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Turkey – the Gateway to Business in Central Asia and the Middle East

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**Turkey:
The Gateway to Business
in
Central Asia and the Middle East**



**Dr. Murat Yulek
Columnist, Dünya**

Organization

- Central Asia and Middle East: A Broad Outlook
- A Selective Overview of Turkish Economy
- Turkey: Gateway to Business in Central Asia and the Middle East

Central Asia
and
the Middle East:
A Broad Outlook

Central Asia and the Middle East: A Broad Outlook



Central Asia and the Middle East: A Broad Outlook

Coverage:

- CA: (Turkic Republics): Azerbaijan, Kazakhstan, Tajikistan, Kyrgyzstan, Uzbekistan
- ME (+NA): Gulf (S. Arabia, UAE, Oman, Bahrain, Kuwait, Yemen), Syria, Iraq, Jordan, Egypt, Libya, Tunisia, Algeria, Morocco

Central Asia and the Middle East: A Broad Outlook

- A total economy of close to USD 1,5 trillion
- High economic growth due to oil boon and/or inward investment (e.g. Egypt, Dubai)

Central Asia and the Middle East: A Broad Outlook

- Demographic gift
 - Young and large population
 - Improving education and human resources
- Natural resources; oil, gas, agriculture, water
- Large accumulation of wealth in various countries due to oil boon
 - Azerbaijan, Kazakhstan, Gulf Countries, Libya, Algeria
- Spill over potential (from neighborhood) for other countries (e.g. Syria, Lebanon, Egypt)

Central Asia and the Middle East: A Broad Outlook

- Visionary and daring leadership (e.g. Dubai)
- Good use of oil money
 - Fiscal and current account surpluses
 - Public debt repayment
 - Investment in human and physical infrastructure

Turkish Economy: A Selective Overview

Turkish Economy: A Selective Overview

□ **Large Emerging Economy...**

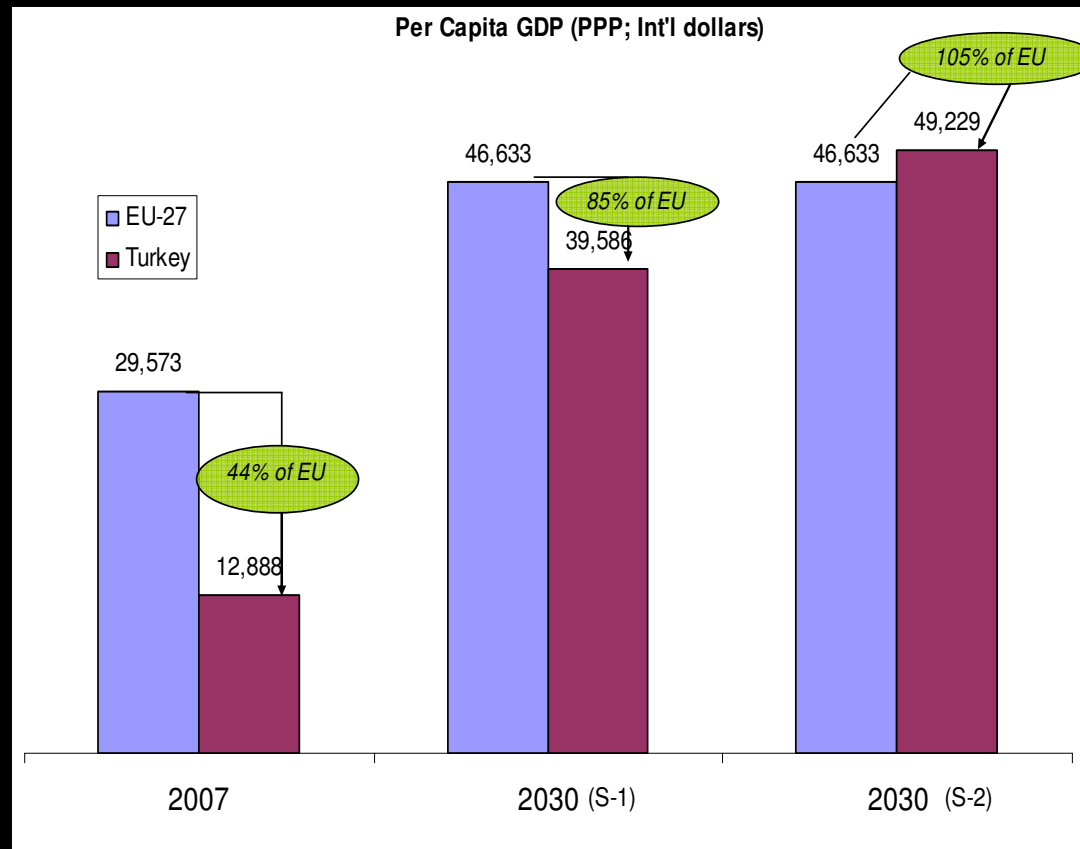
- 17th largest economy of the world
- GDP (2007): USD 659 billion

