



Turkey

ON TRACK FOR A TRILLION

TURKEY REMAINS OPTIMISTIC IN GLOBAL ECONOMIC DOWNTURN



■ Pleased with their Progress: TOBB-DEİK President M. Rifat Hisarciklioğlu and Prime Minister Recep Tayyip Erdoğan

As the world financial crisis deepens, Turkey is well-placed to weather the storm. It overcame its own financial turmoil in 2001 and emerged stronger and more resilient. It is now determined that in the future it will become a major economic power.

“The severity of the 2001 crisis persuaded everyone that the macroeconomic policies of the time could not be sustained,” says Arzuhan Doğan Yalçındağ, chairman of the Turkish Industrialists’ and Businessmen’s Association (TUSIAD). “Bold reforms were needed and

following the crisis Turkey started to implement a stability program as well as structural reforms.”

These reforms have cleaned up the domestic factors behind the previous boom-and-bust cycles, leaving behind the so-called lost years of the 1990s, says Mrs. Yalçındağ. “The Turkish economy has displayed significant growth performance between 2002 and 2006 and the average GDP growth rate for the same period was 7.5 percent higher than the average growth rate of the emerging economies of the European Union,” she says.

In addition, Turkey has attracted considerable levels of foreign direct investment \$22 billion in 2007. “Turkey is a country that is really attractive for investors. It is a country of opportunities,” says Finance Minister Kemal Unakitan. “We have taken a number of measures to provide research and development incentives and plan to make Turkey an R&D paradise so Turkey will continue to be in the spotlight for investors.”

According to M.Rifat Hisarciklioğlu,

“The aim of Turkey is to reach one trillion dollars gross domestic product and to be among the 10 largest economies of the world.”

M. Rifat Hisarciklioğlu
President of TOBB – DEİK

President of the Foreign Economic Relations Board TOBB – DEİK, “the aim of Turkey is to reach one trillion dollars gross domestic product and to be among the 10 largest economies of the world.”

Turkey understands that it has endured real economic hardship before in a way that many other countries have not, and it remains optimistic about its prospects, thanks to its strategic location. “Money has no color and investors have no color either,” says Kemal Unakitan. “Our government is following a multidimensional foreign policy. On the one hand, Europe is of crucial importance for us, and on the other hand, our relationship with the Middle East and other parts of the world have further strengthened. We are sure this will yield positive results in the future.”

“We have a strong value proposition. We must, however, show the world that this is not a temporary state. This positive change is here to stay.”

Ferit F. Şahenk, Chairman of Doğuş Group.

CONVERGENCE DIVIDENDS:

>>BUSINESS LEADERS DRIVE NATION'S GLOBAL AMBITIONS

Turkey's growing economic importance is due in no small part to the entrepreneurial spirit of its business leaders who overcame the economic meltdown of 2001, learned some important lessons about flexibility and adaptability, and have now successfully built strong partnerships around the world.

Ferit F. Şahenk, chairman of Doğuş Group, one of Turkey's most dynamic businesses, says, “I think the most important change in Turkey in the last five years is the mindset. Whether you look at the decision-making side or the public side, this mindset change has taken Turkey forward into the future. Turkey clearly knows that we have to be connected with the world.”

He adds that Turkey has an investment-friendly environment and that international investor confidence is strong. “We have a strong value proposition. We must, however, show the world that this is not a temporary state. This positive change is here to stay. The marketplace and all the investors who are on the lookout for investment possibilities must realize that we have kicked the old times out.”

Mr. Şahenk says that Turkey's future business success will be based on one of its biggest assets its people. “We have 71 million people in Turkey, of whom many are young, dynamic, and highly educated 60



percent of our population is under the age of thirty-five. They are helping the improvement of the economy. Considering that Europe is aging and China and India are catching up, then Turkey clearly creates an economic and cultural tie for all these markets and intellectual capital.”

Doğuş Group was founded in 1951 and is now one of Turkey's largest conglomerates. Since its foundation, the Group has involved itself in global business relationships and today it has a high degree of access to world markets. Doğuş Group is active in seven sectors: finance, automotive, construction, media, tourism, real estate, and energy. It has partnerships with global giants such as Volkswagen AG and GE. For instance, General Electric was brought in as a partner in Garanti, one of Turkey's largest banks, in 2005. And as Mr. Şahenk explains, “A partnership is like a puzzle one piece fills a place that the other cannot. They have experience in operational efficiency. We have the branding and a consumer-focused

approach. GE's global experience combined with our regional expertise, a partnership in which each part completes the other.”

“For Turkey, Pandora's Box has now been opened; Turkish conglomerates are now investing in other companies abroad and working with international partners. Young Turks are integrated with the world in every aspect. They follow the global economic and political agenda closely.”

