TURKEY

Symbols of Turkish Excellence in the World

PART II



Entrepreneurship Key to Unlocking Future Potential

During a keynote speech to the EurAsiaMed division of the Confederation of Italian Entrepreneurs Worldwide (CIIM) in Istanbul, Ali Babacan, Turkey's Deputy Prime Minister for Economic & Financial Affairs outlined what he considered to be potential risks to the Turkish economy in the coming 5 years. According to Babacan the biggest issue remained "the deficits in the legal bases of the economy". He confirmed that, "These will be overcome with the 'fifth and sixth judicial reform packages' which the government has started to outline". In light of the recent demonstrations, all steps aimed at bringing about greater human rights will be seen as positive and - in the eyes of many - cannot come about soon enough.

BY MICHELE GRIMALDI & SORCHA HELLYER ➤ Addressing investors at the CIIM gathering in April, Babacan was candid in his assessment, "Turkey has achieved a lot in terms of democratisation and the economy in the last 10 years, but we know we still have a way to go," he remarked. Certainly, all efforts to harmonise the market economy in line with what Babacan calls "Olympic standards" will be vital. The nation's 5th bid to host the Games, this time in 2020, comes at a crucial phase in its history. Winning it would be a boost to the country's image and - in concrete terms - to the infrastructure of Istanbul. Such progress would not only serve this world-class event, but also the preparation of the city as it aims to become one of the top 10 financial centres in the world. For Borsa Istanbul (BIST) to be in these echelons, "The first condition is Turkey's legal base," said Babacan, indicating the necessity for the entire framework to be in place and ready to cater for what many consider to be Turkey's big leap forward.

Thanks to its strong commitment to fiscal discipline, the country turned its fortunes around after 5 decades of IMF bailouts and loans. As a result, there has been a massive reduction in poverty with both local and international plaudits crediting Erdogan's government. Widely touted globally as the "Turkish economy's silent captain" in international circles, Babacan's political career took off when in 2002 - at the age of 35 - he was appointed Minister of Economy and became the youngest member of the cabinet. As well as successfully steering the country through tumultuous times and a multi-tiered reform process, Babacan also later served as Minister of Foreign Affairs. Turkey, to all intents and purposes, displays an incredible ability to be a pivot in the region and will undoubtedly continue to seek to capitalise on its geo-strategic and geo-political importance.

On a macroeconomic level the downward trend of inflation and unemployment are proof that the government's policies are reaping rewards. Moreover, the progressive trajectory of exports - with Turkstat reporting a rise in 2012 to $152.6bn up from $36.1bn in 2002 - demonstrates that market diversification is paying off. In 2002 nearly 60% of Turkey's exports were destined for the EU whereas it now stands at under 40%. Trade to Africa and the Middle East, on the other hand, has climbed from approximately 15% to 35%. At the Uludag Economy Summit held in Bursa earlier this year, Babacan underlined that; "The latest financial crisis has shifted the balance of economic strengths from the west to the east. In the next several decades, Asia and Africa will be increasingly important regions". He also emphasised that, "Europe, Japan and the US will continue to have a significant share in global trade. However, economic strength continues to shift from the west to the east".

"The latest financial crisis has shifted the balance of economic strengths from the west to the east"

ALI BABACAN
Deputy Prime Minister for Economic & Financial Affairs

Turkey derives much of its success from its ability to embrace both sides of the world simultaneously. But how that success impacts the lives of the populace seems to be at stake. Besides almost tripling its GDP in recent years, the OECD cites Turkey as one of the countries that has reduced income inequality levels quite considerably. However, the extent to which the general population is actually feeling the effects and benefits of Turkey's decade-long stellar performance could be called into question. Indeed, this is an issue that many emerging economies around the world have been grappling with or are currently facing. Unrest from Rio to Istanbul may have different connotations but much of its roots are the same. The will of the citizens to be heard - and for their expectations to not simply be managed but also met - has become globally apparent. The timing of these protests is hardly a coincidence. Both Brazil and Turkey have witnessed dampening outlooks in their economies, further compounded by speculation that the US Federal Reserve is about to reign in or cut off stimulus measures.

What Turkey does not need right now, is for foreign investors to get jittery. FDI and international engagement has played a vital role in helping the Turkish economy to develop and the government must be mindful that a flight of capital would be detrimental to all sections of society. The truth is, that the exceptional growth the country had experienced for the last 10 years was not sustainable in the long term and a slowdown was inevitable. But that does not mean that the nation's star is on the wane. If the country can continue to be a beacon of hope and foster democratic reform then it can make an indelible mark on the world. In many ways the private sector is leading the way through free enterprise. As Jeff Hoffman puts it, "Turkey has no excuses for not delivering successful outcomes. There are business angel networks and smart entrepreneurs here. We should see a lot of value created by Turkish entrepreneurs soon."

Hoffman is certainly in a good position to spot one of his own. He is a serial entrepreneur and an internationally recognised innovator who has been a founder and CEO of a number of start-ups and high growth companies, including Priceline.com, uBid.com and ColorJar. His work involves building entrepreneurial ecosystems in emerging nations on every continent and he recently visited Turkey as Global Advisor for the GIST initiative. GIST - Global Innovation through Science & Technology - is a fast-growing enterprise that seeks to identify and nurture entrepreneurs in 54 countries.

