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INVEST *in* TURKEY

A vibrant nation where East meets West

Welcome!

İlker Aycı, President of ISPAT

TURKEY is investing in its future, enabling global companies to grab promising business opportunities.

Over the last decade, Turkey has been able to retain sound macroeconomic fundamentals thanks to the structural reforms conducted by the stable, pro-business government. As a result of these structural reforms, Turkey has emerged as one of the most appealing investment destinations in the world. The economy has been growing at over 5 per cent per year since 2002. In the meantime, GDP per capita has more than tripled, and it is forecast that Turkey will be the fastest-growing economy among the OECD countries in 2012-17, with an annual average growth rate of 5.1 per cent, according to an OECD study.

In parallel with the robust economic growth, Turkey has attracted around US$120billion of FDI over the past decade, while it attracted only US$15billion in the preceding eight decades. In addition, the number of foreign companies in Turkey has increased from 5,600 to more than 35,000 between 2002 and 2012.

One of the most important factors that underpins Turkey's attractiveness to the investors is its negotiations for full membership of the EU. According to Ernst & Young's recent attractiveness survey based on a representative sample of 201 international decision-makers from 201 multinational companies, the majority of investors stated that negotiations have actually improved their perception of the country's attractiveness.

With a clear EU focus and a strong regional position, Turkey is playing an increasingly important role in its surrounding area and beyond. Turkey offers vast opportunities to the investors in many sectors with its sizeable domestic market and well-educated human capital. These sectors include, but are not limited to, energy, mining, automotive, ICT, petrochemicals, iron and steel, real estate and finance. Turkey has set ambitious targets to be attained by 2023, the centennial celebration of the foundation of the Republic of Turkey. There are various specific targets in these sectors.

In realising these projections and achieve 2023 goals, the strength of Turkey's human capital is a vital resource. As such, the country has made various structural reforms to ensure equity and quality in the education system.

Moreover, Turkey has been allocating the largest portion of its government budget to the Ministry of National Education. Turkey has launched a huge project aiming to equip each classroom with an interactive smart board and each student with a tablet computer. As a result of the reforms and revolutionary projects, participation and graduation rates have increased remarkably.

In the meantime, Turkey has been emerging as an increasingly attractive study destination in the region and the number of graduate foreign students has risen by around 75 per cent since 2002.

With an improved and investor-friendly business environment and increasingly well-educated human capital, Turkey offers international and local investors numerous opportunities – and as the Investment Support and Promotion Agency of Turkey (ISPAT) we invite global investors to take part in this brighter future.

Price is right for retail

An increasing number of foreign food and beverage firms are starting to establish a presence in the country

By Joanne Frearson

Unilever has opened a new ice cream factory in Konya; Inset: Mavi Jeans is one of Turkey's business success stories

RISING disposable income in Turkey, the adoption of credit cards and the influx of offers for shoppers in the country is giving the Turkish retail industry a boost.

The Turkish retail market is underpenetrated, and with disposable income per capita rising year-on-year, retail sales are set to grow at a compound annual growth rate (CAGR) of 10 per cent between 2013 and 2017, according to professional services firm Deloitte.

Over the next five years, Deloitte anticipates one of the most attractive areas to shoppers will be the apparel and footwear sector, and is forecasting growth at a CAGR of 10 per cent over this period.

Major players in this area include Mavi Jeans, which has posted an annual growth rate of 30 per cent. The company was founded in Istanbul in 1991 and is now a global brand, with flagship stores in New York, Berlin and Frankfurt.

Another sector in the retail industry which is expected to be a beneficiary of the increase in consumer spending is food and beverage. This sector accounts for nearly half of the total retail market, and Deloitte says this should increase at a CAGR of 8 per cent in the next five years and reach $226billion in 2017.

An increasing number of foreign food and beverage firms are starting to establish a presence in the country. In November, Nestlé invested 9.9million Swiss francs to expand production at one of its major regional manufacturing hubs, in western Turkey.

Nandu Nandkishore, executive vice president at Nestlé, says: "Turkey is one of the fastest growing and most dynamic markets in Asia, Oceania and Africa. This investment makes the site one of Nestlé's largest production facilities in the region."

The Karacabey factory, which opened in 1989, will produce Maggi brand bouillon for the growing Saudi Arabian market. Nestlé has four factories in Turkey and sells more than 800 products, employing 3,800 people across the country.

In other areas, the home retailing market in Turkey is expected to grow at a CAGR of 8.5 per cent in the next five years, reaching $72billion in 2017 from $48billion in 2012, according to Deloitte. A government-backed nationwide urban transformation project is expected to help increase demand for these types of services.

Unilever is planning to tap into the home and personal care space. In November, Unilever invested more than €150million in a new manufacturing plant in Konya.

The development of the plant will enable the company to significantly increase its production capacity to match its growth ambitions and will produce brands including OMO, Domestos, Yumos, Cif, Rinso, Elidor and Dove.

Mehmet Altınok, CEO at Unilever Turkey, says: "The overall home and personal care market is about €2.5billion in size and has been growing at 8 to 9 per cent. It holds significant potential for Unilever, and this investment in a new facility in Konya will enable us to capitalise on the potential we see.

"The investment follows an investment of over €95million in our new ice cream factory, also in Konya, which started operating in June. This is another example of our multi-year, multi-million investment plan to cater for our growth in Turkey and underscores our ongoing commitment to the long-term future of the country's economic development, helping to improve the financial and commercial health of the Konya region in particular."

The boom in retail is also down to more Turkish consumers adopting credit cards and being offered deals by retailers, such as extended instalment periods, discounts and bonuses. This will help encourage people to spend, according to Deloitte.

The increasing demand for products is also creating the need for new shopping centres to cater for shoppers. Martin Mahmuti, senior analyst at global property consultants Cushman & Wakefield, says: "Turkey will be far from saturated on a per capita basis, and in fact still suffers from a shortage of quality space in some markets, highlighting the potential for further development growth in the short let alone the long term."

The retail sector is set to see significant growth, with clothing, food, beverage and home retail to continue expanding. As new shopping centres spring up and disposable incomes increase, spending on retail products is likely to rise even further.

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LYONSDOWN

A dynamic and

Structural and economic reform at the heart of Turkey's success over the past decade

Turkey has been undergoing a profound transformation over the past decade. This transformation has fundamentally changed both the political landscape and the economic structure of the country. After decades of unstable coalition governments, a single-party government was formed in late 2002. Since then the ruling Justice and Development Party has been elected for three consecutive terms, thus ending political and economic instability, which has provided the government with the leverage to implement comprehensive reforms in many areas. The structural reforms, hastened by Turkey's EU accession negotiations that started in 2005, have made Turkey one of the most attractive destinations for foreign direct investment (FDI) in the world. Economic performance, a young and dynamic population, strategic location and an investor-friendly environment have created plenty of investment opportunities in Turkey.

Once these fundamental reforms were implemented, Turkey embarked on unprecedented growth and development. The Turkish economy has sustained robust growth over the past decade, expanding at an average annual real GDP rate of 5 per cent between 2002 and 2012. As such, Turkey has been the fastest-growing economy in Europe and one of the fastest-growing economies in the world.

TURKEY'S proven record of economic success over the past decade has impressed many experts and encouraged international institutions to make confident projections about the country's future. For example, according to a recent report issued by the OECD, the Turkish economy is expected to grow at an average annual real GDP rate of 5.2 per cent between 2012 and 2017. With such a robust economic performance, Turkey will be the fastest-growing economy among the OECD countries, as well as the fastest-growing economy in Europe.

Turkey's young and growing population has been one of the main drivers of the economic growth. At 76 million people, Turkey would have the second-largest population in the EU were it a full member. Moreover, Turkey's population is increasing by one million people every year, which makes it the fastest-growing population in Europe. Most importantly, half of Turkey's population is under the age of 30, making it the country with the largest youth population in Europe, both in proportion and absolute figures. These are of high importance as investors are faced with considerable challenges such as weak domestic demand and labour force in Europe, due to ageing and shrinking populations.

