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# The Turkish Perspective

AUGUST 2019 ISSUE 73

ECONOMY | BUSINESS | FOREIGN TRADE | ANALYSIS



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Geographical  
Indications*

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Turkey

Discover  
the potential

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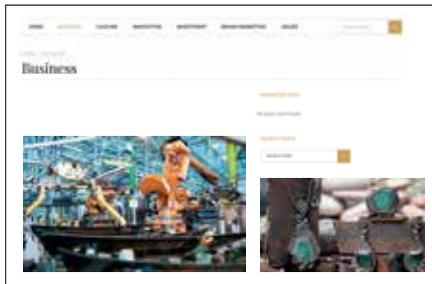
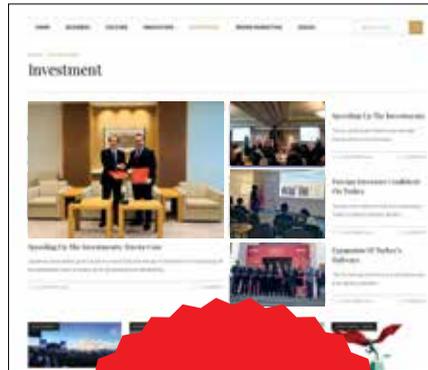
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# Online [theturkishperspective.com](http://theturkishperspective.com)

## THE TURKISH PERSPECTIVE DIGITAL

The Turkish Perspective website is to be launched soon.

A NEW MEDIUM TO LEARN, ANALYZE AND MONITOR EVERYTHING ABOUT TURKISH ECONOMY AND BUSINESS, IS BORN. THE TURKISH PERSPECTIVE DIGITAL WILL SHARE THE LATEST NEWS, INTERVIEWS WITH DECISION MAKERS, PROVIDE IN-DEPTH ANALYZES AND WILL BE THE FOREIGNER'S GUIDE IN TURKEY REGARDING REGULATIONS AND LEGISLATIONS.



More than a magazine, the Turkish Perspective will now be more interactive and responsive, as expected from Turkey's main voice for international audience.

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# Editorial



İSMAİL GÜLLE  
CHAIRMAN (TİM)

## NO ONE CAN HINDER US FROM OUR DEVELOPMENT GOAL

It should be realised that Turkey is not the former country before the 15<sup>th</sup> of July. There is no power to turn this nation, repulsing the coup with their hands and counting on martyrdom as an honour, out of its way.

**W**ITH A POPULATION OF 82 MILLION, 800 billion dollars of domestic product, productive and dynamic people, Turkey has the world's 17th largest economy. We have emphasized many times as the entire business and export family, especially our President that this is not enough, we want our people to be more prosperous and Turkey to be a more developed country and our economy should be among the top ten economies in the world.

It is a fact that difficult times are experienced in many economies with the problems experienced in international trade and the reshaping of the global political order. On top of it, we were faced with moves that directly targeted our country. For example, in August 2018, we witnessed a heavy attack on our country through exchange rates.

But the biggest threat to us was the July 15 treacherous coup attempt three years ago. Turkey's democracy continued on its way with the epic heroism of its people. Now everyone has to realize that Turkey is not the same country before the 15<sup>th</sup> of July. There is no power to turn this nation, repulsing the coup with their hands and counting on martyrdom as an honour, out of its way.

We, the exporters who are the field soldiers of Turkish trade diplomacy, know it very well that this nefarious venture directly targetted Turkey which is developing and growing. 15<sup>th</sup> of July should always be remembered as a day of National Unity. We, as TİM, in this year's commemoration ceremony, planted saplings in TİM Democracy and National Unity Nursery in memory of 15<sup>th</sup> of July martyrs. A plane tree was planted for each of our heroes

who martyred unblinkingly on behalf of Turkey's unity and survival. Next to the trees, plaques with a square code containing the life stories of our martyrs were placed.

As TİM, we started to work in 2019 with the vision "Turkey Having Foreign Surplus". Every month, our exporters set new records. We crowned the first half of the year with exports over \$88 billion. We aim to reach \$200 billion at the end of the year. While working on this path, we are aware that our government is backing us until the end.

With President Recep Tayyip Erdoğan and Minister of Trade Ruhsar Pekcan, last month, we made trips to Japan and China for high-level contacts. During the G20 Summit held in Osaka, Japan, and the bilateral meeting between President Erdogan and US President Trump, it was decided to increase the previously determined foreign trade volume target of 75 billion dollars to 100 billion dollars. As TİM, we are ready to support this goal with all our strength. Accordingly, we have published a comprehensive report. In 192 items, we evaluated the products that could increase our exports in the short term. Their common feature is that our country has a competitive advantage while exporting these products and they are imported by the USA intensively. It was analysed which product comes to the fore in which state in detail in our report. On the other hand, our contacts in China were very successful. By EXPO 2019 Turkey National Day in Beijing, we had the opportunity to reflect our culture as well as the development of trade between countries.

While emphasizing that our country attaches great importance to production, cooperation and sharing concepts with valuable work of Turkey Promotion Group and with the theme "Embrace the Future with Green", we as Turkey, aim to reflect our determination to take a leading role for a greener, more livable and sustainable world. The performance we put in the international arena is also supported in Turkey, which is also an indication of how much trust is given to the exporter. One of them is the amendment to the General Communiqué on Customs. Accordingly, the limitation on the import of goods with a maximum of 5 stock certificates by means of fast cargo has been lifted for legal entities. In the name of sustainability of our exports, it is an important regulation that will contribute to the achievement of our targets with the same dynamism, especially the incoming samples, and allows the free circulation of goods that will be transformed into orders, production and export. Another important development that will ease us came from the Central Bank of the Republic of Turkey. The CBRT's rate cut of 425 basis points is an important step that will soon be reflected in the financing activities of the real sector. The interest rate cut occurred at the right time in terms of the competitiveness of our exports of goods and services. In the first place, we propose that it will boost the market in August, September and October and provide a rapid reflection on economic growth. With the exchange rate stability to be achieved, the contribution of exports of goods and services to economic growth will continue exponentially. This step will accelerate the transition of Turkey's economy from offset to the sustainable growth process. The 11<sup>th</sup> Development Plan, which was announced last month and focuses on 2023, the centenary of our republic, has made greater reference to and export duties than ever in any planning. Our country is fully aware that exports are indispensable for sustainable growth. We, as exporters, are aware of the duty that has been given to us. We will continue to work with all our strength to exceed the 2023 targets of Turkey..

# More than 65.000 companies have INVESTED IN **TURKEY**



## how about you?

average annual real  
GDP growth rate

**5.5%**

2002-2018

**13<sup>th</sup>** largest  
economy in  
the world

GDP at PPP prices, 2017

more than

**804.000**

university graduates  
per year

average annual real GDP  
growth rate forecast in OECD

**5.2%**

2015-2025

**\$784** billion  
of GDP at  
current prices  
2018

**82 million**

of population  
with half under the age of 31

## INVEST IN TURKEY

Presidency of the Republic of Turkey Investment Office, the official investment advisory body of Turkey, is a knowledge-center for foreign direct investments and a solution partner to the global business community at all stages of investments. It provides customized guidance and qualified consulting before, during, and after entry into Turkey.

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# First

AUTOMOTIVE, AI, REAL ESTATE, INDUSTRY, TOURISM, BUSINESS, ENERGY, DEFENSE, PURCHASE, HEALTH...



## REPORT

# TURKEY RANKS 7<sup>th</sup> AMONG BEST COUNTRIES TO LIVE AND WORK

A survey of the best countries to live and work for foreigners put Turkey in the seventh spot for quality of life and high earnings.

**TURKEY** secured the seventh spot in a survey by HSBC Group among countries best for living and working. Ahead of Germany, the United Arab Emirates (UAE) and Vietnam in a list topped by Switzerland, Turkey provides a good environment for foreigners, the Expat Explorer survey says. The survey, based on the opinions of more than 18,000 expatriates

from 163 countries, shows Turkey's ranking rose from 22nd place last year to seventh. The 12th annual edition of the survey examines countries in terms of quality of life, work and life balance, financial revenues and family life. It is regarded as one of the most comprehensive surveys of expatriates.

Sixty-two percent of interviewees said their living quality in Turkey showed a rise compared

to their countries. More than half of people interviewed for the survey said they had more time for hobbies and family while in Turkey, while 55 percent said they could afford a fine home and car in Turkey. Another 69 percent say they felt safe in Turkey and that locals were very friendly. The majority of interviewees said the work-life balance in Turkey was far better compared to

their home countries. Fifty-nine percent said they were able to travel more while in Turkey, and 57 percent said they found time to learn new skills like diving, cooking and learning a new language. The majority of them said they live in cities rich in historical and cultural texture with landmarks and parks. Most live in central locations where there are more travel options, and 59

percent said they live in cities with a vibrant cultural life. More than half interviewed for the survey said they enjoy the fine dining and good food in Turkey.

A report accompanying the survey on HSBC's website says Turkey, which straddles Asia and Europe, "Oozes expat appeal, particularly for business people looking to take advantage of its growing economy." →

“With sunny skies and a low cost of living, the country is also an ideal retirement destination, and its culture lives up to the cliché ‘something for everyone’ with a fascinating blend of Eastern and Western traditions.” In terms of cultural, open and welcoming communities, Turkey scores high in the rankings and is a top choice in terms of ease of settling in.

“Prepare to be delighted. Turkish people are the most friendly people I’ve ever met,” a survey respondent says. “Embrace the good nature and hospitality of the general public and try to learn a few Turkish phrases monthly,” another respondent said. Still, the survey shows it’d take time for expatriates to learn cultural nuances and points out to the language barrier and “frustrating conservative attitude of some Turks” as challenges for new expatriates, although it adds that they can adapt “fairly quickly” with the help of “delicious Turkish cuisine, warm weather and friendly locals.” A guide for expatriates accompanying the survey says that the country is a captivating place to live and a recent construction boom means there are plenty of properties to rent or buy, while the cost of living is lower than other popular expat destinations in Europe.



## AUTOMOTIVE

# Auto Sector Manufactures 735,000 Cars in First Half

Automakers in Turkey produced 735,062 vehicles, including automobiles and commercial vehicles, in the first half of 2019, according to a sector report.

**I**N THE JANUARY-JUNE PERIOD, Turkey’s auto production dropped 13 percent on a yearly basis, said the Automotive Manufacturers’ Association (OSD).

The report showed that local carmakers’ passenger car output stood at 492,700 units in the first half of the year, pointing to a 12 percent decline compared to the same period of 2018.

Total commercial vehicle production also dropped 15 percent on an annual basis with light commercial vehicle output down 14 percent. The report said around 86 percent of manufactured vehicles were exported, marking an 8 percent annual decline to 634,768 units.

The country’s automotive exports totaled nearly \$15.6 billion in the six-month period, down 7 percent from a year ago.

According to OSD data, local producers delivered a total of 419,046 passenger cars to foreign markets, generating \$5.8 billion in export revenues which was 12 percent lower compared to the first half of last year. The association

also said Turkey’s overall auto sales market contracted 45 percent year-on-year to 200,901 vehicles.

Passenger cars sales were down 43 percent, while light commercial vehicle sales declined 50 percent in January-June.

Top international automakers — including Ford, Honda, Hyundai, Mercedes, Renault, and Toyota — have factories in Turkey, one of the world’s top auto sale markets.

In 2018, a total of 641,541 vehicles were sold in Turkey, with passenger cars taking a 75.8 percent share. Another business group, the Automotive Distributors’ Association (ODD) said in June that it expected vehicle sales to be between 350,000 and 400,000 this year.

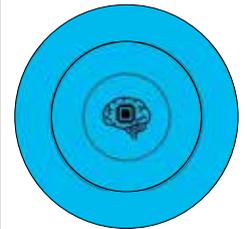
Last year, Turkey produced nearly 1.6 million vehicles, earning \$32.2 billion from the exports of some 1.3 million vehicles.

According to the latest data from the Turkish Exporters’ Assembly (TİM), the local auto industry was the largest exporting sector with a 17 percent share in the country’s overall exports in the first half of the year.

## AI TURKEY’S FIRST-EVER AI ENGINEERING COURSE OPENS

Turkey’s first artificial intelligence engineering department established at Hacettepe University in capital Ankara will admit applicants for the first time this year, starting with 30 students.

A total of 23 faculty members will give lectures at the department, while students will also be able to receive lectures from academics of related departments via



optional courses.

Professor Haluk Özen, rector of Hacettepe University, said that the students of the department will have no difficulties or employment problems after graduating as there is already a growing need of qualified personnel in the field.

Turkey’s leading aerospace engine designer and manufacturer, TUSAŞ Engine Industries Inc. (TEI) will also provide scholarships to the first 15 students admitted to the department according to their university entrance exam scores, Özen added.

419,046

LOCAL PRODUCERS  
DELIVERED A TOTAL OF  
PASSENGER CARS

17%

SHARE IN THE COUNTRY’S  
OVERALL EXPORTS  
IN THE FIRST HALF OF  
THE YEAR

400,000

EXPECTED VEHICLE SALES  
TO BE

## REAL ESTATE

## MORE THAN 500,000 HOUSES SOLD IN H1

House sales in Turkey fell to 505,796 properties in the first half of 2019, down 21.7% on a yearly basis, TÜİK announced.

Some 206,254 houses were sold for the first time while the remaining were second-hand sales from January to June, according to Turkish Statistical Institute (TÜİK).

Istanbul, Turkey's largest city by population and one of its top tourist centers, took the largest share of house sales with 18% or 91,561 houses in the first six months of this year.

Official data showed that the capital Ankara and the Aegean province of Izmir racked up 48,814 (9.6%) and 29,066 (5.7% percent) of total housing sales, respectively.

Mortgaged house sales were recorded at 82,885, a 16.4% share of all house sales over the same period.



## AUTOMOTIVE

## Volkswagen is Coming to Turkey

It is stated that the demands of the German automotive giant, planning to build a factory in Manisa, is met considerably by Turkey.

**THE DETAILS OF THE** news in German media like "Volkswagen is Building a Factory in Turkey" becomes clearer.

### TURKEY COME TO THE FORE AMONG 3 COUNTRIES

The agency considered Saudi Arabia, Bulgaria and Turkey to set up a factory. If all goes well, signatures will be discarded at the end of September for the establishment agreed to build in Turkey.

Turkey's opponent on this issue was Bulgaria. However, it is remarked that the labour cost in Bulgaria is relatively high compared to Turkey.

### THEY EXPECTED TAX DISCOUNT

Volkswagen's had other expectations from Turkey. Volkswagen waited for getting a discount on the tax. According to the engine horse-power, consumption tax in Passat model cars rise above 40 per cent of the car prices.

### GOVERNMENT GUARANTEE

President Recep Tayyip Erdogan is ready to give some

sort of state guarantee to all deals with Volkswagen, ARD reported. It is also reported that Ankara has accepted all of Volkswagen's demands. According to the German media, the agreement for the new factory will be signed in late September or early October.

### PASSAT WILL BE PRODUCED

The model that the factory will mainly produce is Passat. The German plans to put 40 thousand Passat models that will be produced annually in the new factory, on only to Turkish markets. The factory, which will also produce Skoda models, will also export automobiles to the Middle East.

