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TURKEY

Symbols of Turkish Excellence in the World

A land of new opportunities, profound changes in Turkey over recent years have transformed the country into an Increasingly attractive destination for investment.
Find out why in this in this digital version of the 6-page special as published inside The Daily Telegraph on 11 April 2013.

The Daily Telegraph

Tories come to praise their Boadicea in pearls

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TURKEY

Symbols of Turkish Excellence in the World

Powering Demand

The Shaping and Making of a Successful Future

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TURKEY

Symbols of Turkish Excellence in the World

The Shaping and Making of a Successful Future

Along with China, India and Brazil, Turkey is one of the UK's top 4 priority countries for boosting economic and trade relations. Despite its reliance on, and proximity to, the troubled EU market, it is a country that in the worldwide context has had one of the strongest and most broad-based recoveries from the current prolonged financial crisis. In fact, thanks to the timely implementation of a series of structural reforms, Turkey is well ahead of its rivals in creating the ideal landscape for a successful economy.

BY MICHELE GRIMALDI & SORCHA HELLYER ➤ "Confidence does great things for a country. Investors believe in the Turkish story thanks to sound economic and fiscal policies. Before they were taking advantage of risk premiums and were concerned to hedge themselves against unsustainable growth," says Suzan Sabanci Dincer who is the President of Akbank - one of the most pre-eminent financial institutions in the country - as well as the Chairperson of the Turkish-British Business Council. As the economic centre of gravity gradually moves away from Europe and North America to other regions, in particular Asia, Turkey is a key player in this transformation.

Visiting Istanbul in March this year, the Lord Mayor of London, Alderman Roger Gifford spoke about the UK wanting to share in, and support, Turkey's success: "The British government accords the highest priority to building up bilateral trade, because that will mean prosperity within the UK but also because it is in British interests to see overseas markets grow - as that will help to create prosperity, stability and security for both our countries - and increased trade volumes." The significance of this should not be downplayed. The projected 2015 goal of doubling the trade balance between the two countries - currently standing at $14bn - equates to a healthier economy in the UK and in Turkey, which can only be a good thing.

In fact, where world trade growths have been downgraded, the World Trade Organization secretariat noted that the Turkish economy has been booming - with Turkey's exports hitting record levels with a registered 11.2 % increase in 2012. However, the impact of any single country's exports on the world economy is becoming more and more evident. During a speech on the "Changing Landscape of International Trade" at Bilgi University in March, the WTO's Director-General, Pascal Lamy highlighted this: "It is countries like Turkey that are changing the nature of international trade relations by forming part of complex global value chains. Turkey is now at the heart of a global production network in which the vast majority of products are 'Made in the World' - rather than made in only one country - were truthful and accurate product origin labelling to prevail. These value chains are no longer anchored in traditional north-south relations, but span across south-south lines as well, as Turkey has itself experienced. This constitutes, in its own right, another major change in the international trade picture as we know it today."

That same day, at an Economic Development Foundation (IKV) conference held at TOBB Plaza in Istanbul Lamy declared: "Turkey

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Turkey has a lengthy menu of tasty investment offerings for the taking

© Michele Grimaldi

- an emerging economic giant - is one of the biggest recipients of foreign direct investment in the region. I expect that Turkey, over the coming years, will be integrating further into global value chains due to its stable political and economic environment, its large population and workforce size. Geographically, the country lies at a crossroads between east and west, and between north and south, making it perfectly logical that it be right at the heart of such multiple chains."

The nation has long striven to diversify its industrial strengths away from the outdated image of a garment manufacturing nation and, if it has been successful in doing this, it is greatly due to its impressive performance under pressure. Recent times have shown the Turkish economy to be much more stable and sustainable; this has been tested and proven during the current global crisis. Putting it succinctly, Sabanci Dincer says, "While some parts of the world are currently facing some very challenging times, Turkey's future looks bright and sunny. Now, Turkey is looking not just for investors but long-term allies to share this promising future.

Bordering 8 countries - and with a landmass 3 times that of the UK - it is easy to understand why Turkey plays a pivotal role in the Eurasian region. It sees itself as a nexus with heightened capabilities to penetrate surrounding markets and not only from a geo-strategic or geo-political standpoint. Turkish companies are perfectly placed to help link British or multinational businesses with regional markets, as well as the emerging markets of North Africa and the Middle East. In many ways, Turkey is unique in terms of the breadth of its know-how in the region, particularly when compared to the Middle East and CIS countries.

Equally, it is fair to say there are few economies that exhibit the same qualities Turkey does. How many others are so close to Europe and yet outside the EU? Or have demonstrated their mettle and robustness in the global crisis and have also managed to sustain a stable environment; have the commitment to complete the required steps for further improvements, have the required population base both for employment and demand and yet still offer the growth potential of an emerging economy? Turkey may not yet have all the answers but it is ahead of the game in asking the right questions and moving towards finding the right solutions.

As Ibrahim Turhan, Chairman & CEO of the newly relaunched Borsa Istanbul explains, "When it comes to Turkey, even in the toughest days, we never took actions that weren't market friendly. Our direction has always been focused on meeting - or even exceeding, where possible - international standards. The Turkish government has never considered the leveraging of fiscal policies to foster growth, so in the middle of the crisis instead of raising the fiscal expenditures, they launched a medium-term program where they explained how they would tighten the fiscal policy and the market paid back." Turhan highlights the adverse conditions in other emerging markets created by policymakers adopting measures such as the restriction of capital movements or the imposition of incremental taxation.

Fostering the right environment for both local and foreign direct investment inflows has been a priority for the government for many years now. Certainly the proof is in the pudding and there is a lengthy menu of tasty investment offerings for the taking. British companies and many multinationals are waking up to the possibilities. "For investors with an appetite for emerging markets and rather lower risk tolerance, Turkey is an optimised investment base for a perfect combination of risk and return," emphasises Sabanci Dincer. "Moreover, value creation can be maximised through sectors where western economies are at a more advanced level compared to Turkey. Foreign investors can bring know-how and experience which will maximise their global value creation, given Turkey's growing economy, population and demand patterns."

The symbiotic relations being nurtured, between highly sophisticated countries and those that are still transitioning, points to a new era of mutual benefit and interconnectivity. In acknowledgement of the contribution markets like Turkey make to the global scenario, Lamy affirms, "Turkey and the emerging, developing world are now, more than ever before, making their voice heard at the international negotiating table - whether at the World Trade Organization or in other fora. They no longer wish to be 'takers' of the WTO rulebook, but also 'shapers and makers' of it."

"The British government accords the highest priority to building up bilateral trade with Turkey"

ALDERMAN ROGER GIFFORD
Lord Mayor of London

"It is countries like Turkey that are changing the nature of international trade relations"

PASCAL LAMY
Director-General of the WTO

Powering Demand

As successful Turkish companies go, the eponymously named Ciner Group is a prime example of the importance of diversified interests. Turgay Ciner's formidable and visionary business acumen has seen the conglomerate extend its reach into more than 30 subsidiaries encompassing a multitude of sectors including energy, mining, retail, industry, services and media industries.

Kasan Soda Electric - Ciner Group

Having strongly positioned itself as one of the most prominent business partners in the country, the group is consolidating its place in the economic landscape of Turkey and indeed, the world. One such example of this came about in January this year when group subsidiary, Kazan Soda Electric, announced a deal with China's Tianchen Engineering Group to invest $1.35bn in a new soda ash and power plant. Expected to generate 800mw and produce 2.7m tons a year, this will propel the company's exports to $1.75bn and make it the world's leading soda ash producer.

As Europe's fortunes flag, Turkey continues to gain recognition for its increasingly dynamic business environment, as more and more foreign direct investors sit up, take note and tap into the burgeoning opportunities that are afforded to them. Communicating the nation's rise in business and regional prominence is imperative. Since 2002, Ciner Group has also been active in the media and, thanks to aggressive investment and rapid diversification over the last decade, has become a leader in the print, digital and audio-visual sectors. Discover more on Page 4

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FDI

A Land of Opportunities

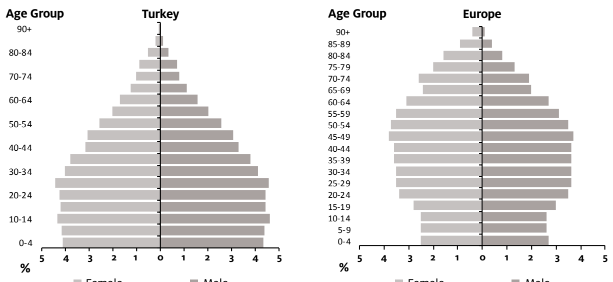
Recent years have witnessed profound changes taking place in Turkey. This all-encompassing transformation has fundamentally altered both the political and economic landscape of the country. In the political arena, after decades of unstable coalition governments, a single party government was formed in late 2002. Since then the ruling party, the Justice and Development Party, has been elected for three consecutive terms. This provided political and economic stability which gave administrations the leverage to implement comprehensive structural reforms. These developments have made Turkey one of the most attractive FDI destinations in the world. As a result, plenty of investment opportunities have been created by this combination of the transformative process in Turkey over the past decade, the country's economic performance, its young and dynamic population, its strategic location, as well as an increasingly investor-friendly environment.