□ **... with relatively low per capita income**

- GDP per capita: USD 9,336

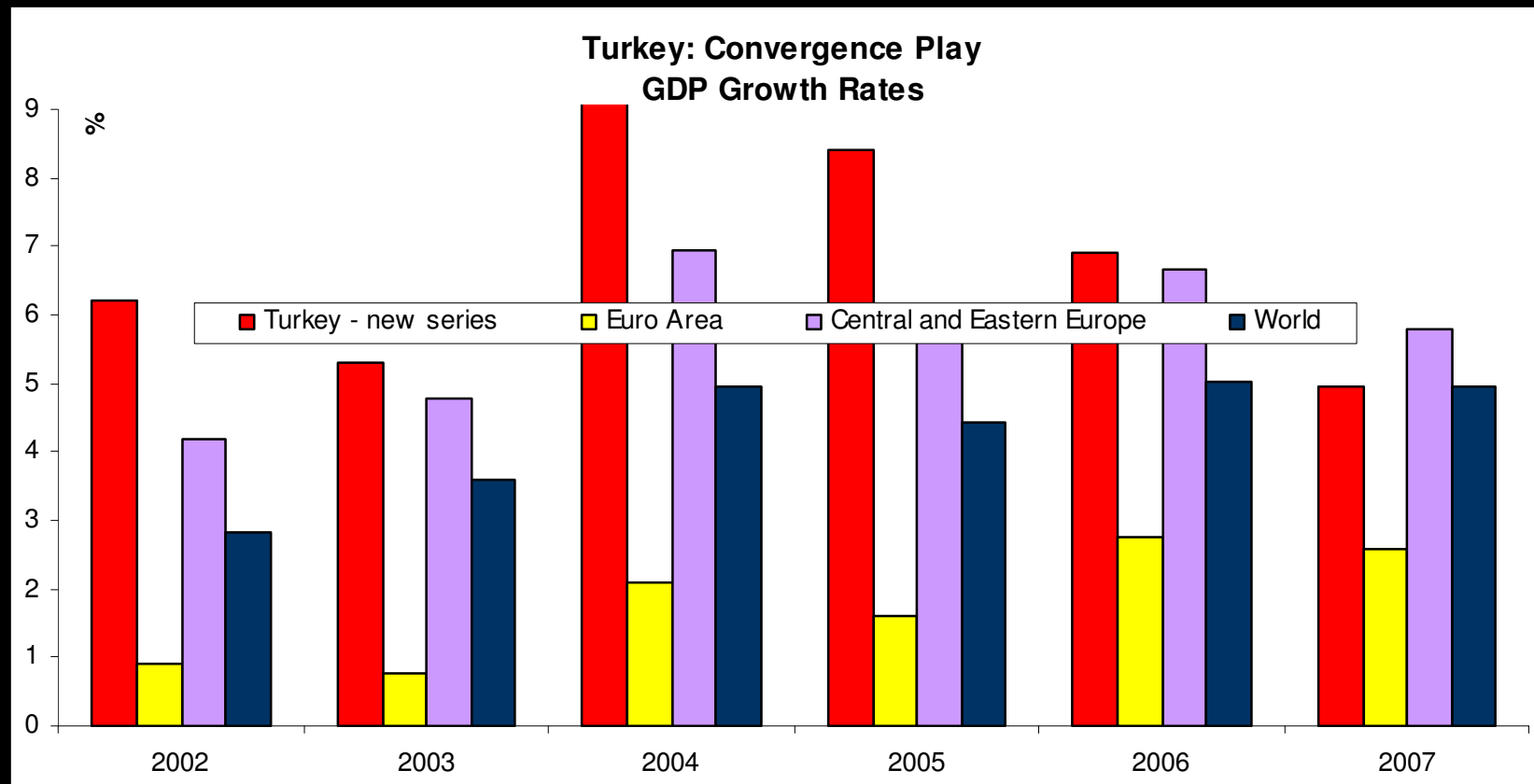
Turkish Economy: A Selective Overview

- ...which means high growth potential