Hoffman acknowledges that these days there is a new era of business taking shape, "What drives this generation is different. I came from a time where everybody measured each other - all the American movies were about making money and Wall Street during the 1980s. Now this generation is driven by values and social change. They actually want to make the world a better place." This is undoubtedly an encouraging evolution and it is no less the case in Turkey. GIST is working closely with Turkish partner organisations and entrepreneurs to build the next generation of successful tech ventures in ICT, healthcare and energy - all areas that will engender societal improvements. The trip to Turkey saw Hoffman participate in the launch of the Entrepreneurs Club, sessions with Turkish angel investors at Galata Business Angels as well as share experiences with the tech entrepreneurs at the Etohum Accelerator and Ozyegin University. Hoffman is evidently proud to be sitting alongside Ali Sabanci - Chairman of Pegasus Airlines - on GIST's Advisory Group and is effusive about Turkey's potential, "If you look at the conditions necessary for entrepreneurship to flourish and grow, Istanbul has it all. Smart people with access to good education and investors like Galata Business Angels exist. You have all the components of the ecosystem needed to be successful."

What Hoffman seems to be pointing to is the fact that opportunities abound in Turkey and are there to be seized. It also appears that the business sector and talented individuals not only have a chance - but also a duty - to set the standards and make change happen. "When it comes to Turkey, it is a significantly better environment and market than it seems but people do not know that. Investors are making assumptions based on other problems in the region," Hoffman remarks. "Turkey could do a much better marketing campaign by saying: Here are the conditions to be successful as an investor and here are the conditions in Turkey," he emphasises astutely, intimating that the fit between one and the other couldn't be better.

Monumental Changes Afoot

DR IBRAHIM TURHAN
Chairman & CEO of Borsa Istanbul

In April this year, the company formerly known as Istanbul Stock Exchange changed its name to Borsa Istanbul (BIST). It should be understood that this was no simple rebranding effort, instead it was an epochal transition in the organisation's history and saw the stock exchange transform itself into a fully integrated entity, gathering all Turkish exchanges under one umbrella.

Helping Istanbul gain global financial centre status by transforming Turkey's capital markets is no small task, and leaves little margin for error. Yet the mantle has been grasped and the plan is forging forward. After weeks spent exploring a strategic partnership with several high-profile international players - including Deutsche Borse, the CME Group and the London Stock Exchange Group's Millennium IT - Chairman and CEO, Dr Ibrahim Turhan has finally made his choice. Early this month he signed with NASDAQ OMX Group and enthusiastically referred to the tie-up with the US operator as, "A notable milestone for our exchange, for Turkey, for the surrounding region and for the entire industry. Our objective is to position Borsa Istanbul as a leading, integrated multi-asset exchange, and to provide a cutting-edge platform serving issuers, investors and traders globally".

The deal involves the adoption by BIST of the entire suite of NASDAQ OMX's exchange technology products and many perceive this sharp stepping-up of its overall capabilities as the sign of a firm commitment to reach new heights. Beyond the technology and knowledge transfer, the new collaboration is also expected to benefit BIST liquidity-wise. Additionally, it will enhance its international profile and overall appeal to investors. The new partners wish to consolidate an enduring relationship for the joint exploitation of commercial opportunities across the Eurasia region.

Turhan is targeting an IPO by early 2016, a necessary step if Istanbul is indeed to become a world-class finance centre within the next 10 years. Currently, the government owns 49% of BIST shares while the remaining 51% are held by a treasury stock. The plan is to divest a stake of up to 41%. On numerous occasions Turhan has underlined how the Turkish bourse has failed to capitalise on Turkey's record rise during the past decade. Moreover, he has emphasised that without the support of a mature and well-developed capital market, it will be impossible for the economy to keep growing at this pace or find the necessary funding for the various megaprojects in the pipeline.

"Our objective is...to provide a cutting-edge platform serving issuers, investors and traders globally"

Turhan expects the disclosure of BIST's high-profile tech deal to begin reassuring international investors about Turkey's long-term future and how bright the prospects are - counterbalancing its reputation as having a chronically high current account deficit - and to start changing the trend for the better and for good.

Delivering Brand Promise

Chairman & CEO of Coca-Cola, Muhtar Kent shares his thoughts with iD on the challenges and rewards of being global and what Turkey has to offer the international community.

A born globetrotter, Kent is the US-born son of a Turkish diplomat. He spent much of his childhood and adult life travelling the world and, as such, he learned to be flexible and adaptable. At the same time he has nurtured his innate cosmopolitanism by tying his entire professional life to what many consider the global company par excellence, Coca-Cola. Despite spending nearly 70% of his existence outside Turkey, Kent remains very much a Turk at heart; "When I started my career at Coca-Cola in the late 70s, Turkey was hardly a topic of discussion in conversations with my American, British, French or German peers. But things have changed quite a bit since then, and wherever I go in the world now people show an increasing curiosity and interest in this country. In the space of just a decade Turkey has built a reputation as one of the most dynamic and stable markets in the globe."

Kent often compares Turkey to Mexico, "As China's growth slows down and India faces infrastructure challenges, it is Turkey on one side and Mexico on the other, that are glowing as the shiniest business and investment stars in the world. Both countries have shown strong resilience and dynamism in the face of the recent global crisis and benefit from an unmatched geo-strategic location - one at the centre of the American continent and the other at the crossroads of the EMEA and Asian region."

Kent - who this year celebrates his 5th anniversary as head of the soft drinks giant - climbed the corporate ladder from step one all the way to the top position, so he certainly knows what it is like to attain and maintain leadership status. Being in charge of a manufacturing conglomerate that claims a presence in 207 countries (basically the entire world, except Cuba and North Korea), has 770,000 staff and over 68m Facebook fans is indeed no small task. When asked what it takes to build a strong brand and how that applies to Turkey, he mentions his favourite quote: "A brand is a promise, a great brand is a promise kept". Indeed, Turkey has so far delivered on its promises, but as he points out, "It is notoriously easier to achieve success than maintain it; the challenge for Turkey going forward is to keep building on its success and make sure it is sustainable."