Once fundamental reforms had been implemented, Turkey embarked on an era of unprecedented economic growth and development. The Turkish economy has sustained this robust upward trajectory over the past decade, expanding with an average annual real GDP growth rate of more than 5%, standing out as the fastest growing economy in Europe. While the economy has been increasing at an excellent and stable pace, the socioeconomic structure of Turkish society has also radically improved. This has paved the way for the emergence of a new middle class which has been, and continues to be, the backbone of the economy. GDP per capita tripled between 2002 and 2011, however the real increase in household income has been in favour of the lower income groups, therefore enhancing the purchasing power of those households and expanding the consumer base. Turkey's impressive performance over the 10 years has further lifted society out of poverty. A decade ago, more than 30% of the country's total population - over 20m people - were living on less than $4.30 per day per capita. By the end of 2011 this figure had drastically decreased to 2.8% or about 2m people. Undoubtedly Turkey's young and dynamic population has been one of the main drivers of economic growth.

Location is another reason. Straddling Europe and Asia, Turkey is often referred to as "the bridge between the east and the west" - you certainly have this sensation every time you cross the Bosphorus Bridge, going from one continent to the other. Yet, as symbolic and real as this phrase is, it does not sufficiently explain the geo-political value of Turkey nor fully express its location on the global map, particularly at a time when mature markets like the US and Europe are slow. The true benefit of Turkey's location is the fact that it is in close proximity to a regional market which has high and diverse demands. For example, it is on the doorstep of resource-rich Middle Eastern, North African and Central Asian countries which also have abundant natural resources and have an urgent need for either reconstruction or an upgrading of their infrastructure; not to mention Russia to the north. All of these countries have potential that, in many ways, is much stronger than that of traditional or mature markets. Of course, Turkey is also right next to the EU and has been a proud member of the EU Customs Union since 1996, meaning that any product manufactured in Turkey can be shipped to Europe without paying customs duties.

Turkey's impressive performance over the past decade has further lifted society out of poverty

Young and Dynamic Population



Source: UN and TURKSTAT

Most large companies have already tapped into the European market, but very few have taken full advantage of the Middle East, while North Africa and Central Asia often represent even less developed markets for them. Turkey is often the answer when it comes to establishing a base from which businesses can maximise the potential of these markets; since it offers a robust platform for economic expansion on a regional scale, enabling these companies to leverage common qualities and local capabilities.

There are some excellent examples of multinationals that have understood the unique geo-strategic location the country provides and have moved their regional headquarters to Turkey. These include big names like Coca-Cola, Microsoft and GE Healthcare. The Turkish government strongly supports global companies in moving their regional headquarters to Turkey. With a recent amendment to the legislation on FDI, foreign companies can now establish their regional management centres in Turkey under liaison office structure without paying corporate tax, VAT, personal income and stamp taxes.

Like most countries, the government is well aware of the importance of FDI, acknowledging it as a main component of economic development. In order to foster greater FDI inflows, Turkey has made significant improvements with sweeping reforms and new legislation. In 2003 it enacted a new FDI law which provides foreign investors with legal guarantees by treating them in the same way as it treats local investors. Later, the Coordination Council for the Improvement of Investment Environment was established as a key structure, where the private sector makes contributions to the process of improving the investment climate. The council has streamlined the regulations on investments in Turkey and generated solutions to the administrative barriers encountered by local and foreign investors. Tangible results have followed; for example, in 2003 it used to take more than a month to establish a company in Turkey, whereas now it takes only 6 days.

Moreover, the government has taken exclusive measures to provide a more business-friendly milieu for foreign investors in Turkey. In addition to the Coordination Council for the Improvement of the Investment Environment, the government has established the Investment Advisory Council with the participation of senior executives from prominent multinational companies. The aim is to address the administrative barriers to FDI, improve the positive image of Turkey as an attractive investment destination and provide a global perspective to the ongoing investment climate reform agenda. As of 2004, the Investment Advisory Council of Turkey has been meeting under the chairmanship of the Prime Minister and has been taking important decisions. These decisions constitute the top items of the reform agenda of the Coordination Council for the Improvement of the Investment Environment. In order to provide foreign investors with better services, Turkey also established the Investment Support and Promotion Agency of Turkey (ISPAT), which is directly under the Prime Minister, indicating the magnitude of importance Turkey attaches to FDI. Indeed, investors are keenly supported through certain policies which have been institutionalised, thus leading to the provision of more professional services.

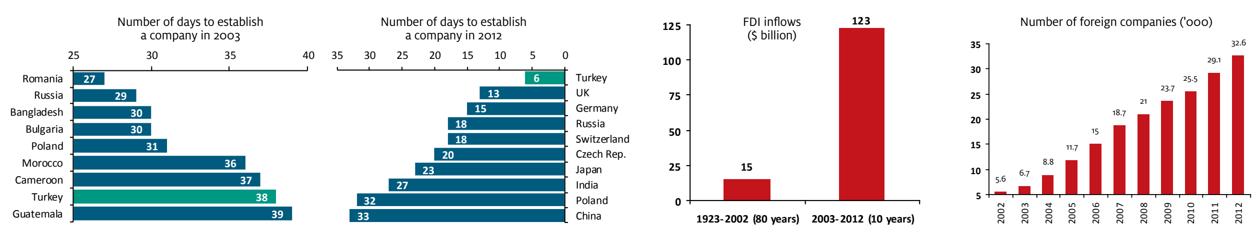
Combining a private sector approach with the backing of all governmental bodies, ISPAT's complimentary services include - but are not limited to - market information and analyses, industry overviews, comprehensive sector reports, site selection and coordination with the relevant governmental institutions. It also facilitates legal procedures and legislation issues such as establishing a company, incentive applications, obtaining licenses as well as work and residence permits. In fact, ISPAT provides investors with assistance before, during and after their entry into Turkey. It serves as a reference for international investors and as a point of contact for all institutions engaged in promoting and attracting investments at national, regional and local levels. Impressed by the attractive investment environment in Turkey, foreign investors have been flocking to the country. The numbers pretty much speak for themselves. Over the past decade, Turkey attracted more than $120bn in FDI. Similarly, the number of foreign companies setting up business rapidly increased, exceeding 30,000 by the end of 2012. Certainly, all its efforts are paying off and Turkey's positioning in the global arena continues to go from strength to strength - maybe not in spite of, but rather because of - the evolving status of the world economy.

Access to Multiple Markets

1.5 billion people - $25 trillion GDP
$8.2 trillion trade - 45% of global trade

Source: IMF World Economic Outlook and WTO; GDP, Imports and population figures as of 2011

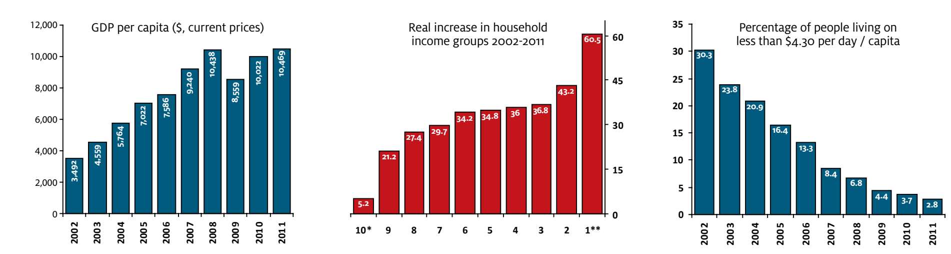
Favourable Investment Climate with Ample Opportunity



Source: World Bank Doing Business Reports

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

Robust Economic Growth



Source: TURKSTAT, *10=Top 10% Income Group, **1=Lowest 10% Income Group

A Boon for British Business

LEIGH TURNER - UK Consul General

The coveted job of British Consul General in Istanbul is the role that Leigh Turner has fulfilled since August 2012. Here he explains why it's such a pivotal moment for Turkey and UK business.