According to the news based on government sources, the factory will be built in Manisa, not Izmir, as discussed earlier. Accordingly, the factory will employ 10 thousand people. Based on the Turkish family structure, such employment is expected to directly affect 40,000 people.

## HEALTH

## HAIR TRANSPLANT INDUSTRY SURPASSES OVER \$1 BILLION

Turkey's hair transplant industry has surpassed over \$1 billion last year and continues to lead the sector with its top-class treatment at affordable prices.

Hair transplant services in Turkey -a country that is among the world's top five countries in health tourism- offers high standards with lesser costs compared to Europe.

The process in Turkey costs between 2,000 and 2,500 euros (\$2,274 and \$2,842).

Turkey has been a top destination for people from Middle Eastern countries looking to get hair transplants, an important component of the country's health care tourism for some time now, especially in the last three months those coming from the European countries were three to four times more than those coming from the Middle East.

Especially those from Spain, the Netherlands, Belgium, the U.K., and France began flocking to Turkey for cosmetic surgery and hair transplantation.





## PURCHASE

## NIPPON BUYS LOCAL BETEK FOR \$245 MLN

Japan-based Nippon Paint Holdings has announced that it completed the acquisition of local Betek Boya, the owner of well-known paint brand Filli Boya.

“The consideration for the Betek Group shares is finally determined as 1.4 billion Turkish Liras (some \$245 million) and the enterprise value of Betek Group is 2.39 billion liras,” the Japanese company said in a statement released on July 11.

Betek group, founded in 1988, is a leading company that has the top share in the decorative paint market in Turkey. Its major brands Filli Boya and Fawori have a large market share and a high brand-recognition level.

By acquiring Betek, Nippon Paint Holding is set to achieve a No. 1 share in Turkey in addition to Asia.

Turkey’s decorative paint market is the fifth largest in Europe, the Japanese company says in a presentation on its website.

## INDUSTRY

## INDUSTRIAL PRODUCTION UP ON MONTHLY BASIS

Turkey’s seasonally and calendar-adjusted industrial production index increased by 1.3 percent in May from April, the Turkish Statistical Institute (TÜİK) said.



The seasonally and calendar-adjusted data showed that manufacturing production increased 1 percent that compared favorably with the 0.8 percent decline recorded in the previous month.

Intermediate goods production increased 0.4 percent on a monthly basis while durable consumer goods output fell 0.5 percent in May, easing from the deeper decline of 3.3 percent in April. Energy and capital goods production registered 2 percent and 6.5 percent increases, respectively.

TÜİK data also revealed that the calendar-adjusted industrial production index in May fell by 1.3 percent compared to the same month of last year.

Manufacturing output dropped 1.8 percent on an annual basis, while the production decline in the intermediate goods industry was 6.7 percent year-on-year.

The durable consumer goods sector saw a 2.1 percent fall in its production in May that followed the 0.5 percent rise in April.

In its 11th development plan, which covers 2019-2023, the government said the country’s industry sector will play a central role in economic growth.

The plan, which was submitted to parliament on July 8, predicts that the industry sector will expand at a rate of 5.7 percent on average and the sector’s share in the country’s GDP will climb to 24.2 percent in five years’ time.

The plan foresees that the country’s gross domestic product will increase to \$1.08 trillion in 2023 while the per capital income target is \$12,484.

The government predicts annual real economic growth at 4.3 percent on average between 2019 and 2023.

## BUSINESS

## NEARLY 40,000 NEW BUSINESSES LAUNCHED IN H1

Nearly 40,000 companies were established in Turkey in the first half of this year, TOBB announced.

Turkey’s new business filings were down 13.6 percent on an annual basis in the January-June period, the Union of Chambers and Commodity Exchanges of Turkey (TOBB) said in a report.

The figures showed that more than 5,500 companies went out of business in the first six months of this year, a rise of 1.8 percent compared to the same period last year.

The number of foreign-partnered or foreign-funded new companies were up nearly 7 percent, reaching over 6,000 in the same period. Last month, a total of 4,584 new companies were established, up from 5,514 in June 2018.

“In June, 696 companies with foreign partners were established,” the report said. “Of these companies, 348 had Turkish partners, 85 had Iranian partners and 41 had Syrian partners.”

## TOURISM

## ANTALYA HOSTS NEARLY 7 MLN TOURISTS

Antalya, one of Turkey's most popular tourist attractions in the Mediterranean region, has welcomed a total of 6.9 million foreign tourists between January and July 18, marking a strong 16 percent annual increase.

Some 86,000 tourists arrived in the city each day through Antalya and Gazipaşa airports, but on July 14 the city saw a record 96,191 arrivals.

The previous daily arrival records were broken again this year on June 22 with 86,308 and June 29 with 90,989.

"We wake up to a new day with a fresh record. If this trend continues we will easily meet our target of hosting 16 million tourists set for this year," Ülky Atmaca, the head of the Professional Hotel Managers' Association (POYD) told.

What matters is not only breaking records but also creating a sustainable tourism industry, Atmaca noted. "We need to receive 90,000 tourists every day throughout the year."

## PRODUCTION

## Turkey Earns \$22B From Flour Product Exports in Last Decade

Turkey has earned \$22 billion by exporting flour products over the last decade, the Head of the Turkish Flour Industrialists Federation (TFIF) said.



**T**HE COUNTRY generated \$10 billion of added value from \$12 billion of wheat imports during the same period, Eren Günhan Ulusoy told.

Ulusoy said Turkey also tops the global flour export market with over 20% of all exports and came in second in the pasta export market.

He said Turkey's flour export, which was about 170,000 tons in 2001, rose by 20 times to reach 3.3 million tons last year.

"Turkey exported \$1B worth of flour while imported \$1.1B worth of wheat. Our exports were \$2.4B as a whole flour product group and our gross added value was about \$1.4B last year," said Ulusoy, who is also the director of the International Association of Operative Millers (IAOM) Eurasia.

He noted that Turkey is the eighth largest country in

wheat production with 19-20 million tons annually.

However, he said the production could not meet the demand of flour products' exports due to local consumption.

"While there were 9.3 million hectares of wheat cultivation area in 2001, this area fell below 7 million hectares in 2019," Ulusoy said.

"If we had saved 9 million hectares of cultivated lands, the current yields would be more than 20 million tons, and there would be no need for import of wheat," he added.

He added that over 10,000-year-old cultivated wheat- perhaps the world's first- has its origins in the famed ancient site of Göbeklitepe in Turkey's southeastern province of Şanlıurfa.

Turkey has a total of 535 active flour factories in almost all 81 provinces, he noted.



## TOURISM

## TURKEY ESTABLISHES NEW AGENCY TO PROMOTE TOURISM

Turkish parliament ratified a bill to establish a new agency to promote and further develop tourism in the country.

The agency aims to help Turkey take a larger slice of tourism revenues and it will also help boost the number of tourists.

The agency will have a 13-person board, including the CEO of national flag carrier Turkish Airlines and representatives of the public tourism sector.

The number of foreign arrivals in Turkey surged 11.3% year-on-year in the first five months of 2019, according to official data.

Nearly 12.8 million foreigners visited the country this January-May, compared to 11.5 million in the same period last year.

Russians made up 13.1% of the foreign visitors (or 1.8 million), followed by Germans at 9.5% (1.2 million), and Bulgarians at 7.7% (more than 980,000).





## BANKING

## TURKISH BANKING SECTOR TO SEE DOUBLE-DIGIT RISE

Turkey's banking sector will see a double-digit rise as of the end of 2019, the general manager of private lender Alternatif Bank said.

The sector supports the economy with its strong corporate infrastructure, high capital adequacy and management capability in uncertainty periods, Kaan Gür told.

He stressed: "We expect a gradual transition to growth and positive progress in the second half of this year."

Gür added that the inflation rate was dropping rapidly and could reach single digits in September-October.

The annual inflation rate, which saw a 25% rise last October, was 15.72% in June.

He said: "As of July, we expect the Central Bank to start dropping interest rates by 400 basis points gradually."

The Central Bank of Turkey's (CBRT) policy rate -- one-week repo auction rate -- is 24% currently.



## JEWELRY

## TURKEY'S JEWELRY EXPORTS SURGE TO NEARLY \$217M IN JUNE

Turkey exported nearly \$217 million worth of jewelry in June, according to Jewelry Exporters' Association (JTR).

In a statement, the Association said exports increased by 9.52 percent last month compared to the same period of 2018. On overall, it said foreign sales in the first six months totaled nearly \$1.7 billion.

The European Union country group spearheaded the exports last month with \$97.6 million, followed by other European countries with \$41.7 million, Near and Middle East Asian countries group with \$31.8 million, other Asian countries with \$18.8 million and North Africa with \$12.3 million.

The United Kingdom took the lead on a country-by-country basis with \$67.5 million, while the jewelry exports to this country skyrocketing by 2,812 percent in June compared to the same period of the previous year

Switzerland came second with \$31.9 million, followed by Hong Kong with \$14.2 million, the United Arab Emirates (UAE) with \$12.3 million, the United States

with \$9.6 million, Germany with \$8.6 million and Israel with \$8.5 million.

The leading product group of \$216.7 million in exports in June was unwrought or semi-finished gold with a 49 percent share and \$105.7 million.

Gold jewelry ranked second with a 42 percent share and \$90.2 million, followed by diamond-gold jewelry with a 3 percent share and \$5.7 million, silver jewelry with a 2 percent share and \$4.7 million, and waste and scrap precious metals or clad with precious metals with a share of 2 percent and \$4.4 million.

In the meantime, Turkey's jewelry exports last year surged by 35 percent to \$4.41 billion, with 28 percent, or \$1.23 billion, being made to European Union countries, followed by other European countries with a share of 25 percent (almost \$1.1 billion) and Near and Middle East Asian countries with 23 percent share (slightly over \$1 billion).

## ENERGY

## GE TO SUPPLY EQUIPMENT FOR 158 MW WIND FARMS IN TURKEY

GE Renewable Energy, the green energy division of U.S. giant General Electric (GE) announced that it has been selected by Türkerler Holding and RT Enerji to supply equipment for five onshore wind farms in Turkey.

In a statement, the company said it will supply wind turbines for the Kirazlı project in İzmir, the Meryem project in Bilecik Şile, the Mahmut Şevket projects in Istanbul and the Pamukova project in Sakarya.

"Forty-nine of GE's 3 MW onshore wind turbines will be installed in İzmir, Bilecik, Sakarya and Istanbul," the company said.

With a total capacity of 158 megawatts (MW), it added, the project will provide renewable energy to the region, powering the equivalent of 183,000 homes. The scope also includes a 10-year servicing agreement.



## DEFENSE

## LOCAL FIRMS AMONG TOP 100 DEFENSE COMPANIES

Turkish companies secured their positions in the most prestigious defense industry list, Defense News Top 100.

In 2018, Turkey's defense giants posted a nearly \$4 billion defense revenue, according to the U.S.-based magazine Defense News' annual list on company sales released on July 22.

The country's largest defense electronics company Aselsan ranked 52nd in the list, up from the 55th last year, with its \$1.8 billion defense revenue. In the previous year, the company's revenues stood at \$1.24 billion.

Aselsan is active in military and civil telecommunications, radar, electronic warfare, defense, weapons, command control and navigation systems.

Aviation company TAI ranked 69th and defense technology firm STM came in 85th with \$1.05 billion and \$564.8 million defense revenue, respectively.

Missile producer Roketsan, which ranked 89th in the list, recorded a \$522.8 million defense revenue. It was 96th in the previous list.

## NIIP

## Turkey's net int'l Investment Position Improves

Turkey's net international investment position (NIIP) posted better performance in May, up 12.2% versus the end of 2018, the country's Central Bank said.



**A**S OF THE END OF MAY, the NIIP- the difference between a country's external assets and liabilities- was minus \$323.1 billion, while it was minus \$367.9 billion at the end of 2018, the bank reported.

Bank data showed that Turkey's external assets were \$239.1 billion, up 4.4% in the same period.

Meanwhile, the country's liabilities against non-residents was around \$562.2 billion in May, down 5.8% from the end of last year. Turkey's reserve assets rose 2.8% to reach \$95.6 billion, and other investments in the same period soared 6.7% to reach \$94.7 billion.

The sub-item other investments, currency, and bank deposits amounted to \$49.4

billion, up 10.6% compared to the end of 2018.

"As regards to sub-items under liabilities, direct investment at the end of May 2019 recorded \$117.9 billion, indicating a 17.8% decrease in comparison to the end of the previous year, with the contribution of the changes in the market value and foreign exchange rates," the bank said.

In 2018, the average USD/ Turkish lira rate was around 4.82, as one dollar was exchanged for 6.05 liras on average this May.

Total external loan stock of lenders went down to \$76.1 billion as of end-May, falling 6.6% from the end of last year.

"Total external loan stock of the other sectors recorded \$102.8 billion, decreasing 3.3%," the bank added.

## PURCHASE

## KORDSA BUYS US-BASED COMPOSITE PRODUCER

Turkish tire and construction reinforcement Kordsa has bought the U.S.-based composite material producer Axiom Materials for \$181 million.

Kordsa -- a subsidiary of Turkey's leading conglomerate Sabancı Holding -- said in a press release on July 24 that the latest move raised its potential for creating new products.

Previously, Kordsa bought another three U.S. companies -- Fabric Development, Textile Products and Advanced Honeycomb Technologies -- over the last two years.

Ali Çalışkan, the CEO of Kordsa, said the company will start to reinforce planes' engines after their tires, wings and bodies thanks to Axiom Materials' technology.



**\$95.6**

BILLION

TURKEY'S RESERVE ASSETS

**2.8%**

BILLION

TURKEY'S RESERVE ASSETS ROSE

**\$239**

BILLION

TURKEY'S EXTERNAL ASSETS

Turkish Economy Dictionary

# agility

/ə'dʒɪlɪti/

*noun*

The productive and dynamic business culture of Turkish exporters which allows them to work with many of the world's leading brands.



Discover  
the potential

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   /TurkeyDTP

 /DiscoverthePotential

**Content:** Ford Otosan was recognized with the CLEPA Innovation Award **P14** Turkish Chasing Black Holes **P16** Biggest Free Technology Event in the Region **P18** A New Book By Prof. Dr. Vedat Akgiray: Good Finance **P20** The Cities of Turkey with the Highest Brand Value **P22** Turkey: The 3<sup>rd</sup> Most Economic Country of Mediterranean Region **P23**

# Briefing

ECONOMY, AWARD, APPAREL, ASTRONOMY, EVENT, FINANCE, SURVEY, TOURISM...



## ECONOMY

# CENTRAL BANK LOWERS INTEREST RATES 425 BPS

While the Central Bank's interest rate cut by 425 basis points found a positive in the markets, TIM Chairman İsmail Gülle said: "Interest rate decision is a critical and accurate step."



The Central Bank's new governor Murat Uysal, took the reins after the former Governor Murat Çetinkaya.

**T**he Central Bank of the Republic of Turkey (CBRT) significantly cut its benchmark policy rate, the one-week repo rate, by 425 basis points from 24% to 19.75%.

