

Turkey taking the lead



The Turkish formula

One of the five largest emerging economies in the world, Turkey stands as Europe's hope for growth

Nothing speaks more convincingly than the facts and the fact is that in 2012, when the world financial crisis had all but bottomed out, Turkey grew its economy more than any other country in the European Union.

In 2002, after a series of unstable coalition governments failed to turn back inflation that had soared to 30 per cent, authorities had to negotiate a \$23.5 billion credit with the IMF that has since been repaid in full. And as Deputy Prime Minister Bülent Arınç points out, "now

we are even in a situation to give a \$5 billion loan to the IMF".

Burak Çelet, General Manager of Turkey's leading leather goods manufacturer Desa Deri, goes as far as to say that "the reason for Turkey's success is that it has become immune". "In the past, we used to have big domestic crises," he adds, "but over the past 10 years, with the stability and improvements in infrastructure, the restructuring of business portfolios in the country and the way the country's funds are spent has changed, the country has be-

come more immune to global shocks and the crisis. We have established a stronger banking system, and the country's infrastructure has improved in many ways."

As an actor on the world stage, Turkey is aware that it is being observed in a largely positive way in other Muslim-majority countries where "unfortunately, there are repressive and authoritarian systems in power. We have shown that it is perfectly possible to lead an Islamic life and at the same time defend democracy and freedoms to the full."

That view is echoed by Britain's former ambassador to Ankara, David Reddaway, who agrees that Turkey serves as "an example of how a secular democracy with a Muslim majority population can provide economic prosperity and social development as well as political rights to its people." At the same time, he adds, "People see that Turkey's success in attracting foreign direct investment (FDI) is linked to reforms that are part of its European Union accession preparations."

Indeed, Turkey ranks 19th globally in terms of FDI inflows,

which reached \$12.9 billion in 2013. The Central Bank forecasts this will rise to \$14.4 billion by the end of 2014.

Even with Europe still going through some very difficult times, economically, some 75 per cent of FDI comes from EU countries, says Mr Reddaway, while the EU is still Turkey's largest single export market.

"Its growing economic strength reinforces economic benefits to the European Union of having Turkey on the inside," he says.

"The UK has always supported Turkey's bid for full EU membership and we really appreciate it," emphasises Mr Arınç. "Our firm belief is that we will not be a burden on the EU, and this belief is shared by the UK," which has become a steady importer of Turkish-made goods such as automobiles, textiles and white goods.

As Turkey continues to raise its economic profile and FDI inflows are channelled to

megaprojects such as Istanbul's new airport (budgeted at \$22 billion), the need for a comprehensive network of financial service centres becomes that much more acute. To prepare Istanbul for its leap into the league of financial capitals, the Istanbul Financial Centre Initiative (IFC-I) has been busy laying the groundwork for a long overdue transformation, which among much else, involves a targeted media campaign.

"The main goal of the IFC-I is to share knowledge and experience between the partners of Turkey, and make Istanbul a financial centre by creating the 2023 vision," says IFC-I Chairman

Artunç Kocabalkan. "We have researched other centres such as London and Dubai to see how they became what they are and one conclusion we reached is: don't try to do everything all at once. Start off local, expand to regional and then go international."



Artunç Kocabalkan,
Chairman of the
Istanbul Financial
Centre Initiative (IFC-I)

VISION 2023 TARGETS		STAGE REACHED 2013
Be a top 10 economy	1	Currently ranked 17th
Achieve a GDP of \$2tr	2	\$821.8 billion (2013 est.)
Increase annual Turkish exports to \$500bn	3	\$151.9bn
Achieve per capita income of \$25,000	4	\$15,263 per capita 2013
A foreign trade volume of \$1tr	5	\$400bn
Increase employment rate by 10 points. 30 million people will be part of the working population	6	23.21m people currently employed
Build 20,000MW installed capacity for wind energy	7	2,041.35 MW of wind as of 2012
Have at least three operating nuclear power plants	8	First power plant under construction 4,800MW ready by 2014
Have one of the 10 largest ports in the world	9	Construction under way
Make Turkey the 5th top tourist destination	10	Currently ranks 6th

Sources: ISPAT and the CIA World Factbook

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10 reasons to invest in Turkey

1 SUCCESSFUL ECONOMY
◆ Expected to become the fastest growing economy among the OECD members during 2012-17 with an average annual real GDP growth rate of 5.2%
◆ Ranked the 13th most attractive FDI destination in 2012

2 POPULATION
◆ Young, dynamic, well-educated and multi-cultural population

3 QUALIFIED AND COMPETITIVE LABOUR FORCE
◆ Over 27m young, well-educated and motivated professionals
◆ Approximately 600,000 students graduate annually from over 170 universities

4 LIBERAL INVESTMENT CLIMATE
◆ Business-friendly environment with average of six days to set up a company, while the average in OECD members is more than 12 days
◆ Equal treatment for all investors

5 INFRASTRUCTURE
◆ New and highly developed technological infrastructure in transport, telecoms and energy

6 STRATEGIC CENTRAL LOCATION
◆ A natural bridge between both East-West and North-South axes, thus creating an efficient and cost effective outlet to major markets

◆ Easy access to 1.5bn customers in Europe, Eurasia, the Middle East and North Africa, and multiple markets worth \$25tr of GDP