When asked what further ingredient makes Turkey a recipe for success, Kent refers to what he calls "the golden triangle" - namely the business society, the NGOs and the government. He sees these interdependent components as playing a critical role in the effective functioning of any socio-economic system, and cites Turkey as a prime example of that. "During the years I worked in Turkey, I learned that the relations and compromise between these three forces are crucial for doing business and achieving results", he said in his opening speech at the 2013 Uludag Economic Forum.

"It is notoriously easier to achieve success than maintain it; the challenge for Turkey going forward is to keep building on its success and make sure it is sustainable"

MUHTAR KENT
Chairman & CEO of Coca-Cola

Kent describes Turkish entrepreneurs as bold, flexible, agile and swift, "They have learned to endure multiple crises and operate in extremely unpredictable conditions. As a result, they are able to undertake and complete projects faster than anyone else." He also points to the "quality of entrepreneurship" as a factor of capital importance for a country's achievements and sustainable growth, "If being successful isn't easy, replicating success is where the real challenge lies. It requires a mix of vision, application and strategy, a principle that applies to people and governments alike. One of Turkey's biggest potentials lies in the enterprising spirit of its men and women. Volatility is the future and we all need to find a way to cope with it. Turkey has learned to cope with unstable situations on multiple occasions throughout its history and that, in my opinion, is what gives Turkish entrepreneurs an edge over their counterparts from other areas of the world."

Coca-Cola has been active in Turkey since the early 60s and its regional headquarters in Istanbul now oversees 90 different markets. This alone demonstrates the enormous belief the beverage company has in the metropolis. With his Vision 2020 envisaging a doubling of the company's revenues from the staggering $46bn mark reached in 2011, Kent is lucid in his perceptiveness and ambitions. He is also one of Turkey's most authoritative global ambassadors - and proud to be so.

CONSTRUCTION & REAL ESTATE

Istanbul International Financial Center

Question & Answer

In an interview with iD, Hasan Rahvali, CEO of Agaoglu Group, shares his thoughts on the real estate sector in Turkey and the leading construction company's role in the market

HASAN RAHVALI – CEO of Agaoglu Group

Q A series of surveys cite Agaoglu Group as the most respected brand in Turkey's construction industry. What, in your own words, defines the "Agaoglu" brand today, and what makes your products worth the investment?

A Since the dawn of time, housing represents one of the primary necessities of mankind and therefore one of the most important long-term investments of our lifetime. In response to this primordial need, and in pursuit of the security it provides, people are willing to commit significant portions of income to the purchase of their homes. Previously the word housing essentially referred to accommodation, these days it has expanded to embrace the concepts of socialising and lifestyle. So, while 30 years ago we just used to ask our prospective clients how many rooms they wanted or for how many people, nowadays we request them to answer at least 50 questions in order to understand what is the right product for them. The number of rooms and the size of an apartment or a villa are no longer main factors in the purchase of real estate; instead it's the "social interaction element". Also, housing today should respond to the necessities of an entire family, and that includes children and grandparents. Finally, it needs to function as a facilitator of relations among neighbours. In our residential complexes, homeowners are provided easy access to sport, leisure and entertainment facilities, shopping and other social venues; all our projects are conceived and developed with that vision in mind.

In 1989, Agaoglu Group launched a new concept of housing under the brand "My" and our tagline "Architects of Life" has worked very well to that effect. As a result, we are no longer perceived as mere real estate developers but rather as "designers of lifestyles". Another differentiating factor of our group is that, while developing our projects, we are committed to making them financially accessible to the market. This is exemplified through our other slogan: "Everybody deserves to have a good life". Since 1989 our mission has been that of increasing people's living standards within their same income level. Today, I can say with confidence that we have succeeded in doing that.

Q How do you manage to successfully deliver quality in your massive developments?

A Effectively managing ventures comprising thousands of residences requires a strong organisational structure. In our large-scale developments, every block is assigned to a different quality control manager and all construction materials employed are subjected to rigorous quality control procedures. The key is for a highly skilled professional to be allocated an individual segment of the operations, yet to retain direct control of the overall project under the supervision of our top management.

Q From your point of view what are the core strengths of your group with regards your competitors?

A Firstly, even though we are the leaders in our sector we acknowledge our competitors' success. Our main comparative advantage is our cost-effectiveness through the use of economies of scale. Let's take for instance our "Maslak 1453" project, which comprises 4,800 residences; for large-scale projects like this we do not ordinarily have many competitors. At the land acquisition stage the standard request is 50%; we offered 35.5% and won the tender. This means that we managed to cut our costs by almost half, and later we were able to transfer this advantage to our customers in the form of a more accessible market price. As an example, the current price per square metre for our properties is around $2,700-$3,000: one third of this goes to the government and the landowner, another third - which means about $1,000 - is our cost per square metre, and the remaining $1,000 is our profit. This sort of breakdown tells you that our business is a very profitable one.

There may be other projects like ours in the market, although their average price per square metre would be around $6,000. That means that with us, our customers can buy it for $3,000 and resell it at a higher price. Having said that, price of course is not the only aspect one should consider when buying real estate; the quality of a certain property and the concept behind it, are equally important factors. A key trademark of our group is that we try as hard as possible to integrate city life into our properties. Before developing our "Maslak 1453" project for instance, we ran 4 different market surveys and learned that people are starting to get bored with shopping malls and they would like to go back to street shopping. The street concept this project features is 100% bigger than the largest shopping mall in the country - 1,453 metres long, as the name suggests. This gives people the opportunity to experience once again open air shopping - on an entirely different scale, yet with a familiar dimension.

However, transforming this concept into reality did not come about by itself. Indeed, the process of running a number of in-depth surveys and interviewing around 8,000 people, dividing them into different income segments and asking them all kinds of questions, was critical to understanding their requirements. The outcome was that we sold 2,200 units in just one campaign, over a period of only 4 weeks. I would like to add that our job is not done with the sale; at Agaoglu Group we guarantee unlimited after-sale technical support. Furthermore, in our "My Club" concept our clients can access state-of-the-art sports, entertainment and cultural facilities as well as a series of activities that are specifically designed for kids.