The Monetary Policy Committee's (MPC) decision marked the biggest rate cut since 2002 and the first-rate cut in 4.5 years. It also came after the bank's new Governor, Murat Uysal, took the reins after the former Governor Murat Çetinkaya was removed from duty over an apparent

clash with the government on the rate cut. The initial response of markets to the bold rate cut seemed positive as Turkish Lira remained firm against U.S. dollar and euro, briefly shedding 0.5% in value before gaining 0.5% again.

"Recently released data indicate a moderate recovery in the economic activity. Goods and services exports continue to display an upward trend despite the weakening in the global economic outlook, indicating improved competitiveness. In particular,

strong tourism revenues support the economic activity through direct and indirect channels," the regulator said in a statement.

"Looking forward, net exports are expected to contribute to the economic growth and the gradual recovery is likely to continue with the help of the disinflation trend and the partial improvement in financial conditions. The composition of growth is having a positive impact on external balance. The current account balance

is expected to maintain its improving trend," the CBRT added.

The interest cut was welcomed by the businessmen. The corporate sector was suffering from the declining economic activity and tight financial conditions. The rate cut is expected to support economic activity and ease financial conditions...

Turkish Exporters' Assembly (TİM) Chairman İsmail Gülle said the following regarding the Central Bank's interest rate decision:

“The front-end interest rate cut by the CBRT is an important step by as soon as it is reflected in the financing costs of the real sector. By the end of spring, inflationary inertia reduced, real interest rate Turkey paid remained high. Therefore, the mentioned 4.25-point interest rate cut was made at the right time for the competitiveness of our exports of goods and services. The fact that most of a potential discount of 6-points in total that could be made in the meetings in July and September were made during this month’s meeting



will initially revive the market in August, September and October and provide a quick reflection on economic growth. Moreover, the exchange rate stability to be achieved, the contribution of exports of goods and services to economic growth will continue exponentially. The fact that exports have been referred to in the 11<sup>th</sup> Development Plan more than ever in any development plan confirms that sustainable exports are indispensable for sustainable growth. Therefore, by emphasizing my belief that this critical and accurate step of the CBRT Monetary Policy Committee will accelerate the transition of the Turkish economy from offset to the sustainable growth process and make a significant contribution to employment, I extend my best wishes to our country, our economy, and to the whole real sector, especially our Export Family with its nearly 85 thousand members.” ■

## AWARD

# FORD OTOSAN WAS RECOGNIZED WITH THE CLEPA INNOVATION AWARD



Export champion of the automotive industry for eight years in a row and export champion of Turkey for the last four years, Ford Otosan was recognized with the prestigious CLEPA Innovation Award by the European Association of Automotive Suppliers (CLEPA).



**F**ORD OTOSAN was recently announced the “Export Champion” of Turkey by the Turkish Exporters’ Assembly (TIM) and also named the largest industrial enterprise in the Turkish automotive industry according to “Turkey’s Top 500 Industrial Enterprises 2018” survey by Istanbul Chamber of Industry (ISO).

Ford Otosan, continues to be recognized in Turkey and worldwide with the sustainable growth it has

captured. Ford Otosan was most recently recognized with the 2019 CLEPA Innovation Award by the European Association of Automotive Suppliers, which brings together over 120 global suppliers of car parts, systems and modules and more than 20 national trade associations, and is considered one of Europe’s leading automotive associations.

The instrument cluster developed by Ford in partnership with Takosan, a supplier of instrument

clusters and electronics for the automotive industry, for Ford Trucks F-MAX tractor, the winner of the 2019 International Truck of the Year award, won second prize in ‘Cooperation’ in the Innovation category.

**YENİĞÜN: “WE WILL KEEP RAISING THE BAR THROUGH THE RIGHT PARTNERSHIPS AND OUR INNOVATION STRENGTH”**

Ford Otosan General Manager Haydar Yenigün noted that the company achieved significant success

in 2018 despite challenging conditions:

“Since the very beginning, we strive to add value to our country and people with commitment and determination at full speed. Last year, we achieved excellent results by balancing the tightening in the domestic market with strong and consistent growth in export markets. We recorded the highest ever production and export quantities in our history and became Turkey’s export champion with \$5.7 billion in revenues. This figure alone accounts for 74% of Turkey’s total commercial vehicle exports. The successful partnership of Koç Holding and Ford Motor Company took Ford Otosan to European leadership in commercial vehicles and the top of the industry in Turkey. In a rapidly transforming, digitalizing world, we have reached a position where we set global standards for Industry 4.0, R&D and innovation. Our achievements are also confirmed by championships and awards by local and international organizations. Ford Trucks F-MAX, the winner of the ‘International Truck of the Year 2019’ most recently brought us another international award with the instrument cluster that we developed in partnership with Takosan. We will keep raising the bar with the right partnerships, innovation strength, domestic production and engineering capabilities.”

#### EXPORT CHAMPION FORD OTOSAN IN 94 COUNTRIES ACROSS FIVE CONTINENTS

Ford Otosan, which exported vehicles and parts to 94 countries across five continents in 2018, increased its export volume by 11% last



*“We recorded the highest ever production and export quantities in our history and became Turkey’s export champion with \$5.7 billion in revenues.”*

year, reaching a record level of 328,892 units. According to the 17th edition of “Turkey’s Top 1000 Exporters 2018” survey results announced by TIM at an event last Sunday attended by President Recep Tayyip Erdogan, Ford Otosan broke a new record as the export champion of Turkey with \$5.7 billion in export revenues.

Ford Otosan furthermore became the only automotive company in the Top 10 of “Turkey’s Most Valuable Brands” list announced by the international brand valuation consultancy firm Brand Finance. As in 2017, the company also maintained a leadership in 2018, with TL 31 million increase in revenues, as the largest industrial enterprise in the Turkish automotive industry according to Istanbul Chamber of Industry’s (ISO) “Turkey’s Top 500 Industrial Enterprises 2018” survey, which has been conducted for over half a century and constitutes the most valuable industrial data. ■



#### APPAREL

## COLIN'S: RUSSIA'S MOST POPULAR JEAN-FOCUSED READY-TO-WEAR BRAND

With nearly 600 stores in 38 countries, COLIN'S was chosen as Russia's most popular jean-focused ready-to-wear brand.

**C**OLIN'S, who grows stronger in the global market every year, has added a new success to its international achievements by becoming the top pick in the “Russia’s Most Popular Brands and Brands with the Largest Store Network” research of Jones Lang LaSalle, a professional services and investment management firm offering specialized real estate services.

Working at COLIN'S Russia for 12 years, the last six of which as general manager, Önder Ön, COLIN'S Global Marketing Director, said: “As COLIN'S, we are proud

to have accomplished this in the largest country on earth. We believe this is a testament to and a result of our steady growth across the globe, and we feel energized knowing that our achievements will also strengthen the Turkish ready-to-wear industry.”

The research included 250 big brands, which operate in 37 cities with more than half a million inhabitants each. COLIN'S was chosen as “Russia’s Most Popular Brand” because of its network of stores covering 95 percent of the country. The results of the research were announced by “Mapic Russia.” ■

## ASTRONOMY

# TURKISH CHASING BLACK HOLES

Turkish scientist at Arizona University, Dr Feryal Özel was among the 200 scientists who photographed the first black hole announced in April.

**F**ERYAL ÖZEL, conducting researches on black holes, neutron stars and theoretical astrophysics, is also Chairman of the NASA Astrophysics Committee, NASA Lynx Space Telescope Science and president of the Technical Team and Space Horizon Telescope Science Council and Modeling and Analysis Working Group.

## IN THE SAME LIST WITH EINSTEIN

Özel, who was elected as an honorary member of the American Physical Society in 2015 for her successful studies in astrophysics and to the Academy of Sciences membership in 2013, has received the Maria Goeppert Mayer Award from the American Physical Society, the Harvard Radcliffe Institute Scholarship, and the honorary professorship from the Miller Institute of the University of California at Berkeley.

Özel, who made her name on the list of “20 Great Ideas” along with the world’s most renowned scientists as famous physicist Albert Einstein, mathematician John Nash, was recently awarded the METU Outstanding Service Award.

## CHASING BLACK HOLES FOR 20 YEARS

Professor Dr Feryal Özel made a statement to scientists, who came together under the International Event Horizon Telescope project, which is expected to break



*Özel, who made her name on the list of “20 Great Ideas” along with the world’s most renowned scientists as famous physicist Albert Einstein, mathematician John Nash, was recently awarded the METU Outstanding Service Award.*

new ground in the world of science, about the imaging of the supermassive black hole in the centre of the M87 Galaxy in the constellation of Virgo, 53 million light-years away from Earth.

By stating that she has been working on imaging black holes for 20 years, Özel recalled that at a press conference in April, a team of 200 scientists announced the first black hole photograph they had obtained by virtually connecting 8 telescopes from different points of the world.

## “WE KEPT IT LIKE A SECRET”

Özel said that she also conducted the Chair of the Science Council of the Space Horizon Telescope and the

Working Group on Modeling and Analysis, where black holes are modelled.

She stated that the data they received from space in 2017 could be announced only in April 2019 and gave the following information:

“The black hole photograph created by combining X-ray data obtained from radio telescopes in different parts of the world was announced to the public in 5 cities of the world with simultaneous press conferences. Scientists want to share their excitement instantly. Of course, we were very happy when we first saw the black hole in August 2018, but until April 2019 we could not say anything to anyone. Because we both had



to be sure and prepare the publications. It was hard to keep it secret that we had the first black hole image.

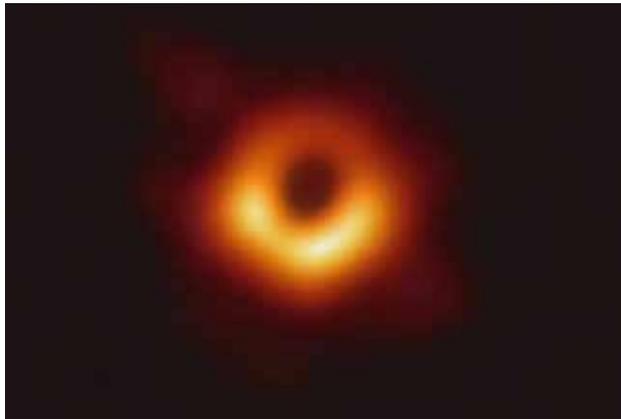
### A BLACK SPACE WHERE LIGHT DISAPPEARS

Özel made this statement about the black hole photograph they imaged: “In the middle of the black hole, there is a black void where the light is destroyed; and around the black hole, there is a part where the gases are constantly rotating. Under the effect of gravity, these gases go into the black hole but also some of them turns around. That’s why the perimeter of the black hole looks bright. Circumference like bagels, there seems to be a hole in the middle.”

In response to the question about which secret previously unknown in the scientific world was uncovered with the visualization of the black hole, Özel said: “Let’s say this is a beginning. After showing that this experiment was successful, of course, there will be much more.”

Pointing out that black holes are known as the most strange objects in the universe in Einstein’s General Theory of Relativity, Özel said:

“We are looking for an



“In the middle of the black hole, there is a black void where the light is destroyed; and around the black hole, there is a part where the gases are constantly rotating.”

answer whether black holes have any special feature or not. From what we have seen so far, there is indeed a volume in which light is lost. The absence of light means that no information can reach us. So black holes create tiny islets independent of the universe. Of course, we can do a wide variety of tests now. We’ve always been trying to figure out what’s happening by looking at the effects of the black hole around it. For

the first time, we can see the existence of this event horizon and the disappearance of light with our own eyes. Of course, with this data, we can do many different things.”

### “THE REFLECTION OF FUNDAMENTAL SCIENCE RESEARCHES ON LIFE IS ENORMOUS”

While Professor Dr Feryal Özel answered the question as to whether the visualization of black holes would have any effect on daily life, she clarified that the data obtained in the basic science research has a very large reflections on life, for example, the laser has become used in surgery years after the invention, the GPS systems installed on mobile phones also worked through Einstein’s General Relativity Law.

Pointing out that the location of the satellites was confirmed by this theory, Özel said, “This theory, which was put forward 100 years ago, makes it easy for people all over the world to find addresses. In other words, the concepts we encounter in basic science eventually affect one’s life and technology one day. But even if it does not, people are curious and enjoy exploring. It’s a research that comes entirely from the discovery of the human soul.”

### “WE ARE TRYING TO PROVE THAT EINSTEIN’S THEORY IS INCOMPLETE”

Özel made the following evaluations on her studies on the universe:

We as a team are trying to prove that Einstein’s theory is incomplete. So the theory explains gravity very well, but there is another theory of physics that we call quantum mechanics used to describe particles, and they don’t overlap. There must be another condition one of the theories so that we can find a common point. That’s one of the reasons we examine black holes. So in the black holes, we are looking for places around which both the effects of quantum mechanics and gravity can have very strong effects. Therefore it’s just the beginning.

After getting the black hole picture, we will do a lot of tests of these laws numerically. So maybe there’s a place where Einstein’s theory is missing. If we find that, of course, it will make us very happy. Einstein hated the idea of black holes all his life. How do black holes look like, if they are what the theory predicts, is a very new piece of work. So these are the last 20-year of work. And we are gathering new data day by day.” ■

## EVENT

*Biggest free technology event in the region*



# TAKE OFF ISTANBUL 2019 WILL BRING 300 GLOBAL STARTUPS TO ATATURK AIRPORT

Take Off is bringing together the most disruptive startups, VCs, accelerators and multinational companies from all over the world for a four day of non-stop innovation.



In 2018, 30 winners were chosen among more than 200 participants.

**I**STANBUL'S JUICY location close to MENA and Europe with its rapidly growing startup ecosystem is meant to be attractive for promising regional startups to grow. At least this is what Hackquarters, the first Turkish private startup launchpad and corporate innovation partner, is doing not only in Turkey, but in the region. Now boosting Take Off Startup Summit due on Sept 16-19, 2019 in Istanbul; the biggest startup event in the region which will take place in Istanbul Atatürk Airport.

Hackquarters is to bring more than 300 startups from all around the world for the event; where 300 startups will pitch in 5 industries. Take off is to collect at one place the leading VCs and accelerators; rockstar keynotes and the most innovative multinational

*"We focus on creating a value by bringing together startups and corporate companies in order to visualise the future together" said Kaan Akin.*

and public companies. In July, Take Off put out a call for startup pitches on Food and Agriculture Technologies, Health, Sport, Wellness Technologies, Environment and Energy Technologies, Education Technology and Future of Work, Logistics and Smart City Technologies, Aerospace Technologies, and "Other Technologies" for all



## NUMBERS FROM TAKE OFF ISTANBUL STARTUP SUMMIT 2019

### 300+ Startups

The most promising 300+ global startups in 7 strategic verticals, will get on stage to pitch for the international jury, VCs and world leading companies

### 150+ Mentors

Take Off leading rockstar mentors from the global startup eco-system will guide and support startups covering all important sectors and industries

### 200+ Investors

Pitching and networking sessions with 200+ investors, business angels, VCs and the best accelerators from Turkey, MENA, US, ASEAN and Europe.