7 ENERGY TERMINAL OF EUROPE
◆ An important energy terminal and corridor in Europe connecting the East and the West

8 LOW TAXES AND INCENTIVES
◆ Corporate income tax (CIT) reduced from 33% to 20%
◆ Tax benefits and incentives in Technology Development Zones, Industrial Zones and Free Zones could include total or partial exemption from CIT, a grant on employer's social security share, as well as land allocation
◆ R&D and Innovation Support Law

9 CUSTOMS UNION WITH THE EU SINCE 1996
◆ Turkey has been part of a Customs Union with the EU since 1996, and holds free trade agreements with 22 countries, with more under way

10 LARGE DOMESTIC MARKET
◆ 20m broadband subscribers and 68m mobile phone subscribers in 2012, up from 0.1m and 23m in 2002
◆ 131m airline passengers and 31.8m international tourist arrivals in 2012, up from 33m and 13m in 2002

Turkey aims to be a global top 10

For an ambitious agenda of development initiatives set for 2023, Turkey is counting more than ever on attracting new sources of FDI

Hard to believe that just over a decade ago Turkey was virtually a no-go zone for FDI, attracting barely \$1 billion in annual capital inflows. In 2006, three years after Recep Tayyip Erdoğan took office as Prime Minister, however, that figure shot up by a multiple of 20, demonstrating that the opportunities were always there even when the timing wasn't always right.

Now the timing is most emphatically right, as Turkey gears up for its centennial celebration of nationhood in 2023 by authorising a series of major infrastructure works that include a third airport serving Istanbul and a third bridge over the Bosphorus. It is also the target date for Turkey's stated goal of entering the ranks of the world's top 10 economies with a GDP of \$2 trillion.

Helping to make it happen is ISPAT, the government's investment promotion agency, whose president, İlker Ayci, likes to empha-

size that Turkey's greatest asset is its location. "Our geographical position enables companies to access a market of some 1.5 billion people, whose combined GDP is around \$25 trillion with a trade volume of \$8 trillion.

"ISPAT serves as a reference point for international investors, combining our private sector approach with backing from all government agencies to facilitate legal and legislative procedures," notes Mr Ayci.

Another chronic optimist is Dr Ibrahim Turhan, Chairman and CEO of Borsa İstanbul, which supervises all the country's securities trading. He says FDI is of critical importance by allowing the economy to complete its recovery from the "lost decade" of the 1990s when huge gaps in domestic consumption, savings and investment were allowed to go unchecked.

"If Turkey grows at an annual rate of 5 or 6 per cent, without overheating or triggering inflation, in real terms GDP will have doubled by 2023," by Dr Turhan's reckoning. "Then there is an idiosyncratic trend of real appreciation of emerging markets' currencies against those of the developed markets. If you factor in currency appreciation, you'll have doubled your money. Potential investors might want to ask themselves where else would they get such returns." ●

BORSA İSTANBUL Rising Value of Investment!

Borsa İstanbul and NASDAQ OMX sign strategic partnership.

Borsa İstanbul will integrate and operate NASDAQ OMX's suite of world-class market technologies for trading, clearing, market surveillance and risk management, covering all asset classes including energy contracts.

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**BORSA
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Benchmark for Investment

BIST puts potential into action

Istanbul's various stock exchanges have merged under Borsa Istanbul, or BIST. The global investing community has taken notice, with NASDAQ entering into a strategic partnership with BIST

With one of the fastest growing economies in Europe and a process underway to consolidate its capital markets under a single entity, the Borsa Istanbul (BIST) appears to be on the verge of truly taking off. Moreover, BIST and the NASDAQ OMX Group signed a strategic partnership agreement on December 31, 2013, thus signalling the US company's faith in the Turkish stock exchange's position and potential. Dr Ibrahim Turhan, Chairman and CEO of BIST, speaks about recent developments.

The CEO of NASDAQ OMX Group, Robert Greifeld, recently said that Turkey's strategy to consolidate the various markets under BIST will enable the market to become a "very strong regional player". Please tell us more about this move.

The capital markets law changed and strategic partnerships have taken a huge step forward. The reaction is between the economy of Turkey, which is now ready for such an explosion, and the capital mar-

kets, which have been waiting for such a move for years and years. Now we will have cash equity markets and related derivatives. We've already introduced single stock options. The same goes for indexed options and futures.

As for our partnership with NASDAQ, it is not just about the transfer of technology; it is also related to know-how, which will enable Borsa Istanbul's team to have a deep knowledge of technology and full control of the system. We will also be ready to get integrated with major financial centres around the world. There will be more mutual bilateral projects between BIST and other advanced, developed financial centres.

In October, the Borsa Istanbul premises were chosen by the World Bank for their new and unique Global Islamic Finance Development Centre. Where do you see opportunities for Borsa and Islamic-based equity in Turkey?

Infrastructure projects fit very well with Sharia-compliant instruments because at the end of the day, it is a sale and lease-



Dr Ibrahim Turhan, Chairman and CEO of Borsa Istanbul (BIST)

projects, be it roads, bridges, energy power plants etc. They are very much linked and appropriate projects for sukuk insurance.

Do you see Istanbul's aspirations to be the regional financial hub taking shape?