"Turkish-British relations are in their 'golden age' and we have always regarded Turkey as an important strategic partner. The continued growth of the Turkish economy during the last decade has reinforced its importance as a commercial partner. Turkey is one of our top 4 export markets for UK Trade and Investment along with Brazil, India and China. Britain's support for Turkish accession is one of the main pillars of our bilateral relationship. Basically, Turkey is Europe's emerging market.

Opportunities are afforded by many sectors, but I would highlight renewable energy, IT and infrastructure. All of these have huge potential for British companies; the Turkish government's ambitious projects include the 3rd airport in Istanbul, nuclear power, new roads, bridges and new pipelines, port expansion plans as well as new healthcare campuses. Moreover, Istanbul is bidding for the 2020 Olympics and Euro 2020, while Izmir is a very serious candidate for Expo 2020. We organise regular missions for British companies to maximise these opportunities. Our successful organisation of the Games in London clearly demonstrates the specific skills and performance of major British companies who delivered the vast majority of tasks during the 2012 Olympics.

UKTI has a number of good case studies of companies that it helped enter the Turkish market. Generally speaking, I give a positive vote to the business environment here. Of course, there are challenges - just as there are elsewhere. Personal registration procedures for a foreign person wanting to live in Istanbul are time consuming and complex so it would be good to speed up this process. Transformed in the last 20 years, Istanbul is extremely favourable for expats. It is now a regional hub and even a global hub to a certain extent. UKTI Turkey is well established and from here we cover the South Caucasus and Central Asia regions to seize business opportunities for UK companies that want to expand in those markets. Many big Turkish energy and construction companies operate in those regions so there are many business prospects for British companies to partner with Turkish counterparts.

We strongly encourage people who are coming to do business in Turkey to do their homework and learn Turkish business etiquette. Establishing a relationship at the beginning and creating trust is often pivotal for success. Sometimes foreign people find it hard to grasp the importance of this. That said, Turkish business people are modern, have international exposure and make good business partners. This can be useful to facilitate the process in terms of regulations - especially if you are looking at government level contracts. Of course, some companies have been successful without a local partner as well.

As we expand the UKTI's digital reach through facebook, twitter and the embassy website, I encourage businesses to look closely at those sources of information as a valuable entry into the Turkish market."

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http://blogs.fco.gov.uk/leighturner/ · www.gov.uk/world/turkey

Ambitious Plans for US Expansion

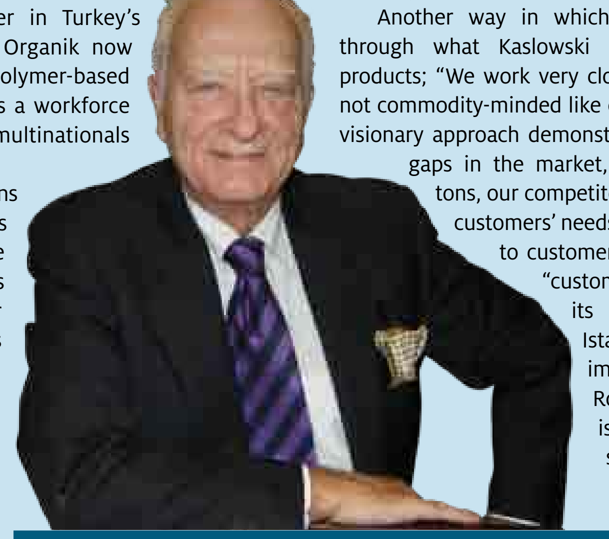
Organik's plant in Rotterdam

They're everywhere. You're surrounded by them. They are even likely to be next to your skin. They can be natural like wool, silk and rubber or synthetic like nylon, polythene and PVC. They are polymers and they have been used for millennia to make many of the things we rely on every day.

For nearly 40 years Turkey's Organik Holding has been making a name for itself as a specialist producer of polymer emulsions, used in a variety of adhesive, paint, paper and textile coating applications. The group also owns ORP (Organik Redispersible Powders), the region's only production facility for powder polymers. Set up by Aldo Kaslowski, Organik started out with a 6,000-ton plant producing polymer emulsions and textile auxiliaries. A pioneer in Turkey's speciality chemicals sector, Organik now produces 200,000 tons of polymer-based products every year, employs a workforce of 400 and competes with multinationals worldwide.

However, Kaslowski explains that the roots of his business go even further back than the mid-60s. "The company was established the year after the Republic of Turkey was founded. At that time, Turkey had no industry at all so we mostly conducted small-scale commercial activities. Our development has progressed at the pace of our nation's development. Our industrialisation age started in the late 50s and this is what gave me the idea to introduce something new into our family business. At that time I used to live in Italy but came back to Turkey with the firm conviction to establish a company. I had been trained for 3 years in Basel, the centre of the chemicals industry in Switzerland - most of those chemicals were represented by my father. Then in 1965 I founded Organik," explains the company's President.

Organik's core business is polymer emulsions and it is also its largest investment. Kaslowski, who is also International Honorary President of TUSIAD (Turkish Industry and Business Association), relishes the challenge of what he describes as the volatile and dynamic chemicals market. "We are up to the task of meeting the demands of the various markets with our plants in Istanbul and Rotterdam, as well as our state of the art R&D centre. Authorised by the Turkish government and highly regarded for its research and development capabilities, our centre is unique. There are 68 authorised R&D centres in Turkey but in chemicals, we are the only one."



"We are up to the task of meeting the demands of the various markets with our plants in Istanbul and Rotterdam, as well as our state of the art R&D centre"

ALDO KASLOWSKI
President of Organik Holding

Another way in which Organik differentiates itself is through what Kaslowski terms "customerisation" of its products; "We work very closely with our customers and are not commodity-minded like our competitors," he explains. His visionary approach demonstrates a keen sense of identifying gaps in the market, "Since they produce billions of tons, our competitors are too busy to focus on single customers' needs. At Organik we dedicate products to customers." As part of its drive to ensure "customer intimacy" and to complement its state-of-the-art R&D centre in Istanbul, Organik opened an equally impressive production facility in Rotterdam in 2007. "The Dutch city is the perfect place from a logistical standpoint," Kaslowski elucidates, "Within 20 hours, we can reach virtually every other country in Europe."

Never one to rest on his laurels, Organik's founder has his sights set on the next challenge; to break into the American market, which accounts for half the global consumption of polymers. The transition from family business to corporation is truly underway as the company looks towards expansion and prepares itself for a leap in capacity. According to Kaslowski the group is now considering partnerships and astutely believes the renowned R&D capabilities of British companies could help ensure its US venture is a success. As Turkish companies grow and garner the recognition they deserve for their contribution to the international marketplace, so too does their ability to gain a greater foothold overseas.

INVESTMENT CLIMATE

A Bright Spot on the Horizon

In a candid interview, Ilker Ayci, the President of ISPAT (Investment Support & Promotion Agency of Turkey) shares his thoughts on what makes the country an increasingly attractive destination for investment and divulges some surprising facts on its impressive progress.

What is your long-term strategic vision for Turkey given the country's progressive positioning as a European and regional leader and geo-strategic pillar?
Simply put, the nation has set a specific series of targets for 2023 - in time for the centennial celebration of the republic. As such, Turkey is envisaged to be in the world's top 10 economies with a $2tn GDP. Within this framework, our strategy is to position the country as one of the top 5 investment destinations globally. It will take time to reach our goals but we are already well on our way.

How is Turkey dealing with the current global conjuncture?
Turkey is addressing the impact of the global financial crisis in two ways. Firstly, it is taking measures domestically to mitigate the negative impact of the prolonged downturn and the European sovereign debt crisis. Secondly, it is diversifying its export markets, as well as the sources of foreign direct investment (FDI) inflows to Turkey. As such, the country has managed to rebalance its economy through a soft landing, at a time when the EU economy as a block has contracted and economic recovery in the US has been faltering.