### 100+ Corporates

Partnership opportunities with 100+ multinational and regional corporate and public companies represented by innovative and digital executives

**Selçuk Bayraktar** from Turkish Technology Team, and also CTO of Baykar Technologies, was one of the keynote speakers at Take Off 2018.

other startups.

Being a part of Teknofest Istanbul Aerospace and Technology Festival, Take Off brought together more than 200 startups, 100 VCs and hundreds of players from the entrepreneurship ecosystem to Istanbul in 2018.

You can find more info about Take Off International Startup Summit 2019 at the official website: [takeoffistanbul.com](http://takeoffistanbul.com)

### BORN IN TURKEY, WORKING GLOBAL: HACKQUARTERS

Founded in 2015 by Kaan Akin, Hackquarters now working with more than 40 leading multinational companies. Running Bayer's global Grants4Apps Startup Program in Digital Health; Redbull's Amaphiko Global Social Entrepreneurship Program; MediaMarkt's Startup Challenge powered by global RetailTech Hub; Workup Startup Program by Turkish biggest banks Is Bank; Visa Innovation Program by Visa; just few of the most challenging programs in Hackquarters' portfolio.

Having more than 150 startups in a daily agenda; with more than 6000 startups in different phases scouted during the past 2 years. With Workup by Is Bank being a 2nd best accelerator in Turkey in 2017, Hackquarters Founder Akin is now a guest speaker at the major global events like SXSW; Germany Investment Summit, Innovatours and other international events; and fellow at Young Transatlantic Innovative Leaders Initiative of German Marshal Fund of United States

As of 2019, the Founder Akin plans to turn Hackquarters into a global network with locations in Europe and MENA, launching new programs on Blockchain, Life Sciences and more. ■

## ICUBE STARTUPS SHOW-OFF IN LONDON

Promising Turkish startups had their demo day at Impact Hub London, for VCs, investors and corporates from the UK area.



International Incubation Institute or ICUBE aims to help technology companies or startups by preparing them for sales, provide access to international markets, increase their capacity and network them with potential investors. ICUBE will provide training, consultancy, mentorship and strategy development support for selected startups. Our program will take place in Istanbul with mentioned benefits and our finale will take place in London with selected few among 23 startups. In London, selected startups will get the chance to get mentorship and business support within the UK.

### TO GROW IN THE UK MARKET

Our kick-off event for ICUBE was on the 26th of April, at Entertech office within Istanbul University. 23 startups selected for the ICUBE program among hundreds of applications, were at the opening event by Entertech and Hackquarters.

ICUBE (International Incubation Institute) is a program by Entertech and supported by ISTKA (Istanbul Kalkınma Ajansı - Istanbul Development Agency) and Republic of Turkey Ministry of

Science, Industry and Technology. ICUBE program is implemented in partnership with Hackquarters.

### HERE ARE THE TURKISH STARTUPS WHO PITCHED AT THE EVENT IN THE UK

**FANALIZ** provides financial info and analysis for potential partners of companies, **UserVision** provides strategic insights via in-depth interviews, **MHAS** is an AR/VR training program for medical purposes, **PDA** remote and secure access platform for cloud systems, **BiaTech** produces a robotic spinal decompression device used in the treatment of lumbar and cervical disc herniation, **TETİS Biotech** produces value-added products from discard wild marine resources, **Tinova** is a producer of mobile apps for supply-chain, **Ittema** produces heat emitting intelligent textiles and applications, **SolarCurtain** produces high-grade, modular solar panels for various different use cases, **AkSense** produces diagnostic devices for diagnosis of healthcare-associated infections.

## SURVEY

# THE CITIES OF TURKEY WITH THE HIGHEST BRAND VALUE

According to Brand Finance's survey on brand value and brand power that has been conducted for the first time in the major cities of Turkey, İstanbul took the first place with its brand value of \$131,6 billion.

**I**N COOPERATION with Brand Finance and CurioCity, "TURKEY METROPOL 30", a survey that is conducted for the first time for the major cities of Turkey, presented the brand value and brand power of the major cities.

While İstanbul took the first place with their brand value of \$131 billion 614 million, other major cities followed İstanbul respectively as below;

Ankara \$35 billion 458 million, İzmir \$24 billion 229 million, Kocaeli \$16 billion 44 million, Bursa \$15 billion 769 million, Antalya \$10 billion 358 million, Konya \$7 billion 837 million, Gaziantep \$7 billion 284 million, Adana \$7 billion 244 million and Mersin \$6 billion 737 million.

Tekirdağ took 11th place with its brand value of \$5 billion 844 million, Manisa \$5 billion 494 million, Kayseri \$5 billion 202 million, Hatay \$4 billion 997 million, Sakarya \$4 billion 445 million, Balıkesir \$4 billion 366 million, Denizli \$4 billion 249 million, Samsun \$4 billion 44 million, Eskişehir \$4 billion 13 million, Muğla \$3 billion 999 million followed Tekirdağ respectively.

While Aydın, Diyarbakır, Şanlıurfa, Kahramanmaraş, Trabzon, Malatya, Erzurum, Ordu and Mardin followed these cities, Van, which has the lowest brand value, took the last place.



## BRAND VALUE OF İZMİR EXCEEDED ANKARA'S

On the other hand, according to survey results that is analysed the aspects like "Society", "Investment Environment", "Production Potential", brand value of Turkey's metropolis is presented.

On the scale of 100, İstanbul became the most powerful major city in terms of brand power with 88,6 points, Şanlıurfa took the last place in the list with 41,4 points. The other cities followed İstanbul respectively;

İzmir 88,1 points, Ankara 82,9 points, Antalya 78,4 points, Bursa 76,3 points, Muğla 69,3 points, Konya 66,7 points, Trabzon 66,7 points, Kocaeli 66,4 points, Adana 64,4 points.

## THE SURVEY WILL BE A REFERENCE FOR GLOBAL COMPETITION

The Director of Brand Finance Turkey Muhterem İlgiñer, who shared his opinions on the survey, by uttering that he is grateful as this kind of survey has been done for the first time for Turkey, he indicated that it makes the survey easier when metropolis law and borders tally with the civil borders of the related city, thus, it is possible to obtain and compile the accessible and trustworthy socio-economic statistical data of major cities.

İlgiñer made point on that metropolis's gross revenue is joined in three parts including agriculture, industry and services separately and these gross

revenues are estimated in accordance with following years.

He pointed out that 77 percent of Turkey's population lives in the major cities, 75 percent of Turkey's gross domestic revenue has been gained from these cities and that Turkey's socioeconomic life is shaped by these cities significantly. So, he continues, it is important that metropolis should be ruled with the right performance criterions.

İlgiñer continued his words in view of the report that is named "The World's Cities - 2018" and is prepared by the United Nations, according to which 55,3 percent of the world's population lives in the cities:

"It is estimated that, in 2030 this rate will be %60 and one out of every three will live in a city with a population at least half a million. In 2000, while there were 371 cities with population over 1 million, today this number has increased to 548. In 2030, the number is expected to be 706. The number of major cities in the world has been increasing, in addition to this, the allurements of visitor, investor and qualified resident is improving. We hope that Turkey's major cities should prepare this competition environment powerfully, and that these cities can take the righteous share from the visitor, investor and qualified resident. Our purpose is to create awareness with METROPOL 30 survey and report. The performance indicators prepared in accordance with certain criterions and brand powers and brand values that are calculated considering these indicators, which has been used as a reference for metropolitan governments, will be an important starting point in this competitiveness." ■

## TOURISM

# TURKEY: THE 3<sup>rd</sup> MOST ECONOMIC COUNTRY OF MEDITERRANEAN REGION

According to the Travel Cost Barometer 2019 Study prepared by the UK Postal Administration, Turkey was the third least expensive country for Brits.



**A**CCORDING TO COUNTRY price comparison of the nine main most used holiday products that are compiled from Travel Cost Barometer 2019 by UK Postal Administration, Turkey is the third least expensive country in the Mediterranean region for British tourists. In Travel Cost Barometer 2019 study determined by a survey conducted in 20 leading Mediterranean resorts, while Bulgaria ranked first in the list of the cheapest five with Sunny Beach, it is followed by Algarve in Portugal, Marmaris in Turkey, Torremolinos in Spain and Benidorm in Italy.

According to the study, for the total cost the British tourist will pay for a cup of coffee at the cafe or bar, 1 bottle of beer, 1 can of coke,

1 glass of wine, 1,5 litres of soda, sunscreen from the supermarket, fly-repellent, 2-person dinner with alcohol and 2-person lunch without alcohol, the 5 cheapest countries are as follows: Bulgaria £38.86, Portugal

£57.45, Turkey £59.13, Spain £65.59 and Italy £78.05.

## TURKEY IS %7 CHEAPER FOR BRITISH TOURISTS

Sunny Beach in Bulgaria has been the cheapest

destination in surveys conducted in the last six years. Results from the survey show that the total price paid to nine touristic products in Bulgaria is cheaper than at least one-third of the eurozone regions examined.

Last year, Marmaris in Turkey was in second place on the list in terms of cheapness. Although Marmaris fell to third place this year, the barometer costs became %7 less expensive for British tourists compared to last year due to the depreciation of TL against the pound. Due to changes in exchange rates, British tourists exchanging 500 pounds to TL in Turkey this year will have as much as if they exchanged an extra 100 pounds in comparison to last year. ■

## LOREM IPSUMDOLOR

POST OFFICE Money	1 SUNNY BEACH (1) Bulgaria	2 ALGARVE (3) Portugal	3 MARMARIS (2) Turkey	4 TORREMOLINOS (4) Spain	5 BENIDORM (-) Spain
Cup of coffee café/bar	£0.70	£0.57	£0.89	£1.05	£1.58
Bottle of local beer/lager café/bar	£0.70	£1.05	£2.22	£1.89	£1.67
Bottle/can of Coca-Cola café/bar	£0.94	£1.32	£0.89	£1.32	£1.93
Glass of wine café/bar	£1.17	£1.64	£2.96	£2.33	£1.67
1.5 litre bottle of still mineral water supermarket	£0.37	£0.44	£0.30	£0.33	£0.22
Suncream (SPF15, Nivea/Ambre Solaire)	£2.34	£3.94	£6.67	£4.82	£11.93
Insect repellent supermarket	£2.34	£5.08	£2.22	£3.07	£5.22
3 course evening meal for 2 (including a bottle of house wine)	£21.88	£29.38	£34.09	£33.24	£37.17
2 course lunch for 2 people (no drinks)	£8.42	£14.03	£8.89	£17.54	£16.66
<b>TOTAL COSTS</b>	<b>£38.86</b>	<b>£57.45</b>	<b>£59.13</b>	<b>£65.59</b>	<b>£78.05</b>
<b>2019 vs 2018 % +/-</b>	<b>-10.7%</b>	<b>-16.2%</b>	<b>-8.6%</b>	<b>-8.7%</b>	<b>NEW</b>



## FINANCE

*A new book by Prof. Dr. Vedat Akgiray: Good Finance*

# THE NEXT FINANCIAL CRISIS WILL BE MUCH MORE DESTRUCTIVE

Akgiray, while discussing the reasons behind financial crises and their socioeconomic effects in his book, he also explains what ‘good finance’ is and why the world needs a better financial system.

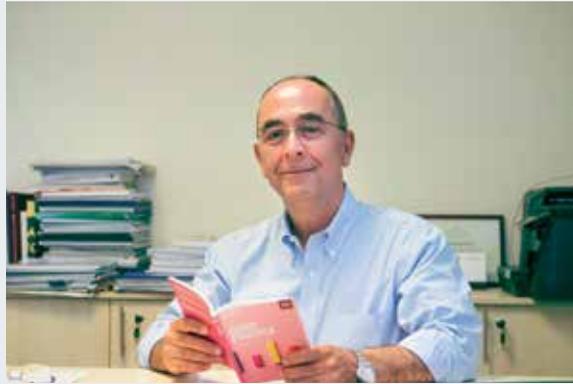
**T**HE BOOK ‘**GOOD FINANCE**’ written by Prof. Dr. Vedat Akgiray, professor of finance at Bogazici University and the director of the Center for Research in Corporate Governance and Financial Regulation, is published by Bristol University Press. Environmental destruction, increasing wealth and income disparity, loss of trust towards

institutions, as well as each of these setting a problem, they are also sustaining the biggest problem in front of humanity: extreme ‘financialism’. Vedat Akgiray explains, “We could not even take the necessary lessons from the greatest financial collapse in history in 2008. Everyone, including economic policy makers, central banks, financial

*“We could not even take the necessary lessons from the greatest financial collapse in history in 2008. Everyone has failed.”*

authorities and academicians, has failed. There has been an ignorant insistence on outdated models and interpretations. This illogical resistance to change and repeated mistakes have brought us to this day. It looks like the next financial crisis will be much more destructive”.

Akgiray emphasizes that the principle of finance is



ABOUT PROF. DR. VEDAT AKGIRAY:

Akgiray graduated from the Department of Management at Bogazici University in 1980. He received his Master's Degree in Finance in 1982, Master's Degree in Economics and PhD Degree in Finance in 1985 at the Syracuse University. While working at the Clarkson University (1986 - 1990), he became an Associate Professor in 1989. He has been lecturing at the Bogazici University since 1991. Prof. Akgiray is one of the founders of Postgraduate Program in Financial Engineering at the Bogazici University and lead the program between 2002 and 2009. In addition, he has been coordinating the PhD Program in Finance at

Bogazici University.

Between March 2009 and December 2012, Prof. Akgiray was the President of the Capital Markets Board of Turkey (CMB). At the same time, Akgiray was the Vice President of IOSCO and Head of The Emerging Markets Committee. During his period at CMB, he led the team that prepared the new Capital Markets Law.

He is currently giving lectures in the Faculty of Economics and Administrative Sciences at Bogazici University and leading the 'Bogazici University Center for Research in Corporate Governance and Financial Regulation (CCG)', which he had founded in 2014.

to bring together the ones who have the money with the ones who need the money. Every other action that does not support this fundamental principle should be questioned. Akgiray advocates that, "Finance is not the art of making money from other people's money; yet, the commonly accepted understanding today is exactly this. The ones who perform this art the most successfully are the greatest brains! The topics covered in lectures and books rely on this understanding. This shows that we first have to correct the education. Instead of teaching the youth how to design the financial weapons of 'mass destruction', we have to explain them the financial weapons of 'mass benefit'."

Akgiray remarks on the necessity of discussing the purpose of finance for people. As a group or a

country cannot hold the privilege of being 'good' on their own anymore, he emphasizes the importance of global collaboration and adds, "The crisis of 2008 clearly showed that people have no trust left towards organisations, organisations towards markets, markets towards governments and governments towards each other. We can observe the social and political consequences of this chain of failed trust. The results of this loss will be very detrimental when the next financial crisis hits. What we need to do is to start discussing the essentials of the topic on national and

global platforms, free from all prejudices and rooted ignorances. Trust can only be built back through this and, if necessary steps are taken, reputation can be repaired as well. Essentially, finance is a profession of trust and reputation, before money."