Ali Koç, president of the corporate communications and information technology group at Koç Holdings, one of Turkey's leading companies, says, “The boom-and-bust cycles affected our infrastructure in such a way that the Turkish private sector learned to become flexible while at the same time looked abroad to diversify.”

Koç Holdings is the only Turkish company in the Fortune Global 500 and is ranked the 186th-largest company in the world and in the top 50 in Europe. It has very diverse interests ranging from the automotive industry to energy and retailing. Mr.

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DOĞUŞ GROUP

Koç says that Turkish companies designed their organisations to allow them to shrink in periods of crisis and to grow during boom cycles. "This know-how was very useful and as a result Turkish companies became very successful in Eastern Bloc countries where the environment is extremely unpredictable. Thanks to our experience I see an innate advantage for the Turkish private sector to cope in the current economic climate," he says.

For decades, Turkey remained very insular, but the economic collapse of 2001 meant that it had to adopt a more international outlook. In 2005 it attracted \$9 billion in foreign direct investment and by 2007 it had reached \$22 billion. "In the last three years, we have attracted around \$50 billion in FDI," says Ufuk Yılmaz, secretary general of Turkey's Foreign Economic Relations Board (DEİK). "This figure is higher than we had managed to attract in a century."

With higher levels of foreign direct investment, Turkish companies were able to adapt to interna-

tional standards, restructure their portfolios, and focus on expansion into new markets either alone or as part of joint ventures.

"I believe this trend will be sustained going forward as the Turkish market becomes increasingly attractive for international players," says Mr. Koç.

While some Turkish companies are forging partnerships with companies from abroad, others are buying them up. In 2007, Ülker Group, a major manufacturer of Turkish food products, bought Godiva, the luxury Belgian chocolate brand, from the Campbell Soup Company for \$850 million.

"Turkish private enterprises are the most active entrepreneurs in Europe," says Mr. Yılmaz of DEİK. "For example, Turkish contractors have more than \$100 billion in their portfolios. They are working in Sudan, Nigeria, Siberia, and are very active in the Gulf."

Part of that growing openness and willingness to work with companies abroad comes down to the hard

work and influence of Turkey's business councils, of which many of Turkey's leading entrepreneurs are members. There are eighty-two business councils under the umbrella of the Foreign Economic Relations Board (DEİK) including the Turkish-American Business Council and the Turkish-German Business Council. DEİK forges vital relationships around the globe and supports international business collaborations between Turkey and the world. "We're not merely interested in promoting investment in Turkey. We are also interested in making business and investments abroad. The members of our business councils are the engine of the Turkish economy," says Mr. Yılmaz.

Turkey's entrepreneurs have the ability to forge strong relationships with other businesses around the world because, says Mr. Koç, "We are not European. We are not Arab. Turkish businessmen stand in between different cultures. This gives us a leverage of understanding all parties, which is a blessing if you are to bridge the gap."

DEİK : TURKEY'S GATE TO GLOBAL ECONOMY





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AN INTERVIEW WITH HALUK DINÇER

>>CHAIRMAN OF TURKISH-AMERICAN BUSINESS COUNCIL (TAİK) CALLS FOR GREATER CORPORATE INTEGRATION



“The question is whether the nature of our relationship with the United States over the past forty years is sustainable for the next forty years?”

I believe the answer is no. It is too important to be based solely on security matters. It has to be diverse.”

Haluk Dinçer is president of the retail group of Sabancı Holding and chairman of the Turkish American Business Council (TAİK), which was formed in 1985 to enhance trade and investment between Turkey and the United States. Relations between the two countries have been strained since the invasion of Iraq, but TAİK is working hard to improve them, and the United States has expressed its confidence in Turkey with an influx of direct investment. In the following interview, Mr. Dinçer shares his thoughts on the potential for Turkey-U.S. business relations.

• **To what extent do you think Turkey-U.S. business relations need to improve?**

There is no point in mincing words. The last five years have put a strain on our diplomatic relations. But we have seen a marked rapprochement since November 2007 and this trend will continue with the new administration. The question is whether the nature of our relationship with the

United States over the past forty years is sustainable for the next forty years. The answer is no. It is too important to be based solely on security matters. It has to be diverse. We have to enhance bilateral trade, we have to step up partnerships between our firms, and we have to improve economic cooperation between our countries.