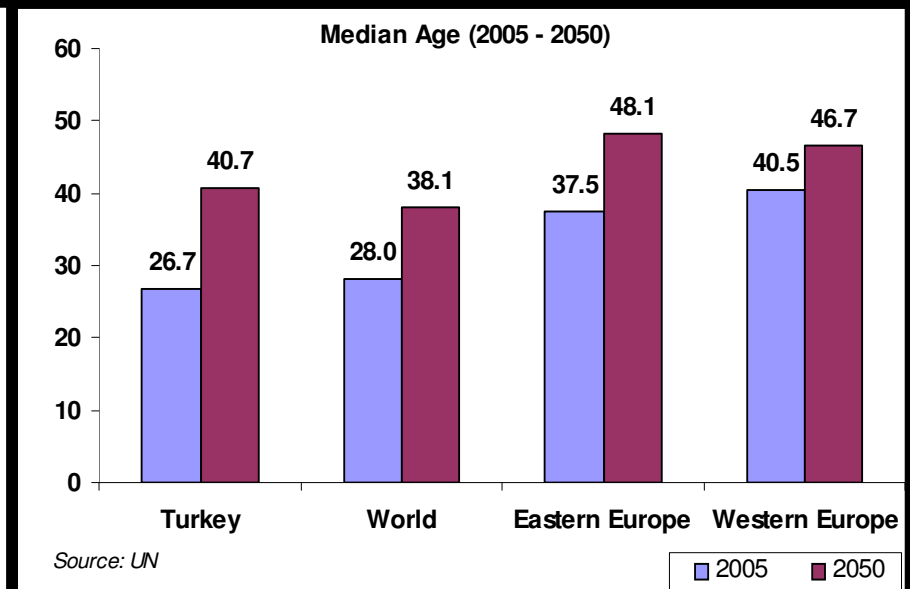
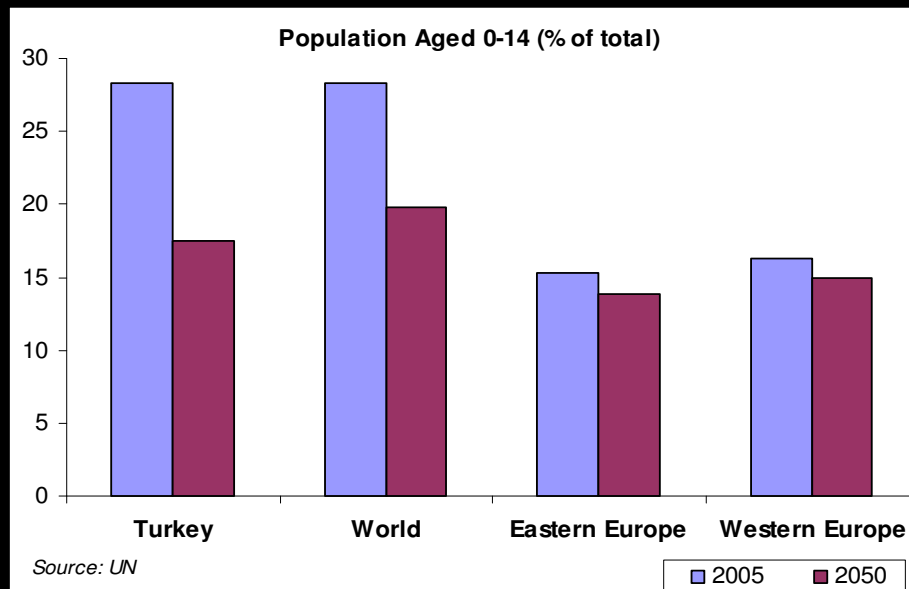
Turkish Economy: A Selective Overview

- ...which in turn means high growth potential (cont'd)



