



INVEST IN TURKEY

Proposed Editorial Framework

FOREWORDS

1. Abdullah Gul, President of Turkey

Turkey aims to attain European standards of governance, transparency and accountability. It is a rare example of a Muslim-majority country blending multiparty democracy with secularism. Yet, Turkey has political and economic challenges that need to be addressed. What are these challenges and how will Turkey address them?

2. Recep Tayyip Erdogan, Turkish Prime Minister

Turkey successfully implemented tough economic reforms to bring down rampant inflation, ensure fiscal consolidation and encourage the growth of the Turkish private sector. Building upon that foundation, what are Turkey's political and economic aspirations for the centennial of modern Turkey in 2023?

3. David Cameron, UK Prime Minister or William Hague, UK Foreign Secretary

The UK enjoys a close relationship with Turkey. Bilateral trade has expanded dramatically, thousands of Turks study in British universities and cultural ties are increasing. The UK is a strong proponent of a prosperous Turkey in the European Union. What steps are being taken by both countries to foster closer political and economic cooperation?

4. Hillary Clinton, US Secretary of State

The US and Turkey are strategic partners in a number of regional and global issues, from the stabilisation of Iraq to NATO-led security cooperation in Pakistan and Afghanistan. Both countries wish to deepen bilateral co-operation in light of the dynamic changes sweeping the Middle East and North Africa.

5. Nabil Al-Arabi, Secretary-General of the Arab League

Turkey is a decisive power in the Middle East and North Africa: it is the only non-Arab country with observer status in the Arab League. The country is taking an increasingly active role in mediating and resolving regional unrest, and Turkish troops are an integral component of UN peacekeeping operations in southern Lebanon. Commercially, trade with the region is growing rapidly, reaching almost \$30 billion.

SECTION ONE: OVERVIEW

Economic vision to 2023

Ali Babacan, Turkish Deputy Prime Minister

To further sustain rapid economic growth, Turkey needs to implement deep structural reforms to meet the ambitious targets for 2023, the centennial of modern Turkey. What are the government's prospective measures on job creation, integration of social welfare, upgrading of education, rationalising product market restrictions and uplifting the national savings rate?

Macro-economic outlook

Pascal Lamy, Director-General, World Trade Organization or Angel Gurría, Secretary-General, OECD

Turkey's success in achieving fiscal prudence, price stability and controlling exchange rate volatility compares favourably with the fiscal and debt crisis in neighbouring Greece and other European countries. Turkey's next challenge is to tackle its current account deficit; what strategies should it adopt?

Turkey's role in global energy security

Nobuo Tanaka, Executive Director, IEA

Turkey is strategically positioned close to three-quarters of the world's oil and gas supplies. It has to overcome geopolitical, technical and regulatory challenges to realise its ambitions to be an energy hub, not simply a transit country for pipelines.

An emerging global power

Philip Stephens, Associate Editor, FT

Turkey's membership of regional (OSCE and NATO) and international (G20, UN, IMF and the World Bank) organisations, reflects the country's rising global profile. Ranked as the 16th largest economy in the world, Turkey has the potential to reach the top 10 economies by 2050. What structural reforms are required to achieve this goal?

Editor's introduction

Fadi Hakura, Associate Fellow, Europe, Chatham House

Turkey has enjoyed a rapid economic trajectory and a rising international profile over the past 10 years. However, there are still challenges ahead – including an unstable Middle East, a stalled EU accession process and an urgent need for extensive political and economic modernisation.

SECTION TWO: INTERNATIONAL PARTNERSHIPS

Turkey's foreign policy

Ahmet Davutoğlu, Turkish Minister of Foreign Affairs

Turkey's perspectives on international relations are based on 'soft power', 'zero problems with the neighbours' policy and 'strategic depth'. This multifaceted foreign policy stresses economic, political and cultural links with Europe, MENA, Central Asia and Africa.