• **What evidence is there that Turkey is a destination of choice for American businesses?**

In the last two years we've seen a record-setting inflow of U.S. direct investment. In 2007, the U.S. invested almost \$4.2 billion in Turkey and the total trade volume between our countries exceeded \$12.3 billion. Many U.S. companies have already made apparent their confidence in Turkey. Ford uses Turkey as a production hub. GE, Pfizer, Texas-Pacific Group, Procter & Gamble, Altria, and International Paper are just a handful of examples of a vast number of U.S.

corporations that operate in Turkey.

• **Given the current economic climate, do you think that Turkey can continue to attract American investment?**

Let me make this absolutely clear: Turkey presents an excellent opportunity for investment during these troubled times. Our financial institutions are fundamentally sound, we have a young population and a vibrant private sector. Along with BRIC countries, Korea, and Mexico, Turkey presents the highest opportunity for growth. I sincerely believe that investing in Turkey is an extraordinary business opportunity in the current economic environment.

• **What are your hopes for the future of Turkey-U.S. business relations?**

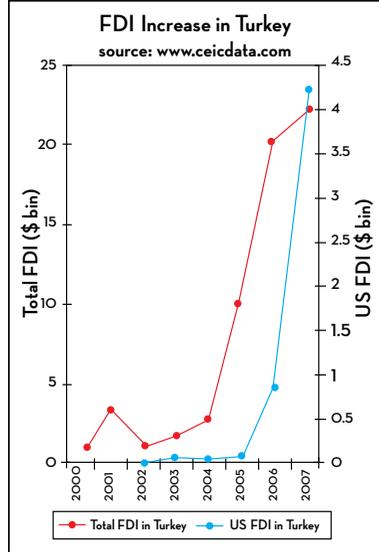
I believe we can do better. I believe our relationships can go further. I believe our two great countries can only grow stronger and more prosperous when we work together.

FDI REACHES RECORD LEVELS

Turkey is enjoying record levels of foreign direct investment (FDI) thanks to its geographical location, its young, educated workforce, and its commitment to business-friendly policies.

In 2002, Turkish FDI was below \$1 billion a year, but by 2007, it had reached \$22 billion. Turkey is ranked the fifteenth-best country in the world in which to invest, and it plans to become number five by 2013.

“One of the main reasons for this rapid increase is the deep structural reform process which has been pursued by the government,” says Alpaslan Korkmaz, president of Turkey’s Investment Support and Promotion Agency (ISPAT), which provides a one-stop-shop for foreign companies wishing to do business in the country. “Business is now much more transparent. It’s not the Turkey of five years ago. Today Turkey is a completely different country.”



Turkey has also invested heavily in educating its young people. The teaching of English is mandatory in schools, and last year 400,000 new university graduates entered the job market.

Among Turkey’s investors are the French energy group Areva and

the U.S. company GE Healthcare. “In addition, Coca-Cola manages ninety-four country operations from Turkey and Microsoft manages eighty its largest operation outside Seattle,” says Mr. Korkmaz.

The majority of Turkey’s FDI comes from the EU, but it is also attracting investors from the United States. Ufuk Yilmaz, secretary general of Turkey’s Foreign Economic Relations Board (DEIK), says, “In 2007, 22 percent of FDI came from the United States. We are actively targeting companies in specific sectors such as energy, healthcare, banking, automobile manufacturing, and real estate.”

As the world economic climate worsens, Mr. Korkmaz says, “FDI will slow this year, however that’s the case worldwide. What we have to do is remain competitive, keep our ranking as one of the best countries in which to invest, and improve our position so that we can reach our goal to be the fifth in the world by 2013.”

Over 20,000 international companies have already invested in Turkey. How about you?

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- A population of 70 million people with an average age of 28.3.
- 65% of population is below 34 years old.
- Approximately 400,000 graduates from 116 universities per year.
- Over 24.7 million young, well-educated and motivated professionals.
- Highly competitive investment conditions.
- Access to the EU, Central Asia and the Middle East.
- 15th largest economy of the world and the 6th largest economy compared to 27 EU Countries in 2007 (IMF-WEO).
- 15th among the most attractive FDI countries in 2006 (UNCTAD).
- Annual average real GDP growth of approx. 7% per year since 2002 (IMF-WEO).

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“It is very important for the future of Turkey that the technology sector becomes the economy’s engine and it is very important that we unleash this potential.”

Süreyya Ciliz, CEO of Turkcell

PREPARING FOR THE NEXT GENERATION

>> ICT SET TO BECOME A MAJOR DRIVER OF THE TURKISH ECONOMY

Turkey has a highly competitive and growing ICT sector that will play an increasingly important part in the country’s future. A number of homegrown companies have introduced innovative ways of using new technology and are expanding internationally.