In order to put your money and wealth in a financial centre, you need a safe and predictable place. Behind this, you need a well-diversified, strong economic base. The main difference between Istanbul and other places in the region is the strength of the economy. It is well diversified and not dependent on just one or a few economies. It enjoys a strong investor base, and deep, liquid domestic markets. There is rule of law, and a legal framework in line with international standards.

In my view, there are two very important developments - first of all, the establishment of an international arbitration court in Istanbul, which will operate in accordance with ICC principles, and also the introduction of specialised courts in financial transactions and special courts for capital markets. ●



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



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- 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

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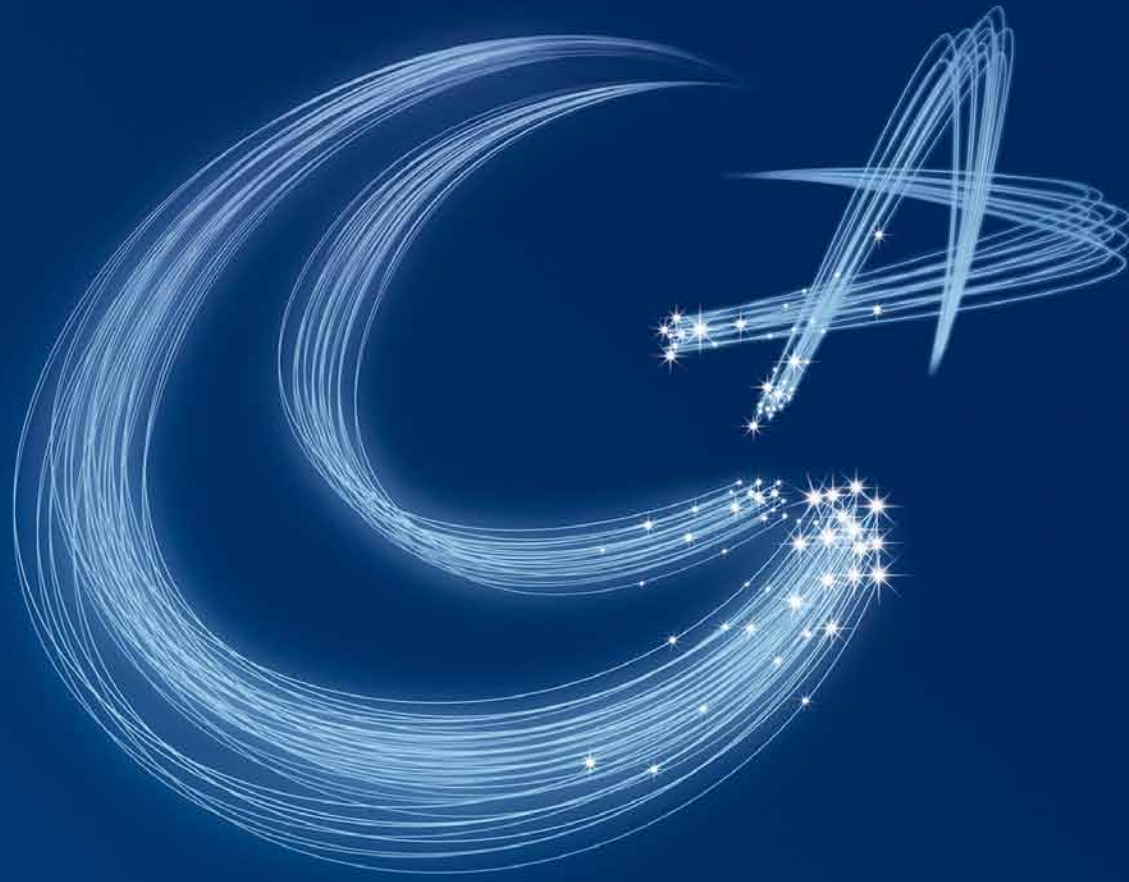
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Full speed ahead

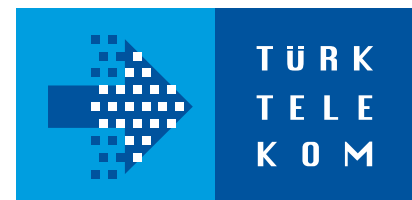
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The length of the infrastructure installed within the country is 168,000km. Türk Telekomünikasyon A.Ş. offers use of this fibre Internet infrastructure to Internet providers. Limitations on speed caused by subscribers, the performance of servers or computers, and busy lines may affect connection speeds. Different technologies were compared in the report "Superfast Broadband: Catch up if you can" published by Arthur D. Little and Exane BNP Paribas in March 2011, with the conclusion that fibre Internet is the fastest.

A new era for Turkey's energy market

For a nation which is reliant to the tune of \$60 billion on energy imports, it is essential that regional relations are set to increase energy security and turn Turkey into an energy hub for both domestic and regional requirements

Energy is undoubtedly one of the most important sectors in Turkey and most promising for investors. Since 1990 energy demands have grown even faster than Turkey's growing economy, says Minister of Energy and Natural Resources Taner Yıldız, with electricity consumption increasing 7 per cent year-on-year. Over the course of the next decade, analysts predict that power consumption will rise by 6 per cent per year.

In order to meet this rising demand the Turkish government is looking to private enterprise for support. Over the past few years it has been successfully paving the way for the privatisation of state-owned electricity distribution and generation assets. "In 2013, Turkey earned \$13 billion from the privatisation of 21 regional electricity distribution grids," says the energy minister. "In 2014, we will focus on the privatisation of the electricity generation plants."