What are the most valuable lessons the country has learned from the past domestic crises - especially those in 1994 and 2001?
Our past economic and financial crises taught Turkey very important lessons. They were devastating times that informed and made us what we are today. By living through them we grasped the importance of taking a new approach, which led to us implementing strong, efficient regulatory and supervisory bodies and prudent macroeconomic policies. Turkey streamlined and strengthened the relevant legislation through comprehensive structural reforms; making our economy and its financial markets resilient despite the recent global crisis. Let me give two examples; during the recent global financial crisis, many banks had to be bailed out in the US and Europe, but not one single bank was bailed out in Turkey, because we'd had a similar financial crisis back in 2001 and had learnt the hard way. Similarly, today the sovereign debt crisis is strangling many European economies, with public debt ratios standing at over 100%. However, Turkey's gross public debt ratio to GDP, in comparison to the EU, is around 37% - down from 78% in 2001. These are the tangible results of the lessons learned from our previous domestic issues and we are better off because of them.

"Turkey is the only country to have been upgraded twice since the onset of the global financial crisis"

ILKER AYCI
President of ISPAT

How well prepared is the nation to face this time of uncertainty and instability?
The policymakers in Turkey are vigilantly following both global and domestic developments and are accordingly adopting policies to suit the changing economic conditions. The Central Bank, the Minister of Economy and the Minister of Finance, as well as all other stakeholders have jointly taken solid measures to prepare Turkey to face the uncertainty and instability in the global economy. Their coordinated efforts have proved right; Turkey has been the only country to have been upgraded twice since the onset of the global financial crisis, most recently to "investment-grade" by the global rating agency, Fitch.

What are the latest trends observed in FDI inflows to Turkey?
Over the past decade since 2002, Turkey has attracted over $123bn of FDI. This is an incredible amount, because in the preceding 8 decades prior to 2002, Turkey had attracted only $15bn. Moreover, the investments in Turkey are getting more diversified in terms of sectors and geographic provenance. FDI inflows to tradable sectors, in particular to manufacturing, have been growing substantially. Similarly, other than the traditional sources, we are also receiving FDI from increasingly diverse nations; for example, Russia, Azerbaijan, Japan, Malaysia, India, China and the Gulf countries have been progressively investing in Turkey in recent years.

Which areas have the highest growth potential?
The energy sector, among others, because Turkey's energy demand is expanding exponentially in parallel with the nation's economic growth. Studies and projections suggest that in order to meet the country's increasing needs, more than $100bn of investment is required in the energy sector over the next decade. The renewable energy and petrochemical sectors also have high growth potential.

Which would you highlight as being of the most interest to UK investors in particular?
Abundant lucrative investment opportunities are available in other sectors - ranging from real estate, financial services and ICT to infrastructure, agribusiness, automotive, iron and steel. Moreover, there are different avenues of investment in Turkey, for example the expertise of British companies in public private partnership (PPP) projects is very welcome. The national and local authorities in Turkey have been implementing numerous investment projects through PPPs and are keen to realise further opportunities in education, energy, defence, healthcare, transportation and other public services. Many of these are areas in which the UK excels.

Likewise, opportunities are also available in privatisation projects. While Turkey's privatisation efforts totalled $49bn in the past 9 years, there are still several more areas to be fully liberalised - such as infrastructure and energy generation - which to date have only been partly privatised. The PPP model will be crucial to achieve our nation's grandiose targets for 2023. By the centennial celebration of the foundation of the republic, Turkey has very particular objectives to achieve, ranging from healthcare and education to energy and defence. Upgrading the country's health infrastructure through the construction of hospital cities, more than doubling electricity generation and improving the transportation systems by building new bridges on the Bosphorus and the Dardanelles straits are just a few examples of what we aim to accomplish.

Besides becoming a top 10 global economy with a $2tn GDP, Turkey also aims to increase its exports to $500bn. Another national goal is to make Istanbul an international financial centre. Having been tested by the global economic crisis, Turkey has one of the most stable and profitable financial sectors in its region. The Turkish government's International Financial Center project offers global companies a chance to run their regional financial operations through Istanbul thanks to various incentives, a skilled workforce, all beautifully located in a cosmopolitan city with a vibrant local economy. Certainly, financial investors from the UK are welcome to contribute to, and benefit from, this development.

In your opinion what are your most valuable services?
As the Investment Support & Promotion Agency of Turkey, we offer a wide range of free services and work on a fully confidential basis. We exist to link international entities with both the government and other businesses in Turkey. We function as a private venture by providing all manner of market information and analyses to help corporate entities make the right decisions. We also assist with site selection, organise B2B meetings and undertake the coordination with relevant governmental institutions. Our aim is to be as comprehensive as possible in our offerings in order to enable entities who wish to operate in Turkey's economy. Since ISPAT is attached to the Prime Ministry and directly reports to the Prime Minister it affords us a high degree of operational flexibility. In a nutshell, whatever is necessary for an investment to be made, ISPAT is there to assist and facilitate the process.

Why should UK or international investors choose Turkey?
There are plenty of reasons to choose Turkey as an investment destination. It is likely that the country's economic performance, population and geo-strategic position would be the main motivations. With an average annual real GDP growth rate of more than 5% over the past decade Turkey has been growing remarkably and consistently. Furthermore, it is expected to continue into the future. According to a recent report issued by the OECD, the Turkish economy is expected to enjoy an average annual real GDP growth rate of 5.2% between 2012 and 2017. Therefore, Turkey will be the fastest growing economy among the OECD countries. With 76m people it has the 2nd largest population when compared with the countries in the EU. Moreover, Turkey's population is increasing by 1m people every year, which of course makes it the fastest growing in Europe. Most importantly, half of the nation is under the age of 30, making Turkey the country with the largest youth population in Europe, both in proportion and absolute figures. These statistics are of critical significance, as investors are faced with considerable challenges such as weak domestic demand and a dwindling labour force in Europe due to ageing and shrinking populaces. In this regard, Turkey offers investors unparalleled opportunities with its growing, young and dynamic population. Last but not least, there is Turkey's geo-strategic position which is an excellent launch pad for investors to access the lucrative markets surrounding it. Turkey is so often seen as the destination of choice to reach a combined population of 1.5bn people, a GDP of more than $25tn and a trade volume in excess of $8tn, accounting for around half of global trade.

Why now?
It is the right time because a seismic shift is currently underway; a fundamental transformation is taking place as the centre of gravity of the world economy moves towards emerging nations like Turkey. The ongoing restructuring process in the marketplace is forcing global companies to reposition themselves. That is why many multinational companies have been relocating their regional headquarters to Turkey. For example, Coca-Cola manages over 90 countries from its regional headquarters in Istanbul, while Microsoft and GE Healthcare each manage around 80 countries from Turkey. We invite all businesses - big or small - to discover what we have to offer.

"With a projected GDP growth rate of 5.2% (2012-2017) Turkey will be the fastest growing economy in the OECD"

On the Way Up

It's quite a stark contrast and one that should not go unnoticed - the current downward trend of the economies of Turkey's EU neighbours and its own upward trajectory. Nothing is more reflective of its significant growth than the momentous increase in GDP from $2,000 to $10,000 over the past decade; not to mention the fact that Istanbul's per capita income hovers alongside the EU average at $15,000. Some neighbourhoods in the fabled city feature even heartier annual averages as high as $70,000, noteworthy in a country long relegated below the tier of top earning nations. Unsurprisingly, the players in such a thriving, dynamic market desire real estate, a demand being met by industry leader Tahincioglu Real Estate (TRE) - part of the rapidly growing conglomerate Tahincioglu Holding.

The company dates back to the 1920s, with its humble beginnings in the sale of sesame seeds. The current entity was established as a family business in 1956 and is now headed by the founder's son, Ozcan Tahincioglu, who is Chairman & CEO. After the group's first major business - a leader in sugar manufacturing - was sold to Cadbury Schweppes, they focused on diversifying. Today's Tahincioglu Holding reflects Turkey's innovative approach to market expansion with a thriving and diverse portfolio of companies in energy, hospitality, manufacturing, construction and - most notably - real estate development. Tahincioglu himself is clear about the contribution of the latter sector to the group's success, "During the next decade, there is going to be a consolidation of players in the Turkish real estate market. We have aimed to be in a leading position and now we will work to maintain our current place."

"We do not have a speculative approach to the market and we pursue the highest standards"

OZCAN TAHINCIOGLU
Chairman & CEO of Tahincioglu Holding

Since opening its first construction site in 1965, TRE has developed 1.5m square metres and currently has plans in the pipeline to double that figure. Specialising in mixed-use projects, including premium quality office space, shopping centres, as well as residential properties and five-star hotels, TRE has its finger on the pulse of Turkey's growing middle class. By carefully selecting project sites, they focus on high-end areas of thriving locations, aiming to fill gaps. Among the 7 projects in the design and planning phase across Turkey is the Palladium Shopping Mall in Antakya, one of several malls providing for, and capitalising on, the nation's increased spending power. That said, Istanbul remains TRE's primary focus with its higher-than-national average population growth rate of 2.2% over last year and an accompanying demand for commercial and residential real estate.