Among the most successful is mobile phone operator Turkcell, the only Turkish company listed on the New York Stock Exchange. Turkcell is ranked number 25 on the BusinessWeek InfoTech 100 list, ahead of companies such as Cisco, Intel, and Hewlett Packard. It currently dominates the Turkish market with a 56 percent share, way ahead of the international telecom group, Vodafone, and of Avea, which is owned in part by the state giant Turk Telekom.

Süreyya Ciliz is one of the coun-

try’s most highly regarded businessmen and was previously president of Microsoft Turkey before taking up the reins as CEO of Turkcell. He says that the company’s dominance is due to a number of factors: “The three companies are very different. Our company has a significantly larger network infrastructure, we offer much better coverage because we have invested a total of \$7.8 billion in infrastructure, and, because we manage this network better, customers are getting superior service, in most cases, at lower cost. As a result, customers are choosing our service and customer loyalty is very high.”

Mobile phone usage in Turkey is booming. The number of people using mobile phones in Turkey has grown by over 208 percent over the past six years according to the

market research firm Euromonitor International. Sarah Boumphrey, countries and consumers manager for Euromonitor, explains: “Turkey has the highest birth rate in western Europe, and, as a result, the youngest population. This growing market of young consumers is ideal for consumer business as young people spend more, particularly on goods such as mobile phones and the Internet.” She adds, “Turkey currently has the sixth-largest young mobile subscriber base in the world, with more than 11 million subscribers under the age of twenty-five, providing a very lucrative market for mobile phone companies.”

However, despite having a technologically savvy young population, Turkey’s infrastructure lags behind and it has been slow to introduce



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a 3G network. "In some areas we are world-class," says Mr. Ciliz. "In Turkey I believe we have better mobile phone coverage than the UK and definitely better than the United States, but in certain areas we are lagging such as third-generation mobile internet broadband but it's going to happen." He adds, "There are tremendous technology opportunities ahead of us. A revolution is going to happen in the ICT sector in the next couple of years."

Turkcell is developing innovative new ways for its customers to use mobile technology; for example, if you have a Turkcell mobile signature service, you can go to any ATM in Turkey and conduct a banking transaction through the ATM using your phone rather than a bankcard. "No other country offers this," says Mr. Ciliz.

Turkcell is expanding internationally and now has operations in eight other countries including Georgia, Kazakhstan, Moldova, and Ukraine. Its rival, Turk Telekom, is also exploring potential abroad. Dr. Paul Doany, CEO of Turk Telekom, was quoted on Securities.com as saying that "although the investment climate is tougher compared with the past, Turk Telekom's debt is only one tenth of European operators and because of low debts, the current economic environment may create new acquisition opportunities."

Another company enjoying success in Turkey and expanding abroad is Airties, which was formed by Bülent Çelebi, a Turkish-American entrepreneur. The company has a 70 percent share of the Turkish market for Wi-Fi routers despite intense competition from major brands such as USRobotics, Siemens, and Philips and from cheaper Chinese imports. It has also built up operations in Ukraine, Greece, Russia, and Germany.

Mr Çelebi says that Turkey is ideally placed to become an important centre for ICT. "I think what is important with technology is that seven out of the top ten fastest-growing broadband markets are within a two hour flight of Istanbul. If you are an American technology company and you need to set up a regional headquarters, this is the place to do it. There are government R&D incentives and the business ethics and culture are far more advanced than any of the other countries [in the region]."

It's a view shared by Turkcell's Mr. Ciliz, who believes that the ICT sector is hugely important to the country. "I think this sector is not only important for its rapid growth, which is almost five and half times larger than our economy's growth, but also because it is a catalyst for other industries. It is very important for the future of Turkey that the technology sector becomes the economy's engine and it is very important that we unleash this potential," he says.

There is an old saying in Turkey. A unique opportunity that shouldn't be missed is said to be "like a Turkish delight". In this country of 71 million, there is a communication and technology leader.

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'BOOM AND BUST' NO MORE

>>LEARNING FROM THE PAST, TURKEY'S REFORMED FINANCIAL MARKETS MAY PROVE RESILIENT IN TIMES OF CRISIS

In 2001, Turkey was in economic turmoil. Reckless government lending and a poor financial regulatory framework resulted in a deep recession. Inflation reached 80 percent, the value of the lira halved, interbank interest rates rocketed to 2,000 percent, and hundreds of thousands of people lost their jobs.

But it is this experience that will help Turkey weather the current global financial storm, says Mehmet Şimşek, minister of state responsible for economics, trade, and the treasury. "I think the challenges are massive but I believe that the reforms of the past five or six years have made Turkey a lot more resilient," he says.

In a statement, the World Bank says that a diversified economy and proximity to and integration with European markets, together with "a lengthy track record of solid economic management and structural reforms are the drivers of Turkey's long-term prospects." However, it adds, "Nonetheless, the economy continues to run a current account deficit in excess of 6 percent of GDP the main source of vulnerability in the Turkish economy."