In his book, Akgiray mentions the global demand for a new financial paradigm and that there should be a new social agreement between the politicians, financial market and persons. He explains, "We can have a look at the whole world through the internet and we want the better / the prettier / the latest version of

*Akgiray emphasizes that the principle of finance is to bring together the ones who have the money with the ones who need the money. Every other action that does not support this fundamental principle should be questioned.*

everything. We can call this consumption drunkenness. If we cannot afford what we want, the only solution becomes to get in debt - with credit cards, bank loans, etc., usually without thinking of how to pay back. As the financial sector craves for the client to loan credit and as it became easy to generate credit with the necessary tools, thanks to 'financial engineering', it is not a hard task to find a loan. Today the total revenue of the world is \$85 trillion and the total debt is around \$300 trillion. It is impossible to pay this debt, it will not be paid back, and those people who cannot pay their debts will suffer a lot.

"The first rule of the social agreement that I mention in the book is to refrain from lending money to those who cannot pay back. Helping those in need - if necessary, unrequitedly - is very different from giving a loan of 100 dollars for a new television to a person with a 10 dollar income. First is good, latter is bad. Whenever cost of debt is higher than increase in income and productivity, borrowing is stupid and lending is unethical. The inevitable end is bankruptcy and financial crisis. The decision makers should regulate this correctly. The book, in essence, sets the introduction to the aforementioned social agreement." ■



## AVIATION

# Turkish Airlines Takes Delivery of its First Boeing 787-9 Dreamliner

30 new Boeing 787-9 Dreamliner aircraft will be joining the Turkish Airlines' young and fast-growing fleet over the next four years, and each will feature the carrier's all-new Business Class cabins.

**R**EGARDED AS ONE OF THE most advanced aircraft for its fuel efficiency and range flexibility, the 787-9 Dreamliner opens new routes for national flag carrier, reinforcing its status as the carrier that flies to more countries than any other. The new aircraft will offer passengers refined comfort during the longest journeys across 312 destinations in 124 countries.

## Economy Class seats produced in Turkey by Turkish suppliers

As part of the 787 Dreamliner family, the 787-9 is powered by a suite

of new technologies and a revolutionary design. It can fly 7,635 nautical miles (14,140 km) in addition to carrying more cargo and allowing the airline to profitably grow its routes. The aircraft allows operators to achieve better fuel efficiency per seat compared to the previous ones in its class.

Turkish Airlines' Dreamliner has a seating capacity for 300 passengers, including 270 economy class and 30 business class seats. The carrier's 787-9s include long haul economy class seats produced in Turkey by

Turkish suppliers and all-new Business Class seats.

Within a spacious wide-body cabin featuring larger overhead luggage bins and extra-large windows, dimmable LED window shades give greater control over light entering the cabin. A new filtration, better air pressure and greater humidity helps passengers feel less dryness and reduces fatigue. Meanwhile, the engines, interior, systems, and equipment all feature vibration isolation to create a quieter on-board experience.

## Unique in-flight experience

The modern cabins provide the perfect setting to enjoy Turkish Airlines' award-winning on-board dining and in-flight entertainment. For Business Class passengers, the 787-9 Dreamliner elevates this experience even higher. The Dreamliners feature 30 exceptional, all-new Business Class seats, offering unique in-flight experience.

The lighting scenarios are drawing inspiration from the colourful sunsets of Turkey's central Cappadocia region and idyllic turquoise beaches, a modern, traveller-

friendly 1-2-1 layout offers all aisle access to Business Class passengers; enhanced privacy panels, personal closed stowage space, self-care mirror and wide cocktail table maximizes space to offer ultimate comfort and introduces a privileged experience. Forty-four-inch legroom and a 180° full flat 76-inch seat bed length are provided for each of the 30 seats. Increased seclusion comes from the adjustable privacy panel between the paired middle seats and newly designed seat shell, while an 18-inch HD video display and touchscreen remote control raise the entertainment offering. Suede-like alcantara padding -commonly found in sports cars-, used for the interior trimming of each Business Class seat, adding another welcome touch of luxury and refinement.

Produced by local and national Turkish suppliers, Economy class seat offers Turkish Airlines passengers a pleasant journey with 12 inch HD screens in first 6 aircrafts and 13 inch HD screens after, new functional literature pocket design, 6 inch recline and 31 inch legroom.

### **"We're thrilled to reach new horizons with the addition of the 787-9 Dreamliner"**

"Turkish Airlines has been committed to continuously expanding its range of services on and off-ground as it grows in reach and fly to more international destinations than any other carrier in the world. With this goal in mind, we're thrilled to reach new horizons with the addition of the 787-9 Dreamliner to our fleet flying from our new home, Istanbul Airport," said M. İlker Aycı, Turkish Airlines' Chairman of the Board and the Executive Committee, and added: "The aircraft's advanced technology,



**"The aircraft's advanced** technology, fuel efficiency, and passenger-centric cabin design will all help us remain the first choice for travellers," said M. İlker Aycı, Turkish Airlines' Chairman of the Board and the Executive Committee.

fuel efficiency, and passenger-centric cabin design will all help us remain the first choice for travellers and provide our loyal flyers across the globe with a best-in-class experience for years to come."

"Turkish Airlines' growth has been remarkable in recent years, both in expanding flight options and supporting Turkey's aviation industry," said Ihssane Mounir, Senior Vice President of Commercial Sales and Marketing for The Boeing Company. "We are confident that the

**Turkish Airlines' Dreamliners feature an exceptional, all-new Business Class cabin, offering a unique in-flight experience.**

Dreamliner's unmatched fuel efficiency, performance and passenger-pleasing comforts will contribute to the airline's reputation as a five-star airline."

The first B787-9 (Dreamliner) aircraft, which joined the Turkish Airlines' fleet, was called Maçka in memory of martyr Eren Bülbül. 300 passengers joined the custom TK 4900 flight, which took place from Istanbul Airport to Trabzon Airport.

The first commercial 787-9 Dreamliner flight departed from the new home of Turkish Airlines, Istanbul Airport, to Antalya on July 8, 2019, and its first international flight departed from Istanbul to Denpasar (Bali) on July 17, one of the new routes added to the network in 2019.

Following those, the aircraft will continue to carry passengers on a number of medium and long-haul routes through the summer. They will fly to London, Dubai, Washington DC, New York, Atlanta, Mexico City, Cancun, Bali, Amsterdam, Delhi, Panama City, and Bogota. By the end of August 2019, six 787-9 Dreamliner aircraft will be operational and servicing international routes, heralding the start of a new chapter in the growth of Turkish Airlines' young and modern fleet. ■



## INVESTMENT

## TURKEY UNVEILS THE 11<sup>th</sup> DEVELOPMENT PLAN

**The 11<sup>th</sup> Development Plan** of Turkey has been accepted at the Grand National Assembly of Turkey. The plan revealed a new central investment system that will allow the Investment Office to better facilitate the investment processes thanks to a more streamlined process to obtain required permissions and approvals. This new

structure will also assist in match-making local and international companies for possible cooperation. Accordingly:

- Priority will be given to strategic products and high-technology and export-oriented investments in the project-based incentive system in order to attract more international investments.

- The Investment Office will be authorized as a one-stop-shop office for investments.

- Sectoral investment roadmaps for permission, approval, and licensing related to the investment processes will be prepared.

- A Central Investment Information System will be established within the Investment Office, which

accelerates the investment processes and in which the relevant institutions will enter information on permission and approval processes.

- Partnerships will be developed by matching local companies with international investors.

- Additional support will be provided for investments based on technology transfer.

## NGN GROUP OPENS DATA CENTER IN ISTANBUL

**NGN Group** commissioned the Star of Bosphorus Data Center, one of Turkey's largest data center investments, in Tuzla/Istanbul as part of a USD 140 million investment. Industry and Technology Minister Mustafa Varank and Investment Office President Arda Ermut took part in the inauguration of the center.

Industry and Technology Minister Mustafa Varank said, "We will write Turkey's new growth and development story with the National Technology Initiative, which will lead to digital conversion in all areas."

Investment Office President Arda Ermut added, "Developments in data volume and diversity with the widespread use of technology have enabled concepts such as big data, artificial intelligence, and fintech to emerge and become part of our life. Hence, data



centers and data storage have become an important part of the new world ecosystem. In this context, NGN's high-tech Star of Bosphorus Data Center investment is a type of investment we encourage and prefer. In this period of time when information security and data protection are

crucial, data center investment is of great importance for many sectors, particularly the financial sector. We are aware of such investments in order to move up in the value chain."

NGN Chairman and CEO İnanç Erol said, "As NGN, we want to activate the potential of the data center sector with

Star of Bosphorus. We set off with the goal of Turkey being also the data center, which is already the logistics base of its region."

Located on 24,000 square-meters of indoor space area, Star of Bosphorus will provide employment for more than 1,000 people.

# TURKEY RANKS 7<sup>th</sup> IN TOP 20 EUROPEAN FDI DESTINATIONS

According to EY Attractiveness Survey Europe, while the overall number of FDI projects in Europe declined for the first time in six years, Turkey successfully attracted 14 percent more FDI projects compared to the previous year, increasing its market share by 4 percent. Turkey maintained its ranking as the 7th most popular European FDI destination in 2018.

TOP 20 EUROPEAN FDI DESTINATION COUNTRIES					
Rank	Country	2017	2018	Change 2017/18	Market share (2018)
1	UK	1,205	1,054	-13%	17%
2	France	1,019	1,027	1%	16%
3	Germany	1,124	973	-13%	15%
4	Spain	257	314	22%	5%
5	Belgium	215	278	29%	4%
6	Poland	197	272	38%	4%
7	Turkey	229	261	14%	4%
8	Netherlands	339	229	*	4%
9	Russia	238	211	-11%	3%
10	Ireland	135	205	52%	3%
11	Finland	191	184	2%	3%
12	Serbia	118	119	1%	2%
13	Romania	126	109	-13%	2%
14	Italy	63	103	63%	2%
15	Hungary	116	101	-13%	2%
16	Lithuania	74	83	12%	1%
17	Portugal	95	74	-22%	1%
18	Bosnia and Herzegovina	62	73	18%	1%
19	Sweden	108	73	-32%	1%
20	Czech Republic	134	65	-51%	1%
	Other countries**	628	538	-14%	8%
	Total	6,653	6,356	-4%	100%

Source: EY European Investment Migration (EIM) 2019, June 2019  
\* Due to a change in methodology in the Netherlands in 2017, the 129 FDI projects reported for 2018 actually compare with 234 FDI projects in 2017.  
\*\* Other countries include Switzerland, Denmark, Ukraine, Bulgaria, Austria, Latvia, Slovakia, Croatia, Estonia, Luxembourg, Norway, Belarus, Malta, Azerbaijan, Greece, Georgia, Slovenia, Armenia, Macedonia, Iceland, Cyprus, Liechtenstein, Moldova, Albania, Montenegro and Mexico.

## FDI NEWS

### FERRERO

Italian confectionery giant **Ferrero** announced plans to invest an additional TRY 150 million in Turkey this year.

### Huobi

Singapore-based cryptocurrency exchange **Huobi** announced plans to expand to Turkey over the course of the next 12 months. Huobi, one of the largest crypto exchanges in the world by trading volume, processes around USD 1 billion daily. According to 2018 research by Ipsos, around 18 percent of Turkish people hold cryptocurrencies, while this value is 9 percent,

8 percent, and 7 percent for Europeans, Americans, and Australians, respectively.



Turkish Seba Insaat sold two hotels located in Istanbul to the Qatari **Al Rayyan** Tourism Investment Company for EUR 90 million.



OMV Petrol Ofisi AS, a Turkish fuel products distribution company owned by Austria's OMV Petrol Ofisi, was sold to the Dutch **Vitol Group** for EUR 368 million.



Eczacıbaşı-Motrol, a subsidiary of Turkey's Eczacıbaşı Holding, and Australia's **Telix Pharmaceuticals**, a clinical-stage biopharmaceutical company, have signed a manufacturing and distribution agreement. According to the terms of the agreement, Eczacıbaşı-Motrol will assist Telix in penetrating the MENA region as radiopharmaceutical manufacturing partners and distributors.

Japan-based **Nippon Paint Holdings** finalized its acquisition of Turkish paint manufacturer Betek



Boya and its subsidiaries, for TRY 1.4 billion (USD 247 million).

**Sasa**, one of Turkey's leading polyester manufacturers, has received a partnership offer from seven foreign companies for a USD 11.8 billion petrochemical facility investment that is expected to produce 13 million tons of raw material and chemicals and to be completely operational by 2031.



## EVENTS

## JULY 26 ISTANBUL

Investment Office President Arda Ermut signed an MoU with the Japan Chamber of Commerce and Industry (JCCI) President Toru Ishida in Tokyo on July 26. The MoU aims at paving the way to boost Japanese SMEs presence in Turkey through JCCI, which boasts 1.25 million member businesses nationwide.



## JULY 23 ISTANBUL

Investment Office Vice President A. Burak Dağhoğlu addressed a delegation from the American Turkish Business Development Council in Istanbul, delivering a key message: Turkey is a dynamic and growing G20 economy, uniquely linking the East with the West.



## JULY 19 SINGAPORE

The Investment Office held a briefing for the Management Committee members of the Real Estate Developers Association of Singapore (REDAS) hosted by the Turkish Embassy in Singapore. Following speeches by Ambassador

Murat Lütem and REDAS President Chia Ngiang Hong, Investment Office Country Advisor Emre Büyükkılıç and Re-Pie Vice Chairman Ali Ergin delivered presentations on opportunities in the Turkish real estate market.



## JULY 12 SEOUL-S.KOREA

Investment Office Country Advisor Taha Saran delivered a presentation entitled "Investing in Infrastructure and Public Private Partnership in Turkey" to top executives of major Korean construction companies at a workshop hosted by the Korea Rail Network Authority (KRNA) in Seoul. The

workshop aimed to introduce Turkish State Railway projects to Korean investors.

During the workshop, Turkey's track record in infrastructure projects, the legal framework regarding PPP applications, current opportunities in railways, the market situation, and economic developments were shared with potential investors.

## JULY 11 AMMAN

Samet Akyüz of the Investment Office presented on investment incentives and the roles of investment promotion agencies (IPAs) at the EU-OECD Regional Seminar on Improving the Use of Investment Incentives in the MED Region held in Amman, Jordan.



## JULY 10 ISTANBUL

The Investment Office brought journalists representing Italy's major automotive and logistics industry players together with Turkey's leading companies in the sector. The Investment Office was hosted by the Automotive Manufacturers Association (OSD), the Automotive Supplier Association of Turkey (TAYSAD), Ford Otosan R&D Center, and Cavo Automotive.



## JULY 2 TREVISO - ITALY

The Investment Office and the Italian Association of the Automotive Industry (ANFIA) held a meeting in Kilometro Rosso at Bergamo Teknopark with prominent automotive suppliers who were there to learn about the Turkish automotive sector's strength and prospects. The Office also highlighted Turkey's excellent return-on-investment for North-East Italian companies at a meeting held in Treviso by Salone d'Impresa.