The combination of the increasing population and GDP has, rather predictably, led to fierce competition for city plots. Land that was worth $5m in the early 2000s now auctions for upwards of an astounding $110m. Tahincioglu's company tackles this challenge by taking a long-term view on investment and by having a business model that includes both building and operating its own assets. As Tahincioglu emphasises, "The real added value TRE brings, comes in the project development phase. We do not have a speculative approach to the market and we pursue the highest standards."

Concentrating on eco-friendliness, exclusivity of design, efficiency and functionality means that the company always builds with a strategic vision. "That, together with our reputation and track record, is where our competitive edge lies," adds Tahincioglu. It is TRE's standing and trustworthiness that enables it to be successful and attract large-scale investment. A perfect illustration of this is the company's involvement in the International Financial Center (Istanbul-IFC) project. By 2016, the latter will house the regulatory bodies governing the financial sector (Capital Markets Board of Turkey and Banking Regulations & Supervision Agency), while also serving as the headquarters of all the state banks and a number of private banks.

The past has seen Tahincioglu Holding enjoy international alliances and strategic partnerships with premier global brands such as Cadbury Schweppes, Warner Lambert, Cargill, Rallston Purina, Chupa-Chups, Lawson Mardon and Raffles Group (Swissotel). Drawing record levels of FDI, with a current ranking as the 13th most attractive destination for international investment and the 9th among emerging countries, Turkey is committed to constantly improving investment levels and the group hopes to continue to share in this vision. Real estate is a market in which it is next to impossible for foreigners to compete without the help of domestic players so Tahincioglu will leverage its real estate advantage by forging multinational joint ventures. To that end, the group is seeking a long-term investor, before going public within the next 5 years. Given that the number of permanent British residents has reached 35,000, and that in 2012 they purchased more properties in the country than any other foreign nationals apart from the Germans, potential partners might well originate in the UK. Tahincioglu affirms that they are leading contenders, "Historically, the best joint ventures we formed have been with British partners," he affirms.

BUSINESS MATTERS

Covering and Coveting the Nation's Success

KENAN TEKDAG
CEO of Ciner Media Group

In recent years most talk of innovation in the media has been about social networks and mobile applications. Since the dawn of the digital era, many commentators have regularly predicted the death of print, often on a page. So it's refreshing to discover that a relatively young but highly successful entity in the Turkish media sector, Ciner Media Group, is building its empire with a new newspaper that only began publishing in 2009. It is part of Ciner Group, one of Turkey's most diversified and dynamic conglomerates. Established in 1978, Ciner Group owns and operates more than 30 subsidiary companies in various sectors; including energy, mining, retail, industry, services and media.

Kenan Tekdag, Ciner Media Group's CEO, explains how the company has evolved, "Our media division was founded 12 years ago and we established Haberturk (HT) just 4 years ago. We have a daily newspaper, Haberturk, and 2 news channels: Haberturk and Bloomberg HT. We also have strong internet presence with haberturk.com. Today we are market leaders in nearly all the industry segments: press, internet, television and news."

Ciner Group owns and operates more than 30 subsidiary companies in various sectors; including energy, mining, retail, industry, services and media

In September 2007 the group started setting up modern printing facilities around the country, installing Europe's 2nd largest hybrid press to produce a newspaper that rivalled magazines in quality. In terms of editorial and design, it created a user-friendly product that appealed to a different audience than traditional titles. Haberturk's first edition hit the presses in March 2009. "Before Haberturk, all the newspapers were very similar in terms of content, ideology, size, layout and technology; the only noticeable difference was their names," says Tekdag. "Haberturk's business model is truly revolutionary. We are strong advocates of innovation and believed that both the readers and the sector needed change. Now the whole industry is following our model."

In the past, Turkish newspapers served as the official organs of political parties, making print media "highly polarised" according to Tekdag. "You could either support the government or oppose it." Haberturk positioned itself as independent and plural, putting it in a class of its own. Despite its higher cover price, thanks to modern, multi-section formats and plentiful use of colour, Haberturk has become the paper of choice among the coveted 18-34 demographic, especially in cities like Istanbul, Ankara, Izmir and Adana.

At the same time, Ciner Media Group has been exploring opportunities online and on television. Its internet portal - haberturk.com - was rated the leading online newspaper in Turkey by an Ipsos KMG Digital Lovemark survey. And, in 2009, Ciner leveraged its success with Haberturk TV to sign an agreement with Bloomberg Television for satellite and cable broadcasting. Launched at the end of 2009, BloombergHT is a 24/7 live, Turkish-language financial news and business channel that reaches 20m homes worldwide. "We're constantly on the lookout for new developments in our sector," Tekdag explains. "Again, we are shaping a new category of viewers and democratising the industry."

"We provide a fast-track career path to talented individuals and most of our staff has been developed within the group"

KENAN TEKDAG
CEO of Ciner Media Group

Nurturing its human resources is key to Ciner Media's success, its CEO insists: "We are always keen to employ - and nurture - people who are ambitious," he says. "We provide in-house training for all our staff. It takes time, commitment and significant investment, but the payback is encouraging. We provide a fast-track career path to talented individuals and most of our staff has been developed within the group."

Tekdag is optimistic about Ciner Media Group's prospects and believes it is on track to become Turkey's number one player in TV and print within the next 5 years: "According to our research, advertisers appreciate our innovative approach," he elucidates, "And our readers are young, urban, tech-savvy and love our style."

Partnerships Key for Growth

The potential for British companies and multinationals to grow in, and with, Turkey is seemingly endless. "The UK Plc's unparalleled global know-how - in sectors such as financial and professional services, design, education, project management and ICT - bear many cooperation possibilities with Turkish counterparts in Turkey and in the region," extols Suzan Sabanci Dincer, who heads up the Turkish-British Business Council. "Diageo and Vodafone are two good examples to demonstrate this value creation capability of UK companies for the Turkish market."

In fact, despite its relative sophistication, the transitioning economy needs the expertise of countries like the UK in order to move up the value chain. Tamer Hasimoglu, President of Koc Tourism, Food & Retailing Division affirms this, "We at Koc Group believe - and have proven - that with British companies we can combine our mutual strengths very successfully in a joint venture." Despite the slow global recovery Hasimoglu is bullish about expansion, "In our retailing division, we have a partnership with a major British company, Kingfisher. Due to lower consumer demand in 2012, we reported limited growth in this area. Nevertheless, we are the market leader by far. We have 37 Koctas stores right now and this year we are planning to open 5-6 more throughout Turkey."

What is clear is that even though many entities have been discovering Turkey's fortitude in the current economic climate, a large proportion of the world remains unaware of the country's potential. Ibrahim Sahin, Director General of TRT, Turkey's state-owned radio and television broadcasting corporation, sheds some light on this, "Over the past decades, when communication was not as widespread as it is today, Turkey had a bad image throughout Europe. But today with the advent of new media platforms, people can no longer be cheated into believing in false stereotypes. Turkey's image is changing fast and for the better. People can finally see reality with their own eyes and judge with their own minds, and not just rely on what they have been told."

Turkey's global influence is growing, both politically and economically, and TRT must be an active contributor to this process"

IBRAHIM SAHIN
Director General of TRT

TRT believes strongly in internationally communicating Turkey's role, "Our aim at TRT is to reach as many people as possible across the world who have an interest in the Turkish language and in Turkey. Turkey's global influence is growing, both politically and economically, and TRT must be an active contributor to this process." Sahin remains philosophical, "The world we live in today is a global village, characterised by free-flowing information and exchanges so no country can afford to close its doors to others. We must learn to coexist and cooperate. Nowadays a product gets produced in 50 different countries so we can talk of "Made in the World" and global value chains. All this will inevitably increase our life standards. Money has no religion, ethnicity or ideology." He has a point and it is one shared by other highly regarded individuals like Pascal Lamy, the Director-General of the World Trade Organization. "Turkey and other developing markets now have more influence," explicates Lamy, "And they play a critical role in shaping international platforms. The nature of international trade relations is being changed by nations like Turkey who now form part of complex global value chains."

However, opportunities and challenges often come in equal measure and there remains much to be done in emerging markets. According to Sabanci Dincer, "It is a certain fact that Turkey has a very qualified and relatively low-cost workforce to boost any kind of industrial production. On the other hand, our R&D capabilities and branding are definitely limited." As she explains, "Turkish producers are therefore only acting as suppliers and/or subcontractors under various industries like white goods, automotive, pharmaceuticals, textiles and so on. This represents a key opportunity for the UK."