With part of its land in Europe and part in Asia, Turkey is often referred to as "the bridge between the East and the West". Crossing the Bosphorus Bridge and passing between two continents is certainly a unique experience. Yet the phrase does not quite explain the geopolitical benefit of Turkey and its location on the map.

Particularly in the current difficult economic climate, where the mature markets of the US and Europe are slow, the benefit of Turkey's location is that it is in close proximity to North African countries, the Middle East, Iraq – with its tremendous demand for reconstruction – resource-rich

young nation

Iran, Central Asian countries also rich in natural resources and in urgent need of upgrading their infrastructure, and Russia to the north. All these countries have potential demand that is much stronger than mature markets. Of course, it is also right next to the EU. Turkey has been a member of the EU Customs Union since 1996 and any product manufactured in Turkey can be shipped to Europe without paying customs duties.

Most large-scale companies, however, have already done what they have to in the European market, and very few activities are available in the Middle East. North Africa and Central Asia are, however, even less developed as a market – and when they try to establish a regional base to develop these markets, Turkey is often the answer.

Having such a unique geostrategic location, many multinational companies have moved their regional headquarters to Turkey, as the country offers a robust platform for economic expansion on a regional scale, enabling these companies to leverage common qualities and local capabilities in Turkey.

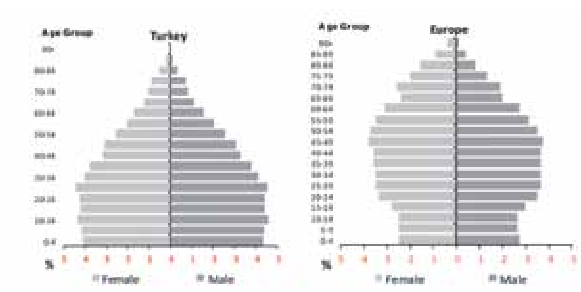
For example, GE Healthcare has moved its regional HQ to Istanbul to manage its operations in 85 countries in four major regions – Central Asia, the Middle East, Russia and Africa. Coca-Cola and Microsoft have already established regional HQs in Turkey, managing 90 and 79 countries from Turkey respectively. With a recent amendment to the legislation on foreign direct investment, foreign companies can now establish their regional management centres in Turkey under a liaison office structure without paying corporate tax, VAT, personal income tax, and stamp duty.

The Turkish government is well aware of the importance of foreign direct investment, which it views as a main component of its economic development. In order to create an attractive investment climate, Turkey has significantly improved its investment environment through reforms and legislation. In 2003, it enacted a new foreign direct investment law, which provides foreign investors with legal guarantees by treating them equally with local investors. Later, it established the Co-ordination Council for the Improvement of Investment Environment, a key structure where the private sector contributes to the process of improving the investment climate that is recognised as a success story of the public-private platform by international economic authorities.

Thanks to a stable government and long-term economic reform, Turkey's economy is thriving

The council has rationalised the regulations on investments in Turkey, developed policies by determining the necessary arrangements that will enhance the

Continued overleaf



Reform, incentives and an ideal location make Turkey a great investment

Continued from previous page

competitiveness of the investment environment, and generated solutions to the administrative barriers encountered by local and foreign investors in all phases of the investment process, including the operating period. For example, it took more than a month to establish a company in Turkey in 2003; it now takes six days.

Moreover, the government has taken exclusive measures to provide a more business-friendly environment for foreign investors. In addition to the Co-ordination Council, the government has established the Investment Advisory Council, with the participation of senior executives from prominent multinationals, in order to address the administrative barriers to investment, improve the positive image of Turkey as an attractive investment destination, and provide a global perspective to the investment climate reform agenda.

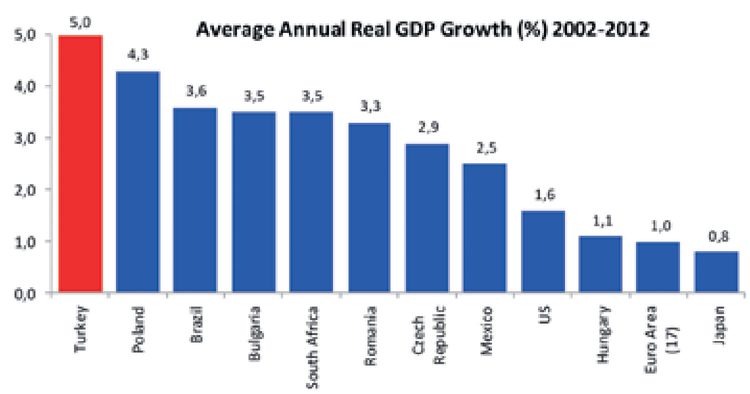
Since 2004, the Investment Advisory Council of Turkey has been meeting under the chairmanship of the Prime Minister, and has been taking important decisions since then. These decisions constitute the top items of the reform agenda of the Co-ordination Council for the Improvement of the Investment Environment. In order to provide foreign investors with better services, Turkey also established the Investment Support and Promotion Agency of Turkey (ISPAT), which is directly attached to the Prime Minister's office. Turkey has been supporting investors through certain policies; meanwhile, it has institutionalised these policies, thus providing investors with more professional services.

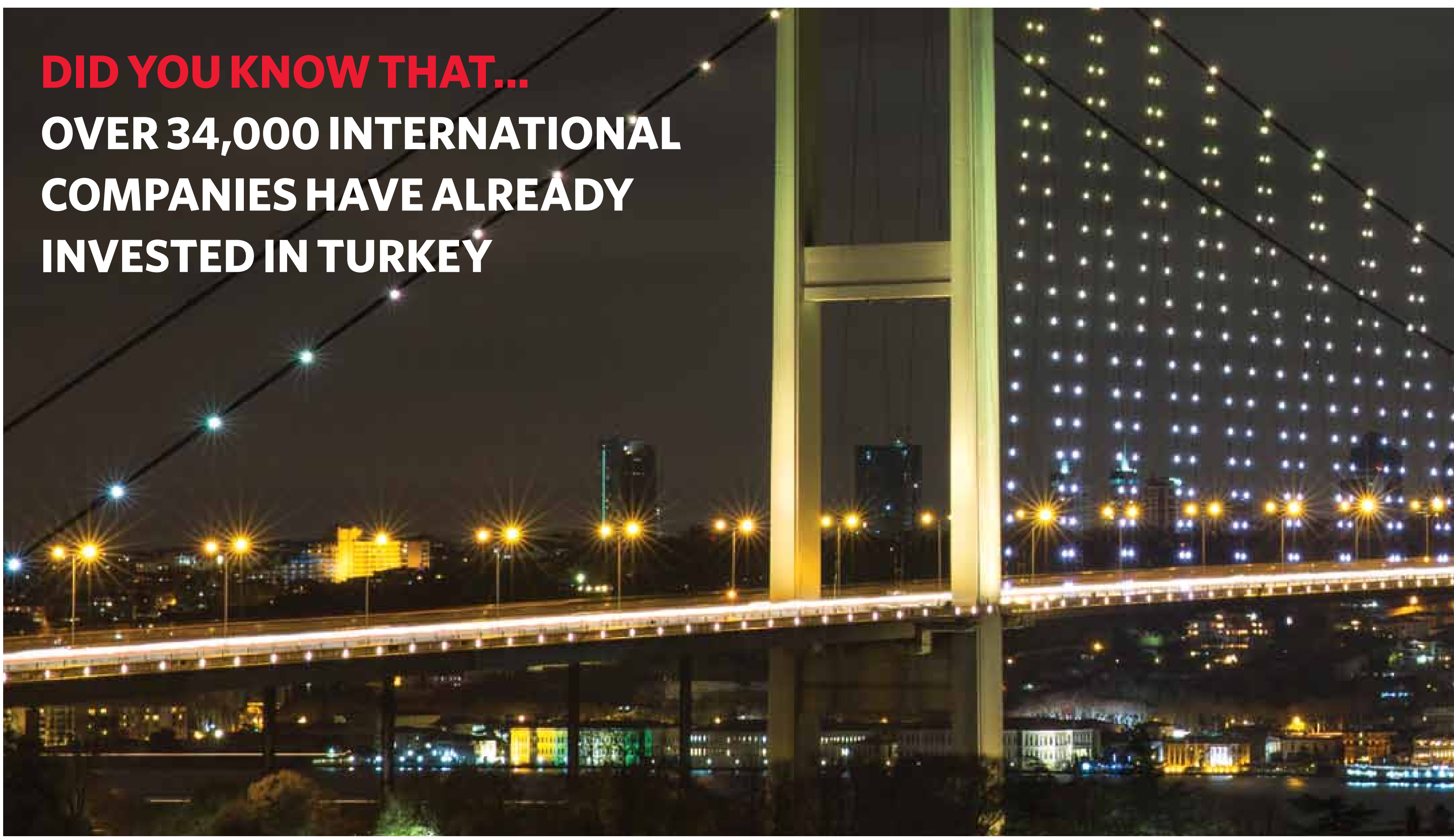
Being attached directly to the Prime Minister indicates the great importance Turkey attaches to foreign direct investment. ISPAT provides investors with assistance before, during and after their entry into Turkey. It serves as a reference point for international investors and as a point of contact for all institutions engaged in promoting and attracting investment at national, regional and local levels. Working on a fully confidential basis, as well as combining the private-sector approach with the backing of all governmental bodies, ISPAT's free-of-charge services include, but are not limited to, market information and analyses, industry overviews and comprehensive sector reports, site selection, co-ordination with the relevant governmental institutions, facilitating legal procedures and legislation issues such as establishing a company, incentive applications, obtaining licences and work/residence permits.