Europe

José Manuel Barroso, President of the European Commission; or Baroness Ashton, UK Foreign Minister; or Stefan Füle, European Commissioner for Enlargement and European Neighborhood Policy

Turkey has had a customs union with the EU since 1996 and commenced accession negotiations in 2005. Europe accounts for 70 percent of its foreign direct investment and 50 percent of its foreign trade. Yet, the accession process is at a near standstill and political cooperation lags behind bilateral economic integration. At this time of global economic uncertainty and instability in the MENA region, it is vital that both parties re-energise their relationship.

The US

Gary Locke, US Secretary of Commerce; or Ron Kirk, US Trade Representative; or Jose Fernandez, US Assistant Secretary, Economic, Energy and Business Affairs; or Miriam Sapiro, Deputy US Trade Representative

Turkey and the United States conducted nearly \$15 billion in bilateral trade last year – an almost 40% rise from the previous year, and the most trade ever between Turkey and the US. To further this trade relationship, in December 2009, President Obama and Prime Minister Erdogan launched a new strategic framework to strengthen their economic bonds.

Middle East

Paul Salem, Director of the Carnegie Middle East Center

The deepening political, economic and cultural ties between Turkey and the MENA region are undergoing a severe test due to the ongoing regional turmoil. Amidst that turmoil, Turkey is in a strong position to fashion closer ties with MENA countries on the basis of democracy, freedom, human rights and economic cooperation.

Russia

Viktor Khristenko, Minister of Industry and Trade of the Russian Federation

Russia is Turkey's largest trading partner and the source of two-thirds of its gas consumption and 40% of its oil demand. Russian tourism to Turkey is booming and cooperation is expanding to the nuclear field. By mutually cancelling visas, bilateral ties are expected to become even closer.

Central Asia

Asset Issekeshev, Kazakh Minister of Industry and Trade

Turkey enjoys burgeoning relations with Central Asia and an influential position among the Turkish-speaking countries. More than 1,000 Turkish firms operate in the region. Turkish companies have invested approximately \$3.7 billion in the region. The total value of projects completed by Turkish contractors has reached \$15.5 billion.

Asia

Haruhiko Kuroda, President, Asian Development Bank

Turkey's involvement in Asia is focusing on the development of economic relations and security cooperation. China and Turkey, for example, pledged to increase bilateral trade to \$50 billion by 2015, and to cooperate in building a high-speed rail link from Ankara to Istanbul. Similar measures can be seen with other major Asian countries, such as Japan, Indonesia and India.

Africa

Muzong Kodi, Associate Fellow, Chatham House

Turkey's trade with Africa increased from \$9.6 billion in 2005 to \$15.7 billion in 2010. Turkish businesses now invest in the fields of construction and construction materials, textiles, steel and iron production, as well as mining in Africa. Turkish companies are looking to make joint investments with European, American and even Chinese companies to penetrate more African markets.

SECTION THREE: INVESTING IN TURKEY

ISPAT's vision and objectives

İlker Aycı, President, Investment Support and Promotion Agency of Turkey

The Investment Support and Promotion Agency of Turkey (ISPAT) is a one-stop-shop for foreign investors under the authority of the Prime Minister's office. It guides foreign investors through Turkish laws, procedures and permits and acts as a point of contact with all government institutions.

Turkey's investment climate

Justin Vela, Istanbul-based journalist, Business New Europe

Turkey has numerous attractions for foreign investors – a large consumer market, strategic location and political stability – but a degree of local knowledge is required to take advantage of them. This article explains how to navigate the product market regulations, taxation and business culture.

Investment law and the new Commercial Code

Umit Hergüner, Partner, Herguner, Bilgen & Ozeke Attorney Partnership

The Turkish government is committed to streamlining business and regulatory procedures and at the same time promoting the highest standards of corporate governance to attract foreign investment. How has the new Commercial Code improved the business environment?

Privatisation programmes in Turkey

Metin Kilci, President, Turkish Privatization Administration

Turkey is pursuing an ambitious privatisation programme, focusing on the sale of electricity grids and infrastructure assets under the guidance of the Turkish Privatization Administration.