Heightened awareness of the importance of, and investment in, R&D will certainly create greater added value. Spending in this area has shot up in the past 10 years and now accounts for 0.86% of the GDP. The Turkish head of TBBC is proud to note that Beko has been the fastest-growing white goods brand in the UK in recent years, registering 90% growth. It is now the number one brand for fridges, cookers and freestanding washing machines in the UK. In fact, astonishingly almost 1 in 5 kitchen appliances sold in the UK is a Beko appliance.

"We at Koc Group believe - and have proven - that with British companies we can combine our mutual strengths very successfully in a joint venture"

TAMER HASIMOGLU
President of Koc Tourism, Food & Retailing Division

For potential investors, the most successful local engagement is likely to come from working with respectable local partners. Such partnerships would be a joining of forces where domestic market experience meets improved international know-how. This is especially useful where, as Sabanci Dincer puts it, "The equity accumulation of Turkish entrepreneurs is very limited because they tend to grow as 'family companies'. As one of the global centres of capital, London is likely to be a key source of expertise for investors who can partner with Turkey to help it grow." However, Hasimoglu points out that major companies like Koc Group, have been managed very successfully, "Koc is a family-owned business conglomerate and this has its advantages. Our founder, Vehbi Koc, started doing business in 1926 and we on the management board are still following his values and guidelines. We combine his principles with a professional performance-oriented strategy. We don't only focus on short-term results, but balance it with long-term strategies and focus on sustainability. We have a very strict performance measurement policy for our management. For example, our top managers' remuneration is largely based on performance and productivity bonuses rather than just on a flat rate salary. That's our formula and it has worked well so far."

Productivity and competitiveness in the global marketplace is definitely one area in which Turkey has been striving and succeeding. Indeed, in the World Economic Forum Global Competiveness Index the country is now rated 43rd out of 144 nations; it is the 2nd fastest rising country and has moved up the rankings with stealth. This is not lost on international companies who may have once thought of Turkey as the poor cousin of Europe. The very fact that the number of them operating in Turkey has increased by 500% in a decade speaks volumes about the path that the nation has chosen to beat. It is a source of pride but also a bit of a surprise to even the most successful of business people; for as Sabanci Dincer frames it, "Even I am astonished by the distance which Turkey has covered in the last decade and who knows how far we will travel in the next 10 years."

Connectivity Counts

As startling as it might seem - given Turkey's relatively low penetration rates - the country ranked top of Europe for the average time spent on mobile phones last year. During a recent speech Turkish Minister of Transport, Maritime Affairs and Communications, Binali Yildirim reported that the number of 3G subscribers in Turkey has surpassed 42m and that Turks spent an average of 291 minutes per month on their mobile phones in 2012.

It's no wonder telecoms is big business in Turkey. Investments in the electronic communications sector in 2012 in Turkey came to over 5.7bn Turkish lira, according to Yildirim. This equates to approximately $3.14bn and at the end of 2012 there were more than 400 telecoms operators providing services to the national market. Meanwhile, industry-wide sales (for all market segments) were worth $4.4bn in Q3 alone - more than three-quarters of which was accounted for by the booming mobile sector.

The country's young, fast-growing and increasingly well-educated population is a major driver of demand in the sector, requiring ever more sophisticated, quick and cost-effective services. While fixed-line subscriptions continue to decline, to just over 14m at the close of Q3 2012, smartphone use is fuelling growth in the mobile market, with leading operators like Turkcell and Vodafone reporting double-digit subscriber gains.

As promising as this sounds, it hasn't always been so lucrative for the latter. In fact, just 4 years ago Vodafone Turkey was seriously lagging, as its market share and revenues had dropped drastically leading to a write down of its value. A turnaround in fortunes was engineered by Serpil Timuray who, having joined the company in 2009, has been widely credited with transforming the Turkish operation, so that it is now positioned second only to Turkcell. Under her leadership it has become the star performer - outstripping India and Ghana - as Vodafone's fastest-growing market. Much could be attributed to Turkey's burgeoning middle class but the company has also applied a fruitful "segment-based approach". This has seen the mobile phone provider develop specialist services and offer them to specific targets. These represent such "under-served" but crucial sections of Turkish society from women to farmers and even the disabled population.

This all points to a common theme - that is the extraordinary and often untapped potential of the Turkish economy. Wireless data usage and value-added services, such as mobile payments, are expanding at higher than regional rates, thanks to ongoing investment by operators. Convergence in the mobile segment has seen it overtake ADSL as the market's primary broadband platform, although FTTH/B (Fibre-to-the-Home/Building) connections are proving increasingly popular. In such a fast-moving marketplace, staying a step ahead of the curve is crucial to success. And that's something Turkey's leading communications and convergence technology entity, Turk Telekom Group, knows all about. With roots going back to 1840, the company was demerged from the post office in 1994 and privatised in November 2005, with 55% of its shares held by Oger Telecom, a joint venture group controlled by the Saudi-Lebanese group, Saudi Oger Limited.

As strong as local demand might be, Hakam Kanafani, Turk Telekom Group's CEO, is quick to point out that current conditions in the global market still have an impact, "Our ability to remain innovative and nimble in a rapidly changing global scenario is our competitive edge. This is because agility is the biggest challenge the technology sector faces today." He continues, "Only if you seize opportunities that come your way and adjust quickly, do you stand a better chance than your competitors to grow and prosper, even at times of uncertainty like the present."

"Our ability to remain innovative and nimble in a rapidly changing global scenario is our competitive edge"

HAKAM KANAFANI
CEO of Turk Telekom Group

Take even a cursory glance at Turk Telekom's numbers and its achievements are evident. In 2012 it posted annual revenues of about $7.1bn representing a 6.4% year-on-year increase. Moreover, it made investments worth $1.34bn. At the end of Q3, it had 14.5m fixed lines, 7m ADSL connections, and 13.2m mobile lines in service.

So what's next for Turk Telekom? It is working on R&D projects funded by the European Union, has established links with over 50 universities and is even incubating start-ups - testimony to its commitment to remain at the cutting edge of the industry. "There is a wave of convergence, which is voice and data," Kanafani reveals. "But, in our vision, there is an even bigger trend happening and that is the convergence of information technologies and telecommunications. We believe that one day there will be no difference between IT and telecoms. They will belong to the same market."

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BILATERAL RELATIONS

UK-Turkey Relations Keep Going from Strength to Strength

While most of Europe battles on through its sovereign debt crises - and the global environment continues to be challenging - there is one country on the edge of the continent that keeps making great advances. The UK has long acknowledged Turkey as a magnet for growth and it comes as no surprise that it remains an outspoken advocate of Turkish accession to the EU. Turkey and Britain remain dedicated to fostering commercial relations and are well on the way to meeting their target to double the 2010 volume of bilateral trade from $9bn to $18bn by 2015. Progress is being driven by the annual Turkey/UK JETCO (Joint Economic and Trade Committee) and championed by entities like the Turkish-British Business Council (TBBC).

"Turkey is now the economic powerhouse of an expanding region and counts as the 6th biggest economy in Europe"

SUZAN SABANCI DINCER
Chairperson of Akbank & Turkish-British Business Council in Turkey

The benefits of cooperation are by no means purely commercial, according to Suzan Sabanci Dincer, the TBBC Chairperson in Turkey. "Our new partnership reflects a will to tackle problems of global security and to further our commitment on a whole range of issues from illegal migration, energy cooperation, to a low-carbon future," she says, referring to an agreement signed by Prime Ministers Recep Tayyip Erdogan and David Cameron in Ankara on 27 July 2010. "Perhaps it is because - rather than despite the fact that - we are on opposite sides of the continent, that we see eye to eye on so many important issues. The UK was among the first to recognise the positive role which a newly revitalised and far more prosperous Turkey can play - not just in its own region but as a growth pole that will positively influence the UK itself," Sabanci Dincer adds.

As head of one of the country's most important financial institutions - Akbank, Sabanci Dincer is well placed to observe Turkey's impact, "The increasing depth of the Turkish market is acting as a stimulant for growth and employment in the rest of Europe. Even though the trade volume between Turkey and Britain has reached $14bn a year, this is still a modest figure - the potential is much greater. TBBC works under the umbrella of Turkey's Foreign Economic Relations Board and focuses on the development of bilateral economic relations between Turkey and the UK. Historically the relationship has always been strong," remarks Sabanci Dincer.