The Turkish government has also been implementing a series of incentives schemes. Over the past decade, it has implemented three programmes – in 2003, 2006 and 2009 – and announced a fourth in April 2012. These have resulted in a radical transformation of the Turkish economy. The main objectives of the new incentives scheme are to reduce the current-account deficit, boost production and investment for high-import dependent intermediate goods, as well as to increase investment in the lesser developed regions.

The new system comprises four different schemes: general incentives, regional incentives, incentives for large-scale investments and incentives for strategic investments. More specifically, Turkey offers investors value-added tax (VAT) exemption and corporate tax reduction, as well as social security premium support,

Below: Turkey's GDP growth as compared with other nations; Above left: the country's population is one of the world's youngest

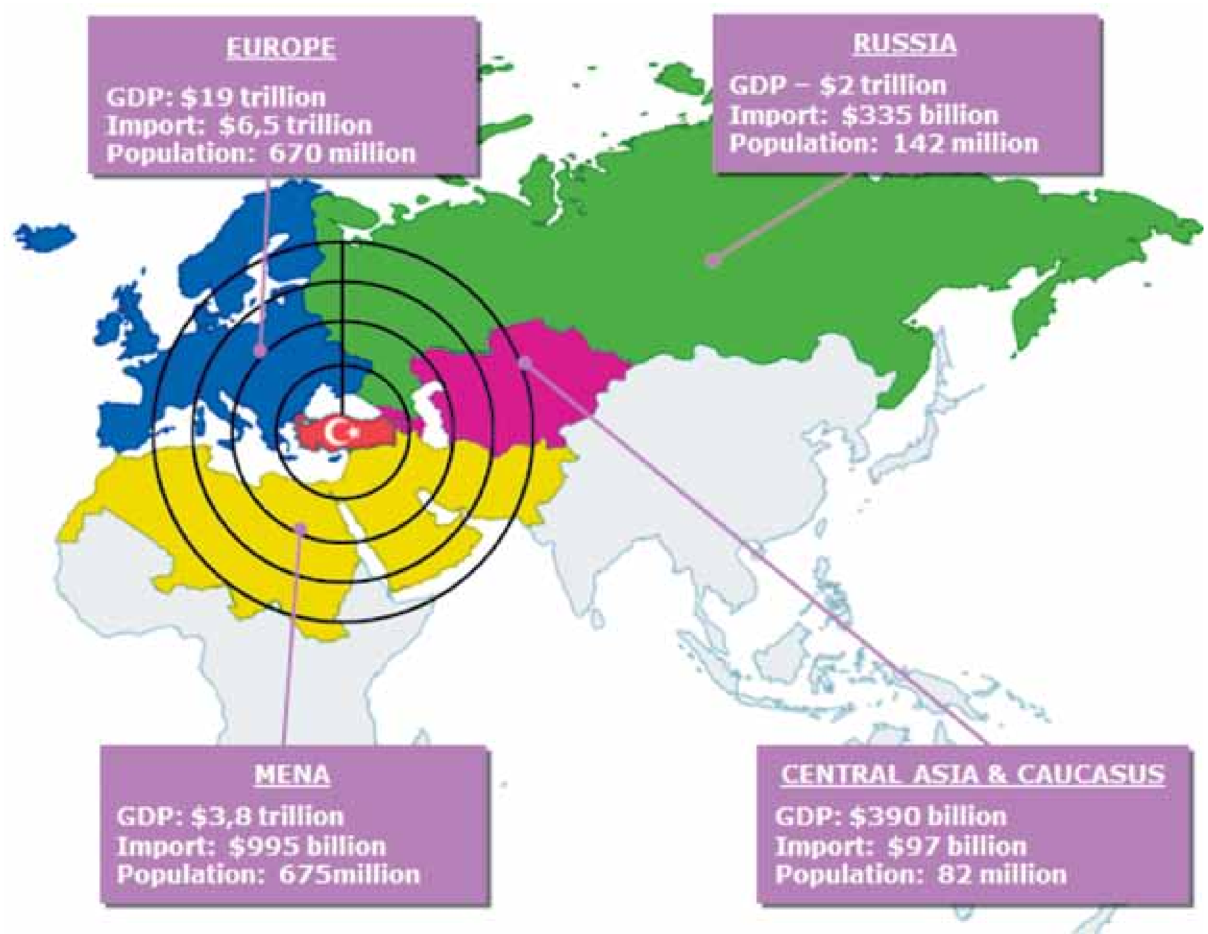




interest payment support and land allocation. Under the new system, the government intends to balance the levels of local development, particularly focusing on boosting investment in lesser developed areas.

