Ultimately, every country has to look after its own interest. And there is no interest more important than energy security. The US is a good example: due to shale gas, and now shale oil, the revolution the US is heading towards energy supply independence. This is an ultimate guaranty in terms of guaranteeing supplies and securing a local balance of payments.

However, rapid economic development in Asia and Africa are likely to keep creating ever more pressure on energy supplies: demand outpacing supply.

What do you think the ideal ratio for a country to produce its energy from sustainable and conventional energy resources?

The ideal ratio would be 100% renewables/sustainable and emission free, and 0% for the rest. But this is a long-term goal. Therefore, it is a journey and the question is how and



at what pace to get there. And how pays for this transition as it will come at the costs. Therefore, there is no ideal ratio: every country should design its own realistic long-term policy compatible with other needs.

Do you think there should be more investment on green energy infrastructure around the globe?

Yes, but it is a question of affordability: as mentioned before, it is a journey. Each country should balance its growth with energy policy.

Is it possible for a country to produce all of its energy needs from sustainable energy resources?

Not at the moment, but it should be a very long-term goal. By definition, nonrenewable resources are going to be depleted at some point. Hence it is better to plan and facilitate a long-term transition. Stone age did not end do to lack of

stones. Maybe in 100 or 200 years a nonrenewable energy era will be history: and there will still be plenty of nonrenewable resources left.

What are the most efficient and profitable regulations both for gas companies and governments should have?

There is a good rule: energy use should be taxed heavily and made expensive. However this should not be as a revenue generation mechanism as it will start thwarting the economy.

What are the advantages and disadvantages of shale gas compared to other conventional energy resources?

Conventional gas is the devil that we know. Shale gas is not that different. But there are challenges: firstly productivity challenge, i.e. how to lower the costs of shale gas production (as generally it is more expensive to produce than conventional gas), and secondly the environmental challenge, which is not that difficult in principle. But this challenge feeds into a productivity challenge and thirdly an operational challenge, especially in densely populated areas (e.g. Europe): this challenge feeds both the productivity challenge and the last challenge, that of social acceptance. Without the latest shale gas, the industry would not have developed. In a way, any industry, to a greater or lesser degree —on various challenges—goes through this journey or a similar one. The shale gas industry outside the US is at its beginning.

Quite often, Turkey is perceived to be a riskier country than it actually is. Therefore, a more active awareness campaign in the media should benefit Turkey in terms of attracting additional investment.

GRZEGORZ PYTEL

Grzegorz Pytel is a petroleum and energy expert for the Sobieski Institute in Poland. He also holds partnership in Futuristik LLP. He has provided consulting to governments and companies on the topic of hydrocarbon exploration. Pytel has written and contributed to articles on shale gas for Polish and international media outlets including the Financial Times, Rzeczpospolita, Wprost, Petrol Economist, and The Economist.

Brands

PLASTIC, AQUACULTURE

Hakan Plastik Grows

STRONGER THROUGH GF PARTNERSHIP

Hakan Plastik, one of the leading makers of plastic pipes in Europe and the Middle East, joined its fortunes with Georg Fischer of Switzerland, one of the world's leaders in plumbing systems. The partnership will allow the two to combine their strengths to grow faster worldwide.

BY E. MELEK CEVAHİROĞLU ÖMÜR

FOUNDED IN 1965 by the Karadeniz family, plastic plumbing systems manufacturer Hakan Plastik has successfully attracted the attention of international investors since its establishment by focusing on technological innovations. Georg Fischer, the Switzerland-based global plumbing systems in giant that was active with 5,000 employees in 100 countries as of last May, recently announced that it purchased a majority stake in Hakan Plastik, proving this success. We discussed this partnership, which is seen as an important step for the world plastic plumbing industry, and Georg Fischer's investments with Georg Fisher AG CEO Yves Serra. Characterizing the purchase as a milestone in their strategy, Serra underlines the point that Hakan Plastik is an ideal partner to expand Georg Fischer's activities in the region.

You have been discussing for years the need for Georg Fischer to achieve a balanced presence worldwide. Where is Georg



The global financial crisis accelerated the shift of our markets, especially toward Asia. Our investments reflect this geographical shift.

Fischer today regarding this topic?