## JULY 5 ISTANBUL

The Investment Office's latest event on the Competitiveness and Investment Opportunities in the Turkish Automotive Industry, held in cooperation with the Gebze Chamber of Commerce and with contributions of the Turkish Automotive Manufacturers Association, EY Turkey, Sistem Global Consulting, and OGB Attorney Partnership, drew interest from over 70 major representatives in the industry. The opening speech delivered by Gebze Chamber of Commerce Chairman Nail Çiler was followed by

various presentations on competitiveness and smart technologies in the Turkish automotive sector, China's current position in the global automotive industry, and a legal overview of FDI and incentives mechanisms in Turkey.

## JUNE 26 ROME - ITALY

The Investment Office has recently been quite active in Italy with multiple events focused on the promotion of Turkey's investment environment. The Office presented Turkey's unique opportunities at a breakfast conference held by the Embassy of Turkey in Rome and Nunziante Magrone law firm. The Office also hosted investors from Italy's Marche Region at a conference organized in Pesaro by the Italian Chamber of Commerce and Italian Trade Agency.

## JUNE 25 TURIN - ITALY

Samet Akyüz of the Investment Office presented on how MNCs help local companies integrate into global value chains in Turkey and what Turkey does to increase the local content of foreign investors in the country. The seminar was part of the Effective Investment Facilitation and Sustainable Development Seminar held in Turin, Italy, by the United Nations International Labour Organization (ILO) and the World Association of Investment Promotion Agencies (WAIPA).

# TURKISH PRODUCTS GAIN VALUE WITH GEOGRAPHICAL INDICATIONS

TURKEY, WITH ITS FOUR SEASONS, A UNIQUE COUNTRY SURROUNDED BY SEAS ON 3 SIDES, ATTRACTS ATTENTION WITH ITS TYPICAL PRODUCTS GROWN AND PROCESSED IN ITS SOIL. TO DATE, MANY TURKISH PRODUCTS STEPPING IN ALMOST EVERY HOUSE IN THE WORLD ARE BEING VALUED EVEN MORE WITH THEIR GEOGRAPHICAL SIGN REGISTRATION. RICH GI (GEOGRAPHICAL INDICATION) POTENTIAL WILL PROVIDE TURKEY WITH NEW INSIGHTS IN THE UPCOMING PERIOD.

**BY PROFESSOR DR  
YAVUZ TEKELIOĞLU**

PRESIDENT OF TURKEY  
RESEARCH NETWORK ON  
LOCAL PRODUCTS AND  
GEOGRAPHICAL INDICATIONS



# TURK



# KEY'S FAMOUS

*Protected  
Geographical  
Indications*

**F**LORIDA ORANGE, ROQUEFORT CHEESE, New Zealand lamb or Gaziantep baklavası, Ezine cheese, Malatya apricot...

These all are geographical indications...

Recently, geographical indications have been on Turkey's agenda more than it has ever been. The speech of the President of the Republic of Turkey at the Turkish Patent Awards Ceremonies of 2015-2016 and the Industrial Property Law enacted in January 2017 have been the initiator of this development. Geographical Indication(s) (GI) are distinctive, Official quality signs ensuring the origin of production and production methods of the products recognised and renowned by consumers. The GI, which has a very long history, was used to indicate the origins of the durable bricks and stones used in the construction of pyramids in ancient Egypt, while it was used in ancient Greek as a quality sign of Thasos Island wines. The use of GI, just



#### ANTEP BAKLAVASI

Gaziantep is the first place that comes to mind when it comes to baklava. It is registered by the European Commission as a geographical indication. Another place where baklava is liked and commonly made is Texas in the USA. It is prepared by placing walnut, pistachio, almond or hazelnut between thin doughs. The special sherbet is poured on it in its hottest form and served after cooling.



#### MALATYA APRICOT

In the world, Malatya ranks first in dried apricot production. While apricot is grown for edible consumption in other cities of Turkey, in Malatya it is grown to get dried, which is because of the climate conditions and quality of apricots grown.

like Parmigiano Reggiano and Comté, goes back to the 13<sup>th</sup> century. Roquefort cheese, whose "name of origin" is protected by French laws and production is meticulously controlled, has been preserved in France since 1070.

GI, which have long been regarded as merely a European phenomenon, has ceased to be a "quality guarantee sign" with the development of global trade and has become the subject of property rights. GI is now a global phenomenon. It is considered as an intellectual property right that describes a product whose quality, fame or other characteristic features originate from a particular geographical background.

Geographical Indications (GI) has been taken under legal protection in all of the signatory countries, including Turkey, by The World Trade Organisation (WTO) established in 1995 and with Trade-Related Intellectual Property Rights' (TRIPs) Agreement signed within that framework.

According to the data of the "WTO Trade Center, there are still 10,000 legally protected GIs in the world. Approximately, one-third of them (3214) rank in the European Union (EU) and 10% in developing countries.

#### WHAT IS A GEOGRAPHICAL INDICATION ?

"A geographical indication is a sign used on products that have a specific geographical origin and possess qualities or a reputation that are due to that origin"

With a short description, GI is the name of a place that indicates a product. The product is known by this place name, it is identified and called with it. This place is usually a locality (terroir). According to the French National Institute of Origin and Quality



#### GIRESUN FAT HAZELNUT

Findik is a mild climate fruit, which is highly nutritious. It mostly grows in Giresun. The famous hazelnut of Giresun which is sought in the world markets is a shiny shelled, high-fat type of plump hazelnut. FİSKOBİRLİK, the world's largest hazelnut company, is located in Giresun.



#### KAYSERİ PASTIRMASI

Pastırma is a delicious food made by drying raw meat with various spices and salt which enables it to be preserved for a long time without spoiling. It can be consumed raw or cooked. Since the meats are made by pressing with press machines, they are called "bastırma" which means pressed. In Turkey, the main production place of pastırma is Kayseri.



#### KAYSERİ MEAT PASTY

A Turkish meat pasty is a local dish made by cutting the ravioli dough into small squares and filling the inner parts with stuffing meat, closing and then boiling the dough. If desired, it can be covered with yogurt and garlic sauce or red pepper sauce roasted in hot oil.

(INAO); the terroir is a system in which there are agricultural production, the physical environment and a set of human factors.

The terroir whose borders form a certain geographical area contains a unique eco-system (soil, climate) with a characteristic human community inside. The Eco-system allows the production of a product that can not be obtained elsewhere (Aydın fig, Florida orange, Antigua coffee) and the human community allows the production of an original product (Çorum leblebisi, Antep baklavası, Mersin cezeryesi) thanks to the tradition, knowledge, skill and craftsmanship developed during the historical process. Coming out of from these interactions, these products whose origin, name and reputation belong to the region where they are produced are called "local products" and local products, each of which is a geographical indication, have very strong ties with the region they are produced in. Their common characteristics are that they are typical, of high quality and unique products. Also, they have a certain triteness and reputation. For this reason, they are protected by legal regulations in many countries. The instrument of protection is Geographical Indication Registration. The organization responsible for this work in Turkey is The Turkish Patent and Trademark Office.

#### GEOGRAPHICAL INDICATION PROTECTION TYPES

There are three types of protection in Turkish laws:

##### **Protected Designation of Origin, PDO:**

All production processes related to the product that are carried out within their geographical boundaries, and products that cannot be produced elsewhere are protected with the

**IN THE REGISTRATIONS, THE LEADING ONES ARE AGRICULTURAL PRODUCTS (105), FOLLOWED BY LOCAL DISHES (93), CONFECTIONERY, BAKERY AND PASTRY PRODUCTS (80). CARPETS AND RUGS 29, WEAVING 21, HANDICRAFT PRODUCTS 26, ALCOHOLIC AND NON-ALCOHOLIC BEVERAGES HAVE 17 REGISTRATIONS.**

**Turkey has 3 registration from the EU, which are for Gaziantep baklavası, Aydın figs and Malatya apricots and 15 of our products are waiting for their registration in the EU Commission.**

"Protected Designation of Origin" sign. These are mostly agricultural products. Such as Malatya apricot, Finike orange, Bayramiç "beyazi" -a kind of peach-.

##### **Protected Geographical Indication, (PGI):**

Products produced in their geographic area but whose raw material comes from another place are protected with "Protected Geographical Indication" sign. These are mostly food products requiring hand skills and mastery. Such as Çorum leblebisi and Mersin cezeryesi. They are produced in Çorum and Mersin but chickpeas and carrots used in their productions come from another geographical area.

##### **Traditional Speciality Guaranteed, (TSG):**

These products do not fall under the Protected Designation of Origin or Protected Geographical Indication and they are the names that identifying the products which are originating from a traditional production method (making recipe) or traditional composition or products manufactured from traditional raw materials or supplies. The specific feature and the quality of the product are registered here. Traditional Speciality Guaranteed is not a GI. It's not the origin put under protection; it is the tradition. Traditional means that the product has a long history in the market and is a product that shows the transition between generations. This period is 30 years in the EU and Turkey.

#### BENEFITS OF GEOGRAPHICAL INDICATIONS

GI creates added-value and employment and enables manufacturers to market their products at a premium price. Also, the price of the product increases with GI registration. The

**KAYSERİ SUCUĞU**

Kayseri sausage is a form of spiced ground beef stuffed into the dried intestine. The warm wind during the day and cool at night ensure that the sausage dries properly. This wind blows all year long. The specific red colour of the sausage is naturally provided by the nitrate substance present in the groundwater of Kayseri. Sausage meats are washed with this water before mincing process.

**ANTAKYA KÜNEFESİ**

Antakya Künefesi (Kunafah) identified with Hatay is a dessert made with unsalted cow cheese of Antakya region, shredded wheat in syrup, butter and sherbet. Its speciality stems from the precise cooking technic and Antakya unsalted cheese which is produced by special methods from the milk of cows raised in the city.



431

Turkey currently has 431 registered geographical indication

price of Pinggu peach, which received China's GI registration from the European Union on May 11, 2011, increased from 1.5 yuan to 4 yuan right after the registration and the income of the farmers in the region increased significantly. In Italy, Tuscany olive oil prices increased by 20% after the registration on 21 March 1998. According to reports from the EU Commission, EU registered GI are sold at 1.8 times higher prices for meat-based products, 1.79 times

higher for olive oils, 1.59 times higher for cheese, and 1.29 times higher for fruits and vegetables. In France, registered cheeses find buyers by a 55% higher rate than the others, in Italy by 74% and Spain by 36%. The price of the famous Bresse chicken raised in France, the world's only registered chicken, is 3-4 times higher than its counterparts. Also, GI, which prevents rural migration by keeping the rural population in place by creating job opportunities, is a very important source of employment. As a matter of fact, in France, where this practice is most developed, 126,000 enterprises generate products with GI registration. According to INAO data, the turnover of these products reached €27.2 billion in 2017.

**BAYRAMIÇ BEYAZI**

Bayramiç Beyazı is a kind of nectarine which is the endemic fruit of Kaz Mountain in Çanakkale. Its durability is longer than other nectarine varieties.

**TAŞKÖPRÜ GARLIC**

Garlic growing in Taşköprü, Kastamonu is the world's richest garlic in terms of essential oils, active ingredients, elements and minerals it contains, which makes it valuable. Besides, it is the only type of garlic that maintains its freshness for 8 months outdoors.

**GI PROTECTS PRODUCERS AND CONSUMERS AGAINST UNFAIR COMPETITION**

Consumers perceive GI as an element that indicates the origin and quality of products. If these signs with the well-deserved reputation are not protected, various malicious commercial practices may be encountered. Counterfeit utilizations have a devastating impact on consumers and honest manufacturers. The most common example of this is Antigua coffee and Darjeeling tea. The production amount of the famous Antigua coffee produced in Antigua region of Guatemala is only three thousand tons while the amount of coffee sold under this name all over the world reaches 25 thousand tons. Even though



famous Darjeeling tea, which is produced in the Himalayan mountains of India at an altitude of 2-3 thousand meters and called as Champagne of Teas, has an annual production amount of 10 thousand tons, the amount of tea sold under the same name reaches 40 thousand tons in the world. False use of GI are widespread also in our country. For instance, although 140-150 thousand tons of Finike oranges are produced annually, the amount of oranges entering Istanbul under the name of Finike oranges reaches 400-450 thousand tons. Finike orange producers and consumers who are deceived are the ones who suffer from this case. Ezine cheese, Erzincan Tulum cheese and Ayvalik olive oil are at the top of the other GI, about which unfair competition is intense in our country.

#### GI DIRECTS CONSUMERS

GI, the quality assurance of products for consumers, guides consumers by making the right choice among a large number of products that seem to have the same characteristics in the market and providing them with a wider choice. GI, which has important functions in eliminating information asymmetry in the markets by enabling consumers to make the right choices, is also a real marketing tool that facilitates entry to niche markets that are more profitable than commodity markets and develops niche products.

#### GI ARE REAL ACTORS OF RURAL DEVELOPMENT

Keeping the rural population in its place with the employment and income they create, GI are also a very important rural development tool. For example, Italy's famous GI, Parmesan, which has been preserved since the 13th century, has an annual turnover of €2.4 billion and a full 50,000 people work in the value chain. The famous French cheese Comté is also

#### TURKEY, HAVING ENORMOUS POTENTIAL IN TERMS OF PRODUCT RANGE

AND CULINARY RICHNESS, HAS ALL THE NECESSARY CONDITIONS TO BECOME A LEADER IN GASTRONOMY WITH ALSO ITS ACCESSIBLE GEOGRAPHY.

a very successful example of rural development. 10,000 people work in the value chain of Comté cheese produced from raw cow's milk growing on the Jura Mountains, France and organized in a very effective cooperative system. Comté, which reached 66 thousand tons of production in 2017, gives life to the Massive Jura economy where no economic activity can be made other than animal husbandry.

#### GI DEVELOP TOURISM AND GASTRONOMY

Today, gastronomy is among the top reasons for tourists to travel. Inter-producers competitions, festivals and fairs related to GI are one of the factors that improve tourism. The GI also contributes to the preservation of local gastronomy and traditional recipes and the development of national tourism. In this respect, Peru is a model country. The Peruvian cuisine blows like a storm in the world and being a chef adorns the dreams of Peruvian youth. Peruvian cuisine provides, as well as economic growth, social change in Peru, and cures poverty. To get to know this cuisine, half a million tourists attend the food festival held every year. Lima stands out as the newest and most popular gastronomic centre in Latin America. Peru awarded as one of the best culinary destinations in the world in 2015 and gained the prize thanks to the efforts of entrepreneur chefs and the support of the state for the branding of Peruvian cuisine gives very important tips for Turkey. Turkey, having enormous potential in terms of product range and culinary richness, has all the necessary conditions to become a leader in gastronomy

#### SUSURLUK AYRANI

Susurluk ayrani is a beverage of the Turkish cuisine which is unique to Susurluk in Balıkesir, and its production and taste differ from classical ayran. In comparison with other ayrans, Susurluk ayrani is made from yoghurt with fat, which makes it foamy.



#### MILAS OLIVE OIL

Milas olive oil identifying with Milas is officially registered to the town. It has a dark green colour. Unlike other oils, it tastes sharp and intense; also leaves an unusual spicy flavour in the mouth.



#### ANTEP LAHMACUNU

What differentiates Antep Lahmacunu from other ones is it contains ground lamb, garlic, parsley, and various spices. Furthermore, unlike other lahmacuns, Gaziantep lahmacunu does not have onions. It is cooked in a stone oven and served with a roasted, peeled aubergine on top.



