MONTHLY BRIEF

TURKEY-U.S.
ECONOMIC OUTLOOK

FEBRUARY
2018

TÜRKİYE ABD İŞ KONSEYİ
TURKEY US BUSINESS COUNCIL
TAİK

DEİK
DIŞ EKONOMİK İLİŞKİLER KURULU
FOREIGN ECONOMIC RELATIONS BOARD

Monthly Brief

TURKEY-U.S. ECONOMIC OUTLOOK

ABOUT DEİK

Foreign Economic Relations Board of Turkey (DEIK) is responsible for leading foreign economic relations of Turkish private sector in a myriad of sectors particularly foreign trade, international investment and services, international construction activities and logistics, exploring inward and outward investment opportunities as well as increasing the export volume of Turkish businesses and coordinating similar business development activities.

ABOUT TAİK

The Turkey-U.S. Business Council (TAİK), operating under the umbrella of the Foreign Economic Relations Board of Turkey (DEİK) was formed in 1985 as the first council, with the aim to enhance trade and investment relations between the U.S. and Turkey.

TAİK operates with a mission to create a platform to facilitate development of economic relations between the U.S. and Turkey through its wide spectrum of activities such as conferences, forums, business summits, lobbying visits, networking luncheons and dinners, educational site visits,etc. With its broad range of activities and worldwide network, TAİK represents a role model for other organizations in pursuit of similar goals.

DIŞ EKONOMİK İLİŞKİLER KURULU
FOREIGN ECONOMIC RELATIONS BOARD

UPDATE ON TURKISH ECONOMY

10.35%

Turkey's annual consumer price inflation has **decreased** from 11.92% in December 2017 **to 10.35%** in January 2018.

$157 Billion

Turkish exports increased by **10.2% annually** and **reached $157 billion** at the end of 2017.

$47.1 Billion

Turkey's annual current account deficit (CAD) stands **at $47.1 billion** at the end of 2017.

10.3%

Unemployment in Turkey was unchanged **at 10.3%** in November 2017.

$26.3 Billion

Turkey's tourism revenues in 2017 were **registered as $26.3 billion,** with a **19% increase** from the previous year.

Inflation: Persistence Prevails

Turkey's annual consumer price inflation has decreased from 11.92% in December 2017 to 10.35% in January 2018. Same downward trend was also visible in domestic producer price increases which peaked at 17.3% in November 2017 to ease down to 12.14% in January.

Domestic demand and growth expectations play significant roles in evaluating inflation dynamics in Turkey. An overview of advance indicators within this framework reveals that growth performance of the economy still maintains its above-the-potential trend. Such a trend necessitates assuming conditions with persistent inflationary pressure fueled by strong domestic demand that leads to fast growth. Current inflationary outlook also deteriorates future expectations and pricing behavior. As a matter of fact, 2018 year-end inflation expectation stands at 9.52% according to the Central Bank's latest survey. The surge of inflationary expectations towards double-digit levels may not only increase upward risks on service inflation – which currently stands at 9.2% – but also impede any downward expectations on core inflation indicators. Despite the latest pullback in headline consumer inflation figures, the annual increase in the B index from 12.28% to 12.31% (as a major indicator of core inflation) confirms the persistence of inflationary pressures. The major trend and endogenous dynamics of consumer inflation series also reveal that decreasing inflation in January is mainly due to base effect, which is also expected to spill-over into February and March. However, the research on the subject suggests that the probability of turning back to single-digit inflation levels until the last quarter of 2018 seems to be rather poor.

In the first Inflation Report meeting of this year, Central Bank also increased its 2018 year-end inflation expectation from 7% to 7.9%, while assuring its determination to maintain tight monetary policy unless a remarkable recovery is visible in the inflationary outlook. In spite of the ongoing criticisms about the rigidity of the monetary policy, the emphasis on tight policy stance regardless of temporary declines in inflation figures is important. The interest rate on liquidity granted via late liquidity window as the main funding instrument continues to stand at 12.75%.