The Turkish business community is bullish about the future. Arzuhan Doğan Yalçındağ, chairman of the

Turkish Industrialists' and Businessmen's Association (TUSIAD), says, "The strong crisis management ca-

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capacity in Turkey, both in the companies, in the banking sector, and in the economy will help to overcome the adverse effects of a deteriorating world economy.”

After the 2001 meltdown, Turkey fixed a number of its structural problems gross public debt came below 39 percent of GDP in 2007, satisfying EU Maastricht criteria. It also tightened banking regulations and formed the Banking and Regulation Supervision Agency (BRSA). Suzan Sabancı Dinçer, chairman of Akbank, one of Turkey’s leading private banks, says, “The solid base of the banking sector was the major driver of the high growth era.”

With the restructuring and reinvigoration of the banking sector, Turkish banks have become increasingly attractive to international players keen to get into an underbanked and underpenetrated market. Among the large number of foreign banks that have moved into Turkey are GE, which bought a stake

in Garanti; ING, which has a stake in Oyak Bank; and BNP Paribas, which has bought into TEB.

“This international capital reflected positively on the Turkish economy and brought more efficient technology, the sharing of managerial skills and best practices, and better market access for Turkish firms,” says Mrs. Sabancı Dinçer.

The creation of strong, well-regulated capital market intermediaries such as investment banks and brokerages has also had a major impact on the Turkish financial climate. “The development of investment banking and a dealer-brokerage system in Turkey is crucial for capital markets,” says Dr. Turan Erol, chairman of the Capital Markets Board (CMB). “Turkey has reached a very critical point. If one looks at other markets such as Russia, eastern Europe, or the Gulf, I think Turkey is very advantageous,” he says.

Oyak Securities is one of Turkey’s leading investment banks and has a

highly regarded research team. It specializes in corporate finance, covering public offerings and advising on M&A activities and privatization projects, including one of Turkey’s biggest IPOs, the \$1.3 billion flotation of state-owned VakıfBank. Its general manager, Meltem Ağci says, that following the introduction of new regulations by the CMB, Oyak will launch two hedge funds in Turkey. “These products give more opportu-

nity for everybody in the market, for investors and issuers.” She adds, “We are introducing companies to capital market products IPOs, pre-IPOs, derivatives, and M&A deals. We are trying to educate people because we believe that there is potential there and we want to encourage people to use capital market products bravely.”

Privatization has also played a major role in the revival of the Turkish economy and “has been a huge success,” says Metin Ar, CEO of Garanti Securities, which has been involved in a number of leading Turkish IPOs, including Turk Telekom and TAV Airports. “While the privatization movement is currently frozen given the global economic climate, it will drive the economy in the future,” he says.

Moreover, increasing competition between Turkish banks has led them to invest heavily in technology and the country is now recognized as having one of the most technologically advanced banking sectors in the world. “As far as IT in banking is concerned, Turkey can be an example to European banks,” says Ferit F. Şahenk, chairman of Doğu Group, parent company of Garanti Bank. “If you look at the investment in technology and at the types of service that we provide to our customers, I believe you will see we have reached a better level than many foreign banks.”

The banks have also introduced new products to the market. Türkiye Finans, for example, a private bank, is offering Islamic finance to Turkish customers. Though a major sector in the Middle East, Islamic banking (or participation banking as it’s known in Turkey) is a relatively new sector for the country so far it accounts for only 5 percent of the market. It is targeting SME customers and Aydın Gündoğdu, executive vice president of Türkiye Finans, says, “Our goal is to increase our market share to 10

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percent in the next five years.” Interest-free Islamic finance is structurally immune to the pitfalls currently besetting Western banking, and so may be a growth area in Turkey in coming years.

VakifBank, one of Turkey’s remaining state-owned banks, has demonstrated that a bank in its position can be as competitive and innovative as any in the private sector. It has gone through a major restructuring pro-

cess. “We are also responding to the borrowing needs of newly developing consumers in Turkey with housing loans, auto loans, and occasional loans,” says Tanju Yüksel, assistant general manager. “We have recently announced an agricultural loan package for SMEs and a consumer loan package, where consumers can apply through our ATM network, through our Web, and through their mobile phones,” he says.

ratio is around 16 percent. The private banks are healthy and we also have three state banks, which are all healthy. The penetration levels are quite low in Turkey, so there is great growth potential. Consumer loans to GDP ratio is around 12 percent. Total loans to GDP are over 30 percent. The system is underleveraged, which is very helpful in the current economic climate. Turkey could be one of the least affected countries if we manage the situation well.”