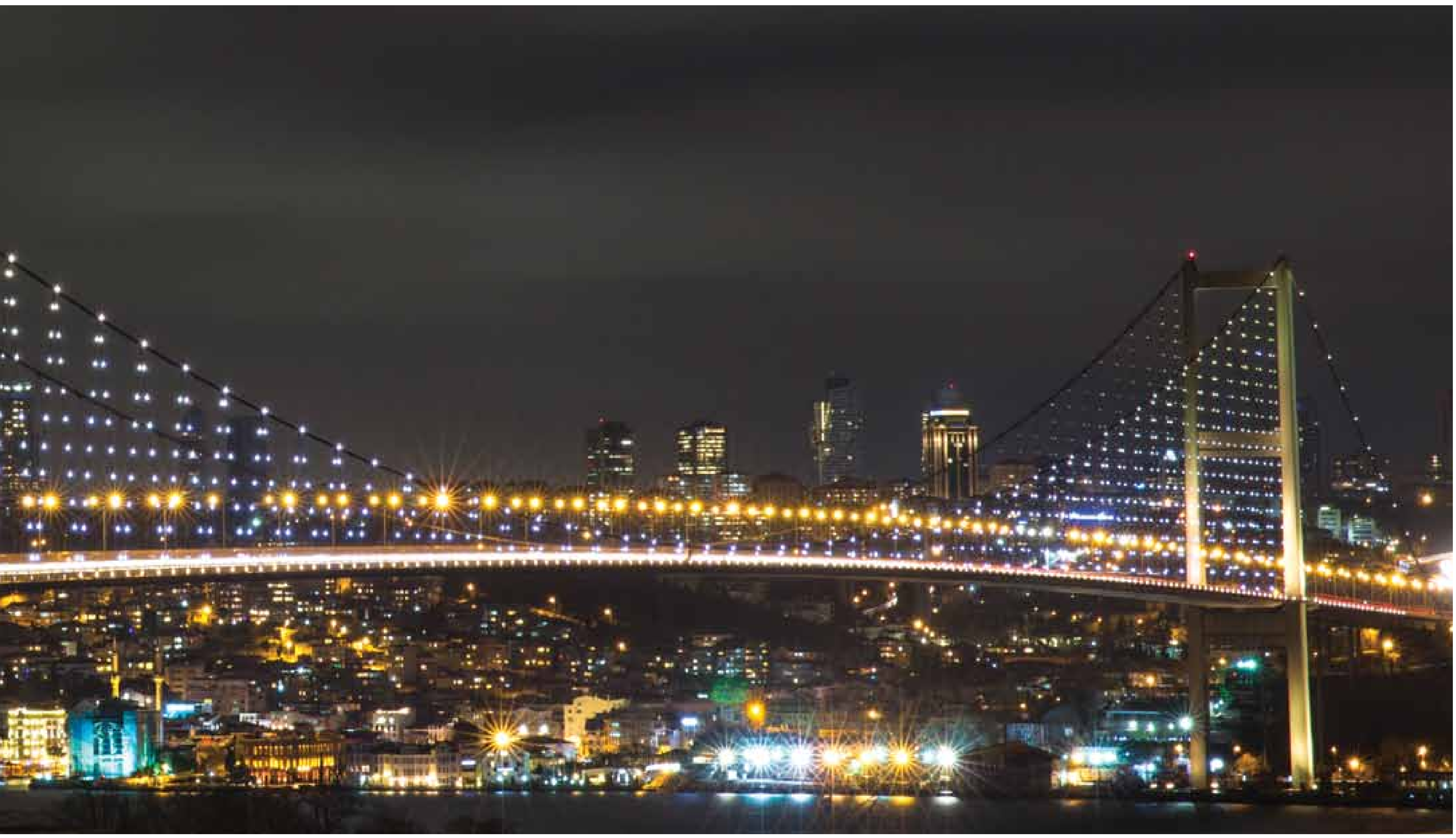
To maximise the impact of the programme, Turkey has been categorised into six regions according to their levels of development. Therefore incentives for investors in lesser-developed regions will benefit from a larger scope of support. The new incentives system also gives priority to several specific sectors such as defence, automotive, aerospace and aviation, maritime freight/passenger transportation, pharmaceuticals, education, tourism and mining. Investments in these sectors will be supported across Turkey by means of incentives provided for Region 5, the second-least developed region. This new system is expected to contribute to the structural transformation of Turkey's industries, particularly through strategic investments, by encouraging domestic production of goods that are commonly imported. The main purpose of the incentives for strategic investments is to promote and support investments in sectors with considerable trade deficit. It is important to highlight that strategic investments will be strongly supported in all regions with the same incentives.

On the back of this robust economic growth, together with the Turkish government's continuing efforts to improve its investment climate, ample investment opportunities have emerged in many sectors, such as energy in particular, and pharmaceuticals, chemicals and petrochemicals, automotive, machinery, finance, real estate, as well as iron and steel. More opportunities will come with the realisation of Turkey's ambitious targets for 2023, the centennial celebration of the foundation of the Republic of Turkey. The government has set specific targets to achieve by 2023, ranging from healthcare to the economy, from defence to education, and from energy to transportation. Turkey aims to eventually become one of the top 10 economies in the world, with a GDP of $US2trillion, to increase its exports to $US500billion, to upgrade its energy, transportation and healthcare infrastructure through the construction of hospital cities, to more than double its electricity generation, and to build new bridges crossing the Bosphorus and the Dardanelles straits. It is also a national target for Turkey to make Istanbul an international financial centre. Having been tested by the global economic crisis, Turkey has one of the most stable and profitable financial sectors in its region. The government's Istanbul Finance Centre project offers firms a chance to run their financial operations in the region through Istanbul, thanks to various incentives, a skilled workforce, and a global, cosmopolitan city with a vibrant local economy.



Above: Turkey is at the crossroads of four major continental marketplaces

Impressed by the attractive investment environment, foreign investors have been flocking to Turkey. Over the past decade, Turkey attracted US$123billion of FDI. Similarly, the number of foreign companies in Turkey has rapidly increased, exceeding 34,000.



Everyone can enjo

With Turkey's unique cultural and historical assets, tourism has always been at the heart of the country's economy – and never more so than at present. **Joanne Frearson** reports

THE TURKISH tourism industry is a major driver behind the nation's economy and is the second biggest employer in the country.

Home to two wonders of the Ancient World, eleven UNESCO World Heritage Sites, long sandy beaches and sacred religious grounds, it is easy to see why more than 30million tourists visit the country each year.

In 2012, 35.7million foreign visitors came to Turkey. According to the World Travel & Tourism Council, in 2012 travel and tourism made a total contribution of 10.9 per cent to Turkish GDP and supported 8.3 per cent of all jobs in the country.

Under an ambitious strategy by the Ministry of Culture and Tourism of Turkey this figure is set to rise to 50million by 2023. Ali Selcuk Can, attaché of Turkish culture and tourism, says: "Culture tourism and branding will be of particular focus in the regions of Anatolia, eastern Turkey and the Black Sea regions, focusing particularly on these cities: Adiyaman, Amasya, Bursa, Edirne, Gaziantep, Hatay, Konya, Kütahya, Manisa, Nevsehir, Kars, Mardin, Sivas, Sanliurfa, and Trabzon.

"Buildings, structures and ruins of cultural, archaeological, and historical value are being given priority for restoration, together with the opening of new museums in many of these areas. New museums are planned for Sanliurfa, which will house Turkey's largest mosaic museum; in Usak, where a new museum complex will display the famous King Croesus' treasure and Troy of the fabled wooden horse. All are expected to open late 2014.

"Each year a city will also be uncovered and promoted as Turkey's City of Cultural Tourism by the Ministry of Culture and Tourism in order to maximise domestic and international cultural visits.

"Several new eco-tourism zones have also been selected as top priority for preservation of the natural landscape and habitats. These include parts of the Black Sea region, the inland area between Antalya and Mersin, and south-eastern Anatolia, as well as the Datca peninsula and lake district in central Anatolia."

The goal for Turkey is to make it possible for year-round tourist activities and to create more alternative tourist activities such as health services for foreign visitors.

Special health zones and healing centres are being developed. These include hospitals, rehabilitation centres, thermal spa facilities, care facilities for the elderly and even holiday villages for visitors from abroad.

Reformist government policies are helping to support the diversification of tourism. These policies tap into the country's potential in health tourism and include the elimination of almost all bureaucratic procedures for admittance of foreign patients to receive treatment in Turkish hospitals.

Other government initiatives include offering incentives for tourism infrastructure investments both locally and internationally, such as introducing low interest long-term loan facilities for tourism operators to replenish and renovate complexes.

R&D centres are also being established to provide statistical analysis about trends in tourism.

A new airport being built in Istanbul will also help lure tourists to Turkey. It will have an ultimate capacity of more than 150million passengers per annum and is expected to become one of the largest in the world.

The airport, to be located near the Black Sea coast on the European side of Istanbul, will replace the existing Ataturk Airport, and provide the capacity needed to support the continued rapid growth of air traffic in the city, and the hub operations of Turkish Airlines.