Q Istanbul International Financial Center (IFC-Istanbul) is possibly the most ambitious and far-sighted project being developed in Turkey at this time. Knowing the importance of this initiative for the international image of Istanbul, how does it feel to have been handed such a huge responsibility?

A We have strongly believed in the vital importance of this project from the outset for it is a pillar of our government's ambitious 2023 vision and Agaoglu Group is its leading construction player. When the Lord Mayor of the City of London, Alderman Roger Gifford, visited the site back in March, he spoke enthusiastically about the development and also reiterated the UK's commitment to help Istanbul become a regional and global financial hub. Turkey needs the IFC badly, given its dynamic and fast-growing population, unsaturated market and the plethora of megaprojects that will require massive international financing. So far we have not been able to attract sufficient amounts of capital from abroad, which is why this project is critical to further improve Turkey's ability to entice foreign direct investors. At the same time Turkey's saving rates are insufficient. When we add together all our banks deposits it only totals about $800bn. We need significant capital infusion from other countries, if we want to maintain the level of development and continue producing more. We clearly cannot sustain our pace of growth exclusively through bank loans or the support of our government; the international market is the only place where we can access the macro figures we need.

Turkey is far from independent from the rest of the world. On the contrary, it is more and more at the centre of it. The IFC is not just a physical investment: infrastructure, technology, tax advantages, promotion, human resources and a legal framework in line with international standards are all key aspects in the successful completion of a project of this scale. We thoroughly appreciate the support of London as the world's leading financial centre and are convinced that this will be a win-win situation for both sides in the end. Additionally, the management of the IFC is a very important business. We are also planning to cooperate with the Lord Mayor of the City of London in this area.

Q About your financial performance, in 2012 your group reported a staggering 130% growth in sales and a 50% growth in assets. Now that a new law has been enacted, allowing Turkish developers to sell property to foreigners, what is your outlook for Agaoglu Group in the coming 12-24 months?

A Our sales to foreign customers are on a par with our domestic demand. In April, we made a sale worth $190m to one single individual from the Gulf, the first $150m of which has already been paid. Since the new law was enacted, we have sold 1,400 properties to foreigners. Our future target is to reach $1bn in sales to foreigners and I believe this figure is well within our reach. In 2014, once the sales of the IFC start, we will set our targets even higher. By then, it will most likely have exceeded the $1bn mark.

Q Agaoglu Group is also active in tourism, energy and education; could you mention some of your most noteworthy projects in those areas?

A We have a large real estate project in Bodrum, spreading over an area of 9.5m square metres, where we have so far developed over 5m square metres of real estate for our European and American clients. We started construction in 2005 and although it was a bit delayed due to the economic crisis of 2008, the infrastructure is ready and in place. We are preparing an 18-hole golf course covering an area of 1m square metres and have built a dam to be able to deliver water to our properties. Should any supply problem arise, we can filter water from the sea. We invested $150m in more than 5m plants, including over 220,000 palm trees. We are not using any chemicals that could harm the plants but, thanks to our cooperation with local universities, we are employing special bugs that fight harmful bacteria. We believe this project will contribute to turning Bodrum into a first-class international tourism destination. Our "My" concept hotels and resorts are widely appreciated as they cater to the leisure, health and business needs of an increasing number of people.

On the energy front, we have hydroelectric power stations in Amasya, Bingol and Georgia with a 300MW production capability, and a licence for a 1,000MW wind energy plant. Our properties are equipped with cogeneration and trigeneration facilities, so they are able to produce their own electricity which not only fully respects, but also protects, the environment. Finally, with regards to education we are planning to open a university soon and cooperate with leading universities of the calibre of Harvard, Yale and so on.

Q Why should British people invest in Turkey and why specifically in Agaoglu Group?

A Turkey presents excellent untapped opportunities to investors, and a cost-quality ratio that is more attractive than elsewhere. If you compare Istanbul to London for instance, property here is on average less than half the price. Our nation has undergone a deep and thorough transformation process during the past 10 years and as a result it is now much better integrated with the rest of the world. In addition to Istanbul, I recommend Bodrum for to its great climate and unique natural setting. The world is getting older and in Turkey elderly people can benefit from high quality health services at very competitive tariffs; our purchasing power parity factor is still very advantageous. Istanbul, Bodrum and Turkey in general offer investors a highly remunerative venue for the placement of their capital.

Visit of Lord Mayor Alderman Roger Gifford

From left to right: Leigh Turner (UK Consul General), Alderman Roger Gifford (Lord Mayor of London), Ali Agaoglu (Founder & Chairman of Agaoglu Group), Onder Halisdemir (CEO of Aktifbank) & Hasan Rahvali (CEO of Agaoglu Group)

"The City of London and the UK are wholly supportive of the development of Istanbul as a financial centre, as that is vital to Turkey's continuing development as an economic force, especially as a bridge between the east and the west. That is good for Turkey and Istanbul, but it is good for the UK and the global economy as well. The success of that development will depend on having the right infrastructure - buildings equipped with the right technology and accessed by high quality transport systems"

ALDERMAN ROGER GIFFORD
Lord Mayor of the City of London

Official visit to IFC construction site: Ali Agaoglu with Lord Mayor of London Alderman Roger Gifford and UK Consul General Leigh Turner

TELECOMS & TRANSPORT

The Numbers that Speak Volumes

At 783,562 square kilometres Turkey is more than 3 times the size of the UK. Often thought of as populous - 75m versus the UK's 62m - Turkey's population density is actually a low 98 people per square kilometre against the UK's 260. For such a country to grow socio-economically and inclusively there must be a concerted push for greater accessibility and connectivity. It is perhaps therefore unsurprising that so much importance in Turkey has been attached to the upgrading of its infrastructure, to address both current needs and future demand. The allure of expansive, enthralling and often frustratingly congested Istanbul is undisputed; the nation's commercial capital is the beating heart of the economy. However, the metropolis is just part of the wider nationwide development required for the country's future economic and social health.