The government has introduced strategic incentives (such as VAT exemption, cor-

porate tax reduction and land allocation) to improve the business climate. Foreign investors can expect to greatly benefit from this growing market, in which attractive opportunities exist in oil and gas, renewables and nuclear energy.

FDI in Turkey's energy sector stood at \$2.55 billion in 2013, and Ilker Ayci, President of the Investment Support and Promotion Agency of Turkey, believes that the energy sector will once again be the largest recipient of FDI in 2014.

Wadie Habboush, president and CEO of the Habboush Group, a Turkish company with significant investments in the energy sector, concurs. "We believe that Turkey will continue to grow. If you just look at the macroeconomics, the demographics, the industrial movement and the demand for energy in Turkey, the growth potential is tremendous. I am optimistic about energy-related investments in Turkey," he says.

Capable only of meeting a small fraction of its energy demand with its own hydro-



Taner Yıldız, Minister of Energy

"Over the past few years the government has been successfully managing the liberalisation and privatisation of the energy sector, paving the way for the privatisation of state-owned electricity distribution and generation assets"

carbon resources, Turkey's greatest challenge is finding affordable, accessible and reliable energy sources. In order to mitigate the impact on the environment, the government has put a lot of emphasis on sourcing and producing clean renewable energy domestically. Over the last decade, renewable energy generation has increased by 90 per cent and by 2023, Mr Yıldız expects 30 per cent of the energy supply will come from local renewable sources.

Longstanding government objectives in renewable energy have led to new incentives and improved legal infrastructure to attract investors in this area. Recent analyses indicate that a 30 per cent cost reduction is estimated on wind power projects as a result of new regulation, whilst updated laws on non-licensing electricity production will also propel solar projects. Investments by companies such as Enerjisa and AkEnerji are focusing on renewable sources such as hydropower, while the World Bank's International Finance Corporation (IFC) has significantly increased its financing of renewable energy projects over the last five years, investing \$2.3 billion in five projects in the power generation sector.

Despite increased power generation from renewables, Turkey still needs to import oil and gas to meet its energy demands. While

"Where oil is first found is in the minds of men"

Wallace Pratt



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Turkey's power consumption has risen 7 per cent per annum since 1990

the country itself is not rich in these hydro-carbon resources, its neighbour to the south certainly is. "I believe that it makes the most economic sense to look at the next-door neighbour. Iraq is probably the last frontier of its size in the world for natural resource exploration and production, and the huge majority of that sits in southern Iraq. These abundant natural resources are just a step away from Turkey," states Mr Habboush.

The CEO says that he is bullish about Turkey-Iraq relations, adding that he would be delighted to see a large increase in energy cooperation. Recent comments from Baghdad indicate the opening of a new chapter for Turkey-Iraq bilateral economic relations. "We support and seek to increase our oil and future natural gas exports to Turkey," Iraqi Deputy Energy Minister Hussain al-Shahristani told the Turkish al-Andalou news agency in December.

While the Iraqi minister signals the ushering in of a new era for Turkey-Iraq relations, Turkish companies working within the energy sector such as Habboush and Genel Energy have been operating oil and gas fields in Iraq and transporting output back to Turkey for some years now.

"We have one foot in Turkey and one foot in Iraq," explains Mr Habboush. "We are present in southern Iraq where we are executing projects in the oil and gas fields there. We have formed strategic alliances with notable international energy and infrastructure companies. We believe that Iraq should be a valuable source of energy for Turkey and Europe. Turkey, likewise, is a valuable market for Iraq's energy supply as a consumer and transit point."

Genel Energy, a joint Turkish-British venture headed up by former BP boss Tony Hayward as CEO, has concentrated in oil and gas exploration and production in the Kurdistan region of Iraq since 1999. President and founder of Genel, Mehmet Sepil, spotted a lucrative opportunity to export oil and gas from Kurdistan to his homeland. The Turkish billionaire became the first person to sign a production sharing agree-

ment with the Kurdistan Regional Government (KRG) in 2002.

"My partners and I did not know anything about the oil business. We decided to take the leap," recalls Mr Sepil. "So far it has been very gratifying. In the end, our country's high level of growth helped us to a great extent, as Iraqi Kurdistan turns into one of the major sources from which Turkey aims to get its oil and gas."

Ties between the KRG and the central Iraqi government have been strained on account of disputes surrounding ownership and revenues from Kurdistan's oil and gas resources, which had led to a blocking of an agreement between Turkey and the KRG on a new oil pipeline.

However, for the first time, Mr al-Shahristani backed an oil deal between the KRG and Turkey in December last year, by supporting a deal which has seen the opening of the new pipeline from the Genel-operated Taq Taq oil field in Kurdistan to the Turkish port of Ceyhan. The pipeline will cut transport costs in half (as Genel had up to recently had to rely on road transportation) and will be able export 1 million barrels of oil per day by 2015.

Taking full advantage of Iraq's oil resources in partnership will not only support Turkey in meeting its energy demands, but - along with the ambitious multi-billion dollar TAN-AP oil pipeline project that will see oil transported from a massive field in Azerbaijan to Europe via Turkey - could turn Turkey into an important energy corridor through which Europe will procure its power.