A balanced presence is a must for us in order to make up for local downturns with growth in other geographical areas. Georg Fischer is on track in this respect. We have heavily invested in the growth markets of America and Asia in the last years, and we will continue to do so both organically and through complementary acquisitions.

To what extent has the global financial crisis affected the investments of GF?

In the countries that have been particularly hit by the financial crisis, such as those in southern Europe, customers have become understandably cautious regarding their investments. We could, however, compensate weaknesses in those markets through more sales in Asia and America. The global financial crisis accelerated the shift of our markets, especially toward Asia. Our investments reflect this geographical shift.

GF has extensive experience in the fields of piping systems, automotive

The acquisition is a key milestone in the implementation of our strategy.



PROFILE: HAKAN PLASTIK

Hakan Plastik was founded in 1965 by the Karadeniz family. Operating in the fields of agricultural irrigation piping in addition to piping as used in construction and infrastructure systems, the company constantly expanded manufacturing and sales since its establishment by focusing on technological innovations. Operating with 730 employees and conducting exports to 70 countries, Hakan Plastik has two factories, in Çerkezköy/Tekirdağ and Şanlıurfa respectively. Besides its headquarters in Çerkezköy, it has eight regional headquarters domestically and operates abroad via Hakan Plastik GmbH in Germany, Magic Pipe Hakan Plastik Poland Sp. z o.o. in Poland, and its Hakan Iberia offices and warehouses in Spain. Its network of more than 4,000 dealerships domestically and internationally provides easy access to the most important markets. In 2012, Hakan Plastik's sales revenue totaled TRY 200 million.



PROFILE: GEORG FISCHER

Georg Fischer is composed of three core businesses: GF Piping Systems, GF Automotive and GF AgieCharmilles. Founded in 1802, the corporation is headquartered in Switzerland and has 1,125 companies, 48 of them production facilities, in 30 countries. Its approximately 13,500 employees generated sales of CHF 3.6 billion in 2012. Georg Fischer is a worldwide preferred partner for the safe transport of liquids and gases, vehicle weight reduction, and high-precision manufacturing technologies.

components, and machine tools. Now your name has come up with your acquisition of Hakan Plastik. Why did you choose to invest in Turkey—specifically in Hakan Plastik? What is your investment budget?

The company has an excellent track record. It ideally complements GF Piping Systems, one of the three divisions, with its location at the center of promising growth markets and brings a wealth of new products that greatly enlarge our offering. The acquisition is a key milestone in the implementation of our strategy.

Could you tell us about GF's investment plans overall and why foreign companies should be looking to Turkey to invest or establish operations? What are your thoughts about Turkey's economic growth?

Turkey is not only growing fast but also benefits from its unique geographical posi-

tion, being close to Europe, the Middle East, Russia, and Central Asia. The outlook for the country's economy continues to be positive, as can also be seen by the amount of companies looking to invest in the country.

GF is a well-known international company in its field. Are you planning other activities in Turkey besides your investment in Hakan Plastik? What advantages does Turkey offer to the end of expanding your operations in the region?

By joining forces with a company that gives to quality the same amount of importance and has a great wealth of expertise in local markets. Georg Fischer has found the ideal partner for expanding its business into this part of the world. We will focus ourselves in the coming months on making sure that the synergies between Hakan Plastik and GF are well exploited.





Turkish Aquaculture Grows WITH KILIÇ DENİZ

Kılıç Deniz, the nation's aquaculture industry export leader for the past three years, is adding momentum to the industry with its focus on and investments in awareness of healthy living.

BY MERVE EKER

AQUACULTURE, which is described as the world's fastest-growing food industry by the UN Food and Agriculture Organization (FAO), stands out as a key industry that supplies a significant portion of the world's food requirement. Studies show that the industry will rank third among the world's most important industries in the 2020s and that Turkey is expected to be one of the key players in the world market in this field. This development has affected not only production but also Turkey's exports. Today, the Turkish aquaculture industry exports its products to more than 70 countries. The industry's target within the overall 2023 export targets is estimated at \$1.5 billion.

Kılıç Deniz, which became for the third consecutive year the leading exporter in the industry with its 2012 export, is one of the most important players behind the industry's momentum.