BINALI YILDIRIM
Minister of Transport, Maritime Affairs & Communications

In fact, Turkey's position - at the crossroads of Europe and Asia - renders it of significant geo-strategic importance. It shares a total of 2,648km of borders with its 8 neighbours: Armenia (268km), Azerbaijan (9km), Bulgaria (240km), Georgia (252km), Greece (206km), Iran (499km), Iraq (352km) and Syria (822km). According to Turkey's Investment Support and Promotion Agency (ISPAT), the ports and terminals on Turkey's 8,333-kilometre-long coastline serve as the entry and exit points for over half the nation's imports and exports. The country enjoys an enviable location for global trade, situated as it is on 3 key bodies of water, namely the Mediterranean Sea, Aegean Sea and the Black Sea as well as the Bosphorus, Dardanelles Straits and the Sea of Marmara. By 2019 Turkey intends to have one of the world's top 10 ports, increasing container capacity to 32m TEUs (twenty-foot equivalent units) and developing transfer ports on all seas, which would in turn be connected to railways.

Water will play a big part in Turkey's development. Indeed, the country's topography, surrounded on three sides by seas, is considered highly conducive to hydroelectric power generation. Conjecture has it that, with 25 river basins, Turkey has 16% of Europe's theoretical hydropower potential and 1% of the world total, which explains why Statkraft SF (Europe's largest hydropower producer) is in the process of increasing capacity and trading with 2 more power plants in Turkey. It is clearly a strategy to counterbalance negative growth rates and diminishing profitability in western European markets. And power will be vital for the kind of expansion that the length and breadth of Turkey is gearing itself up for in readiness for Vision 2023 which is the government's development plan for the centenary of the founding of the republic. It includes an ambitious panoply of mega-scale infrastructure projects, many of which are already underway and due for delivery in the next few years. The goal is to transform Turkey into one of the world's top 10 economies and this requires equally massive investments in ICT, airports, bridges, ports, roads and railways.

The responsibility for overseeing the sectors of communications, maritime, rail, and road transportation, civil aviation, aeronautics and space technologies in Turkey lies with Binali Yildirim. In his remit as Minister of Transport, Maritime Affairs & Communications there is also the implementation of the infrastructure required to ensure everything runs smoothly and is ready to respond to future demand. It's easy to see that he has a big task on his hands. Appointed a decade ago, the continuity and commitment Yildirim has brought to the role have been contributing factors to Turkey's progress.

A pertinent example of how his determined approach has impacted positively on the country's outlook is the civil aviation sector, which started gaining importance in the country's economic cycle only in the late 20s. From then until the official liberalisation of the market in 1983, the national flag carrier Turkish Airlines (THY) operated under monopolistic conditions. Notwithstanding the launching of THY's privatisation process, private airline companies continued to face numerous bureaucratic obstacles and complications, which preserved THY's dominant status for a further 20 years. As a result domestic air transportation entered into a long period of stagnation. In October 2003, not long after his appointment, Yildirim saw to it that the barriers - which had until then prevented private airline players from entering the market - were finally removed.

Besides liberalising the market, Yildirim also simultaneously reduced the tax burden on domestic air transport and alleviated airport service charges across Turkey. The decision bore an immediate effect on ticket tariffs, boosting both the number of internal air travellers and the frequency of existing flights to unprecedented levels. Additionally, the new airlines opened up entirely different routes, to which THY had never flown before, prompting the market to grow in all directions.

But to return to earth - on the subject of connectivity, travel is just one important element. The other critical factor - without any doubt - is telephony. Indeed, communications in general, whether by phone or by internet, have become indispensible to our everyday lives. We have become so dependent on technology that it would be difficult to imagine progress in a country that does not have world-class ICT infrastructure. Turkey is no exception. In fact it has a huge, rapidly expanding telecommunications market and according to the Minister, investments in the electronic communications sector in 2012 came to over $2.9bn.

Turk Telekom Group, the nation's top telecoms and technology provider, accounts for 45% of market revenues and leads the way in fixed and broadband connections, with 14m and 7.1m lines respectively. It is targeting 5-7% turnover growth in 2013 driven by positive Q1 results in both broadband (+12%) and mobile (+17%) segments. The group already has the biggest network and highest number of fibre-optic connections nationwide. With 20.3m subscribers at the end of Q1 this year, it looks set to increase its share in the future, as Turk Telekom Group's CEO, Hakam Kanafani points out, "We think that the amount of data being used on the internet is maybe 10% or 15% of what we will see in the next 2-3 years. Most networks around the world are under-dimensioned and the demand for data will always be higher than what a company plans. That's why the fixed access network will be of paramount importance for all broadband communications, including mobile broadband and especially for 4G technology."

Kanafani predicts the uptake will be exponentially higher in Turkey due to the growing population, rising incomes and the diversification of metropolitan areas, "As the industry leader we can contribute significantly to this trend from the supply side. At the moment, we register increasing demand not only from major urban centres like Istanbul and Ankara but also from relatively smaller ones like Samsun and Trabzon etc. These cities have higher growth rates than our main metropolises due to a catch-up effect." Rolling out and delivering its valued services to the masses is part of award-winning Turk Telekom's core mission to invest in all the regions of Turkey. Kanafani explains, "Besides our commercial targets we also have a social responsibility towards our country because we are a national brand - in fact one of Turkey's most recognisable brands - which gives us a countrywide role to play and we are proud of this. Our most crucial undertaking is to help digitise the nation."