Turkish Economy: A Selective Overview

□ ...and favorable population dynamics



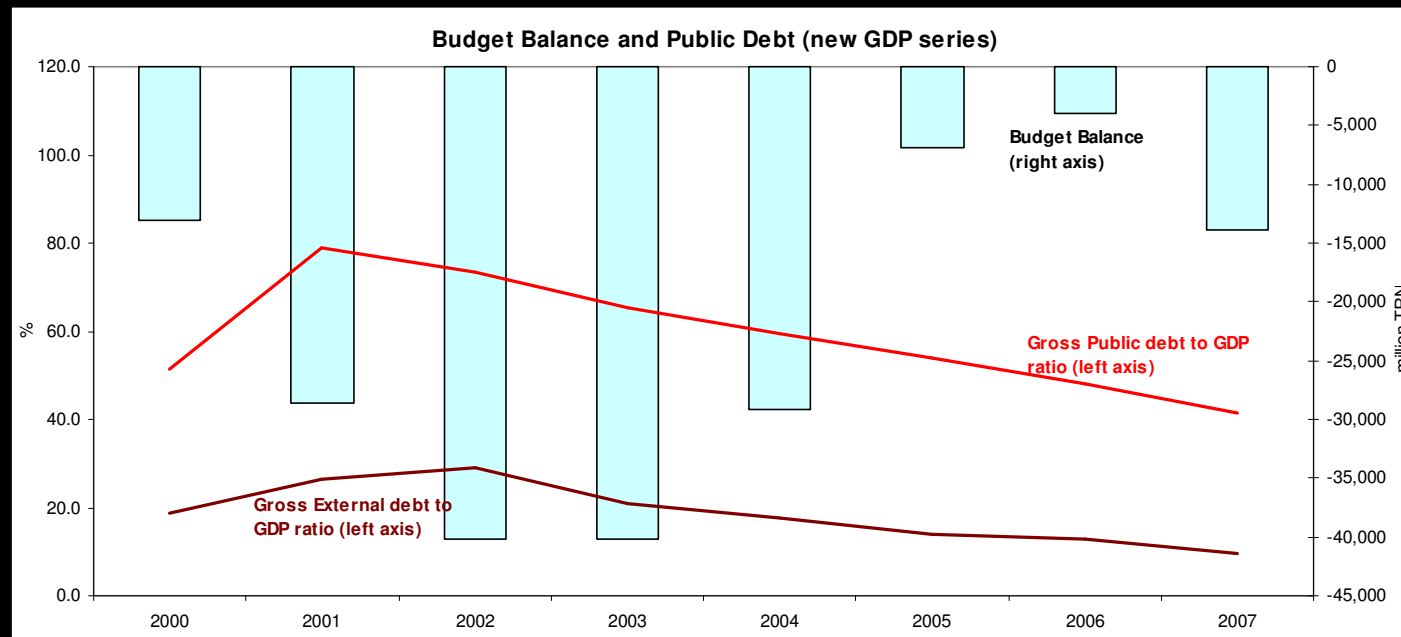
Turkish Economy: A Selective Overview

- **Large, young and growing population: a major economic push factor**
 - Educated manpower
 - 12 million K-12 students
 - Over 200,000 university graduates (2 and 4 years) per year
 - Large population: 71 million
 - Young population
 - Median age: 28.3 years (2007)