Durmuş Yılmaz, governor of Turkey’s Central Bank, remains optimistic about the financial sector and the country’s ability to cope with the global economic downturn. “My message is that Turkey is a strategically located country, it has a very dynamic population, has undertaken very radical economic reforms, and offers huge opportunities for investors.”

Meltem Ağci of Oyak Securities believes that Turkey has benefited from its past experiences. “We have passed through big crises in the past and in all of these, Turkey came out strongly. We have a sound banking system at the moment. I’m sure we can endure future crises. People should believe in Turkey,” she says. •

“Turkey could be one of the least affected countries if we manage the situation well.”

Zafer Kurtul, CEO of Akbank

cess and is now regarded as one of the most efficient banks in Turkey.

Tanju Yüksel, assistant general manager says, “I think there is a lot more untapped potential. Turkish banks have discovered the consumer and consumers have discovered the banks, but the country is still very under-branched.” VakifBank plans to open 350 new branches in the next three years in addition to the 419 it currently operates.

It has introduced a range of thirty-five different loans catering to small- and medium-sized enterpris-

es. Due to their more cautious lending policies, Turkish banks have avoided some of the mistakes that have brought about the collapse of American and European banks, says Zafer Kurtul, CEO of Akbank. “In the U.S., the credit process, procedures, and policies weren’t sound and prudent enough. I can’t say this applies to Turkey. We do traditional banking. Our credit process is traditional and we are not involved in credit derivatives.”

He adds, “We are in a very good position. Akbank’s capital adequacy

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BUILDING A NATION

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Turkey has a rapidly growing population, overcrowded urban centers, and an acute shortage of affordable, quality housing, but the skylines of its major cities are dotted with cranes and the air is full of the sound of jackhammers as the country focuses on building new homes for its people.

The provision of new housing is enshrined in the Turkish constitution, which states that everyone has the right to a decent home. These new homes are being built by the Housing Development Administration of Turkey (TOKI), which was formed twenty-five years ago.



“My colleagues and I are trying to accomplish two dreams,” says Erdoğan Bayraktar, TOKI’s president. “The first is a dream that is shared by the government: to make housing available to everyone. The second is to make housing affordable, especially for middle- and low-income households.”

TOKI works in partnership with Emlak Real Estate Investment Company to develop low-cost homes on publicly owned land. These are financed in part by luxury developments that are sold at market value. “TOKI is a public corporation generating its own funds without a claim on the national budget. With this model, the land that belongs to the public is being put to its best use, funds are being generated, and high-quality communities are being established,” says Mr. Bayraktar.

“My colleagues and I are trying to accomplish two dreams – to make housing that is available to everyone and to make housing affordable.”

Erdoğan Bayraktar, President of TOKI

By September 2008, TOKI had built 330,000 housing units and it plans to have a further 170,000 housing units by 2011. It is the leading player in the government’s “planned urbanization” campaign. By creating decent, modern houses and apartments, it reduces illegal building a problem across Turkey’s cities. “We are aware of the problems regarding the rapid and unplanned urban development in the bigger cities,” he says. “As well as building new homes, which are available at low cost, we are renovating problematic areas in cities to make sure they conform with building guidelines. We have already reformed over 150,000 shantytown dwellings in 73 regions and are also building schools, hospitals, clinics, libraries, and business centers,” he says.

TOKI’s achievements have been recognized internationally and it has become a model for other countries that want to develop their own affordable housing. “It’s motivating to see that what TOKI is doing is appreciated and respected abroad,” says Mr. Bayraktar. But he adds, “The biggest reward for us will be to solve the long-lasting problem of housing and city planning in Turkey.”

THE GREAT TURKISH ENERGY RACE

Turkey, with its rapid economic development, rising population, and increasing urbanization, has some of the fastest-growing demand for energy in the world. More than half of its energy needs are supplied by imports, and the country is having to adopt long-term strategies to ensure diverse, reliable, and cost-effective future supplies.