"This situation makes Turkey a bridge between energy-rich countries and Europe, which spends \$300 billion on energy imports. For this reason, while Turkey develops projects for meeting its own energy demand, it also aims to serve as the most appropriate [energy] route that opens to Europe and global markets," said Turkish Customs and Trade Minister Hayati Yazıcı at the opening ceremony of the third Caspian Forum in Istanbul in December. ●



Wadie Habboush, CEO of the Habboush Group



Mehmet Sepil, President of Genel Energy



LEAVE THE CHALLENGES TO US

From humble beginnings more than 80 years ago, Habboush Group has grown into a multi-faceted, global team with particular emphasis in energy and infrastructure. Habboush Group owes its reputation to a close adherence to a set of core values that have made us who we are today. Those values include: Safety First; Ethics, Transparency and Integrity; Quality; Excellence; Human Resource Development; and Sustainability. These values ensure that the quality that others have come to expect from us, and that we value in ourselves, is never diminished. Our motto is that we operate locally, but think globally. This means that we believe in bridging local works with global standards and practices.



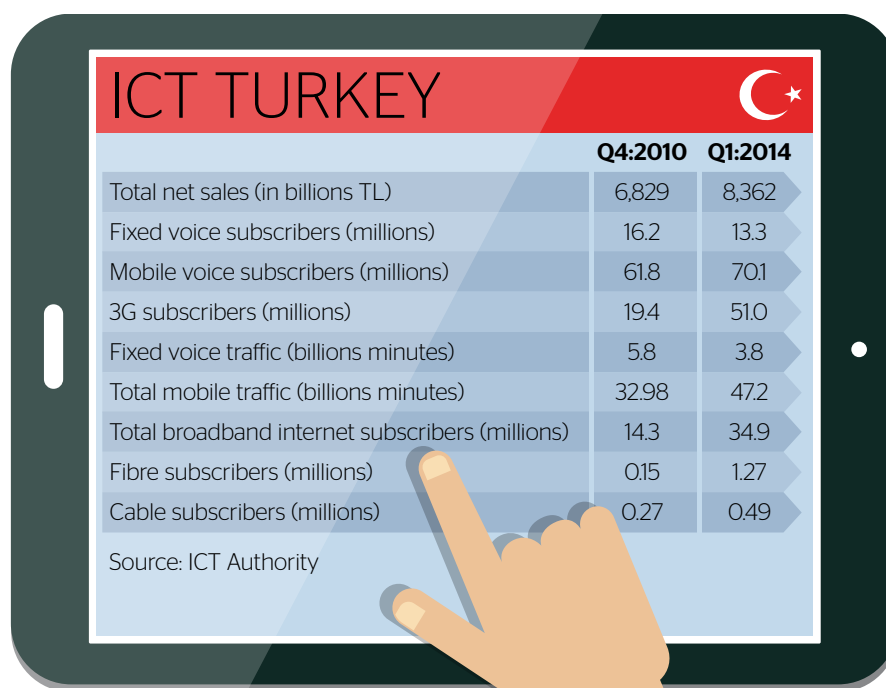
Communication on-the-go flourishes

Substantial demand and considerable investment has spawned a burgeoning ICT industry

Part of the reason for Turkey's unparalleled growth rate of 7-8 per cent during an otherwise globally difficult economic climate is due to the country's expanding ICT sector, which has always grown by more than 10 per cent, Dr Tayfun Acarer, Chairman of the ICT Authority, says.

Dr Arcarer cites several factors for this successful growth, including Turkey's young population and the usage life of mobile phones in the country. "Almost 50 per cent of the Turkish population is under the age of 26," he says. Because of Turkey's young population, many students are using smartphones, which "may have more advantages compared to computers," says Dr Acarer. "Last year, approximately 16 million mobile phones came to Turkey, and more than 42 per cent of these phones were smartphones."

An upcoming education project with a budget of at least \$7 or \$8 billion seeks to pair every one of Turkey's 16 million pri-



mary and secondary students with tablets, and to put an iBoard in each of Turkey's 40,000 primary and secondary ICT classrooms. "In four years, every single student will have received a tablet computer, and this has already started," explains the ICT Authority Chairman. This will, in turn, create a need for broadband and internet access in students' and educators' homes, allowing companies like Türk Telekom to work with the government to enhance the private sector through public partnerships.

For this to happen, however, ICT fixed and mobile infrastructure will have to be disseminated not only in more populous cities like Ankara, but also in its 1,799 rural settlements as well. There is a fund for that, where about \$400 million is accumulated every year to provide support for this infrastructure, Dr. Acarer explains. This is known as a universal service fund, and its support and transparency help to establish trust between the population and the ICT sector.

'Unique duality' makes ICT growth in Turkey a fact, not a trend

Hakam Kanafani, former Türk Telekom Group CEO, speaks about how Turkey is embracing rapid growth in the ICT sector

Young population. Eighty-one cities ready to be connected. As communications technology drives economic growth in Turkey, Türk Telekom Group readies itself to take the helm and lead innovation in the country's rapidly expanding ICT sector. Conscious of its brand and prudent with investments, Türk Telekom Group is situated to work with the Turkish government to improve the ICT sector as well as the overall quality of life for the Turkish people.

In a recent interview, Hakam Kanafani, member of the Board of Directors and former CEO of Türk Telekom group, spoke to World Report about opportunities and plans regarding the ICT sector, and Turkey's unique duality among nations.