**ANTEP PISTACHIO**

Pistachio is an edible, shelled fruit. It is called with Antep because the first pistachio companies were established in Gaziantep and pistachio was distributed to the rest of Turkey from these companies. It grows at pistachio trees, it is oily and thin-shelled. Also, it is used for making cough syrup in pharmacy and for desserts.



with also its accessible geography. The two UNESCO awards we received will undoubtedly trigger this process. In 2015, Gaziantep and 2017, Hatay gained the title of registered “City of Gastronomy” by participating in “Unesco Creative Cities Network” in the category of gastronomy, which has greatly increased the demand for domestic and international tourism to our two cities. Our dazzling traditional and regional dishes, many of which are GI registered, set up a strong substructure to make Turkish gastronomy a brand. While opening up the Turkish cuisine to the world, our young chefs should destroy the perception that our cuisine only consists of doner and kebab; and with the awareness that there is a much richer culinary culture waiting to be brought to light in our country, we need to turn Turkish gastronomy into a world brand, inspired by the past, as Peruvian chefs do.

**GEOGRAPHICAL INDICATION ORGANIZATION**

The GI system looks like a trivet. The first counterfort is registration, the second is governance, the third is the inspection. The success of the system depends on the harmonious and successful operation of these counterforts.

**REGISTRATION OF GEOGRAPHICAL INDICATION**

The first stage of the system, registration, occurs when a file prepared by a group of producers on the product identified by the geographical indication, and based on a producing specification (specification-cahiers de charges) is examined by The Turkish Patent and Trademark Office and approved if it is found to be appropriate. The important thing here is that the producers must be at the beginning and in the centre of the registration process. Because it is their job

to organize their projects, including their producing specification. Producers should also benefit from the added value arising from the protection of the intellectual property right of their products.

The registration provides added value to the product; by preventing GI infringement, it protects producers and consumers against unfair competition, also enlightens consumers who want to know the quality of the products they consume and their specific characteristics.

**GOVERNANCE OF GEOGRAPHICAL INDICATION**

GI governance is divided into 2 as national and product-level governance.

**National Governance:** In most of the EU countries, it is carried out by public institutions assigned for this purpose and affiliated to the Ministries of Agriculture. Implementations show that success in the GI system is derived from complete regulatory and effective governance. In this respect, France is a pacemaker country. Numerous legal arrangements implemented in France came to an end with the establishment of “The National Institute of Origin and Quality” in 1947. This institute, which is also called as the architect of the French miracle, is a public institute responsible for GI governance under the auspices of the French Ministry of Agriculture and Food. The institute is responsible for implementing French policies on official quality signs and on indications of origin. Headquartered in Paris, the Institute has 24 branches in eight French regions, and 250 employees. Also, their budget for 2015 was €23 million in 2015. INAO, which draws attention to its unique organizational structure and working system, is taken as an example by many countries.

**ISPARTA ROSE OIL**

Essential oils like rose oil are usually obtained by steam distillation. Steam is passed through the rose plant under gentle pressure. In this process, the steam picks up some fragrant particles of the rose. The steam is then cooled and the rose oil is separated from the resulting mixture of water and oil. Turkey meets about half of the world's rose oil demand. Especially in Isparta, rose and rose oil production meets the majority of Turkey's production.

**İNEGÖL MEATBALL**

It is a grilled meatball peculiar to İnegöl and it does not contain any spices. Each meatball is round and between 12 - 15 grams.

**SCRATCHED GREEN OLIVE OF EDREMIT BAY**

The fact that Edremit Bay's olive is special is related to the air, water and soil of the region.





### BURSA FIG

Famous black fig of Bursa is also among registered GI. Fig is a very delicate kind of fruit. A fig tree cannot grow in cold climate. For this reason, it grows in regions where the climate is mild like Bursa, İzmir and Aydın. It is exported to the four corners of the world. Besides, it is said that Duchess Kate Middleton, member of the Royal Family of England, ate figs against morning sickness during her pregnancy period.



### RIZE SIMITI

One of the differences of Rize Simiti from other ones is that it is sesame-free, therefore it is also called bald simit. In the production of the simit, dough prepared with flour, water, salt and a small amount of yeast is rest for 20 minutes and then dipped in hot water for 1 minute. After this process, it is dipped into boiling black grape molasses to get colour and taste. Then the simit, which is cooked with a wood fire for about 30 minutes, gets ready.



### EZINE CHEESE

Ezine cheese, which is produced in Ezine, Çanakkale, is a kind of white cheese. The most important difference of Ezine cheese from other white cheeses is that the milk used in the production of this is provided from a certain region. It is made by the milk of animals fed with aromatic plants in the Kaz Mountains, an endemic region. (Sheep milk %45-55, goat min. %40 and cow max. %15) Ezine cheese is light yellow in colour, and it has a soft or medium hardness and is non-brittle.



### ANKARA DÖNERİ

Döner of Ankara is made by stacking the lobed meat obtained from Ankara's curly sheep, which has not been extracted from fat, on top of the döner sword.



### EDİRNE TAVA CIĞERİ

Edirne Tava Ciğeri is made from the liver of cattle raised in the Thrace region. The most important point of this flavour is that it is made from milk calf and supplied daily. It is almost impossible to get the taste of the liver as a result of the processes it's through. The reason it is called Tava pan comes from the special pan in which it is cooked.



### SIMAV CHESTNUT

Simav chestnuts, which grows in Simav, Kütahya, attract attention in the market due to their nutritional properties and being protective against conditions of winter. Also, they prevent problems such as stress and depression with its calming properties and purifies the body from toxins.

**Product Level GI Governance:** It is carried out by GI-registered, in other words, by the registrant institution. The main mission of this institution is to rationalize the production chain and to carry out all activities for the protection and defence of the product. Within this framework, their main duties are to ensure that producers make the production in accordance with the rules of the name of the origin, (internal audit) to carry out examinations and researches about the product, to provide technical services to the producers, to follow the fraudulent and fraudulent use of the name of origin and to promote and advertise the origin name. The financing required to fulfil them is covered by product cuts and dues. There are important governance problems in Turkey. Institutions' relation with GI continues until they receive registration; unable to continue because GI governance is not recognized. The main reason for this is the legal gap that exists. Although the law specifies the rights of the registration holder arising from registration, there is no provision regarding their responsibilities. However, these responsibilities are related to GI governance and are a must for the system.

### Inspection of Geographical Indication:

Inspection of the products that are protected by registration ensures that these products are manufactured according to the rules defined in the manufacturing specification. What gives the whole process full legitimacy is inspections.

Sustainability in quality is only possible through supervision. For this reason, a very strict inspection network has been established in the countries adopting GI implementation, especially in the EU, and there is strict control over the registered products. Roquefort cheese production chain undergoes 400 inspections per year.

### GEOGRAPHICAL INDICATIONS IN EU

EU quality policies aim to protect and develop GI and traditional products. Therefore, Common Agricultural Policy quality policies are concentrated on the GI. In the European Union, legislation on GI and origin name

### ERZINCAN TULUM PEYNİRİ

The biggest feature that distinguishes Erzincan Tulum cheese from other cheeses is that it is made of raw milk. Tulum cheese is made of sheep's milk and kept on sheepskin (goatskin is more sufficient). It has hard and crumbling structure. Also, with natural oil from sheep's milk, it gets a slightly yellowish colour.



protection began with the regulations 2081/1992 and 2082/1992 which were put into practice in 1992. These regulations were also followed by regulations 510/2006 and 509/2006, which give non-EU member states the right to both apply for registration and appeal against the implementations issued by the Commission. The latest regulation of the EU on the issue is Regulation 1151/2012 which was put into effect on 21 November 2012 under the title of “Quality Systems Applicable to Agricultural and Food Products”.

The EU still has a total of 3214 registered GIs, 1766 in wine and 1448 in agriculture and food products.

Italy (297) takes the lead in agriculture and food products, followed by France (248), Spain (222) and Portugal (138). Greece, which ranks fifth and is one-seventh of Turkey, has a total of 107 registrations from the EU. According to a report issued by the EU Commission, the total turnover of the GI across the EU reached €55 billion in 2014, and the price of the registered geographic indications is 2.25 times higher than the unregistered ones.

#### GEOPHICAL INDICATIONS IN TURKEY

Turkey with its rich GI potential is one of the world's rare countries. Utilizing this unique potential with a well-functioning GI system will provide great insights into our country.

The implementation started in 1995 with the regulation 555 “Decree-Law on the Protection of GI” and was replaced by the “Industrial Property Law” enacted on 10 January 2017. The second book of this law, which consists of 5 books, is titled “Geographical Indication and Traditional Speciality Name”. Turkey currently has 431 registered geographical indications.

Also, 416 submitted products have been pending registration. 155 of the registrations have “designation of origin” and 276 have “geographical indication”. In the registrations, the leading ones are agricultural products (105), followed by local dishes (93), confectionery, bakery and pastry products (80). Carpets and rugs have 29, weaving 21, handicraft products 26, alcoholic and non-alcoholic beverages 17 registrations. While, in cheeses, we have 17 registrations, 3 of which are foreign, we have only seven registrations in olive oil although we are a Mediterranean country. Turkey, the world's second-largest honey producer after China, has only registered 4 kinds of honey. Turkey has 3 registration from the EU, which are for Gaziantep baklavası, Aydin figs and Malatya apricots and 15 of our products are waiting for their registration in the EU Commission.



Foreign countries also have registrations from Turkey due to the unfair competition they come across in our country. These are Scotch Whiskey (Scotland), Champagne (France), Parmesan and Grana Padano, (Italy) and Turkish Republic of Northern Cyprus (TRNC) Halloumi cheese. Other international products for which applications have been made and pending registration are Gorgonzola (Italy), Cognac (France) and Zivanya (TRNC).

#### WHY ARE GEOPHICAL INDICATIONS SO VITAL FOR TURKEY?

Turkey, with its extraordinarily rich potential of GI, is one of the rare countries that can provide itself significant economic, social and cultural gains. Therefore, GI is vital for our country for protecting our consumers and producers against unfair competition, adding value to our products and create employment, keeping our farmers in place by preventing rural migration, for rural development and Turkish tourism, protecting our natural resources, traditional production methods and cultural heritage, for our agricultural policy being redesigned recently, for international competition, for being able to take part in the world economy which expands every day and tends to liberalize the international trade of agricultural products, to challenge the unidirectional, unhealthy agro-industrial diet imposed by globalization,



#### AYDIN CHESTNUT

In Turkey, Aydin is placed on the top in chestnut production. The most exported product of Aydin after fig is chestnut. Chestnut can be used as edible, as well as its shells, wood, leaves and coal can be used in the industry for different purposes.



which destroys small producers and finally to be able to ensure the food security of the Turkish people in a world of frequent food scandals and chaos.

#### BREAKING AND BASIC ORGANIZATIONS IN GEOGRAPHICAL INDICATIONS

2015 and 2016 years are milestones in Turkey's "Geographical Indications" history which has started in 1995. These years are turning points in the process. The fact that President Erdoğan talked about GI for the first time at patent awards ceremonies and emphasizing their importance and calling on governors, mayors and chamber heads to protect and register their local values creates a real break in the process. In our country, where averagely 9 - 10 registrations have been granted annually for 20 years, these calls do not remain unanswered. Turkey has been experiencing an incredible boom in implementations and registrations since 2016. Reduction of registration costs has an important role in this. Such that, the number of applications, which was 39 in 2015, reached 93 in 2016, 246 in 2017 and 228 in 2018. The number of registrations put into practice is respectively 13 in 2016 and 111 in 2017 and 87 in 2018.

111 registrations in 2017 are the highest of 22 years of practice, and it is more than three times the number of registrations (35) of 28-nation EU in the same year. The only producer registration

#### HATAY DEFNE SOAP

Laurel soap, which is also known as Aleppo, is produced from the oils in the leaves of Laurel tree. Particularly, its use for hair is quite common because it prevents hair loss by nourishing and strengthening the hair. Also, in mythology, it became legendary with the myth of Daphne, the nymph fleeing from the god of the sun, Apollo, turned into a laurel tree.



for 2017 belongs to Ardahan flower honey and "Ardahan Province Beekeepers Association". Although numerous organizations are dealing with the GI in Turkey, three of them are very important. These organizations called as the main agencies of GI are Turkish Union of Chambers and Exchange Commodities (TOBB), Local Products and Geographical Indications Turkish Research Network (YÜCİTA) and the METRO Wholesale Market. TOBB focuses on registration, YÜCİTA research, METRO implementation of the subject.

#### TOBB MOSTLY DEALS WITH REGISTRATIONS

%79 of the registrations in 2018 belong to the Turkish Union of Chambers and Exchange Commodities, municipalities and provinces. TOBB, which had %33 share in the registrations between 1996-2016, increased its share to %41 in 2018.

TOBB also organizes training and awareness-raising programs related to GI and the regional products fair annually held in Antalya supports YÖREX.

#### YÜCİTA: VOLUNTARY RESEARCH NETWORK

YÜCİTA is based on Akdeniz University Centre for Economic Research on Mediterranean Countries (1997).

It was established on 15 October 2012 with the final declaration of the "3<sup>rd</sup> International Antalya Geographical Indications Seminar".



#### MARAŞ ICE CREAM

Maraş Ice Cream is made of salep and ice cream, which is made by the milk of the goats fed with flowers such as thyme, hyacinth and crocus grown in Kahramanmaraş province. It differs from other ice creams in terms of its distinctive pleasant flavour and aroma, slightly chewy elastic texture, bright white colour, resistance to melting, maintenance its properties at low temperature (-18 °C and/or below) for a long time.

#### İZMİT PİŞMANIYE

İzmit Pişmaniye seems like a type of cotton candy but it is a unique type of dessert, whose main ingredients are sugar, flour and oil, which requires effort during its preparation.





**AN IMPORTANT TURKISH GI, BURSA SILK** INHERITED FROM THE OTTOMAN EMPIRE TO THE PRESENT. FOR CENTURIES OTTOMAN AND EUROPEAN PALACES WERE DECORATED WITH THIS SILK. NOW, AS IN THOSE TIMES, THE SILK GOES TO THE PALACES OF THE KINGS FROM BURSA. QATAR ROYAL PALACE IS ONE OF THEM.

YÜciTA is a voluntary research network. Its mission is to establish an ideal GI system by raising awareness about the importance of the GI in Turkey, to support sustainable rural development by adding value to local products and to work on the protection of cultural and biological diversity. YÜciTA organizes two workshops every year. These workshops include international conferences, seminars or symposiums. The research network, which carried out 10 studies just in 2018, with 13 international workshops, 11 different events in 13 different provinces in the 7-year period has 5 international publications, 4 of which is in foreign languages, and tens of national publications. YÜciTA, which publishes a quarterly newsletter, established the “Local Products and Geographical Indications Research Foundation” at the beginning of 2019.