The far-reaching impact of connectivity is paramount explains Kanafani, "We have launched our fibre-optic projects throughout Turkey - in all 81 provinces. This demonstrates the depth of our commitment to the nation. During the 20^{th} century internet was essentially about browsing, whereas in the 21^{st} century that paradigm has changed; internet today has become a platform where customers can do just about anything - research, conduct business, study, create, communicate with friends and loved ones, build social and cultural bridges...And I believe this momentum will continue."

Moreover, the development of a knowledge-based economy clearly needs the full commitment of ICT entities. Thankfully this is the case with Turk Telekom Group, as Kanafani expounds, "Investment in education and healthcare has stimulated tremendous growth in the data required for R&D, implementation, commerce, e-government and so on. Against this backdrop good companies must make sure that they offer the right value to the customer. We consider this to be the responsibility of our company."

It is exactly this kind of attitude and dedication to the country's development, and to the customer per se, that has allowed Turk Telekom to garner the top spot in "Turkey's Most Valuable Brands" - a study by Brand Finance, the world's leading brand valuation company headquartered in London. According to the 2013 report, Turk Telekom has a brand value of $2.4bn beating off competition from 2 banks - Akbank (at $2.12bn) and Isbank (at $2.01bn). It is an award that Turk Telekom has now won for the last 5 years and with this kind of nationwide recognition, its success looks set to continue.

Power will be vital for the kind of expansion that the length and breadth of Turkey is gearing itself up for in readiness for Vision 2023

Riding the Wave of Progress

Founded in 1963 as a construction materials trading firm, Yildirim Group has grown, in the space of just 5 decades, into one of Turkey's fastest developing business conglomerates, with total assets amounting to $3.4bn, an annual turnover of $1.07bn and a global workforce of over 7,000.

At the helm today is Robert Yuksel Yildirim - a "shipping man at heart" as he likes to be described. He holds a master's degree in mechanical engineering and spent years in the US, working in the high-tech sector before returning to Turkey in 1993 to take charge of the business. At that time, coal trade was about to boom regionally, following the fall of the Berlin Wall and the privatisation of Russia's state-owned enterprises. Yildirim quickly spotted the potential of getting into the coal trading business. It was a move that marked the beginning of a diversification process which continues to this day and has been studded with a long string of accomplishments, propelling the company into the big league.

Still a family business, managed by 3 brothers, the group's interests today span across 5 continents and 10 different sectors, including port management, shipping and shipbuilding, mining and ferroalloys, fertilisers, coal and coke, construction and private equity. "Our main competitive strength is our lightning-fast opportunity assessment and decision-making process," says Yildirim. His analogy is not without significance since the word Yildirim means "thunderbolt" in Turkish, so the choice is clearly not accidental.

Recently named the 46^{th} most influential man in the global shipping industry by Lloyd's List, a leading publication of the maritime sector, Yildirim is a prime example of Turkish entrepreneurship, one with a genetically imprinted drive to achieve. When asked what keeps him going today, he candidly admits, "I am more success-oriented than money-oriented; when I smell a valuable opportunity I am usually swift at taking action. Converting a new deal, especially a large-sized one, into a success is what motivates me the most nowadays."

Yildirim attributes the confidence of Turkish businessmen - as well as their adaptability and resilience to ups and downs - to the hard lessons Turkey learned during its multiple financial crises. Valuable experience such as this has made him an expert at identifying and seizing opportunities right in the middle of a storm. Working with Japanese and American companies, at an early stage in his career, likely endowed him with the ability to zero in on any given problem with scientific rationality and act upon it with steadfast determination. Certainly, the self-assurance and optimism he exudes today are backed up by his remarkable track record as a serial deal-closer.

"Our present network, coupled with our collective experience and know-how, provide the necessary conditions for our group to go global"

ROBERT YUKSEL YILDIRIM
President of Yildirim Group

In 2010, the group invested $500m in the purchase of 20% of CMA CGM, the world's 3^{rd} biggest container shipping company. A further $100m investment this year has increased its share to 24%. "At the time of our acquisition, the company reported a $6.5bn debt and we had to sit down with 72 different banks to organise its restructuring programme," emphasises Yildirim.