Considering the size and scale of the Turkish economy, there is an extraordinary amount of untapped potential in the ICT sector. When you look at the domestic landscape, where do you see opportunities?

We think there is something special to do in every industry. We can help the oil and gas industry to communicate better with the fields and to supervise and maintain their network of pipes and



ships. If you look at the health industry, they can do a good job engaging doctors with certain families and having doctors give them knowledge as to where to go, who to talk to, and basic information they require for their children. What we can do for digital education is to make education much more entertaining and engaging for children, and make it much safer and more effective for teachers. For banking, we can connect all the retail sectors through unified communications. The list

"Türk Telekom is rapidly expanding its superfast broadband infrastructure in 81 cities and has already reached extensive coverage levels in fibre... We have invested a lot of energy, money and planning to make sure that we are able to deliver this fibre network"

Hakam Kanafani, member of the Board of Directors and former CEO of Türk Telekom Group

goes on - from security to manufacturing. We think the potential is tremendous.

Turkey's Vision 2023 includes ambitious goals such as reaching 30 million broadband subscribers and supplying 50 per cent of ICT with domestic services, with the ICT sector representing 8 per cent of Turkey's GDP. Can you please briefly outline some of Türk Telekom's strategies to help achieve these?

I think one of the most important things is to deliver a fibre platform so we can speed up the data exchange. The more you do this, the happier people will be because they will be able to browse faster, as well as so many other things on the software side that you can do on the web. The faster the web and the better the fibre, the more complex and sophisticated software can be written, which means that the internet can be used more to develop society in particular.

Türk Telekom is rapidly expanding its superfast broadband infrastructure in 81 cities and has already reached extensive coverage levels in fibre. As of December 2013, our FTTH/B (fiber to the home/building) home pass reached 2.5 million and FTTC (fiber to the curb) home pass, 6.5 million.

As we are doing the fibre carpeting of the nation, we are moving into the next phase of offering new and innovative products and services like smart home and smart city solutions.

We have invested a lot of energy, money and planning to make sure that we are able to deliver this fibre network. We have a very aggressive plan for the next five years where we want to transform our network with fibre.

Exports: success breeds progress

Further increasing Turkey's share in global trade and increasing the value of exports is a top priority for the government

Double-digit export growth drove Turkey's economy through seven consecutive years of economic expansion prior to the 2009 financial crisis, and also helped it come back quicker and stronger. Even as Europe and the United States struggled in recession, Turkey's exports rebounded as early as 2010, and the country hasn't looked back since. Continued momentum in at least the next five years, according to International Monetary Fund estimates, give policymakers good reason to be optimistic on reaching the government's long-term goal of breaking the \$500-billion export threshold by 2023, and becoming one of the top 10 developed economies in the world.

Last year, exports rose to \$158 billion. Even more impressive is the long-term trend: Turkey's export sector has seen average annual gains of 8 per cent over the past decade. "As long as the export volume increases, the country's economy will continue to grow," according to Şahin Oktay, Coordinator of the Turkish Exporters Assembly (TIM). "Until recently," he continues, "we were concerned about the global crises especially in the EU countries, which



"We have agriculture and intermediary industries, which are in high-demand from developing countries around us. That alone can bring Turkey into the top 10, but we need to do a lot in order to achieve this"

Dr Suat Kiroğlu, Vice-Chairman of Kingspan İzopoli

are the major markets we export to. However, the recent recovery in the EU economies has restored our hopes for a further surge in export volumes. The trade relations between Turkey and the EU contributed a lot to the growth and development of our country. The UK, specifically, has been one of our core markets to which we would like to increase our exports."

If exports have been the engine of Tur-

key's economy, its defence industry has been the fuel that propels it forward. The evolution in this sector has been truly phenomenal over the last five to 10 years. From a trade value of roughly \$1.8 billion in 2006, it has risen to over \$5 billion in 2013. In addition, the Turkish defence sector exports to over 60 countries around the world, with a total value of over \$1 billion in 2012.

"The Turkish armed forces is large enough to support a base industry, but we do not want to stay at that base - we want to increase. So the only way is to export," says Nail Kurt, CEO of FNSS Defence Systems. "A happy customer is the best kind of marketing," he adds, "you cannot fool customers in this sector. You are face to face with the customer. The only way you can make them happy is to work with them."

The strength of Turkey's export industry lies in the diversity of businesses within its ranks. A global leader in prefabricated construction panels, Kingspan İzopoli takes advantage of Turkey's strategic geographic location. "Our fire safety and insulation products are widely used in quick prefabrication and construction, which you needed after the war in Iraq, Libya, Egypt, Syria, Palestine, and anything over the past 15 years in the whole of the Middle East," says Vice-Chairman Dr Suat Kiroğlu.

"I think we are the only company in Turkey that sells products to both Azerbaijan and Armenia, or Israel and Palestine. So commercially, you will find solutions much easier than you would politically." ●

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Cutting-edge design and top-notch quality make Turkish exports highly desirable the world over

Visitors to Turkey's famous bazaars can attest to the array of elegant products on display. Local artisans draw on centuries-old traditions that give their leather goods, jewellery, carpets, textiles, furniture, cosmetics and many other products such

a special quality. In fact, travellers buying items in bulk for resale abroad make up a significant share of the total exports in some categories of products. Business and economic leaders saw an opportunity in this success, and in 2004 launched a programme called TURQUALITY®,

which aims to bring Turkey's top brands to markets worldwide.