Istanbul Ataturk currently has a capacity of 34million and according to a report released by data specialists OAG FACTS (Frequency and Capacity Trend Statistics), the airport, which transported 44.9million passengers last year, is now the world's third fastest-growing airport and number one in Europe.

Below: Istanbul's Ataturk Airport is the fastest-growing in Europe

Sabiha Gokcen Airport also serves three million passengers annually.

However, for further growth, there are limits to the existing airports. In order to develop Istanbul's air traffic potential to its maximum and resolve the capacity problem in the longer term, it is necessary to build a new airport. Anticipated to be finished by 2017, it will be a huge contribution to tourism revenues, GDP and give employment a boost.

The new airport is expected to transport passengers from Europe, Africa and Asia to destinations across Turkey and around the world. The exact routes are not yet known but it will certainly offer greater access and ease of travel for a much greater number of passengers from Turkey and around the world.

Ali Selcuk Can says: "We have a great city in Istanbul so it's a great destination to fly in and out of, both to visit and as a global hub to destinations onwards in Turkey and around the world. Currently the city already receives more than eight million visitors annually, taking its spot among the world's 10 most-visited cities.

"As the country rapidly develops, its infrastructure and transport links will cement our position as one of the world's foremost global hubs, connecting Asia, the Middle East and Europe, as well as offering greater capacity for visitors to Istanbul and Turkey."

Turkey is rich in history, culture and landscape. Increased flight capacity and alternative tourism will also attract foreign visitors to the country, and drive the country's employment and economy to further success.

y a slice of Turkey

A thriving auto industry for a thriving nation

THE AUTOMOTIVE sector in Turkey is to play a key role in helping to drive growth in the Turkish economy. Big players such as Ford, Renault, Toyota and Hyundai have established presences in the region and are being attracted by government incentives, infrastructure and labour productivity.

In the first 10 months of 2013, figures from the Automotive Distributors Association (ODD) showed an increase of 9 per cent in the Turkish passenger car and light commercial vehicle market compared with the same period the previous year. The majority of this came from sales in passenger cars.

Cars are Turkey's largest export industry and a big driver behind the manufacturing sector. The goal for the Turkish car sector is to produce four million vehicles a year and to export three million of these. Figures show in the first eight months of the year foreign sales in Turkey grew by 10 per cent.

By offering incentives to the automotive industry, the Turkish government aims to increase exports in the sector to $75billion by 2023. These schemes help boost support in the least developed regions and encourage domestic production of goods that are mainly imported.

Toyota recently announced its new Verso model, which features a BMW diesel engine, will be produced at it its Turkish Adapazan plant from January 2014. This will be the sole production facility of the Verso range. The plant also produces the latest generation Toyota Corolla.

Orhan Özer, president & CEO of Toyota Turkey, says: "Verso was designed in order to meet customers' demands who prefer this vehicle class, and has been specially developped for Turkish and European markets, like the previous version."

Proximity to Europe has also been a major attraction for car companies to set up facilities in the country. Hyundai doubled its capacity in its Turkish plant in 2013 and produces the New Generation i10 vehicle. The investment in the plant totalled $677million and created 2,700 new jobs in Turkey.

Allan Rushforth, senior vice president and chief operating officer at Hyundai Motor Europe, says: "The huge investment in our Turkish plant to accommodate production of New Generation i10 reflects our total commitment to Europe and to producing an A-segment car that exceeds the expectations of the European consumer.

BRIC countries such as China will help contribute to the future growth of the Turkish car industry. The Uludag Automotive Industry Exporters' Association (OIB) views China as a big target market and sees an opportunity in passenger cars. Ömer Burhanoglu, deputy president of the OIB says: "Within the scope of our targets for 2023 we must increase our exports to this country at least by tenfold. We can be present in this country first through commercial activities and then investments. Another goal is to draw Chinese companies into our country. We can offer Chinese companies the opportunity to open up to Europe."

According to a KPMG report, in the eyes of BRIC car manufacturers, Turkey's advantages are its Customs Union agreement with the EU, being connected to the Middle East in terms of transportation and its incentive programmes. Russia is another country the OIB thinks could give the Turkish car industry a boost. Orhan Sabuncu, president of the OIB, says: "Russian automotive industry representatives want us to be present in their market because they have confidence in the quality and capability of Turkish companies." In the first eight months of 2013 exports to Russia grew by 18 per cent. Sabuncu also says that "cooperation was continuously developing" between Russian and Turkish companies.

Below: Toyota's new Verso range is manufactured exclusively in Turkey

The debate: why invest in Turkey?

Leading members of Turkey's business community address the big questions about where the country has come from, and where it is heading

1 Turkey has recovered from the worldwide crisis remarkably quickly. What are the factors that have enabled it to do so?

2 Many global companies have set up their regional headquarters in Turkey. What do you think are the important factors behind this?

3 Turkey is promoting foreign direct investments, but what are the attractive points of Turkey as an investment destination for foreign companies?

4 What will be the impacts of the 2023 vision for the future of the Turkish economy in the next decade?

SERRA AKÇAOĞLU

CEO, CITI TURKEY/PRESIDENT, AMERICAN BUSINESS FORUM IN TURKEY (ABFT)

1 Turkey is a good example of an economy which has successfully manoeuvred the crisis and has emerged as a potentially more attractive destination for investors. It has economic stability; it is an attractive destination for talent; it is a major transportation and trade hub. Turkey has an outstanding geographical location which allows the country to act as a bridge between the East and the West. Turkey provides easy access to 1.5 billion people in Europe, Eurasia, the Middle East and North Africa, and access to multiple markets worth US$25trillion of GDP.

The Turkish banking sector has shown a high resilience to the global economic crisis and performed exceptionally well. A major reason is that Turkey has taken the necessary actions in the aftermath of its 2001 banking crisis and the BRSA (Banking Regulation and Supervision Agency) has implemented serious reforms. And the current strong balance sheet of the banking sector as well as the proactive regulator act as a shock absorber against the challenges in the global markets.

2 Turkey's geographical position as well as its logistics are the key components for the country to position itself as a regional hub covering Europe, the Middle East and Africa. Standing at the crossroads of the Silk Road, Turkey has the opportunity to further capitalise on its strategic geographical location, stability and increasingly educated population to establish itself as a regional centre in which foreign companies will want to build their regional management hubs. More international investors are recognising Turkey's geographical location and large domestic demand, which drives investment further. Currently there are more than 60 multinational companies which have their regional hubs in Turkey, and 116 countries are managed from Turkey. In total, this represents over $40billion in turnover. Several regions are represented out of these countries, including central and Eastern Europe, the Middle East, North Africa, the Balkans, and Central Asia/Caucasia. Over 30 businesses have developed R&D centres in Turkey, around 20 have their production facilities there, and over 15 use Turkey as a talent centre. Turkey should continue to build on its regional hub potential. The incentive programme and new commercial code introduced last year will further boost this potential.

3 Turkey's talent, young population, geographical position and strong banking sector are the country's key components in attracting new and larger investments. Connecting East and West, Turkey provides access to 56 countries within a four-hour flight. Half the country's population is below 30 years of age and the top five cities constitute 32 per cent of the population. As a result Turkey attracted US$123billion of FDI within the last ten years and has more than 30,000 companies with foreign capital.

4 The 2023 vision sets a number of goals, from economy to foreign policy; and from energy to transport, healthcare and tourism. At each category, necessary actions are being implemented in the context of the 2023 vision to further build on the success of the economy. For example, the incentive programme and new commercial code introduced last year will further boost Turkey's potential as an attractive investment spot. In addition to this, structural improvements in the economy and strong management of public finances have been carefully monitored; in particular, the decline of Turkey's debt to a GDP ratio of 10 percentage points since 2009 demonstrates fiscal prudence. A historically low general government budget deficit is the result of focusing on executing public announcements, including the most recent forecasts in the October medium-term programme for 2014-2016, that projects future budgetary restraint. On the other hand, current account deficit continues to be an area that should be focused on. Turkey should further focus on its supply side reforms, such as the labour market and goods market, to decrease its competitiveness gap and boost its private savings.