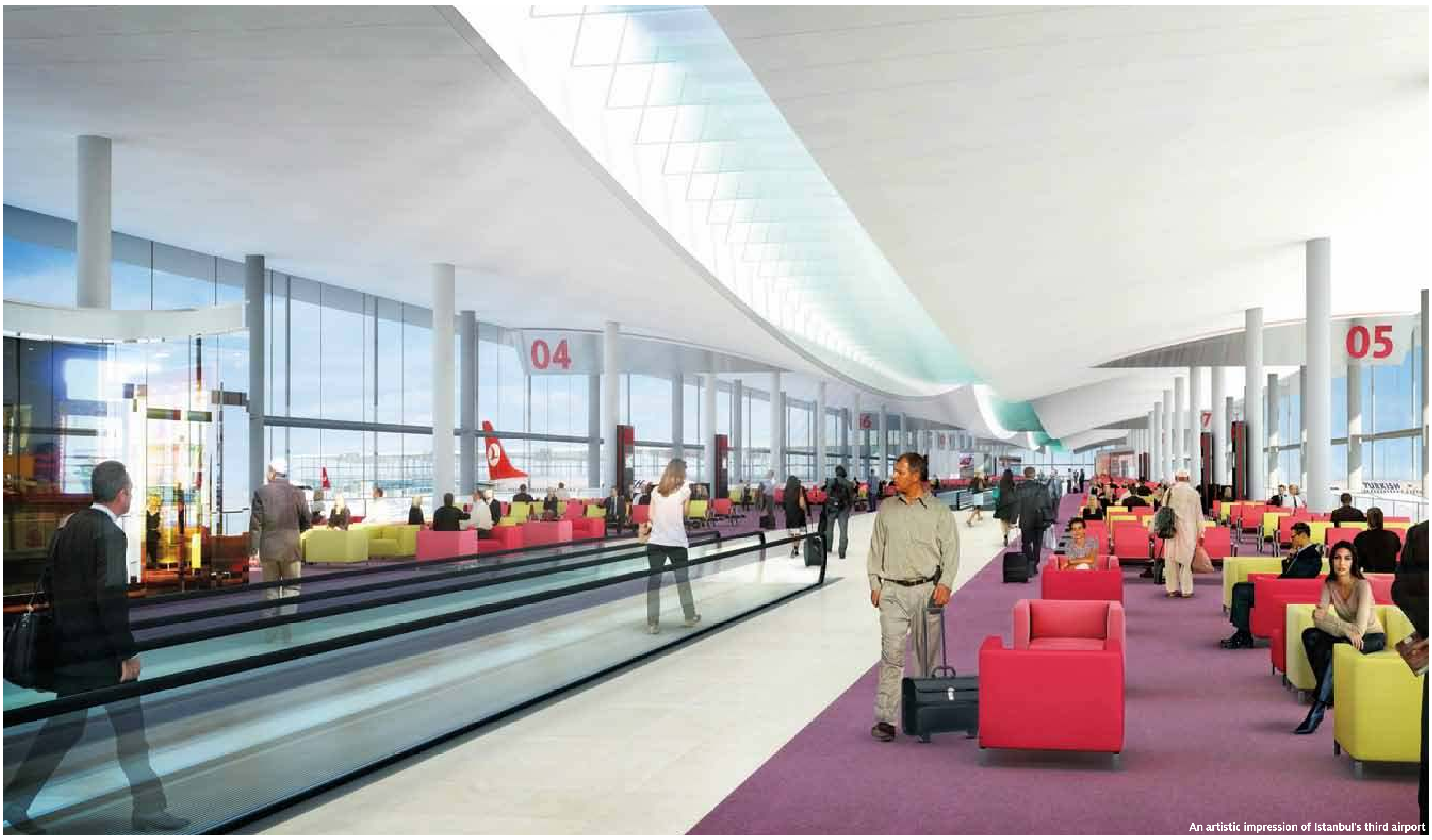
After that the company took a 50% stake in Malta Freeport - a major transhipment and logistics centre in the heart of the Mediterranean - and undertook a venture capital investment in a Belgian player involved in the operational leasing sector. The group has so far committed over $2bn to strategic acquisitions and to the upgrading of its factories, making it one of Turkey's largest worldwide investors in absolute terms.

Yildirim views his home country as a powerful platform for regional and international expansion, "As Turkey becomes increasingly expensive for us, Europe and the USA are getting more affordable. Our present network, coupled with our collective experience and know-how, provide the necessary conditions for our group to go global," he says.

On the wave of the government's plans to cut Turkey's reliance on energy imports - which cost the state more than $25bn a year - Yildirim Group is building a 200MW coal-fired plant in the east of Turkey nearby its existing ferrochrome plant, and is pursuing additional licences for 2 other plants of 600MW and 650MW in the Marmara region.

Yildirm's almost obsessive determination for expansion and accomplishments is only matched by his equally strong commitment to add value and make a difference in what he does. That is, perhaps, what defines the essence of Turkish entrepreneurship today.

AVIATION & INFRASTRUCTURE



An artistic impression of Istanbul's third airport

Democratisation of Air Travel Pays Dividends

As consolidation pervades the global airline industry, there are some countries with carriers that are bucking all the trends with phenomenal results. Turkey, positioning itself as a regional hub with a growing domestic market and increasing tourism arrivals, lands safely in the latter category.

ESAS Holding - an investment group engaged in civil aviation, real estate, retail & entertainment, food and healthcare - presciently identified this potential when it bought Pegasus Airlines in 2005. In the space of only 8 years the carrier has since managed to establish itself as Turkey's undisputed low-cost flying leader. Its Chairman, Ali Sabanci, is a third generation member of the Sabanci dynasty who - despite his lack of previous experience in the sector - was able to operate a complete turnaround of the company's fortunes in a manner few would have expected.

The decision to purchase Pegasus (at the time a small charter airline with a fleet of only 14 aircrafts) came 2 years after the government deregulated domestic aviation, in 2003. Prior to this - rather inexplicably - not a single private airline had taken advantage of the unfilled gap, so when Sabanci spotted the opportunity he was quick to grab it.

Pegasus' twin migration strategy has paid off in a big way. Not only has the company successfully transformed itself from a low-cost carrier to the lowest-cost carrier but most importantly, it has engineered an inspiring reversal in its fortunes by subverting its market segmentation and its clients' consumer patterns. In 2005, 97% of its turnover came from chartered business whereas by the end of 2012, 96% of its 13.6m passengers had used its regular scheduled flights.

"Over the past 8 years, we have carried 53m passengers, of which nearly 40m have flown for less than $50 and another 14m for less than $25. We feel we have definitely helped democratise air travel"

ALI SABANCI
Chairman of Pegasus Airlines

"Pegasus Airlines' highly innovative approach extends to several areas," Sabanci explains, "Two months after taking over this business we launched a profit-sharing scheme. It was intended to reward our people for helping us create value and profit. This concept, while being largely adopted elsewhere - especially by western economies - was almost unheard of in this part of the world. Our decision to offer our staff basic pay plus bonuses was very well received, and has so far worked as a potent motivator for everyone, leading to a significant acceleration of our business and overall results. Now, if other airlines want to keep up with us, they have to match these conditions," he concludes.