Exports: Market Diversification

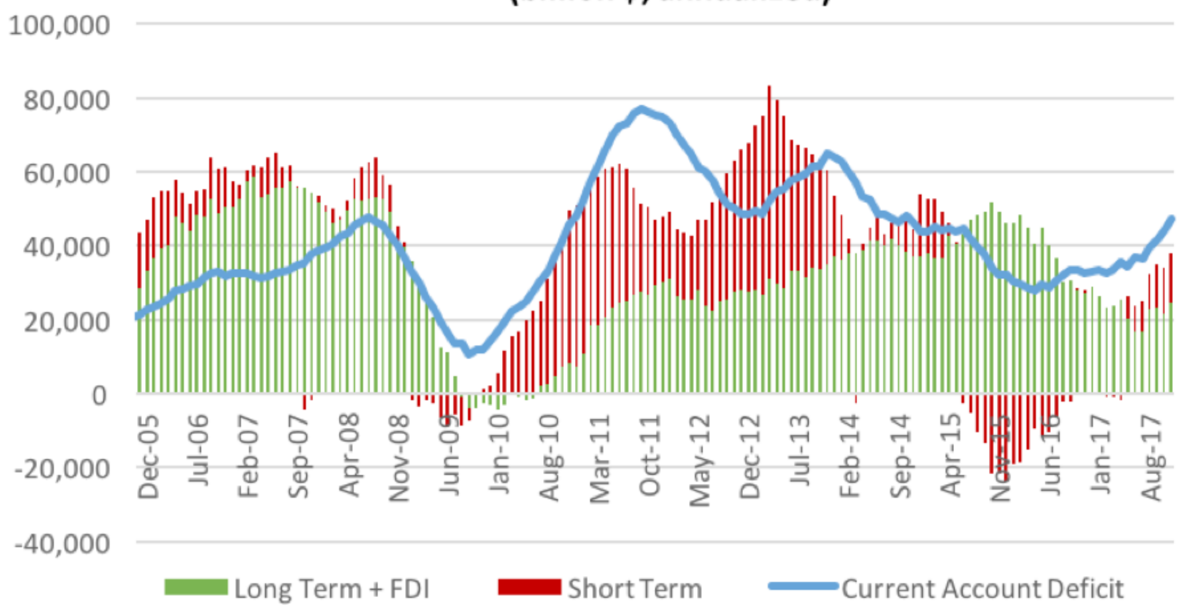
Turkish exports increased by 10.2% annually and reached $157 billion at the end of 2017. The EU continues to stand as the main export market, despite slight slowdown in the growth of exports to this market. Yet, we expect such slowdown to be temporary due to the strong PMI figure as an advance indicator of growth in the EU economy. Rising oil prices are also expected to support Turkish exports on the demand side. A survey conducted by the Turkish Exporters Assembly indicates that 75% of exporters expect increasing export figures in 2018. This rate stands at its highest level since 2013.

Another important finding of this survey is that market diversification in Turkish exports is also in an increasing trend, as 63% of exporters started selling in new markets in 2017. The survey also reveals that, a mere 4.3% of Turkish exporters sell in only one market, which indicate that besides digging deeper into traditional markets, market diversification is now a major strategy pursued by Turkish exporters.

Balance of Payments: Mixed Signals

Annual current account deficit (CAD) stands at $47.1 billion at the end of 2017. This indicates an increase of around $15 billion from the previous year. It is widely believed that such increase is a result of rising domestic demand due to strong economic growth. Even though data regarding the last three quarters of 2017 confirm such belief, a comparison of the whole year with 2016 portrays a different picture. The major reason of this difference is the increase in gold imports in 2017, which seems to be a unique/one-time incident. As a matter of fact, current account deficit arising out of gold trade stands at $11.7 billion. An evaluation of whether the overall increase in CAD is due to strong domestic demand thus requires a further look into the figure excluding gold and energy trade. Accordingly, we see a decrease in CAD - excluding gold and energy - from $10.4 billion to $4.3 billion in 2017.