Kılıç Deniz, a Kılıç Holding enterprise, boasts a production capacity of more than 36,000 tons per year. With more than 20 years of Professional experience, it has been operating within the Turkish aquaculture industry with fully integrated production facilities since its founding. Launched with the mission of contributing to the growth of a healthy population by providing high-quality, fresh, and inexpensive fish to the Turkish people, the company has been guided by its institutional principles and

a sense of responsibility toward society and the environment in every step it has taken since its founding in all its fields of operations.

In Muğla province, where Kılıç Deniz's headquarters are based, the company has consistently ranked as a top taxpayer and exporter. Kılıç Deniz contributes to the development of the Turkish aquaculture industry as it fulfills all its societal and busi-

Kılıç Deniz exports its products to more than 40 countries, most of all to the countries of the EU, Russia, and the US.

ness responsibilities through its presence industry and the professional and nongovernmental organizations in which it holds memberships.

THE INDUSTRY'S EXPORT LEADER

Kılıç Deniz stands out in the field of aquaculture with an export that grew at a record rate of 900% over the past five years to reach \$8.37 million. "In addition to being Turkey's largest producer, we are proud to contribute to the national export," says Kılıç Deniz Deputy Chairman Sinan Kızıltan. Kızıltan states that the company aims to increase its export of aquaculture products to the US to a level of \$100 million in 2023.

Kılıç Deniz exports its products to more than 40 coun-

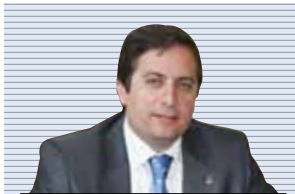
tries, most of all the countries of the EU, Russia, and the US. Kızıltan says the company plans to invest abroad to reduce shipping costs. He adds that they are seeking new production grounds in a number of North African countries on the shores of the Mediterranean and Atlantic: "The administrations of these countries are presenting highly alluring opportunities in order to draw our investment. We wish to utilize these opportunities by selecting the ones most advantageous for us. We will have new investments domestically too, of course."

SEAFOOD TWICE A WEEK FOR LIFELONG HEALTH

The aquaculture and animal products industry has shown some of the highest export growth of all industries. In 2012, the industry's export accounted for a 1.07% share in the overall national export of \$139 billion, worth \$1.49 million. Turkey's exports over the first ten months of 2013 totaled roughly \$1.61 billion, a 1.3% share of which was provided by the aquaculture and animal products industry, clearly demonstrating that the industry's export is continuing its growth. According to Kızıltan, the industry's progress and the further growth of its export requires higher fish consumption based on increased awareness of healthy lifestyles.

In developed countries, per capita annual fish consumption averages 20 kg. This figure is 70 kg for Japan and 90 kg for Iceland. In Turkey, on the other hand, it has only just risen to around 8.5 kg. By raising fish consumption, Kılıç Deniz aims to help raise a healthy population and to contribute to the national economy. Currently, it is continuing its efforts to raise public awareness with a campaign based on the slogan, "Seafood Twice

a Week for Lifelong Health." The Seafood Promotion Group, too, has undertaken a highly significant role to this end—the group is working not only to increase domestic access to fish, the healthiest source of animal protein with the fewest harmful effects, but also to raise demand for Turkish farm-raised fish abroad by participating in trade shows all over the world. In turn, these activities are causing Turkish fish to gain favor worldwide



SINAN KIZILTAN
Deputy Board Chairman,
Kılıç Deniz

We have reached the targets we set for 2013; in some areas, we even surpassed them.

The most important factor in our success is the value we give to and investment we make in people. Our innovation and R&D efforts, use of the latest technologies, and the way we raise the bar by constantly setting new targets facilitate not only our success but also the sustained growth of our company. We have reached the targets we set for 2013; in some areas, we even surpassed them. In parallel with our production, we increased our revenues as well, and by entering new markets we also developed our export. The canned products we recently started producing after lengthy R&D efforts have garnered significant acclaim. We aim to grow at above the national average in 2014 through our new investments and endeavors. We shall continue our investments in raising high-quality, economical fish such that fish shall be had two meals a week year-round in every home, and we will do all in our power to place our company in the ranks of Turkey's 100 largest corporations soon.

and the industry's export to rise every year. According to Kızıltan, the industry's primary needs now are to identify new fishery grounds, the development of subsidies, and the elimination of post-harvesting logistical issues around fisheries positioned by the open sea.