Turkey as a financial centre

Delphine Strauss, Turkey Correspondent, FT or Justin Vela, Istanbul-based journalist, Business New Europe

Istanbul seeks to be a regional financial centre in the Middle East and Eurasia. How does Istanbul plan to compete against its rivals in Qatar, Dubai, Bahrain and Singapore, and what advantages does it have over them?

SECTION FOUR: KEY SECTORS

Financial services

Anthony Hilton, Financial Editor, Evening Standard

Turkey's banking and financial sector experienced a collapse in 2000-2001. After tough prudential reforms and a restructuring of the industry, domestic and foreign banks are thriving in Turkey, and largely avoided the global financial meltdown in 2008-2009.

Information and communications technology

Matthew Brooks, Head of Strategic Analysis & Product Development, Business Monitor International

Opportunities abound in Turkey's ICT sector, from e-learning and distance learning, to the introduction of the next generation of 4G mobile telephony. The market has already attracted major investment from the international operators.

Media

Firat Kayakiran, Reporter, Bloomberg

Foreign penetration of Turkey's media sector is limited to the Fox Channel and joint ventures (CNN Turk, CNBC and Bloomberg HT). This sector offers exciting opportunities to overseas investors after the recent liberalisation of ownership rules raising the maximum permissible non-Turkish stake in a media company from 25% to 50%.

Retail

Adnan Akan, Assurance Partner, Retail and Consumer Products, PwC

Retail has been one of the main growth sectors, due to rising incomes and young demographics – a stimulus that will continue to drive this sector over the next decade.

Pharmaceuticals

Turgut Tokgoz, Secretary-General, Pharmaceutical Manufacturers Association of Turkey

Turkey accounts for around 42% of the total Middle Eastern pharmaceuticals market due to its population and GDP. While the overall pharmaceutical market size is among the top 30 largest in the world, per capita spending on pharmaceuticals in Turkey remains low. The potential for growth is high, compared to more established and mature markets in Western Europe.

Energy, power generation and renewables

Christopher Allsopp, Director, Oxford Centre for Energy Studies

Turkish energy consumption is growing at the second fastest rate in Europe and the country is facing a supply gap. The Turkish government has passed a new renewable energy law and outlined ambitious plans for power generation.

Construction

Cem Sezgin, Partner, Deloitte

Turkey experienced a construction boom during the past eight years, from the explosion of new malls to housing units. Growth potential will be driven by a rising population, increased incomes, young demographics and a still-nascent market for mortgages. Turkish construction companies are among the most competitive in Central Asia and the MENA region.

Transport and infrastructure

Ebru Ozdemir, Chairman of the Board, Limak Investments

Turkey's Prime Minister has outlined ambitious infrastructure projects for 2023: building a third Bosphorus bridge; developing a high-speed rail network; and engineering 'Canal Istanbul', which will link the Black Sea to the Mediterranean. Even if only some of these projects are implemented under the build-operate-transfer (BOT) or other models, the potential seems promising – provided financing can be secured in a challenging global financial environment.

Agriculture and food security

Taylan Atakan, Senior Trade & Investment Manager, UK Embassy in Turkey

Turkey's agricultural production is equivalent to 40% and 20% of EU production of fruits and vegetables respectively. In arable crops, it is a major producer (in EU terms) while in other crops such as chickpeas and lentils, it is a competitive international producer. While Turkey has a far richer endowment of agricultural resources in terms of cultivable land and availability of water than any Middle Eastern country, this sector is in urgent need of regulatory upgrading to realise its optimum potential.

Defence and security

Murad Bayar, Head, Turkish Defence Industries Undersecretariat (SSM)

Turkey is the eighth largest global importer of defence equipment. Its defence equipment expenditure is approximately \$4 billion per year – and is unlikely to be reduced in the near future. Turkey aims to reduce its arms import-dependency and cultivate its own export markets. It is Turkish government policy that defence procurement should, through joint ventures with overseas companies, provide the stimulus for industrial development.

SECTION FIVE: KEY CONTACTS

Directory of useful contacts