Inset, opposite: Turkish Prime Minister Recep Tayyip Erdogan has been closely involved in the country's economic reforms

MEHMET BÜYÜKEKŞİ

CHAIRMAN, TIM (TURKISH EXPORTERS ASSEMBLY)

1 The Turkish economy has shown remarkable performance with its steady growth, strong fiscal policies and major structural reforms. The global financial downturn and unexpected long recovery period have been more destructive for other countries, whereas Turkey has managed to control its public debt and the budget deficit with the help of long-term economic and political stability.

In addition to the financial instability to its west, the Turkish economy has also been affected by the political and civil unrest in the MENA region. To eliminate the troubles of both hemispheres and minimise the effects of the crisis on exports, we have successfully applied market-diversification strategies. Turkey's export market, once restricted to traditional textiles and clothing, rapidly expanded into the automotive, chemical, electronics, and mechanical equipment industries. With a growing middle class and entrepreneurs, the Turkish economy has sustained its growth economic and exports performance.

2 As a country centrally situated between Europe, where much of the world's economic power is concentrated, and Asia, which has lately become a vital centre of economic growth, Turkey has a geopolitical advantage for global companies. Within a circle of a four-hour flight, Istanbul is linked to more than 55 capital cities, which offers an incredible natural advantage for it to become a business hub. Also, Istanbul is becoming a global hub for transit aviation passengers, with an increasing number of giant infrastructure investments.

Moreover, Turkey's promising economy is expected to become the fastest-growing among the OECD members during 2012-2017, with an average annual real GDP growth rate of 5.2 per cent. Meanwhile, the size of its domestic market is also another important factor behind the establishment of regional headquarters. During the same period, Turkey is expected to be the fourth-fastest growing economy among major economies in the world, after China, India and Indonesia.

Turkey's dynamic population of 76 million, increasing local demand, the boosting of export figures with the help of its powerful banking system, and low public debt and budget deficits are the main reasons why Turkey is preferred as the investment hub of the region.

3 The Turkish economy attracted US$123billion of FDI (foreign direct investment) in the past decade, and was ranked as the 13th most attractive FDI destination in the world according to AT Kearney's FDI Confidence Index 2012.

Turkey has several attractions for FDI that could be utilised by foreign corporations: its unique strategic location, dynamic and skilled workforce and stable political and economic environment. Investing in Turkey facilitates access to markets in Europe, Asia, Africa and the Middle East.

Moreover, Turkey's high risk-reward ratio and stable macroeconomic policy offer an attractive investment atmosphere for foreign companies. Also, in setting up a regional business, Turkey is the best place to reach regional markets. Turkey's exports to neighbours have increased by 13 times in the last 10 years. Also, the total trade volume to the MENA countries has increased by more than four times. Turkey is the business hub of its region.

4 By 2023, Turkey is targeting to reach US$2trillion in GDP and US$500billion in exports in 2023. This vision and action plan will provide a roadmap for Turkey to rank among the top 10 economies in the world and will also improve the country's investment environment.

Turkey's current ratio of R&D spending to national income is 0.92 per cent. However, in the developed countries an average of 3 per cent of national income is allocated for R&D. We are targeting to reach the 3 per cent ratio by 2023, by means of attaching more importance to high-value added products. We are now focusing on four pillars to boost high-value added products: branding, design, innovation and R&D.

DEMET SABANCI ÇETINDOĞAN

PRESIDENT & CEO, MEDIASA MEDIA GROUP

1 The 2001 economic crisis in Turkey led to the establishment of a firm banking sector and financial discipline. Once the confidence in the Turkish economy was established, the private sector thrived and years of sustained economic growth led to a quick recovery from the worldwide crisis.

2 The economic stability of Turkey, coupled with geographical advantage, attracted several global companies. Of course, many other factors contributed. The increase in the number of private universities and the return of US-educated students led to a skilled and highly educated employee pool. Today, several multinational companies appoint Turkish executives from local offices to their global operations. Istanbul is one of the most popular destinations in the world. It is very easy to convince expatriates to relocate to Istanbul, which is a historical city with art and cultural attractions, great restaurants, shopping, Broadway shows and excellent residential developments. Many popular summer destinations are only one hour away from Istanbul.

Turkish Airlines flies to 102 countries and more than 233 destinations. In four hours or less, 56 countries can be reached. This is one of the reasons that make Turkey a good hub for businesses.

Another factor would be the increase in the wealth of neighbouring countries, due to oil and natural gas prices. These countries are becoming growth areas for global companies.

3 Stable economic growth, easy access to Europe as well as Middle Eastern, African and Caucasus countries, an expanding local economy, free zones and special economic zones with tax exemptions, and regions with several tax benefits are some of the things attracting foreign investment.

4 The 2023 vision is actually a business plan to reach Turkey's goals in the economy, healthcare, energy, transport, foreign policy and tourism. 2023 will be the 100th anniversary of the establishment of the Republic of Turkey. Through this vision Turkey will reach its goals, but more importantly, during this journey we will see improvements in business, personal lives, the environment, politics and foreign policy. We are witnessing progress every day.

YIĞIT GÜRÇAY

SVP & AREA DIRECTOR, MEA (MIDDLE EAST/ AFRICA), GLAXOSMITHKLINE

1 There were three main factors that played an important role in Turkey's impressive performance during the worldwide crisis. Firstly one must emphasise the dynamic economy, driven by entrepreneurs who do not accept defeat easily. When the Eurozone, which was a very important trade partner for Turkey, went into stagnation, Turkish exporters were successful in replacing lost European markets with markets from other parts of the world.

Secondly, as banks in Europe were triggering the crisis in the old continent, the Turkish banking and financial sector was sound and stable, with minimum risks as a result of the strong reforms and restructuring processes implemented after 2001. A third factor, which was as important as the first two, was the government's successful management of the economy. The government and the Central Bank adjusted basic macroeconomic policies successfully and harmoniously, which resulted in limiting the effects of global recession after 2009. As a result, Turkey managed a GDP growth of 8.8 per cent in 2011.

2 The geographic location and closeness of Turkey to different markets is one important factor for these decisions, but it is not the only one. Turkey's strong infrastructure, highly qualified human resources and strong production capacity are also influential in many international companies' decisions to set up their regional headquarters in Turkey.

In fact, GlaxoSmithKline (GSK) is one of these companies. I was appointed SVP, Middle East and Africa (MEA) in the Emerging Markets and Asia Pacific (EMAP) Region, in January 2012. I am based in Turkey, and the headquarters of GSK in the MEA region, which comprises 30 countries, has been shifted to Istanbul. This is an important step towards supporting Turkey's potential of becoming a regional hub for the pharmaceutical sector. Turkey's geographical position, its population of almost 76million, the US$8billion pharmaceutical market and qualified human resources weighed heavily in favour of our decision.

GSK is determined to support Turkey's move to become a regional hub for the pharmaceutical industry and the development of its capacity for R&D and production.

3 The basic factor is the strong, dynamic and fast-growing economy of Turkey. Between 2002 and 2012, Turkey achieved an average annual GDP growth of 5 per cent. In 2002 the GDP was US$231billion, growing to $786billion in 2012. Last year, Turkey became the 16th largest economy in the world and the sixth in Europe. Turkey's population and increasing welfare indicates a strong market with potential for significant growth. Financial discipline and stable economic policies, and a financial sector that proved its resilience in the face of the global crisis, are attractive factors, as is political stability.