Current Account Deficit and Capital Inflows (billion $, annualized)



Latest Data: December 2017

Overall capital flows into Turkey were registered as $39 billion in 2017, leading to an $8.2 billion decrease in the official reserves. Capital inflows were on the positive side in the second half of the year. It should however be noted that, inflows mainly accumulated in short term instruments such as stocks and government bonds, indicating a deterioration in the quality of financing. As seen in the chart below, the major issue regarding capital movements is not the increase in short term capital inflows but the stagnant long-term capital inflows. A comparison with 2016 on capital movements reveals a decrease in long-term capital inflows from $28.8 billion to $24.4 billion in 2017, while short-term capital inflows increased from zero to $13.5 billion.

Reform Efforts: Amending Decision No. 32

Turkish private sector's net foreign debt stands at $214 billion as of November 2017. Even though the majority of this debt is long-term, such a high-volume increases concerns for the sector's vulnerability to exchange rate volatility. Such vulnerability is not only considered as a threat to the country's overall financial stability but also increases concerns about systematic bankruptcy risks in times of lira's depreciation.

In order to limit and manage these risks better, the economy administration introduced a new measure, amending "Decision No. 32 of 1989 to Protect the Value of the Turkish Lira", that will become effective on May 2nd 2018. According to this reform, in order to be able to borrow in foreign currency, real sector companies in Turkey either need to have outstanding foreign currency debts above $15 million or must be exporters.

Companies with debts above $15 million are considered large scale and with adequate financial literacy to manage risks. Going beyond, the second phase of this reform – that is expected to go into effect in June – is anticipated to bring hedging requirement for those companies borrowing in foreign currency. Furthermore, companies generating revenues in foreign currency will now be regulated to borrow at a maximum amount of triple the size of their total foreign currency revenues within the last three years. Besides several exception clauses in this new regulation, the major theme of this reform seems to decrease private sector's vulnerability to exchange rate volatility.

This regulation is not only expected to ease the pressure on country's overall financial stability in the medium to long-term, but also anticipated to have significant effects on the short-term macro balances. For instance, companies with outstanding foreign debt that will not be able to borrow in foreign currency under the new regulation need to resort to Turkish lira once their existing foreign-currency loans are due. Such a move will result in a shift to Turkish lira from foreign currency within the overall credit market and hence create an upward pressure on interest rates for loans granted in lira. Furthermore, increasing financing costs for those companies unable to borrow in foreign currency anymore could disrupt their investment decisions. Calculations indicate that the average annual value of credits shifting from foreign currency to Turkish lira could reach 50 billion TL. Nevertheless, we don't expect the short-term effects of this new regulation to put extensive negative pressure on the country's macro balances.

Source: InnoNative Advisors

UPDATE ON TURKEY-U.S. TRADE RELATIONS

$137.5 Billion

U.S. exports of goods in December 2017 **increased by 2.5% to $137.5 billion** compared to previous month.

$210.8 Billion

U.S. imports of goods in December 2017 **increased by 2.9% to $210.8 billion** compared to previous month.

$1.1 Billion

U.S. exports of goods to Turkey in December 2017 **increased by 11.7% to $1.1 billion** compared to previous month. **Total U.S. exports to Turkey in 2017 have been registered as $9.75 billion.**

$817 Million

U.S. imports of goods from Turkey in December 2017 **decreased by 4.4% to $817 million** compared to previous month. **Total U.S. imports from Turkey in 2017 have been registered as $9.91 billion.**

28th

Turkey has been U.S.'s 28th largest export market in 2017. Leading U.S. exporting industries to Turkey in December 2017 have been **aircrafts and spare parts** ($289 million), **iron and steel products** ($110 million), **mineral fuels** ($83 million), **machinery and spare parts** ($76 million), and **electrical machinery, equipment and spare parts** ($51 million) which in total comprise 56.5% of overall exports to Turkey in December.

34th

Turkey has been U.S.'s 34th largest sourcing market in 2017. Leading Turkish exporting industries to U.S. in December 2017 have been **motor vehicles and spare parts** ($147 million), machinery and spare parts ($98 million), **carpets** ($50 million), **iron and steel products** ($37 million), and **natural stones** ($29 million) which in total comprise 44.2% of overall exports to the U.S. in December.

47.3%

Texas ($1.5 billion), **California** ($852 million), **Washington** ($834 million), **New York** ($794 million), and **Louisiana** ($626 million) have been the **leading states in exports to Turkey** in 2017 which **in total comprise 47.3% of American exports to Turkey** for the whole year.