With the vision of creating 10 global brands in 10 years, TURQUALITY® aims to promote the value of Turkish companies to a global audience, as well as helping them by offering strategic, operational, organisational and technological consultancy services. With contributions from top global consulting firms such as Werner International and Deloitte, together Turkey's Ministry of Economy, Industrial Designers Society and the Turkish Exporters Assembly created a set of criteria for performance and quality, and selected the country's top brands and designers to be promoted globally under the TURQUALITY® trademark. A total of 95 brands representing 83 companies have been chosen for promotion over the past decade, with another 37 brands representing 34 companies receiving support from the programme.

One area where Turkey has enjoyed success on a global stage is in the production of leather goods. Turkey has been an important centre for the crafting of leather since at least the Byzantine era, explains Lemi Tolunay, Chairman of Istanbul Leather and the Leather Products Exporters' Union. Today, the industry generates \$4 billion in total revenues, making Turkey the second most important leather producer in Europe and the fourth largest in the world. Burak Çelet, General Manager of Desa Deri, the sole leather company admitted into the TURQUALITY programme, points out that Turkey has until recently been "the destination for Europe for opening price point businesses in textiles and leather goods" but that it is "is not a low-cost country anymore".

"Turkey has to move away from this. People have to figure out how to sell higher value-added products, which firstly means concentrating on R&D. In the fashion business, we have to concentrate on design and innovation," he continues.

"We have amazing tanneries in Turkey, but it's not just leather, we combine it with fashion and design," says Mr Tolunay. "As a manufacturing country starting from the 1990s, we have learned a lot about developing a brand. Then we became more conscious of our product and the quality of it"

The result has been a proliferation of Turkish brands producing distinctive, high-end leather goods with global cachet. Recently, Turkey's Leather Promotion Board teamed up with some of the country's top designers, like Bora Aksu, to showcase products at trade fairs around the world. The focus on value-added design, known as the "Turkish Effect," attracted much attention, particularly in Asia, where Turkish designers are becoming increasingly influential.

Turkey's export success has not been limited to consumer products. A global leader in pre-fabricated construction panels, Kingspan-Izopoli has found eager customers for its building materials across the Middle East, Europe and Asia, and now draws about half of all its revenues from abroad. After its 2005 partnership with Irish firm Kingspan, it became one of only a few dozen manufacturers in the world producing FM (Factory Mutual) and LPCB-certified fire safety rated panels. Dr Suat Kiroğlu, Vice Chairman of Kingspan-Izopoli, sees this advantage as a cornerstone of future development in the Middle East.

Another Turkish brand ascending in foreign markets is appliance and consumer electronics manufacturer Beko. In the five years since it joined the TURQUALITY® programme, Beko has become the third-largest white goods brand in Europe. "The work that TURQUALITY® has undertaken has been instrumental in demonstrating the high quality and value of our business globally, and we look forward to continuing to work with them to communicate this," says Levent Çakiroğlu, CEO of Arçelik Group, manufacturer of Beko products.

Consistent with the larger effort underway among many of Turkey's exporters, Mr Çakiroğlu emphasises, first and foremost, an outstanding product: "One of the most fundamental components for building a successful brand is ensuring that your product or service is of a high quality level and meets the specific needs of your customers. We have been able to achieve this over a number of years by our willingness to listen to and adapt to the local needs of our consumers." ●



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Raki is enjoyed alongside friends and food



A 500-year old dining tradition

Raki became an inseparable part of Turkish culture in the times of the Ottoman Empire and has since embarked on an international journey

Mey İçki is Turkey's top producer of the country's most famous beverage: raki. Considered an integral part of a traditional dining ritual, the anise flavoured grape based liquor demands special attention to detail in how, where and with whom it's served.

World Report sits down with Galip Yorgancıoğlu, CEO of Mey İçki, to learn about the raki experience.

How would you describe the raki experience to someone who has never been to Turkey?

First of all, you have to consider raki as a presence at your table – one that you need to respect. You need to respect the drink and the rituals of the drink. Unlike wine, the raki bottle never stays at the centre of the table. It

has to be at the end of the table. You have to treat the raki bottle like a person sitting at the table. When you drink raki, you do not do it in haste. You consume it sip by sip. Appetisers (*mezze*) are important. You do not drink raki without *mezze*.

Raki is a social drink. You do not drink raki alone. It has to be done with good company (for example, friends, colleagues, family members, etc.). It does not have to be a big gathering, but you need to be with at least one person to drink raki. It is important to note that when drinking raki, you should not be loud. Enjoy the drink and the meal that goes with it.

Not only do you drink the raki slowly, you eat the meals that go with it slowly. A good raki table should go for at least three hours or more.

To be clear, raki is not just about happy occasions; it encompasses a range of events. You can drink it during weddings, birthdays and the like. You can also consume it during moments of sorrow, when you are confiding in a friend.

Raki can be drunk as an aperitif (like what you can see in places like Bodrum, a vacation paradise on the Turkish riviera which is already very well known among most British people.) Raki used to be consumed with a meal, but a beautiful bar in Bodrum started serving it as an aperitif taken with small nuts and so on. This has caught on.