- **Pent-up demand: a major economic push factor**

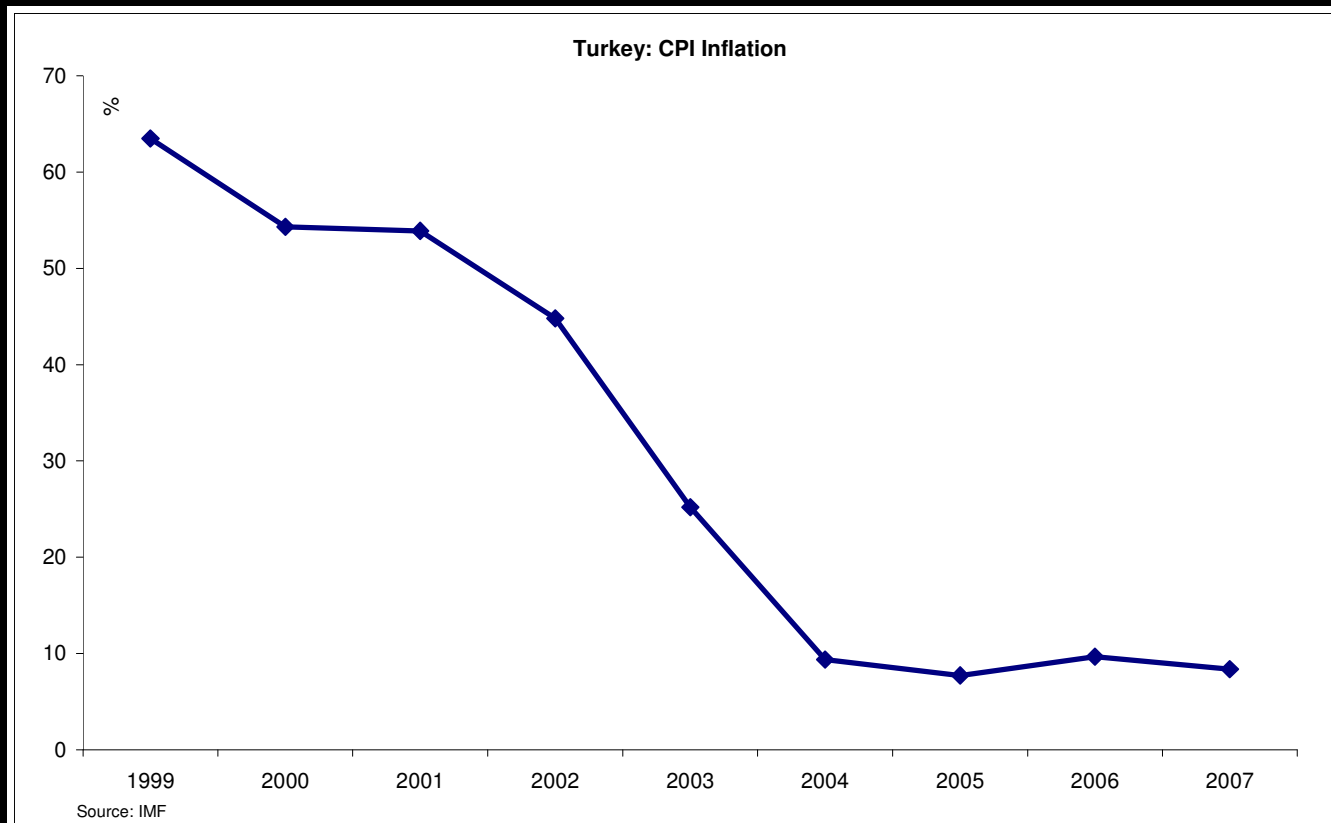
Turkish Economy: A Selective Overview

□ Under responsible monetary and fiscal policies



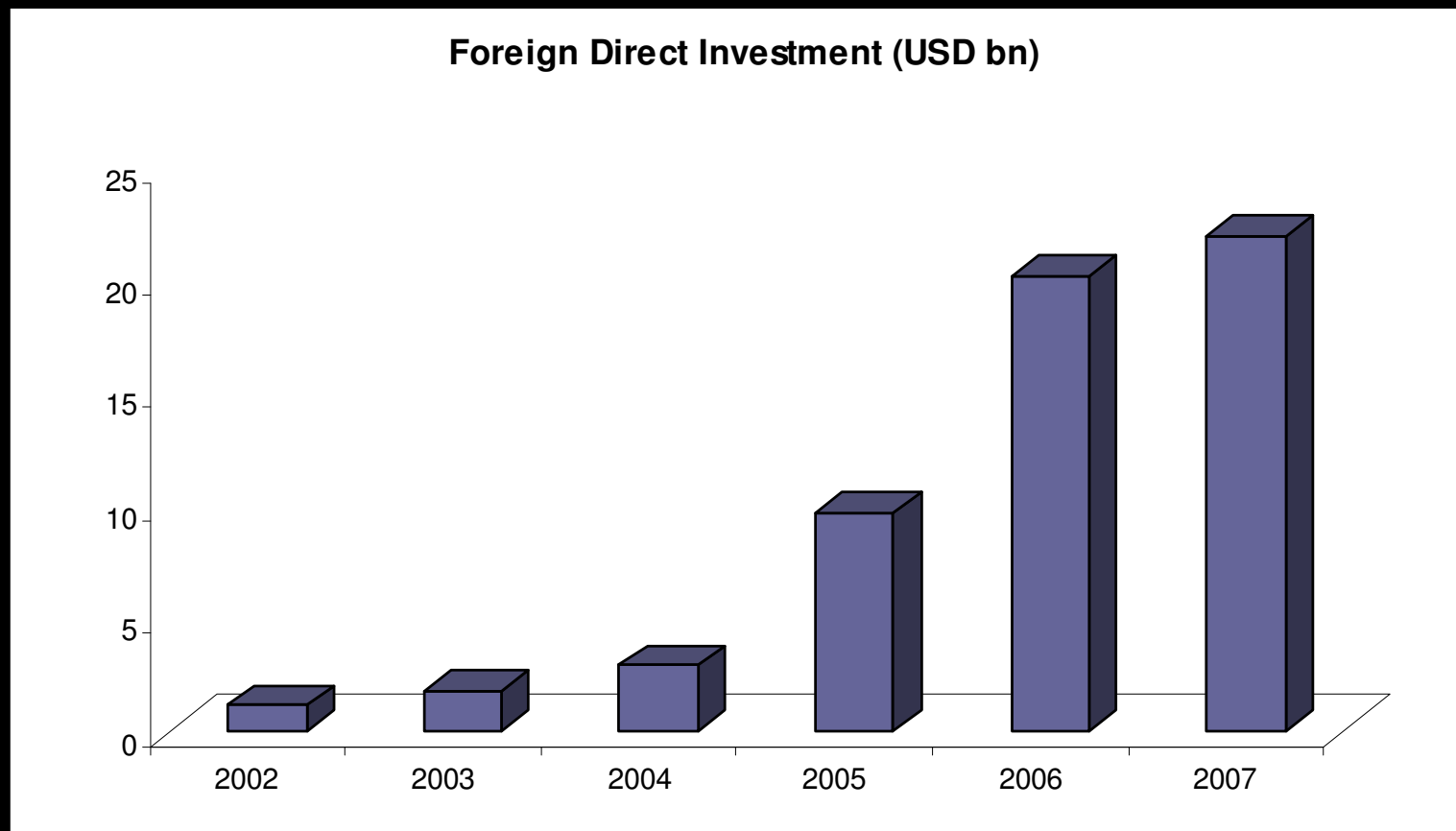
Turkish Economy: A Selective Overview

□ ...inflation has slowed down



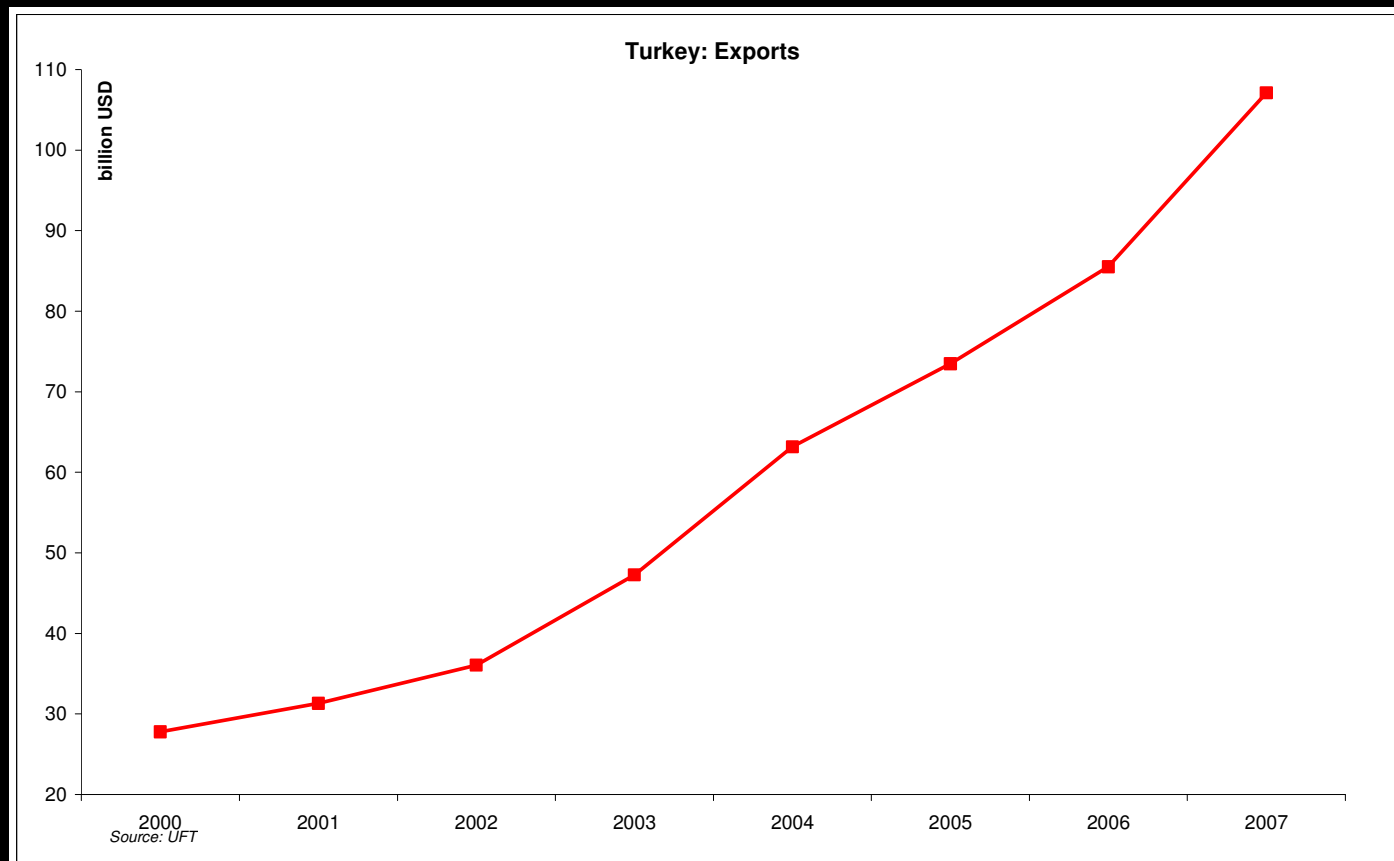
Turkish Economy: A Selective Overview

□ ...foreign direct investment boomed



Turkish Economy: A Selective Overview

□ ... with exports also booming



Turkish Economy: A Selective Overview

- **...especially in industrial goods (85 % of total)**

Top exports:

- Textiles
- Automotives
- Machinery (electrical, non-electrical)
- Others (vessels, jewellery, processed food etc)

Turkish Economy: A Selective Overview

... accompanied by structural reforms...

- ❑ **Strengthening of banking regulation and supervision**
 - New banking law
 - Establishment of BRSA