THE FUTURE IS IN FARMED FISH

According to the UN FAO, approximately 40% of the annual world fish production of 147 million tons is raised at farms. The growing world population means 40 million additional tons of fish annually will be required by the year 2030. Kızıltan says farmed fish is the only way to satisfy demand as wild fish stocks drop continually. Since seafood caught at sea cannot satisfy the constantly rising demand, the production of farm-raised fish accounts for a significant proportion of supply: "Farmed fishery based on sound practices seems like the only solution. Turkey's coastline and marine resources shall be among our greatest playing cards in the future. The EU has a fish deficit of 12 billion euros per year. Through aquaculture production, we could become the main supplier in our territory." Figures released by the FAO show that farmed fishery worldwide has been growing at record speed over the past decade, and it is estimated to continue growing at an average annual rate of 3% through 2020. Turkey is expected to benefit significantly from this growth as well, having invested more than \$1 billion in the industry so far. The current stock of live fish in its farms is worth more than \$650 million. Over 25,000 people are employed by the industry. Meanwhile, the aquaculture facilities held by Kılıç Deniz are regarded as being among the top facilities in Europe in terms of capacity.

261.2

TRY MILLION

Net company sales in 2012



\$1.5

MILLION

Industry export target



40

Countries receiving exports



900%

Growth of exports over the last five years



\$8.4

MILLION

2012 export



\$100

MILLION

Target for aquaculture exports to the US

Agenda

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

JANUARY 28–FEBRUARY 2

Istanbul Furniture Fair

ISTANBUL EXPO CENTER



Shaping the industry agenda every year it takes place, the Istanbul Furniture Fair aims to be the prime platform to learn about all developments, innovations, and opportunities in furniture for the year 2014. The fair, a convention uniting furniture professionals and international buyers, is expected to welcome visitors in increased quantity and quality, as it did last year. Featured at the fair will be home furniture, modular furniture, accessories, chairs, kitchen furniture, and furniture accessory and equipment manufacturers.

JANUARY



35th Izmir Shoes, Bags, and Accessories Fair Izmir International Fair Center

JANUARY 9–12

The Izmir Shoes, Bags, and Accessories Fair—the first fair of the year in Izmir—will unite Turkey's shoe industry in Izmir, home to 40% of Turkey's shoe production, where the industry will have the opportunity to further bolster its commercial relationships. Open only to professional visitors, the fair will feature footwear for men, women, and children, children's footwear, and athletic shoes, as well as slippers and sandals, bags, suitcases, wallets, and belts.



8th International Door and Door Hardware Fair Istanbul Expo Center

JANUARY 16–19

The Door Fair—the most important trade show for the Turkish door industry—brings together makers of wooden, steel, automatic, and industrial doors and door hardware. Last year's fair welcomed 156 local and 17 international firms and some 19,230 professional visitors. The 2014 edition of the fair is expected to bring together the major players of the industry.



25th Anfaş Hotel Equipment Exhibition Antalya Expo Center

JANUARY 22–25

The Anfaş Hotel Equipment Exhibition will bring together expo industry professionals at an event featuring exhibits of restaurant, industrial kitchen, and laundry machines and accessories; serving equipment; hotel textiles; conference hall equipment and many other accommodation accessories. The 2013 edition of the exhibition welcomed more than 30,000 visitors overall, including 780 international visitors from 41 countries. This year's is aimed to draw roughly 500 participating firms, both domestic and international, and 30,000 professional visitors to a 40,000-square-meter area.

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10th Gapfood Food, Food Technologies, and Packaging Fair OFM Middle East Exhibition Center, Gaziantep

FEBRUARY 6–9

By virtue of its proximity to the Middle East, the Balkan countries, and the Turkic republics of Central Asia and its location along the historic Silk Road, Gaziantep is one of the chief drivers of Turkey's exports. The annual Gapfood fair bolsters the Turkish food industry's bid to expand internationally by contributing to the promotion of Gaziantep's local foods and Turkey's overall food products significantly.