"We share the same vision of the importance of international trade and the free-flow of capital to promote international growth. Akbank, the government, and the other financial authorities are all aware of this," explains Sabanci Dincer. "The TBBC, for example, is steadfastly supporting Istanbul's role as a financial centre. It actively promotes the Istanbul International Financial Center project at home and abroad and actively courts advice and assistance from the City of London." The attractions of Istanbul are self-evident. It has a population of almost 14m and contributes about 45% to Turkey's aggregate national production, making the city of vital significance to the country. Moreover, the Istanbul master plan for 2023, along with the major transportation projects such as the Marmaray public transportation tunnel under the Bosphorus and new high-speed train projects will help make Istanbul as one of the world's most exciting and business-supportive cities.

Turkey is now the economic powerhouse of an expanding region and is the 6th biggest economy in Europe. "It is a nation that exercises influence not through a single commodity but through the maturity of its industrial and service sectors," explains Sabanci Dincer. The TBBC has identified construction, contracting, ICT, defence, aviation, infrastructure and healthcare sectors as fertile areas for bilateral expansion. British firms are also involved in energy and real estate development.

"Reaching our goals requires the collaboration of all stakeholders, namely public authorities, private sector players, international and local lenders, universities and civil society. Akbank will continue to play its part as an important stakeholder in the economy and support steps that serve to build a more sustainable and equitable megacity," Sabanci Dincer affirms. Akbank is a key actor in this process if only because it is the 2nd largest bank by market value. However, business leaders (both in Turkey and in Britain) now point to Sabanci Dincer's own dynamism as being one of the motors driving the increasingly successful partnership between the two countries. She has been widely praised for her exceptional efforts and outstanding contributions to promoting Turkish-British relations. Last year she was decorated with the Commander of the Most Excellent Order of the British Empire (CBE) precisely for these achievements.

One of the many spurs to developing the sustainable infrastructural development, of which Sabanci Dincer speaks, is Istanbul's candidacy to hold the 2020 Olympic Games. This is the 5th time the city has sought to host the Olympics since 2000 and it recently received a significant boost by obtaining the endorsement of the winner on the 2004 Games - Athens. Yet major events are not the main reason for the metropolis' hurry to get so much done. Megaprojects for a megacity, this is certainly the maxim that Istanbul is living by. It makes sense. Turkey is a big country with territory on two continents so when it embarks on infrastructure developments, as it has often done in recent years, they too tend to be on the big side. Such projects include the world's largest airport, and Istanbul's third, with a capacity for 150m passengers; the Istanbul Canal, a 48km-long, 150-metre wide, 25-metre deep waterway that will connect the Black Sea to the Sea of Marmara and carve out a new island between Asia and Europe; and the Marmaray railway link under the Bosphorus, which will become the world's deepest immersed tube tunnel.

If you prefer to cross the strait with your head above water, then there's the 1,875-metre, third Bosphorus Bridge, another suspension design that will join Garipce in Europe to Poyrazkoy in Asia at the northern end of the Bosphorus. The Izmit Bay Bridge, located 48km from Istanbul at the eastern end of the Sea of Marmara will, upon completion, be the world's 4th longest suspension span. One of Turkey's leading construction companies, STFA Group, is working with Japan's IHI on the Izmit Bay Bridge. Founded in 1938, STFA has completed 700 projects worldwide, worth in excess of $30bn. A complex design, the new bridge will have a free span of 1.5km between pylons and a total length of 3km. The timetable is ambitious - to finish it in just 3 years. This is no small feat because STFA is working 40 metres under the surface of the sea on a $258m contract to lay its foundations. However, Mustafa Karakus, President of STFA is quietly confident of his group's abilities to get the job done. "STFA is different from any other construction company, with its own culture in engineering capabilities and management style," Karakus says. "Our main advantage is our international experience. We are customer-oriented and more flexible than our competitors. If you can understand your clients' needs, you can move on to the next level."

For all Istanbul's grandeur and ambitious plans, there is a definite conviction from all quarters that the country's capital market infrastructure is just as critical to the country's continuing accomplishments

For all Istanbul's grandeur and ambitious plans, there is a definite conviction from all quarters that the country's capital market infrastructure is just as critical to the country's continuing accomplishments. The City has a hand in bringing Turkey up to speed because, as Lord Mayor Alderman Roger Gifford explains, "The City of London and the UK are wholly supportive of the development of Istanbul as a financial centre since that is vital to Turkey's continuing development as an economic force, especially as a bridge between east and west." Sabanci Dincer reiterates the opinion that the UK's expertise can be a guiding and transformative force, "London's excellence, as a commodity and commodity derivatives trading centre, could provide a great boost to the growth of Turkish industrials," she observes. "As the Chair of the Turkish-British Business Council in Turkey, of course I support all these efforts. Akbank, the institution which I represent, is also proud to lend every assistance in making this dialogue a success."

Women Mean Business

Another International Women's Day has come and gone, an occasion to reflect on the state of women's rights and to renew the call for equality. Interestingly, this year the number of events commemorating the day dramatically increased. This was, perhaps in part sparked by a sharp rise in instances of violence against women, but also by recent research that outlines the ever-present stasis women face in the workplace all over the world. As a 2012 report from industry researcher Catalyst reveals, women's international upward mobility in business has come to a grinding halt over the course of the past 7 years. And yet, since many embrace the familiar adage that the status of women is a marker of a country's progress - or lack thereof - the rallying cry for change can be heard in unexpected places.

Turkey is one such place, and the country is poised for major shifts when it comes to women and the workforce. While the World Economic Forum places Turkey as the 16th largest economy in the world, it only ranks 59th in the global competitive index, and even more shockingly, 122 out of 135 in the global gender gap index. At last, Turkish political, business, and societal leaders alike have woken up to the idea that women are not only the country's most underutilised resource, but also

a possible key to eroding its stereotype as Europe's backward Eastern cousin. The pieces are in place for women's improved socio-economic mobility. Recent years have witnessed increased access to university education and the government insists it is working to make subsidised childcare widely available. Such state efforts are in the interest of meeting the government's stated goal of significantly increasing women's labour force participation by 2023.

And yet, with only 28% of the total female population joining the workforce at all, the question Turkey needs to address is "why". There is no doubt that the lower and middle classes encounter more hurdles than elite Turks. In an ever-patriarchal society, many of these women cite housework as a major barrier preventing them from seeking employment. But the biggest impediment is economics. The nature of the current Turkish economy means that most women would have to work very long hours in the informal sector, earning half that of their male counterparts, only to find their salaries going straight to expensive childcare - that is, if it is even available where they live. According to women's rights activist, Hulya Gulbahar, the government is not genuinely seeking solutions to these quandaries. On the contrary, women are actually granted tax exemptions for staying home and raising a family rather than going out to work. There lingers a sense that the flames of Turkish patriotism are stoked by women remaining on the frontlines of childrearing and housekeeping.

Confronting these challenges head-on are a handful of notable Turkish companies and powerful female executives, who believe that Turkey must encourage women's entrepreneurship if it is to progress both economically and in its struggle for democracy. Women such as Arzuhan Dogan Yalcindag, CEO of Dogan Business and Media Groups, are among the cadre of women positioned to inspire market-wide demographic change by example. Coming from the ranks of the educated elite, women like Yalcindag are in the privileged position of being groomed for leadership roles in their family enterprises. When her father and his conglomerate came under fire for tax evasion in 2010, he turned to her to rescue the multi-billion dollar empire from the precipice of bankruptcy, a feat she accomplished with expert skill. Her stunning success and global recognition as one of the youngest women billionaires are well-rehearsed stories in the Turkish press, making her a poster child for the argument that the total number of female entrepreneurs must be increased if Turkey is going to be a wealthy country.

Turkcell now boasts that a striking 42% of its executive level managers are women, and 49% of its entire company

Embracing this trend are companies like Turkcell, a leader in communications and technology which, just last week, represented Turkey on a panel organised by the UN for Women's Empowerment Principles event. Committed to raising the visibility of women in the company, Turkcell now boasts that a striking 42% of its executive level managers are women, and 49% of its entire company. It is game changers like these who might find themselves emboldened by Mustafa Kemal's oft-repeated words from long ago: "Humankind is made up of men and women; if one half of a whole is chained to the earth, how can the other half soar?" Today, the gender gap in Turkey finally seems to be getting the attention it deserves.