49.2%

California ($1.4 billion), **Texas** ($954 million), **New York** ($897 million), **New Jersey** ($878 million), and **Georgia** ($506 million) have been the leading states in imports from Turkey in 2017 which **in total comprise 49.2% of American imports from Turkey** for the whole year.

Source: InnoNative Advisors

LATEST DEVELOPMENT PLAN TO SERVE TURKEY'S GOAL TO ENTER TOP 10 GLOBAL ECONOMIES

Focused on its development goals toward 2023, Turkey unveiled the latest development plan that was prepared in due consideration of the country's recent achievements in areas such as economic growth, exports and inflation.

Covering a four-year period from 2019 to 2023, the plan was introduced in a ceremony at the Presidential Complex with President Recep Tayyip Erdoğan and Prime Minister Binali Yıldırım in attendance. In the preparation process for the 11th Development Plan, 43 specialized commissions and working groups and more than 3,500 experts participated. Moreover, a total of 27,500 individuals have so far been surveyed while setting the overall plan.

Poised to be completed in June, the plan will start to be carried out in 2019 and it is projected to include education and employment policies for the transformation and improvement of human capital. The plan targets to ensure a $2 trillion gross domestic product (GDP), raise per capita income to $25,000, achieve $500 billion in exports, lower unemployment to 5 percent and permanently reduce inflation to single digits.

Speaking at the ceremony, President Erdoğan elaborated on Turkey's development journey since 2002 and highlighted the country's 2023 vision which he said is the most concrete example of planned development. "We have set the goal to become one of the top 10 global economies by 2023," he said.

Since 2002, Erdoğan underscored, the government has focused on the development and improvement of Turkey's natural resources while accomplishing energy investments required by fast industrialization. "The fact that governments since 2002 have raised the per capita income from $3,500 to around $11,000 is a historic success," he said.

Explaining the development story of Turkey during the last one and half decade, the president informed that the amount of public investments was 17 billion Turkish Liras ($4.5 billion) in 2002 but the figure jumped to 128 billion Turkish Liras in 2017. In terms of public-private partnership (PPP) projects, a total of 67 projects worth $11.4 billion were delivered from 1986 to 2002. The number of PPP projects from 2002 to 2017 have totaled to 158 while their value was calculated at $50.6 billion. The PPP projects accomplished over the course of this period include the Marmaray and Eurasia tunnel.

While Turkey will continue its diversified economic development program with a focus on digital transformation and technology-intensive industrial production, it will also keep carrying out renewable energy projects to respond to the needs of growing industry and population, President Erdoğan said.

In 2002, Turkey's GDP was $236 billion but the figure saw an immense increase and reached $863 billion. This growth performance, the president said, created 8.3 million additional jobs. Again 15 years ago, the ratio of budget deficit to national income was 11.3 percent, which fell to 1.5 percent in 2017. Moreover, the interest expenditures also made up 14.4 percent of the national income and in 2017 the ratio fell to 1.8 percent.

Erdoğan emphasized that the government does not limit development to only the economic field, but also cares about social and spiritual development. He stressed that Turkey has succeeded to put the development approach in a human-focused framework.

"We invested in both the physical infrastructure and in our people. We are now moving from the vicious circle of yesterday's textile and agro-based industry to a technology-intensive industry. We need a breakthrough that will increase the share of high-technology-based production in the industry.

While carrying out energy investments, on the other hand, we are also trying to develop our natural resources," Erdoğan said.

He also elaborated on the defense industry, underscoring that the rate of domestic resources in the defense industry, which was 20 percent in 2002, has now reached over 65 percent. "We need to be able to produce unmanned tanks and we will do that as well. We are already producing many weapons," he added.

Turkey has been heavily investing in the defense industry and has substantially increased the number of defense projects over the last 15 years while also increasing the rate of domestic production whereby local resources are used in the development of defense projects and equipment. The number of defense projects, which was 66 in 2002, has now increased to 600, while the size of these defense projects has reached $60 billion.

External dependency, which was around 80 percent 16 years ago, has also rapidly declined with the nationalization of projects. Turkey's defense industry has around $6 billion production and $2 billion export capacity.