FEBRUARY 6–8

Asphalt, Highway, and Road Technologies Exhibition Istanbul Expo Center

In Turkey, whose Ministry of Transportation aims to build 70,000 kilometers of roads by the year, 21,000 kilometers of divided roads have been constructed in the past nine years. Turkey's geographic position has a promising future transportationwise. The fair, which is being held on an area of 10,000 square meters with two indoor halls and outdoor space, is expected to welcome nearly 200 companies and more than 10,000 professional visitors.

Food Show Istanbul

Tüyap Fair, Convention, and Congress Center

FEBRUARY 13–16

Food Show, which is being promoted in the Turkish food industry's targeted export markets, is taking place in the

center of attraction of the Eurasian region. The fair, which will be visited by representatives from food and beverage retailers and wholesalers, cafés, international trading companies, is expected to foster a broad, diverse environment for the cultivation of business relationships.



FEBRUARY 26–27

SMM Istanbul 2014 International Maritime Conference and Exhibition Green Park Pendik Hotel and Convention Center

SMM is welcoming the decision makers of the maritime industry from all over the world as an event that is highly significant by virtue of Istanbul's shipbuilders and shipyard suppliers. SMM Istanbul, and international conference and exhibition, therefore offers a great chance to participants to exchange ideas concerning the industry and develop their commercial activities.

FEBRUARY

Figures

TURKEY'S ECONOMY IS TYPIFIED BY STEADY GROWTH



TURKEY IN STEP WITH THE WORLD ON R&D

According to YASED's report on the requirements to draw international R&D investment to Turkey, several multinational giants have plans to invest in R&D in many industries in Turkey in the coming term.



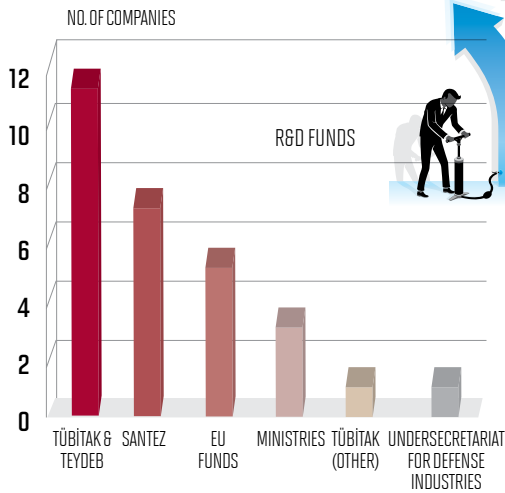
HOME APPLIANCES AND AUTOMOTIVE STAND OUT AS THE INDUSTRIES MAKING THE MOST USE OF R&D FACILITIES UNDER LAW NO. 5746.

R&D ACTIVITIES OF INTERNATIONAL COMPANIES IN TURKEY (24 COMPANIES)	INDUSTRY						
	FMCG	IT	PHARMACEUTICALS	HOME APPLIANCES	AUTOMOTIVE	ELECTRICAL & ELECTRONIC	TOTAL
ONGOING R&D ACTIVITY IN TURKEY	80	100	100	100	100	100	95
UTILIZES LAW NO. 5746	25	60	100	65	20	50	50
UTILIZES LAW NO. 4691	0	30	0	0	20	100	22

TÜBİTAK & TEYDEB LEAD THE PACK IN R&D FUNDING

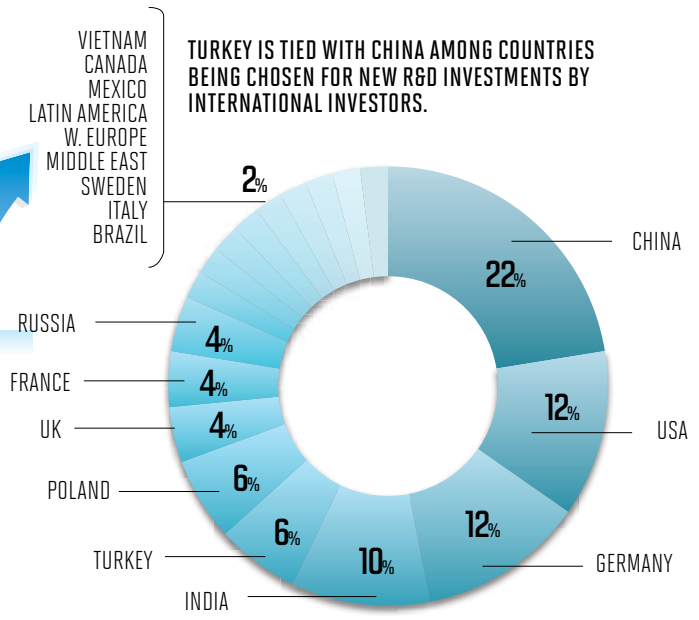
Several sources of funding are in place in Turkey's R&D system. According to figure no. 6, TÜBİTAK and TEYDEB lead the pack, followed by European funds and the concerned ministries.