4 Turkey has set challenging targets for itself to achieve by 2023, when the centennial of the Republic of Turkey will be celebrated. Prime Minister Recep Tayyip Erdogan set the targets for Turkey to become one of 10 largest economies in the world, increase its exports to US$500billion and national income per capita to US$25,000. If Turkey can achieve these targets, it will join the ranks of those countries that have a real effect in shaping the global economy. The attractiveness of Turkey for direct foreign investment will increase, as well as the country's economic and political weight in the world.

AKIN KOZANOĞLU

DEPUTY CHAIRMAN, INTERNATIONAL INVESTORS ASSOCIATION (YASED)

1 Turkey has overcome a series of political and economic challenges in the recent past, and is now enjoying a period of stable and solid economic growth. Our structural transformation was triggered by political stability and economic reform, which came just after the 2001 crisis.

Today, Turkey is more prosperous than the last decade, as we recover from many destructive crises. The decision-making environment is now more stable, a middle class in continued stability is stronger, a strong and dynamic private sector is willing to invest, and the export culture has continued to develop over the last ten years. Now we have political stability, sound economic growth, a strong financial system, and an improved macroeconomic environment which has led to lower inflation and interest rates with structural reforms in place.

2 Political and economic stability, ease of access to the surrounding markets and skilled local labour, together with a large and vibrant domestic market are considered the most important advantages. Turkey is an attractive market for international companies to manage and control other countries that are geographically close, such as Southern and Eastern Europe, North Africa and the Middle East. Information Communication Technologies, FMCG and pharma and healthcare companies are mostly positioning Turkey as a regional hub. They are mostly positioned as management, manufacturing and services hubs.

3 YASED is a voluntary, non-profit, independent NGO representing international investors in Turkey for 32 years, with 225 member companies, comprising the largest international companies operating in Turkey for many years. We aim to help enhance current investors' satisfaction and improve Turkey's perception as a centre of attraction for investment. We believe there are many factors for Turkey to become a main investment destination. These include its geographical location and level of cultural association within the region, increasing global connectivity, stability of political relations, better logistics infrastructure and high quality of talent and skills within its region – and of course, most importantly, its large and strong domestic market which is growing sustainably. Compared with the 27 countries of the EU, the indisputable fact is that Turkey posesses a demographic competitive advantage, with its vast, dynamic, multicultural, trained and highly motivated young population of over 27 million.

4 In 2023, Turkey will celebrate the 100th anniversary of the Republic. Accordingly, extensive economic and political targets have been set for this date at the governmental level. Turkey is currently the 16th largest economy in the world and aims to be among the top 10 largest economies by 2023, with concrete targets such as a net income per capita of US$25,000, export volumes of US$500billion, extensive infrastructure projects – including railroads, highways, a third bridge over the Bosphorus and a third airport for Istanbul. Hence, with its robust public-private investment portfolio for the years leading up to 2023, Turkey offers huge opportunities for international players in various sectors.

These goals can be achieved, if the conditions that would keep pace with world standard competition are furnished rapidly. We

Continued overleaf

The debate: why invest in Turkey?

Continued from previous page

strongly support Turkey's 2023 targets, and in parallel to its goal of becoming one of the top 10 global economies, we also think that Turkey has the potential to be in the top 10 league in terms of global foreign and direct investment flows as well.

MARTIN SPURLING

HSBC GROUP GENERAL MANAGER & CEO, HSBC TURKEY

1 Unlike in more advanced economies, in Turkey financial institutions were not heavily exposed to derivatives and toxic assets at the time of the financial crisis. Moreover, households in Turkey have relatively low levels of debt, which prevents the country from falling into protracted balance-sheet recessions. In 2009, corporate sector debt was also relatively low, at 36 per cent of GDP. As a result, corporates were able to start investing, and households were able to start spending relatively quickly following the sharp recession in 2009. Although Turkish exports declined following the crisis, the dynamism of the domestic market helped the country to weather the storm. Indeed, the Turkish economy recovered strongly in 2010, growing by 9.2 per cent. Accommodative monetary and fiscal policies and a friendly external financing environment also helped.

2 Turkey has a young and growing population that not only provides skilled labour, but also a vibrant domestic demand base for countries that sell their products in the Turkish market. Meanwhile, the country's favourable geographic position allows companies with regional headquarters here to access large markets in Europe, central Asia and the Middle East and North Africa (MENA) region. Turkey's strong international connectivity also stems from the numerous trade agreements it has signed with regional countries, as well as its Customs Union with the EU.

3 Turkey has a young population that provides a growing labour force and an attractive consumer market. Meanwhile, recent reforms such as the new capital markets law, the new code of obligations, the new commercial code, and the new foreign investment incentive scheme are steadily improving the country's business environment nationwide. These improvements are reflected in Turkey's position in independent assessments, such as the World Bank Doing Business Report, which ranked Turkey 34th out of 189 countries in 2014 for protecting investors, up from 67th in 2013. The two investment grade ratings that Turkey recently earned from the global ratings agencies provide further evidence that business and investment conditions are improving.

That being said, challenges in the business environment persist, and it is important to note that foreign direct investment (FDI) into Turkey has been on a downward trend since 2011. Moving forward, it is imperative for policymakers to identify and address the reasons behind the decline in FDI if Turkey is to achieve sustainable growth and its 2023 development objectives.

4 A realistic vision for sustainable growth is invaluable for businesses and investors in Turkey. For a start, the 2023 vision shows that domestic policymakers are thinking carefully and strategically about the country's long-term development and the current structural challenges around the current account deficit, slower growth, and reduced bank margins, as well as the energy resources question and the need to increase the population's long-term savings substantially to help fund the exciting and critical long-term infrastructure projects envisaged by the government. History shows that emerging markets move to developed ones when this critical long-term vision is developed and executed without short-term political decisions moving them off course.

TANKUT TURNAOĞLU

CEO, P&G TURKEY

1 Turkey is a dynamic country in terms of social and economic change. It has a booming economy, more than tripling its GDP between 2002 and 2012, and has been ruled by a single-party government for the last three elections. All these factors, together with a dynamic and mature private sector contributing to the positive growth, have resulted in Turkey's faster recovery from the worldwide crisis.

2 As P&G, we manage our Caucasus business from Turkey. In addition, part of P&G's production in Turkey is exported

to the Caucasus, central Asian republics, the Middle East and Balkans, and also to some African and Asian countries such as Nigeria and Pakistan.

Turkey is an attractive market for international investments with its market size and growth potential. There is a rising trend of major multinational companies to consider Turkey as a regional hub for management, manufacturing, R&D and services. The government is also trying to improve incentives scheme for strategic and large-scale investments to decrease imports, and to attract more direct investments. Turkey's convenient geographical location also makes the country a bridge between the east-west and the north-south axes, thus creating an efficient and cost-effective outlet to major markets. Moreover, Turkey's new and highly developed technological infrastructure in transportation, telecommunication and energy is aimed at transforming the urban areas most especially, such as Istanbul, into focal points for business.

3 P&G has always been, and will continue to be, confident in Turkey's growth potential. We have built two plants in Turkey, and in 2012 added a new line to produce our leading dish care brand, Fairy, which now meets 100 per cent of the domestic consumer need. We employ about 900 people in Turkey, and there are about 90 Turkish P&G employees on international assignments.

Turkey has overcome the economic crisis with minimum damage. It has an expected GDP growth rate of 3.2 per cent for 2013 following 2.2 per cent in 2012. Turkey's credit ratings have been increased to the "investment grade". The country also has a competitive advantage in terms of talent supply, a rising middle class and a young population with a median age of 30, 24 per cent of which is aged below 15. About 75 per cent of the population lives in urban areas, and are responsible for more than 80 per cent of the country's total consumption. Urban life changes consumption habits, along with lifestyle and exposure.