TURKEY AIMS TO RAISE E-COMMERCE VOLUME TO OVER $13B

Turkey aims to raise its e-commerce volume to 50 billion Turkish Liras (around $13.14 billion) by the end of 2018, Emre Ekmekçi, chairman of the Association of E-commerce Operators (ETID), has stated.

The country's e-commerce volume was 30.8 billion Turkish Liras (some $10.16 billion) in 2016 according to the Informatics Industry Association (TUBISAD), and 40 billion Turkish Liras (some $10.95 billion) was predicted for 2017.

Worldwide retail e-commerce sales reached nearly $2 trillion in 2016 and are estimated at $2.35 trillion for 2017 and to reach $2.86 trillion in 2018, according to market research firm eMarketer. "We expect an increase of 30-35 percent in the sector this year," the firm stated. Global e-commerce rose 23.7 percent in 2016 and 22.9 percent in 2017, according to eMarketer data. Ekmekçi said online shopping in Turkey has seen constant growth and will be an inseparable part of consumer life.

"Several retail trade firms had a digital transformation in Turkey, and the digitalization of retail trade raises the sector and contributes e-commerce culture to the country," he stressed. E-commerce's share of the total trade sector in Turkey is 3.5 percent, Ekmekçi said, adding: "Although e-commerce in Turkey is moving upward, this rate is under the world average but we aim to reach the world average in the years ahead."

Retail e-commerce sales' share of total retail spending worldwide in 2016 was 8.7 percent, 10 percent in 2017, and it will reach 14.6 percent by 2020, according to eMarketer. Turkey's e-commerce sector employs nearly 200,000 people in various areas, such as digital marketing, information technology, and logistics.

KANAL ISTANBUL TO BECOME TURKEY'S NEW TOURISM ATTRACTION CENTER

Tourism professionals have set their eyes on Kanal Istanbul, which is currently one of the largest projects in Turkey and one of the key megaprojects within the scope of the government's 2023 development goals.

Kanal Istanbul will relieve sea traffic on the Bosphorus, tourism professionals said, emphasizing that besides eliminating risks on the Bosphorus, it will enable yachts and tourist boats to move more easily.

A key among the government's 2023 goals, Kanal Istanbul will create a new tourism center of attraction for Istanbul, according to tourism professionals, who suggested that new congress centers, conference halls, marinas, hotels and a new city silhouette determined to be built there with Anatolian Seljuk motifs will lure tourists.

The project should be a tripod, tourism professionals suggested, indicating that one of the biggest shortcomings of Istanbul was the cruise port. They said even though the Galataport project being carried out in Karaköy, a historical district in Istanbul, will reduce this deficiency, it is not enough. Pointing out that work on the new cruise port in Yenikapı should begin as soon as possible, they think the Istanbul New Airport, the Yenikapı Cruise Port and Kanal Istanbul projects should be integrated, leading cruise ships to go to the Black Sea, thus increasing cruise tourism in the Marmara and the Black Sea regions.

The Kanal Istanbul project has created great excitement in the tourism sector, according to Turkish Travel Agencies Association (TÜRSAB) Secretary General Çetin Gürcün, who said that the Bosphorus would be used more actively for tourism once the project is in use. Gürcün emphasized that cruises will be able to approach more easily with the project, suggesting that increased cruise tourism would significantly contribute to Istanbul's tourism revenue because the tourist profile of this group spends at least three times compared to a normal tourist.

"A lot of things will change for Turkey and Istanbul with the opening of Turkey's mega project Kanal Istanbul," Firuz Bağlıkaya, new Chairman of TÜRSAB (CEO of Detur at the time of the news article) said. Bağlıkaya indicated the attention of the world would turn to Turkey with the project being put into operation. "With revenue of $100 billion and the employment of 1.5 million in five years, the project will greatly contribute to the promotion of Istanbul and thus the promotion of our country, which otherwise we would not be able to achieve with advertisement," he said. Istanbul has the capacity to host around 25 million tourists, Bağlıkaya said, adding that the city welcomed around 11 million tourists in 2017. "Istanbul will reach a figure of 50 million tourists within five years of the commissioning of Kanal Istanbul, and we predict it will by far be the most visited city in Europe," he added.