TÜBİTAK AND TEYDEB ARE THE LEADING SOURCES OF NONEQUITY FUNDING.



POLAND, RUSSIA, AND INDIA: TURKEY'S R&D RIVALS

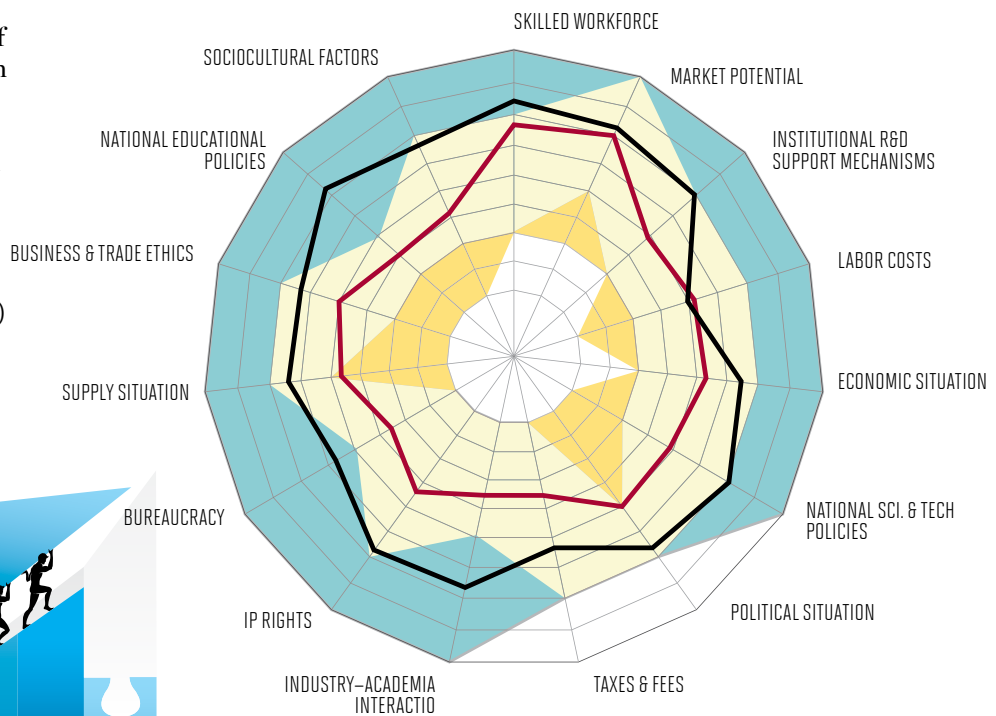
Seen in terms of its R&D ecosystem and the competition, Turkey's potential to draw R&D investment suggests the country can attain success through long-term policies.