"A further distinctive feature of Pegasus," Sabanci continues, "Is our convenience factor. For us, growth is only possible if we keep our costs low. If we become a small brother to Turkish Airlines (THY) - by offering business class service or certain fancy services that are not in our philosophy - we risk confusing our customers, as that is not what they expect from us. We have to be the lowest-cost provider of seats, because we believe that aviation travel should not be a luxury."

Sabanci looks at the path ahead with unwavering optimism, "Our growth potential is huge, in both domestic travel - where low-cost penetration is only 26% against a target figure of approximately 40% - and in international air travel; since we are the only proper low-cost airline operating between Germany and Malaysia, where low-cost penetration is currently around 11%."

The company keeps a close eye on the market by running customer surveys twice a year, "Research shows that the 3 things our customers value the most are: cheapest prices, on time performances and new aircrafts. With us, they know that if they buy early, they buy cheaper. Punctuality-wise, even though last year our numbers went down slightly from 94% to 92%, we are up there with the very best. In terms of our fleet, our aircrafts are 3.7 years old on average so they still smell new. Having new planes means we burn fuel efficiently and enables us to keep our prices lower than our competitors." Efficiency is surely an aspect of relevance to Sabanci, "We operate our aircrafts close to 12 hours a day and statistics show that we are doing this about 40% better than Ryanair and 20% better than easyJet," he remarks.

In the last 3 years Pegasus Airlines has opened up routes to 26 new international destinations and Sabanci is justifiably proud of what has been achieved by his company, "Since domestic air travel in Turkey was liberalised, the pie grew 4 times and prices have gone down significantly. Over the past 8 years, we have carried 53m passengers, of which nearly 40m have flown for less than $50 and another 14m for less than $25. We feel we have definitely helped democratise air travel." He continues, "In the future I expect 2 things to happen: airplane travel will be largely liberalised across the region and, domestically, we will see a two-horse race between the full service carrier, Turkish Airlines, and the low-cost carrier, Pegasus."

In December 2012 - buoyed by its achievements and reassured by Turkey's mid to long-term growth prospects - Pegasus Airlines placed the largest-ever aircraft order in the country's aviation history; 100 new Airbus aeroplanes, to be delivered over the next 10-12 years, for a total of $12bn. An outlay of this sort is a strong bet on the future of Turkey and a demonstration of confidence towards its leadership.

Speaking of Istanbul's new airport project, Sabanci supports the government's plan to turn Istanbul into a regional transportation hub. "No other major city lies at the intersection of North Africa, the Middle East, Europe and Central Asia; it is time that Istanbul takes full advantage of its geo-strategic position," he concurs. Of the 3 airports currently serving Istanbul - Ataturk, Sabiha Gokcen and Corlu - he indicates that only the first 2 are really competing, as the latter is considered too far away at nearly 105km from the Bosphorus. Sabanci perceives the new development as a sort of a blessing in disguise for his company, "The 3rd airport - planned to be the largest in the world with a passenger capacity of 150m - will most likely render Ataturk obsolete," he predicts, "Leaving the field open for Sabiha Gokcen to further expand. When that happens, we will make sure we are ready to play our best cards."

Regional Partner of Choice

Hamdi Akin belongs to that special breed of entrepreneurs that could be named "quiet doers". Soft-spoken, yet outspoken, Akin founded Akfen Holding 37 years ago when he was only 22, shortly after graduating from Gazi University as a mechanical engineer. He discovered his entrepreneurial talent early on and has not given himself much time to sit around since. As a result, today he is one of Turkey's leading infrastructure investors, active in construction, energy, tourism, airports and seaports, employing a collective workforce of over 30,000, across a network of more than 60 companies.

HAMDI AKIN
Chairman of Akfen Group

Ever since the Turkish government began tendering large concessions and undertaking privatisations - about a decade ago - Akfen has striven to use its strong local know-how and experience to land some of the most important infrastructure contracts. Akin's focus has consistently been on high-profile assets and concessions, especially if they are in conditions of near monopoly, as well as projects with limited vulnerability to economic cycles or competition.

When asked to what he thinks of his country's growing status as a leading economic force in the global arena, Akin acknowledges the good job done by the Erdogan administration in setting the country on a trajectory of steady growth. He is, of course, aware though that the international community - after following Turkey's success with interest for a number of years - was suddenly taken aback by the anti-government protests over the Gezi Park issue. As a leading Turkish entrepreneur and a global investor himself, Akin's encouragement of foreign businesses to keep looking at Turkey as their partner of choice in the region, is certainly one that should not be overlooked.

In recent years, Akin's investment horizon has expanded well beyond Turkey's borders into Central Asia and the Middle East. Naturally he has also been keeping a close eye on the evolution of Greece's multi-billion euro privatisation program,

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which includes the sale of key strategic assets in the infrastructure, transport, energy and water sectors, as well as some islands. With a $2.6bn revenue target to meet by the end of this year, the pressure on Greece to sell its assets is high and Akin knows it. And although it is expected that there will be a tide of offers and competition will be fierce, Akin realises that not everyone is equipped to handle the magnitude of opportunities. As such, he hopes that his companies' broad capabilities and proven expertise will help secure some of the largest and most lucrative contracts.

As the Founder, Chairman and shareholder of Turkey's leading airport construction company - TAV - Akin is well aware of how challenging it can be to gain a foothold in certain areas of Europe's economy. He recently voiced his frustration about having been prevented from obtaining licences to operate European airports, and thus get a chance to compete in the European market. Candidly he referred to a supposed "lack of reciprocity" from Europe, despite Turkey having opened its market to European companies and indicated the issue as having political roots, linking the only foreseeable solution as Turkey's accession to the EU. When asked for his opinion on the current climate across the eurozone, Akin's only terse comment was, "I think that Turkey's EU accession would be a very good thing for Europe".