Pointing out Kanal Istanbul's closeness to the Istanbul New Airport that will be opened this year, Bağlıkaya stressed that from this aspect; it would become a center of attention for investors as well. "Along with the yacht ports, sports and culture areas, shopping and exhibition centers that will take place within it, the project will have a major contribution to the increase in per capita tourism revenues because it will become a center of attraction for foreigners with high income levels. Istanbul tourism will become a star of world tourism by achieving a brand new dimension with this project," Bağlıkaya concluded.

On the other hand, the spokesman for the Platform of Tour Operators, Cem Polatoğlu, pointed to the necessity of Kanal Istanbul in terms of security.

Indicating that he himself is a graduate of Istanbul Technical University (İTÜ) Shipbuilding and Marine Sciences Faculty, he emphasized that the volume of newly built ships in the world was growing each passing day. “When these ships cannot find a space to maneuver easily, their rudders are locked up, which is dangerous. The passage of big ships through the Bosphorus is really becoming a big risk. I really attach importance to this Kanal Istanbul project,” Polatoğlu said. Speaking of the economic contribution of the project, Polatoğlu said: “If Egypt’s Suez Canal earns $24 billion a year, our income will be at least twice as much. If we even get half of it, our national income will increase significantly.”

Polatoğlu also pointed to the cruise port planned in Yenikapı, stating that it should be integrated with Kanal Istanbul and Istanbul New Airport. Underscoring that cruise ships with 6,500 people cannot come to Istanbul at the moment, Polatoğlu said that when the Yenikapı port project and Kanal Istanbul are completed, big cruise ships coming to Yenikapı would pass through Kanal Istanbul and reach the Black Sea. Explaining that large cruise ships are seeking new destinations, Polatoğlu said: “The Black Sea is in the focus of their interest; however, they cannot go there due to lack of a port and the difficulty of passing through the Bosphorus. This is why the world’s leading cruise companies have their eyes on this project.”

TURKEY MUST DIGITALLY TRANSFORM ITS INDUSTRY: DEVELOPMENT MINISTER

Turkey should digitally transform its industry to boost competitiveness, Minister of Development Lütfi Elvan said on Feb. 22.

Speaking to state-run Anadolu Agency, Elvan noted that many big companies in the world do not have large buildings and factories but are still able to create more added value than factories with thousands of workers. “We must realize the industry’s digital transformation to boost our competitive power,” Elvan said.

He noted that new technologies and the use of big data enabled people to better understand what products are in demand and what particular markets request what kind of products. “Many huge companies in the world don’t have big buildings and factories but they create more added value than factories where tens of thousands of people work. So we should certainly realize the industry’s digital transformation to boost our competitive power,” Elvan said.

“First of all our current industrial plants should be transformed. Secondly, any new plants that are established should have an infrastructure that enables digital transformation in industry,” he added. The minister also pointed out the importance of qualified people, arguing that the digital transformation in industry would be realized by humans despite advances in artificial intelligence. “Robots will play an increasingly large role in production in the near future. This transformation will not increase unemployment if a qualified workforce can be formed,” Elvan said. “We should organize more training programs to train more qualified people. Departments in Turkish universities should be transformed and diversified accordingly,” he added.

TURKEY'S INDIGENOUS CARS TO BE READY FOR SALE BY 2021: TURKISH PM

Prime Minister Binali Yıldırım on Feb. 25 said the prototype of Turkey's first indigenous automobile would be ready next year and sales would begin in two to three years.

"The prototype of Turkey's first indigenous car will be ready in 2019 and mass production will be completed in 2020-2021," Yıldırım said at a provincial congress of the ruling Justice and Development Party (AKP) in the northwestern province of Bursa. "As the government, we will further increase our production capacity, competitiveness, and research and development capacity. By accelerating technology transfer, we will produce more domestic products," he added. Turkey launched a joint venture to produce its first domestically-produced car in November last year.

Five local firms — Anadolu Group, BMC, Kıraça Holding, Turkcell, and Zorlu Holding — will jointly manufacture Turkey's first car. Yıldırım underlined that Turkey continued to grow and develop "at a time when even the strongest economies of the world are hit by a crisis." "The record economic growth in 2017 continues with an increase in exports and employment," he said.