More than half of households have internet access. The domestic market is quite large, with abundant market and supply opportunities at moderate cost. The private sector is dynamic and mature with US$153billion worth of exports. Turkey's central location and good connections to the rest of the world are also great advantages for foreign investors. Incentives for strategic large-scale investments are decreasing imports and encouraging foreign investments. We expect further improvements to the ease of doing business. Continuation of efforts to reach an attractive tax system and predictable legal system will make Turkey much more attractive for foreign investments.

4 Vision 2023 sets a clear vision for development and growth. A large number of projects have already been started in healthcare, urban renewal and city expansion. These, of course, will help improve the Turkish economy in the next decade. Turkey's promising economy is expected to become one of the fastest-growing economies among the OECD members during the 2012-2017 period. Therefore, we believe Turkey's doors are wide open to investment.

EUGENE WILLEMSEN

PRESIDENT, SOUTH EAST EUROPE REGION, PEPSICO

1 Turkey went through a severe economic crisis in 2001, which resulted in a comprehensive restructuring of the country's economy. The banking system has gone through a substantial reform and restructuring process. Tight budget and monetary discipline became prevalent in public finance. On top of those these reforms, elections in 2002 resulted in a single-party government which brought stability to the country.

Based on these positive steps, Turkey as a rising economy, performed well during the past decade. When the global financial crisis erupted in 2008, Turkey was a country with strong public finance, an intact banking system and robust economic performance. All these factors saved Turkey from being severely affected by the global crisis.

2 Turkey, both geographically and also culturally, is a true hub for having access to multiple markets worth US$25trillion of GDP. Turkey is a bridge that connects east and west, north and south. This central location gives it access to wide range of markets from Europe, Asia, the Middle East and North Africa. Turkey's convenient geographical location provides an easy access to almost 1.5 billion customers in the close vicinity of the country.

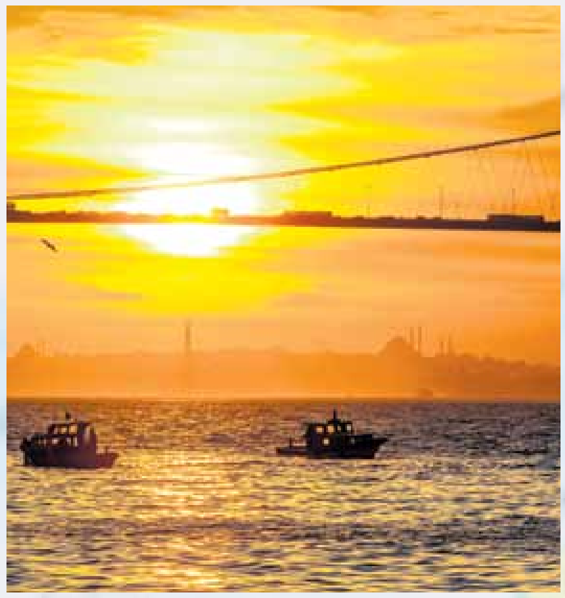
Turkey is also a portal to the east and to the Middle East, regions where the country has strong cultural and historical connections, making Turkey a convenient hub in terms of social factors.

3 Turkey, with its sizeable, well-balanced and growing economy, strong fiscal management, and large, young and growing population, is strategically important for lots of foreign companies and a key part of our emerging and developing markets growth strategy. Also, Turkey has an institutionalised democratic system with a stable legal and jurisdical framework. Because of the country's educated, competitive workforce, free market economy, the transparent political system makes the country a rising destination for investors from all sectors.

4 Vision 2023 sets ambitious goals for Turkey for almost all segments of the economy and social indicators. Those goals show how Turkey is passionate about economic growth for the next decade. The 100th anniversary of the Turkish Republic is an important milestone in the social mindset, and Turkey is willing to fulfil the next decade with superb economic performance in order to reach that milestone with assertive social and economic outlook. Although some economists comment that some of the 2023 goals are too ambitious, it serves as a positive benchmark for all industries as medium to long-term goals.

The top 10

Turkey offers significant opportunities for foreign investors, with its geographical position functioning as a gateway between Europe, the Middle East and Central Asia. The opportunities not only exist in its dynamic domestic market, but also its global location. Turkey is open to foreign investors with many attractions to offer, ranging from real estate, financial services, automotive, ICT, energy and renewable energy to iron, steel and petrochemicals.



1. A successful economy

- Turkey's economy is booming; more than tripling its GDP, reaching US$786billion in 2012, up from US$231billion in 2002 (TurkStat)
- Stable economic growth with an average annual real GDP growth rate of 5 per cent over the past decade (TurkStat)
- A promising economy with a bright future, expected to become the fastest-growing economy among the OECD members during 2012-17, with an average annual real GDP growth rate of 5.2 per cent (OECD Economic Outlook No.91)
- 16th largest economy in the world and sixth-largest economy compared with the EU in 2012 (GDP at PPP, IMF WEO)
- An institutionalised economy fuelled by US$123billion of FDI in the last decade and ranked as the 13th most attractive FDI destination in 2012 (AT Kearney FDI Confidence Index)
- A dynamic and mature private sector with US$153 billion worth of exports and an increase of 325 percent between 2002 and 2012 (TurkStat)

2. Population

- A population of 76million (2012, TurkStat)
- The largest youth population compared with the EU (Eurostat)
- Half the population under the age 30.1 (TurkStat)
- A young, dynamic, well educated and multicultural population

3. A qualified and competitive labour force

- More than 27million young, well-educated and motivated professionals (TurkStat)
- Increasing labour productivity
- Approximately 600,000 students graduate annually from more than 170 universities (2012, Student Selection and Placement Center-OSYM)
- More than 700,000 high school graduates, with around half from vocational and technical high schools (2012, Ministry of National Education)

4. Liberal and reformist investment climate

- The second-biggest reformer among OECD countries in terms of its restrictions on FDI since 1997 (OECD FDI Regulatory Restrictiveness Index 1997-2012)
- A business-friendly environment with an average of six days to set up a company, while the average in OECD members is more than 12 days
- Highly competitive investment conditions
- Strong industrial and service culture
- Equal treatment for all investors
- More than 34,400 companies with international capital
- International arbitration
- Guarantee of transfers

5. Infrastructure

- New and highly developed technological infrastructure in transportation, telecommunications and energy
- Well-developed and low-cost sea transport facilities
- Railway transport advantage to Central and Eastern Europe
- Well-established transportation routes and direct delivery mechanism to most of the EU countries

reasons to invest in Turkey

6. Centrally located

- A natural bridge between both east-west and north-south axes, thus creating an efficient and cost-effective outlet to major markets
- Easy access to 1.5 billion customers in Europe, Eurasia, the Middle East and North Africa
- Access to multiple markets worth US$25trillion of GDP

7. Low taxes and incentives

- Corporate income tax reduced from 33 per cent to 20 per cent
- Tax benefits and incentives in technology development zones, industrial zones and free zones could include total or partial exemption from corporate income tax, and a grant on employers' social security share, as well as land allocation
- R&D and innovation support law
- Incentives for strategic investment to decrease imports, for large-scale investments as well as for regional investments

8. The energy corridor and terminal of Europe

- An important energy terminal and corridor in Europe connecting the East and the West
- Located at a close proximity of more than 70 per cent of the world's proven primary energy reserves, while the largest energy consumer, Europe, is located right to the west of Turkey, thus making the country a lynchpin in energy transit and an energy terminal in the region

9. Large domestic market

- 20million broadband internet subscribers in 2012, up from 0.1million in 2002
- 68million mobile phone subscribers in 2012, up from 23million in 2002
- 54million credit card users in 2012, up from 16 million in 2002
- 131million airline passengers in 2012, up from 33million in 2002
- 31.8million international tourist arrivals in 2012, up from 13million in 2002

10. Customs union with the EU since 1996

- Customs union with the EU since 1996, and Free Trade Agreements (FTAs) with 21 countries
- More FTAs underway
- Accession negotiations with the EU