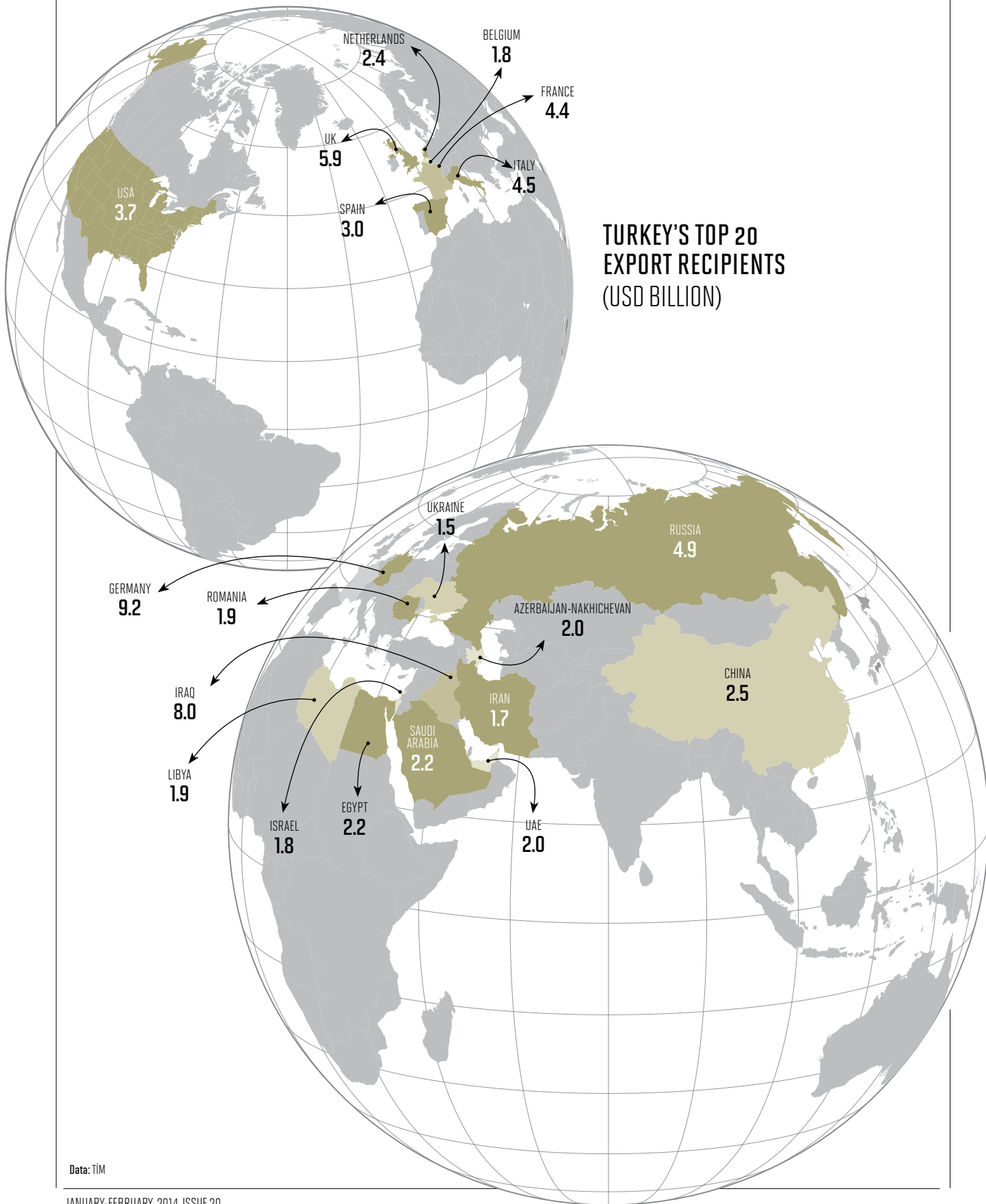


TURKEY HAS GREAT MARKET POTENTIAL

The strongest features of Turkey's R&D ecosystem on every criterion are its market potential, qualified workforce, and labor costs.

R&D EOSYSTEMS OF TURKEY AND OTHER COUNTRIES WITH R&D INVESTMENTS





Data: TİM



*Best wishes from
Europe's best airline.*

WIDEN YOUR WORLD

**TURKISH
AIRLINES**



THERE ARE THOSE OF US WHO LIKE TO **VENTURE**
TO THE UNEXPLORED.
TO SEE THE BEAUTY
IN THE STRANGE AND UNKNOWN.

THOSE OF US WHO GO OUT THERE WITH A SENSE OF

WONDER.
BRIDGING WORLDS,
CULTIVATING OUR CURIOSITY
AND FINDING DELIGHT IN OUR DIFFERENCES.

IF YOU'RE ONE OF US,
AND YOU WANT TO **EXPLORE MORE OF THIS GREAT PLANET,**
WE'RE READY TO TAKE YOU THERE.

IT'S TIME.

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