CAPITAL MARKETS

The Birth of a New Exchange

As the vibrant and delightfully cosmopolitan city of Istanbul gears up to play a central role as a regional financial hub, Image Diplomacy explores the exciting changes taking place at the stock exchange with Ibrahim Turhan, Chairman & CEO of Borsa Istanbul. In a pre-launch interview he describes what the developments in the capital market mean for the future of Turkey's economy.

"We are restructuring the capital markets in such a way that we will satisfy the growing needs of our economy and reflect its strength"

IBRAHIM TURHAN
Chairman & CEO of Borsa Istanbul

From April 2013 the Istanbul Stock Exchange will be renamed Borsa Istanbul. What is the full extent of the restructuring process that you are currently undergoing?

Our restructuring process is based on 4 main pillars: the first is institutional or corporate restructuring, the second is creating a new market segment, the third is having new strategic partnerships and the fourth is establishing links, relationships and inter-linkages with other stock exchanges - both within the region and beyond.

The next step is to become a listed company. The exchange industry has been going through a common process since the early 90s, which is the demutualisation and incorporation of the exchange entities. With respect to this, it must be said that Turkey is a little bit late. On 30 December - the penultimate day of 2012 - a new capital markets law was enacted by our parliament, approved by the President and published in the official media. This law creates a new playing field and represents the most crucial event for our stock exchange and the Turkish capital markets since the 90s. Previously the exchange was a mutual organisation but now we are finally able to demutualise it and structure it as a joint stock company. It is really important because we have ambitious targets to reach: our main goal is to create a healthy, stimulating financial environment and capital market for the Turkish economy.

Our economy is currently the 16^{th} biggest in the world; we contribute to global output by 1.7% and have roughly a 3.5% share within global trade volumes. In other words, $1/60^{th}$ of world production and $1/30^{th}$ of the world's trade is represented by Turkey. These are by no means small figures. However, when you look at capital markets, our share remains very low. Take for example indicators such as market cap to GDP, market turnover to GDP as well as a number of international indexes and you will note that Turkey's global weight, regrettably, remains significantly below the desired thresholds. Hence, there is a disparity between the real economy and the capital markets. Our primary target is to fill this gap. We should therefore restructure the capital markets in such a way that we will satisfy the growing needs of our economy and - at the same time - reflect its strength.

It is well known that our government has a strategic vision for 2023 - marking the first centenary of the Turkish republic. The goal is to become one of the 10 biggest economies in the world and this means increasing our GDP per capita from $15,000 to $25,000. We need to raise our total GDP to $2tn from the current $800bn. We think that this is a feasible target, but we need to finance this growth. Of course there are important challenges to overcome; for example the inadequacy of our institutional structure. Until very recently the Istanbul Stock Exchange was a mere provider of plain vanilla products such as shares, stocks and bonds, most of which were government bonds. Last year we began the transformation process - in advance of the new capital market law being enacted. We introduced opening and closing sessions, a repo market for shares, we doubled our order sending and order processing capacity. Then on 21 December we introduced the single stock option and futures. So we had made good progress and these improvements were feasible within the current framework.

"We are working very hard to create links with other major financial centres such as Tokyo, Seoul and Singapore"

We are all well aware that 2012 was definitely not the best year for the global economy. That said, our decrease in market turnover amounted only to 11-12% on average and in December our index level and the volume traded reached a historic peak. We actually closed the year with about $1.8bn per day, only in the stock segment, and currently it is even higher. The market responded very positively to our signals so we will continue in the same direction.

Again, our institutional or corporate restructuring means our transformation into a joint stock company and horizontal integration - which means merging with Istanbul Gold Exchange and Turkish Derivatives Exchange. In addition, there is now a study to establish electricity, energy and commodities exchanges. We are one of the constituents of those initiatives so when these efforts come to fruition, Borsa Istanbul will be the trading platform for those securities as well. Once this horizontal integration is finished, any kind of financial contract in Turkey will be traded from one single platform: Borsa Istanbul.

While merging horizontally we are also integrating vertically. It means that pre-order, order sending, processing, order matching and post rate activities will be integrated under the same structure. The main benefit of horizontal integration is the increase in the variety of the financial instruments available to investors, whereas vertical integration will create an environment where collateral management and access to capital markets will be much easier. When the first pillar is finalised, Turkey will be one of the most attractive capital markets in the world that is compliant with international standards.

What role can Borsa Istanbul play in strengthening Turkey's image and overall appeal to the international arena?

Frankly, the perception of the exchange was far behind the perception of the Turkish economy as a whole. Now we are beginning to catch up with the real economy. We are working hard to develop Istanbul into an advanced financial market in line with international standards. It should be an environment where all kinds of financial contracts are readily available through a single access point, single technology, single collateral management framework and be in compliance with the IOSCO, FSP and EU standards. If we can achieve this then we can most certainly bring a positive contribution to improve the perception of Turkey abroad. All together this restructuring process will play a very significant role to that effect.

For a capital market to be healthy it must be able to rely on skilled, educated investors. What is being done to make improvements in this area?

We have been focusing strongly on increasing the financial literacy of our market players, as we are well aware that a capital market can only develop if investors have the education and skills that enable them to take informed, rational decisions. Recently we introduced a new study programme with Anadolu University, one of Turkey's biggest universities with millions of students undertaking distance learning. We will be providing electronic certificates to investors who successfully finish e-learning courses included within the programme. However, the most important issue for us is to strengthen our institutional investor base because we believe that, for individual investors, investment may be a choice but that trade should not be. I don't think individual investors should be heavily involved in intra-day investment activities. Capital market investments can certainly be very beneficial, productive and remunerative in the medium to long-term, but when it comes to intra-day trade it is something else. This should be left to professionals like institutional investors since they possess the very specific skills that are required for daily trading activities.

The government is also trying to support the financial markets. It announced a new promotion scheme for private pensions, in which it contributes up to 25% to the monthly investment. In my opinion, this is good as it will fuel the development of the private pension industry in Turkey. Private pension means medium to long-term investable funds, which is a very important opportunity for capital markets in Turkey. Our government is continuously cutting back its roll-over ratio, which means that more and more liquidity is left for private sector use and this is the reason behind the significant increase in the issuances of corporate bonds last year. I believe the figure should be around $25bn, which of course may not sound much, but in relative terms it is very high as we are coming from virtually zero. We intend to draw increasing numbers of institutional investors to the Turkish capital market and side-by-side we are taking direct responsibility in initiatives to foster knowledge gathering and improve the decision-making process of investors. Such initiatives will contribute to creating a more efficient, transparent and altogether more attractive investment environment for the country.

How effective have you been at harmonising and creating synergies between all the projects and programmes you are undertaking?

I think we have been doing quite well although it is fair to say that we are dealing with several issues at the same time and we are aware of the extent of our capabilities. That is why we are looking for strategic partners that can bring us added value in terms of IT, infrastructure, technical assistance, know-how and market integration. Our potential partners should meet 3 main requirements. Firstly, they should have a mutually beneficial, win-win type of partnership model; secondly, the partnership should answer a real need - meaning it should not be just for the sake of coming together - and lastly, it should be self-sustaining.

We are working very hard to create links with other major financial centres such as Tokyo, Seoul and Singapore. We signed an agreement with NYSE to jointly operate a derivative exchange in London. Furthermore, we are creating a network of exchanges, for instance with Casablanca, Cairo, Abu Dhabi, Dubai and other smaller exchanges in the wider region. A number of small exchanges throughout the region have been operating under very difficult circumstances since the economic area is underdeveloped. We know that especially SMEs need the exchanges in their own countries to continue to exist, because the crisis has made bank lending very tight and it will only get tighter. By the same token, small exchanges are increasingly facing more challenging conditions due to the multiplication of mergers and acquisitions. Turkish companies are already expanding their operations more and more into the neighbourhood and the Balkans are very much in their radar range. Istanbul is a huge metropolis with 17m inhabitants and has always been a sort of regional hub in many areas. The Marmara region accounts for almost 40% of Turkey's GDP which means $400bn. Just to put this into perspective, by itself this is more than what the entire Balkan region produces and we are ready to share our capacity with the region.

Like Turkish companies, what we are trying to do is create a network of exchanges that would enable us to share both our liquidity and our experience. Borsa Istanbul, especially in the fixed income securities has very strong know-how and expertise. We are the 6^{th} exchange in the world and 3^{rd} in Europe after London and Madrid, in terms of fixed income securities liquidity. We believe that we can share this experience with other exchanges in the region.