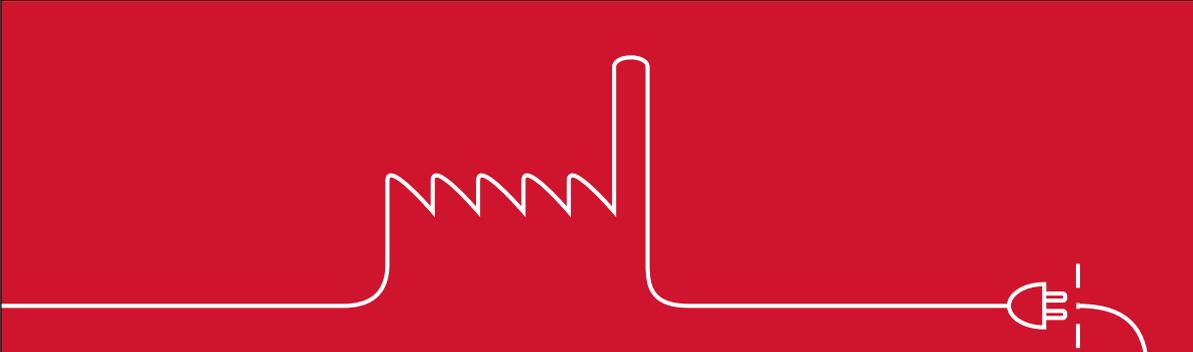
In 2001, the Turkish government liberalized the energy market, and since then many of Turkey's leading companies have invested in the sector. Industrial and financial conglomerate Sabancı, for example, formed Enerjisa, a multibillion-dollar venture with Austria's leading electricity company, Verbund. Meanwhile, Koç, which has interests ranging from the automotive industry to retailing, has invested in capacity generation, refinery, and LPG distribution operations.

However, major investment is still needed in the energy sector. Mehmet Ali Berkman, CEO of Akkök Group, which has interests in energy, chemicals, textiles, and real estate, says, "Turkey's energy generation and consumption figures almost reached break-even level in 2007. According to forecasts from the Turkish Electricity Transmission Company, there will be an annual 8 percent increase in electricity demand until 2016. We barely cover our consumption. We will definitely have supply shortages unless Turkey invests large amounts in the energy sector urgently."

Akkök Group was set up by the Turkish entrepreneur Raif Dinçkok and in recent years has become best known for its chemical division AKSA, but in 1989 it set up an energy arm called Akenerji the first private electricity company in the country.

"Up until now, AKSA has been the flagship of the group, but Akenerji will take the flag in the near future," says Mr. Berkman. It has an installed capacity of 496 MW and is investing in new hydro and wind power plants that will bring an additional 390 MW of energy-generating capacity. These projects, when completed, will enable Akenerji to register emission reduction certificates for up to 1 million tons of CO₂ annually.

Recently, the Czech energy giant CEZ took a 37.4 percent stake in Akenerji. As Mr. Berkman explains, "There is a mutual benefit from foreign partnerships. Akkök together with CEZ won the SEDAŞ tender with an offer of \$600 million in July 2008. From this point on, we will resolutely proceed with our partner in the business of production, distribution, and wholesale and retail



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trade of electricity energy in Turkey. Our target in energy is to reach 3,000 megawatts in 2013. The investment we planned for such a growth is about \$3 billion. At Aken-erji, we will combine our experiences and knowledge in energy sector in Turkey, with the experiences of CEZ in distribution on the international platforms and distribute through SEDAŞ a total of 8 TWh (Terawatt/hour) electricity a year to 1.3 million customers.”

Another Turkish company investing heavily in energy is Zorlu Group. It began life as a textile company but has expanded to become one of the biggest players in the Turkish energy market. Zorlu initially invested in energy to provide the electricity and steam needed for its textile factories. Murat Sungur Bursa, CEO of Zorlu Energy, says, “We entered the sector to cater to our needs but then we gradually began to increase capacity. We won the first privatization for power generation in Turkey for \$510 million and have won tenders for gas distribution.”

Zorlu is now taking its expertise abroad. It has partnerships in Russia and Israel and recently set up a wind farm in Pakistan. “If you ask yourself, ‘Which country will we be entering next?’, you can make a guess by looking at a risk map,” says Mr. Bursa. “There are risks, but at the same time, we have found opportunities.”

The group is also investing in renewable energy. Ahmet Zorlu, chairman of Zorlu Group, says, “Unfortunately, sources of water, wind, and minerals have not been utilized optimally, so today 50 percent of Turkey’s electricity is derived from imported natural gas. But Turkey will be exporting energy ten years from now.”

Zorlu is running a number of pilot schemes using solar energy and hopes to develop them further and commercialize the technology. “We’re investing heavily in renewables,” says Mr. Zorlu. “We have several hydroelectric projects and are building our first wind plant in the Adana region. Another item in our portfolio is geothermal energy and we are proceeding strongly in that area. Turkey has the leading potential in Europe for geothermal energy but the country is not currently using it.”

Turkey is one of seven countries that are geothermal-rich. More than 1,000 hot water and mineral springs have been discovered so far. It is a clean, inexpensive, and renewable form of energy that can be used in various ways, including heating and hot water supply, industrial processes, and electricity generation.