Music is important, but it is not required and it should not be loud. Finally, you should never get drunk on raki. It should be drunk in moderation.

Raki is becoming increasingly popular. In 2004, our export numbers were around 800,000 litres. Now, we are close to 5 million litres. We hope to double this figure to 10 million litres in four years' time. It is completely attainable, as long as we follow our set strategies.

What kind of *mezze* goes with raki?

Good *mezze* to go with raki include white cheese, melon, tomatoes, aubergine pâté, smoked fish, all Mediterranean herb dishes, seafood, and vegetables – nothing heavy.

No dish should overpower the taste of raki. The taste of raki should fill your palette. This means that you should not have it with something too oily or fried.



Raki through the ages

Anise-flavoured drinks are a trademark Mediterranean aperitif and Mey İçki is taking the Turkish tradition to international markets

Raki could be seen accompanying meals and *mezze* in *meyhanes* (taverns) during the Ottoman times. In the 19th century raki overtook wine as the most popular accompaniment and although its popularity waned somewhat in recent years, today, thanks to Mey İçki's marketing strategies, raki has made a major comeback among the younger generation of consumers

partly by playing on the liquor's traditional role in Turkey's dining culture, as well as introducing it to international palettes.

Primary target markets include countries that already have anise-based product experience, such as Greece, France, Italy, Spain and Germany. Secondary target markets include the US, particularly its Turkish diaspora, as well as those with connections to the Ottoman Empire, such as Greeks, Armenians and people from the Middle East – all natural consumers who have acquired the taste for such beverages.

"The UK is also a very important market for us – not only because of the Turkish diaspora there, but also because Turkey has been an important travel destination for British people," says Galip Yorgancıoğlu, CEO of Mey İçki. "When these British tourists come to the country, they taste our national drink. Most of them bring some of these drinks back to the UK with them, or they acquire a liking for the drink, which makes it important for us to have distribution to outlets there. This makes the UK an interesting source of business for us."



Full speed ahead for shipbuilders

Turkey's shipbuilding sector is highly adaptable, building innovative state-of-the-art ships to meet global trends

Turkey's shipbuilding industry grew at more than three times the worldwide rate between 2002 and 2008, and is currently the world's fifth largest for units of ships built. Moreover, small and versatile shipbuilders are helping Turkey maintain its leadership in the global shipbuilding industry, following the sector's decline in 2009.

According to Murat Kiran, President of the Turkish Shipbuilder's Association (GISBIR), "In order to overcome the negative impact of the global economic crisis, we aim to create solutions that tackle overcapacity by building different types of vessels, not ordinary ones, taking market demand into consideration."

Dearsan Shipyard is one example of a small shipbuilder that strategically focuses on naval vessels because "almost all countries are dealing with piracy, drug smuggling, human trafficking; these are the main challenges of the navies now," says Chairman Taner Akkaya. "We could survive once we switched to building warships. The companies in the sector that invested in building naval ships and cruise yachts could survive."

Turkey, which ranks number one in small tonnage chemical and oil tanker building, also oversaw the creation of the award-winning Maltese Falcon, one of the largest privately owned sailing yachts in the world. In fact, the country is the third largest global supplier of mega-yachts, earning €300 million annually, says Mr Kiran.



Taner Akkaya,
Chairman of Dearsan
Shipyard



Murat Kiran,
President of the Turkish
Shipbuilder's Association
(GISBIR)

The quality of Turkish ships is high. Though the Far East can build ships cheaper, it cannot match Turkey for quality, according to GISBIR's President. Turkey's industry boasts authorised makers and classification societies such as Lloyd's Register and Bureau Veritas.

Süheyl Demirta, Secretary General of GISBIR, adds that major shipping companies like Maersk, Novoship Russia,

Nasco Gem Marine and Euroland all have fleet agreements with member shipyards. "They send their audit teams and they analyse the shipyards, financially, technically and administratively as well as the occupational and safety considerations," he says. "This shows that Turkish shipyards are accepted worldwide quality-wise and health and safety-wise."

Turkey is also favoured because of its experienced, young, flexible workforce and proximity to Europe. Mr Demirta adds, "Because of our relatively lower prices in comparison to the EU countries, repair and maintenance are also an important part of the sector. We give good prices."

He says contracts with the Ministry of Defence and SSM (Undersecretariat of Defence Industries) have been important to the industry's buoyancy. These entities have put confidence in local shipbuilders, helping them grow.

When the Ministry and SSM decided to employ Dearsan, "they took a great risk," Mr Akkaya says, "because naval ship standards are very high". However, his company had already laid the groundwork by investing heavily in certification and other necessary upgrades. His firm also employs many retired navy personnel.

Furthermore, GISBIR supports Piri Reis University, one of Europe's most important maritime universities, helping to make it possible to waive tuition and fees until graduation. ●



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GISBIR, the Turkish Shipbuilders' Association, was created by Turkey's shipyard owners in 1971 and has helped make the nation's shipbuilding industry one of the top five in the world in terms of orders. With a belief that 'one who rules the seas, rules the world', GISBIR professionally represents Turkey's private-sector ship and yacht builders, repairers and maintenance enterprises in relations with major national and international organisations to launch Turkey's specialist vessels and services into global waters.



TURKISH SHIPBUILDERS' ASSOCIATION
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