- ❑ **Central Bank law/independence of the Central Bank**
- ❑ **Reform of the social security system**
- ❑ **Reform of agricultural subsidy system**
- ❑ **Improvements in investment environment**

Turkish Economy: A Selective Overview

□ **Liberalized economy and financial sectors**

- Direct state intervention (pricing) minimal in most sectors
- Similar in financial sector

□ **Sizable financial sector**

- Banking sector total assets: USD 540 billion (82 percent of 2007 GDP)
- Emerging Stock Exchange
 - **Stock Market Capitalization USD 200 billion (30 percent of 2007 GDP) (Down from USD 288 billion at end-2007)**
- Large government securities market

Turkish Economy: A Selective Overview

Some other highlights...

- ❑ **World's 18th largest and Europe's 7th largest automobile manufacturer;**
- ❑ **World's 8th largest and Europe's 3rd largest light commercial vehicle producer**
- ❑ **Largest cement producer in Europe and 7th in the world**
- ❑ **Second largest producer of glassware in Europe and 4th in the world**
- ❑ **Second largest textiles exporter to Europe**
- ❑ **Largest leather exporter in the world**
- ❑ **Among largest producers or exporters of many agricultural products**
 - Olives / olive oil
 - Tomatoes / tomato pastes
 - Cotton, hazelnuts, chickpeas, figs, apricots, wheat, etc.

Turkish Economy: A Selective Overview

Negative aspects also exist

□ High taxation

- Corporate tax rate reduced to 20 percent but indirect taxes are prominent. E.g.

- On oil consumption

- 'Luxury' consumption: alcoholic beverages, cigarette

- GSM

□ Improving but still cumbersome bureaucracy

□ History of instability (economic/political): improved a lot but still remembered

□ Relatively high current account deficit/appreciated currency

Turkish Economy: A Selective Overview

Turkey is a top international tourism destination...