Last year, Turkey's economy expanded 5.3 percent in the first quarter and 5.4 percent in the second. In the third quarter, the economy became the fastest-growing among G20 countries, showing a double-digit — 11.1 percent — growth performance.

TURKEY SHOULD 'DANCE WITH NEW TUNE' IN INDUSTRY: TÜSİAD CHAIR

Turkey should "dance to the new tune in the industry," the head of the Turkish Business and Industry Association (TÜSİAD) has said, pointing to a need for digital transformation.

"When the tune changes, the dance should change as well. The tune has changed in the industry. And we need to dance in harmony with the new tune. Thus, we will stay on the floor or we will slide off," TÜSİAD chair Erol Bilecik told in an interview on Feb. 26.

"We believe that the digital transformation of the industry will be a key factor in increasing the global competitiveness of Turkey," he added. "Currently, the average education attainment level of the labor force is eight years. Turkey is like a secondary school graduate whereas its competitors have gone to university. Changing the situation is a must," he also said, emphasizing on the need to provide value-added skills and opportunities for innovational careers and development for the future generations.

TÜSİAD estimates the annual gross domestic product (GDP) growth rate for 2017 at 6.9 percent. "I think it is better to be open to new surprises in economic forecasts, especially when you are in a

region like ours. Our growth rate expectation is 4.5 percent for this year," he said, calling it a "balanced growth."

They expect the year-end inflation rate to drop just below the two-digit level, 9.8 percent, although this estimate is much higher than the target the Turkish Central Bank has specified.

The TÜSİAD chair also expressed the organization's support for Turkey's ongoing military operation in Syria's Afrin district launched on Jan. 20, defining it as a "preventive operation against terrorism. "When reminded that TÜSİAD's calls for the end of the state of emergency were criticized by the government, he asked: "If the state of emergency was not declared, could we get more foreign investments and could the growth rate of Turkey be higher?"

CINER GROUP OF TURKEY OPENS GIANT 'ELECTRICITY GENERATION PLANT' IN KAZAN, ANKARA

Thanks to the newly built "Electricity Generation Plant" of Turkey's CINER Group in Kazan (Ankara), Turkey has now become the world leader in the field of soda ash production.

Ciner Group, which has made a total investment of $3.5 billion in Turkey in the last 5 years, has put its new $1.5 billion facility into operation. Kazan Soda Elektrik Üretim A.Ş. (Kazan Soda Electricity Production Co.) will produce soda ash which ranks the tenth among chemicals with largest trading volumes in the world, totaling up to $ 15 billion. This investment has also upgraded Turkey's rank to leader position in this sector, globally.

Kazan Soda Company aims to create an employment of 2,200 jobs in total with this investment capable of 2.7 million tons production of soda ash. The plant has Turkey's largest capacity cogeneration facilities with 380 MWe and 400 tons of steam production. The factory will contribute substantially to Turkey's current account deficit with its domestic production by meeting 14 percent of the total need in the world, alone. While the soda ash product is produced from the mineral resources which are completely domestic, all of the production will be exported abroad. The volume of exports, with 100 percent added value, will reach 600 million dollars.

A LOOK AT THE TURKISH MARKET: THE SECRET OF LEADING COMPANIES IN THEIR SECTORS

As in all countries with free market economy Turkey has experienced a tough competition between private sector companies for many decades now. Some have not been able to stand the ruthless rules of economy and left the market while some others have enjoyed the results of a successful performance and secured their positions as leaders in their business sectors.

Among the second group are companies such as Arçelik, Assan Aluminum, Turkish Tractor, Marmara Birlik, LC Waikiki, Vakko, Beymen and many more. These companies have been in the lead in their sectors for many years now and obviously have no intention of handing over the flag to their competitors.

When asked about the reason for their success the answer is quite plain and equally satisfactory: They have learned to value innovation and maintained customer-focused approaches for a long time. Most importantly, they have managed to work harder and stay fit as compared to their competitors. No doubt, they still do… And the future goal of these "leader" companies is to enlarge the gap with their competitors.