Turkey’s General Directorate of Mineral Research and Exploration (MTA) has offered the rights to exploit sixty-five sites with geothermal potential. The country plans to channel \$2.65 billion into geothermal investments in the next five years to take advantage of this natural resource that may reduce its reliance on energy imports.



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“Being selected as a European Capital of Culture will give a boost to the city’s economic and political relations with Europe.”

Nuri  olakoglu

Executive Chairman of Istanbul 2010

REVITALIZING THE GRANDEUR OF ISTANBUL

Istanbul, with its historic sights and culture, great shopping, and vibrant nightlife, attracts a growing number of tourists but still remains something of an undiscovered treasure. However, that is all set to change when Istanbul becomes a European Capital of Culture in 2010.

Following in the steps of previous Capitals of Culture such as Glasgow, UK, and Lille, France, Istanbul hopes that the prestigious title will breathe new life into the city and attract more tourists it is expecting between ten and twelve million visitors in 2010.

The title will also foster closer links with the EU and will serve as the platform for the regeneration of this great city. “Being selected as a European Capital of Culture will give a boost to the city’s economic and political relations with

Europe as well as contributing to its cultural relations,” says Nuri  olakoglu, executive chairman of Istanbul 2010, the agency that is overseeing the project.

Being a Capital of Culture will provide a showcase for Istanbul’s remarkable history as well as create a legacy for the future. “We are spending 950 million euros on this project, about 750 million euros of which will be used for the restoration and renovation of world heritage sites, including the restoration of the world famous Topkapi Palace Museum,” says Mr.  olakoglu. But there will also be an emphasis on new venues, Mr.  olakoglu explains: “Istanbul is one of the most important cities in the world in terms of cultural heritage, but it doesn’t have enough artistic and cultural spaces, so we will create new ones.”

New museums will be established to protect and display cultural assets, and historical buildings will be renovated, given new roles, and opened to the public. The Istanbul Metropolitan Municipality is converting the historic slaughterhouse on the Golden Horn (Hali ) into a performing arts and conference center and the Ayaza a Cultural Center, under construction since 1995, is set to be the biggest arts venue in Turkey by 2010.

Mr.  olakoglu says that Capital of Culture status won’t just benefit tourists but all the people of Istanbul. “This is a city where twelve and a half million people live. Unfortunately only a small number of them are involved in the arts and culture, so we want to reach out to the underprivileged people living in and around the city through artistic and cultural programs,” he says.



İSTANBUL TAKES THE STAGE

Istanbul, long one of the world's most spectacular metropolises, has been declared the European Capital of Culture for 2010. And despite her proud heritage across the millennia, Istanbul, whose embrace unites Asia and Europe, is not resting on her laurels. Instead she is busily preparing an unforgettable artistic and cultural program for her visitors, a program set to showcase the greatest attributes of East and West. In short, a golden opportunity to celebrate the very best of both worlds!

www.istanbul2010.org



Sir Jeremy Isaacs, chairman of the EU panel that selected Istanbul, says that the city's bid "made a very considerable impression" on the jury and was judged "advanced, innovative, and forward-looking."

Being a Capital of Culture is also expected to create employment. In the British city of Liverpool, which was a Capital of Culture in 2008, it's estimated that there was a 138 percent rise in jobs in architecture and engineering. In addition, jobs in the city's tourist infrastructure, such as in hotels and bars, rose by 29 percent, and jobs in the creative industries rose by 50 percent, says research by the University of Liverpool. Jobs will be created in Istanbul for a large number of people, ranging from communications to organization, education, design, management, and creative fields.

Being a Capital of Culture will not only bring Istanbul's heritage to global attention but also its sense of style and its cosmopolitan atmosphere. Ahu Kerimoğlu Aysal, owner of the luxurious Hôtel Les Ottomans, which is located on the shores of the Bosphorus and is a favorite with the international jet set, says, "When I was living abroad, I was able to see what Istanbul needed a hotel that represents our Ottoman ancestors. We send a Rolls Royce to the airport to pick up our guests and then they are transported to a boat and brought to the hotel. Then they go back home and tell everyone they stayed in a beautiful Ottoman palace."

And as the world's gaze turns to Istanbul in 2010, it will bring long-term effects making the city a year-round destination, drawing in more business conventions, and attracting the cruise market.

Raul Salcido, manager of the Ritz-Carlton hotel, one of Istanbul's top luxury hotels, says that more conferences, delegations, and high-profile meetings are already taking place in the city. He adds, "I always tell our guests that there are many fascinating sides of Istanbul waiting to be discovered. It is a blissful city of contrasts, where you find history, exotic arts and music, wonderful food, an amazing culture, and, of course, the strategic location."

This special advertising feature was written by Helen Jones

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