Tourist Arrivals (2007)

	Million tourists
France	81.9
Spain	59.2
USA	56.0
China	54.7
Italy	43.7
UK	30.7
Germany	24.4
Turkey	22.2
Austria	23.1
Mexico	21.4

Turkish Economy: A Selective Overview

... and the tenth largest tourism revenue generator in the world

Tourism Revenues: Top 10 Countries (2007)

Billion USD

USA	96.7
Spain	57.8
France	54.2
Italy	42.7
China	41.9
UK	37.6
Germany	36.0
Phillipines	22.2
Austria	18.9
Turkey	18.5

Turkey:
Gateway to Business in
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Middle East

Turkey: Gateway to Business in Central Asia and the Middle East

- Close links with Central Asia and the Middle East
 - Political
 - Trade/Investment
 - Historical
 - Ethnical
 - Religious
 - Language

Turkey: Gateway to Business in Central Asia and the Middle East

Close links with Central Asia and the Middle East

□ Political

- One of the first countries to recognize Central Asian Republics
- Increasing frequency of visits between Turkey & Central Asia and Turkey & Middle East
 - Recent visits of King Abdullah
 - Peace process Syria-Israel
 - Joint projects with Central Asian Countries (especially with Azerbaijan)
 - Turkey active member of OIC, BSCO, ECO (ex-RCD), Turkish President Permanent Chairman of COMCEC
- Unique ethnical, language, religious, historical ties with both regions

Turkey: Gateway to Business in Central Asia and the Middle East

- Trade /Investment
 - Close commercial ties with all Central Asian Countries
 - Trade, contracting
 - E.g. Only in Turkmenistan there are close to 1,000 Turkish companies present
 - Turkish companies and individuals are one of the most important non-oil investors in Central Asia
 - Telecom
 - Real Estate
 - Manufacturing
 - Gulf in Turkey increasing rapidly since Turkish Telecom privatisation
 - Central Asian investments in Turkey increasing rapidly (energy, banking, real estate)

Turkey: Gateway to Business in Central Asia and the Middle East

- Strong transportation links
 - Extensive airlinks to Central Asia and the Middle East
 - All Central Asian and Middle Eastern destinations served
 - Rail links to Azerbaijan, Syria, Russia, Georgia
 - Iron Silk Road Project connecting UK to China:
 - Baku – Tblisi – Kars segment under construction (3 million passengers, 15 million tons of freight by 2015)
 - Marmaray Bosphorus underground passage (under construction) will make possible continuous transportation from Caspian Sea to London
 - Extensive network of ports



Picture source: Der Spiegel

Turkey: Gateway to Business in Central Asia and the Middle East

- Turkey becoming an energy hub diversifying energy sources of Europe
 - Nabucco
 - BTC
 - Others
- Strong financial markets following the 2001 financial turmoil

Turkey: Gateway to Business in Central Asia and the Middle East

- Istanbul: A flourishing and cosmopolitan business and financial center attracting significant business and real estate investment
 - Userfriendly foreign investor policies
 - Strong physical and human infrastructure
 - Active city of congress and meeting events
 - Extensive airlinks to Central Asia and the Middle East
 - Istanbul and Ankara International Airports among the best in Europe
 - Both airports in Istanbul at 100% capacity utilization; expansion underway



Turkey: Gateway to Business in Central Asia and the Middle East

- More and more MNCs are selecting Istanbul as their regional centers

Selected MNCs with Regional Centers based in Istanbul

MNC based in Turkey	No of Countries Managed
Coca Cola	89
GE Health Care	80
Microsoft	79
DHL	20
Volvo	18
BASF	18
Kuehne Nagel	14
P&G	11
Unilever	11
BSH	11

Turkish Economy: A Selective Overview

Significant investor interest in Turkey

□ **Major recent privatizations & BOT**

- Turk Telekom (July 2005): USD 6.5 billion
- Telsim GSM (Vodafone): USD 4.5 billion
- Ports (PSA - Singapore, Hutchinson- Hong Kong): ~ USD 2 billion
- Refineries (Tupras, Petkim): ~ 7 billion
- Steel Works: ~ USD 2.5 billion (Mittal, Arcelor among bidders)
- Electricity, natural gas distribution networks
- Bank, Insurance
- Major airports

Turkish Economy: A Selective Overview

Significant investor interest in Turkey

■ Real Estate

- Major malls, land plots, residential: ~ USD 10 billion
 - Individual and corporate investors + funds
 - ML, Lehman
 - Corio
 - Gulf investors (through EU subsidiaries)

■ PE investments closed

- Includes KKR, Carlyle, Abraaj ~ USD 2 – 3 billion since 2007

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Thank you

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