As referred above there are many strong brands in Turkey that have been net leaders in their sectors for many years. Undoubtedly, in the last 10-15 years, new successful brands have been added to the existing ones such as LC Waikiki in ready-to-wear sector, Kinetix in sports shoes sector, BİM in supermarket sector and many more.

It is not a coincidence that these brands have been able to keep their positions for such a long time. Uninterrupted leadership requires hard work, good planning, innovation and customer-focused operation. When we look into the issue to understand the influential factors behind the picture we come up with following: Large gaps between companies are difficult to see in sectors with dense competition whereas in sectors where there is a strong penetration by new companies the leader can enlarge the gap with its competitors.

It is observed that many companies which are net market leaders have had a very stable profile about leadership. For instance, İşbank has been the market leader in banking sector for almost a century, now. Ülker and Koska have been leaders in chocolate and dessert sectors for over 50 years. Arçelik on the other hand has been the leader in the market for durable consumer goods for 60 years etc. When asked about their success the managers of these companies say that the investment made in innovation and R&D is among the most important factors that provide sustainable leadership in the market.

As far as technology companies are concerned in specific, it is considered to try to catch the technology before late not to lose competitive advantage. On the other hand it goes without saying “first in the market advantage” is very vital, provided innovation and new technologies are always followed regardless of how old the company is.

To recap, Turkish market is a very difficult market as it is price oriented with endless alternatives for a consumer group hungry for new technologies and goods.

THE IMPORTANCE OF FOREIGN DIRECT INVESTMENTS FOR TURKEY

The importance of Foreign Direct Investment (FDI) continues to increase each and every year for developing countries, including Turkey.

The concept of Foreign Direct Investment has rather developed towards the services sector, in our world today. When we look at the foreign investments realized in Turkey today, we rather see privatizations, corporate mergers and acquisitions of real estate which really supports the above observation. Regarding Turkey’s investments abroad on the other hand, the importance of the industry sector is still valid and in fact it is as important as the investments made in the service sector.

As for the reason why it is so vital we can name several major points as follows: The most important reason for this is the advantages that FDI provides for the host country. Additional foreign resources (finance) provided by FDI has the highest impact. This resource could be the capital the investing party brings to the country or else the profits they leave in the country for further investment. This is exactly the reason why both developed countries and developing ones make great efforts to attract FDIs.

Nevertheless, FDIs could have some negative impact on the host country’s economy as well, such as monopoly situations created by the investing companies causing unfair competition conditions to damage local establishments lacking the capacity and ability to survive tough competition.

On the other hand, one point is very important for foreign investors to be motivated for such ventures and in fact it is more important than high profitability: The host country must be able to offer an environment of political and economic stability. Unluckily, despite all the economic charm it possesses, Turkey has been considered among countries to have fallen short of this performance by some.

Nevertheless Turkey has been trying its best to draw FDIs by introducing many tools such as liberalization of markets, investment discount, free land allocations, tax reduction and similar incentives.

UPCOMING EVENTS

37TH ATC-TAIK ANNUAL CONFERENCE ON U.S.-TURKEY RELATIONS

The Turkey – U.S. Business Council (TAİK) & American Turkish Council's (ATC) flagship event is the Annual Conference on U.S.-Turkey Relations. Held every year in Washington DC, the Conference convenes hundreds of U.S.-Turkey stakeholders and thought leaders to address key commercial and diplomatic topics between the two countries.

37th ATC-TAİK Annual Conference on U.S.-Turkey Relations will be held between at the Trump International Hotel, Washington D.C.

Please visit **http://atctaikconference.com/** to take advantage of the discounted rates.

9TH TURKEY INVESTMENT CONFERENCE

9th Turkey Investment Conference, organized by the Turkey-U.S. Business Council (TAIK), will take place in New York.

This forum is principally designed to bring highly regarded Turkish opinion leaders, senior government officials, and corporate executives together with institutional investors interested in better understanding the investment landscape in Turkey.

9th Turkey Investment Conference New York, NY

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Hurriyet Daily News

InnoNative Advisors

Invest in Turkey

Reuters

The Independent

USA Today

Voice of America

Washington Post

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