**TURKEY EXPORTS THE HEREKE, BUNYAN, GAZIANTEP AND THE USAK CARPETS WHICH ARE IMPORTANT GI OF THE WEAVING PRODUCTS**

AROUND THE WORLD. THE PHOTO IS FROM DÖŞEMEALTI TOWN OF ANTALYA. RUGS AND CARPETS BROUGHT FROM VARIOUS REGIONS OF TURKEY ARE INSOLATED FOR BOTH HAVING A PASTEL COLOURATION AND FOR HYGIENE.



#### **ESKİŞEHİR MEERSCHAUM**

Approximately 75% of world reserves of meerschaum with a fine-porous structure and soft texture are found in Eskişehir province in Turkey. Located in the soil and different layers, meerschaum is off-white coloured. Archaeological studies reveal the meerschaum's history dating back five thousand years. This ore is mostly used in ornamental and pipe making today.

#### **METRO WHOLESALE MARKET**

METRO, that closely deals with geographical indications and awarded by Mr President for its successful works in the field of geographical indications within the scope of 2016 patent awards, starts its first work on the issue with our registered asset Taşköprü garlic project. Taşköprü garlic, which has been losing its value in the face of Chinese garlic competition, is being saved thanks to the works of the consortium led by METRO. METRO, which started a major promotional campaign in Istanbul and all Turkey to create awareness in the GI field in September 2016, carries its works with the support it provides to producers for registration implementations. Kapıdağ purple onion, Kırklareli curly lamb and Ayvalık olive oil are among the GI benefiting from these supports. METRO, which also exports many registered products, informs and directs its suppliers on GI and in its stores, enlightens its consumers. Supported by YÜciTA in its work on GI, METRO has recently been able to sign a protocol with the Ministry of National Education and the General Directorate of Vocational and Technical Training on 4th of March, 2019, on the inclusion of GI in the



### HEREKE CARPET

Many features distinguish Hereke Carpets from other carpets and make them special. These features are the use of double knot technique, one of the thin and thick double weft technique and being cut with hand scissors. But the most important feature is that it is one hundred per cent handmade. It can take years to weave it. It is the thinnest and most robust carpet in the world. Also it is long-lasting and can be inherited from generation to generation.

### KÜTAHYA TILES

Mixtures of inorganic materials such as china, clay, kaolin, quartz, feldspar, limestone in appropriate proportions are ground, dewatered, shaped and cooked at the appropriate temperature. The white tile obtained is decorated with translucent or coloured glaze after decorating the semi-finished product. The product obtained after the second cooking is "tile". Bulk containing tiles can not be used as tableware. They can only be used as decorative and decorative items.

curriculum of vocational-technical schools. With this protocol, GI has been moved to a training platform for the first time in Turkey.

### TURKEY WILL SWIFTLY SOLVE ITS PROBLEMS

Turkey, with its own high GI potential, is a country that can provide itself crucial insights. This can be achieved through the establishment of a well-functioning GI system, as emphasized at different times. The practices, which have lasted for nearly 25 years, show that there are huge weaknesses in GI governance and supervision, also these producers are unwillingly excluded from the system.

### TO OVERCOME THESE PROBLEMS:

- The producers who are the real owners of the subject must be integrated into the process immediately and a related formula, a legal regulation or a model must be present. It is also possible that such an implementation will alleviate the intense producer disorganisation experienced in our agriculture.
- To bring the system into force, a legal regulation stating the responsibilities of the registrants arising from the registration (GI Governance) needs to be made urgently. With this regulation, not everyone will be able to get the registration.
- Public practices on external audits are far from being satisfactory. For this reason, independent, impartial and well-equipped private auditing organizations, which will



### BÜNYAN CARPET

Bünyan Carpet is the most important representative of Turkish Carpet with its fine and elegant patterns, quality yarn and matching patterns. The carpets, which are Manchester type, are dispatched to the important trade centres of the country and also marketed in Kayseri. The characteristic feature of Bunyan carpets is their harmonious light-tone colours and their unique patterns.



carry out these audits during production, storage and sales stages, and accredited according to EU standards, should be promptly put into practice.

- Since all the problems experienced cannot be overcome with the existing system, effective institutional structuring and governance is required. Therefore, an establishment of "Turkish Institute of Geographical Indications" is required and organic agriculture needs to be included in the Institute's field of study.

# MILITARY MYTHS AND REALITIES: CASE OF TURKEY, USA, RUSSIA, CHINA

WHO  
ARE  
THE

AGGRESSORS  
REVISIONISTS?

BY TAMER İŞİTİR

**T**urkey's purchase of the S-400 missiles from Russia started a debate which is much larger than the size of the trade. Some have even questioned Turkey's NATO membership. Most of the time speculations lose their links to reality.

This time some radical questions were put up again. Is a new world order on the way? Is a new armament race starting? Does Turkey set a new military-political-economic strategy?

The rhetoric in domestic politics is often incompatible with reality in foreign and, especially military policy. But domestic policy propaganda can sometimes turn into myths that even replace reality in the eyes of policymakers.

The recent S-400 and F-35 crisis is a typical example between Turkey and the US. For example take a discourse which is used in domestic politics of Turkey for motivation. Some people exaggerated the size of this crisis to portray Turkey as a new world power even referring back to the Ottoman legacy. Interestingly in the Western domestic policy parties which want to exploit fear of refugees and use anti-Turkish and Islamophobic rhetoric to win votes have stuck to the same stories. On the other hand, Turkish Foreign Minister Çavuşoğlu has strongly denied any implication of "Turkey leaving the West" again in an article he wrote recently.

Although the rulers of the countries themselves exploit such discourses to get votes, they do not apply to the myths of domestic politics when they determine real policies. This is a general reality, except for periods of certain mind eclipses.

Discourses seeking to demonize Turkey can be popular in Western domestic policies, but serious states always analyze each other in the light of objective facts.

So how should the world assess Turkey as a military power? And how should we evaluate the other military forces in the world?

We will suggest a simple indicator. We will consider the military strategy and vision of a country as a point in a two-dimensional coordinate system.

If we define two extremes on the axis of military strategy; one end is defensive and the other end is aggressive.

If we identify two extremes on the axis of military vision; one is conformist and the other is revisionist.

Let's illustrate what we mean by four examples:





**1. AGGRESSIVE-REVISIONIST COUNTRY:** Germany of 1934. Re-armament and re-militarization policy point to an aggressive military strategy and a revisionist vision of the demand for a change in the European borders drawn by the Treaty of Versailles.

**2. AGGRESSIVE-CONFORMIST COUNTRY:** The United States that carried out the Vietnam War from 1962 to 1975, or France that conducted the Vietnam and Algerian Wars after 1945. In both cases, there was an aggressive military strategy, while France was conformist because it wanted to maintain its colonial status quo and the US wanted to protect the status quo of the capitalist bloc being superior in the Cold War.

**3. DEFENSIVE-REVISIONIST COUNTRY:** A typical example is of Turkey starting the National Liberation War in 1919. Turkey was fighting a defensive war against the occupation and trying to revise the ceasefire agreement imposed on the Ottoman Empire at the same time while the European Allies tried to maintain the colonial status quo and their hegemonic positions as the victors of the World War I.

**4. DEFENSIVE-CONFORMIST COUNTRY:** Poland and Czechoslovakia between 1933 and 1939, which were both defensives in the face of the demands of Germany and conformist trying to protect the existing national borders, which were drawn in 1918. To some extent, even France of the 1930s can be put in this category.

The revisionist country may want to change the balance of the world or just change the military-economic-political bloc it is in. For example, even if Chavez's Venezuela did not weigh heavy enough to change the world balances alone, he moved away from the US pole and increasingly sought partnership strategies with Russia and China. This can be called a revisionist perspective, because it changes the status quo, at least of that country.

So where does Turkey stand on this scale? How right and fair is it to attribute a policy of revision and aggression to Turkey? We'll try to question this.

**TURKEY'S DEFENSE TRADE IS NEITHER AGGRESSIVE NOR REVISIONIST**

Now let's look at the figures without much comment. Contrary to the common belief and propaganda Turkish military strategy is neither aggressive nor revisionist in terms of budget expenditures.

First of all, let's look at the GDP ratio of the budget allocated to defence in the world as of 2018.

Turkey's defence spending was 19 billion USD in 2018, ranking 15th in the world in terms of value. In 1989, Turkey ranked 16th on this list and again 16th in 1999. Between 2000-2009 Turkey was in 15th position on average.

We know that Turkey's GDP ranking in the world in this period varied back and forth between the 15<sup>th</sup> and 20<sup>th</sup> largest economy. So between 1989 and 2019 Turkey has had neither a special ambition nor an accelerating inertia in terms of military expenditure. Giant regional crises (ongoing Azerbaijan-Armenia, Georgia-Russia and Russia-Chechnya conflicts in the Caucasus, Russian-Ukrainian clashes in the Black Sea, Israel-Palestine conflict in the Middle East), three major wars (Iran-Iraq war, two Iraqi-US wars) and even a constant and costly struggle against domestic terrorism during this period didn't increase Turkey's military expenditures relatively to other countries.

However, contrary to Turkey's conformist position in terms of defence spending, other states in the region had an opposite orientation, almost all of them escalating a major arms race in the last 10 years. Now let's look at another list: The list of top 15 countries in the world with the highest ratio of military expenditure to their total government spending.

This list will reveal more clearly Turkey's balanced attitude compared to its neighbours.



> Turkey's military spending ratio to government budget was only 7.2% coming not even close to the top 15 countries.

**WHILE MIDDLE EAST IS GETTING INTO AN ARMS RACE, TURKEY IS TRYING TO PROTECT THE STATUS QUO**

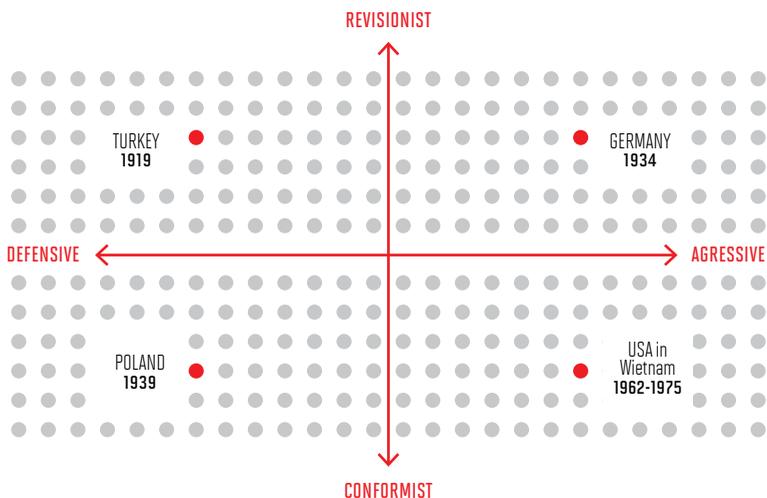
North Africa and the Middle East countries, unfortunately, constitute an overwhelming majority in the top 15 list of countries with highest defence spending ratio to GDP. The list hints to a contradictory fact. Although some of these countries are oil giants of the world, others are struggling with poverty, unemployment and social crises. Such as Armenia, Namibia, Mali, Chad...

When Turkey is compared to the countries in this list, military spending ratio to the government budget of Turkey was only 7.2% coming not even close to the top 15 countries. Moreover, except for four of the countries in this list, all of them are either neighbours of Turkey or in the near vicinity, where, in the case of a hot conflict Turkey may also be affected with major humanitarian and security crises.

The two alarming countries in this list are Saudi Arabia and Iran. It is not possible to determine the exact military expenditures of both countries. Iranian data, in particular, is facing the problem of transparency.

Military spending share of government expense of Iran was out of as high as 15.8% in 2018. Saudi Arabia has also doubled its military spending ratio in 2018 compared to 2016, reaching 30.4% a ratio more than 4 times of Turkey's.

Saudi Arabia and Iran are almost in an undeclared, covert war using militia forces and even their paramilitaries and armies in Syria, Yemen, Bahrain and Iraq, both state accusing the other of escalating sectarian violence and destabilizing the region. Increasing tension between these countries is not only a threat to the region but also the whole globe.





>North Africa and the Middle East countries unfortunately constitute an overwhelming majority in the top 15 list countries with highest defense spending ratio to government budget

**TURKEY'S ARMS IMPORTS FELL BY 21 PERCENT**

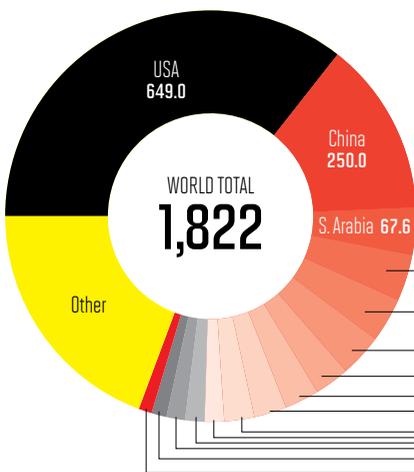
We should examine another important element in terms of militarization other than the defence budget which is the arms import ranking of countries. This ranking gives important clues about countries that do not have a strong defence industry but dare to face big expenditures for armament.

Leaving aside the arms exporter countries in this list, such as Israel, China, Britain, Italy and the United States, the list is again dominated by the Middle East states, which is worrying.

Middle East countries transfer their most important resources to countries with military-industrial complexes for arms imports. Saudi Arabia is again

Rank	Country	% of spending
1	Sudan	30.9
2	S. Arabia	30.4
3	Oman	26.3
4	Belarus	25.3
5	Congo	17.9
6	Singapore	17.2
7	Pakistan	16.7
8	Algeria	16.1
9	Iran	15.8
9	Jordan	15.8
11	Lebanon	15.6
12	Armenia	15.5
12	Chad	13.8
14	Mali	12.7
15	Myanmar	12.4
15	South Korea	12.1

> The list of top 15 countries in the world with the highest military expenditure



	Spending (US\$ Bn.)	% of GDP
World total	1,822	2.1
1 USA	649.0	3.2
2 China	250.0	1.9
3 S. Arabia	67.6	8.8
4 India	66.5	2.4
5 France	63.8	2.3
6 Russia	61.4	3.9
7 UK	50.0	1.8
8 Germany	49.5	1.2
9 Japan	46.6	0.9
10 S. Korea	43.1	2.6
11 Italy	27.8	1.3
12 Brazil	27.8	1.5
13 Australia	26.7	1.9
14 Canada	21.6	1.3
15 Turkey	19.0	2.5

Source: Stockholm International Peace Research Institute (SIPRI), Yearbook 2018: Armaments, Disarmament and International Security.

> Top 20 importers of arms

Importer	Share of arms imports (%)		Percent change from 2009-13 to 2014-18
	2014-18	2009-13	
1 Saudi Arabia	12	4.3	192
2 India	9.5	13	-24
3 Egypt	5.1	1.8	206
4 Australia	4.6	3.6	37
5 Algeria	4.4	3.1	55
6 China	4.2	4.8	-7.0
7 UAE	3.7	4.2	-5.8
8 Iraq	3.7	1.6	139
9 South Korea	3.1	3.6	-8.6
10 Viet Nam	2.9	1.8	78
11 Pakistan	2.7	4.8	-39
12 Indonesia	2.5	1.4	86
13 Turkey	2.3	3.2	-21
14 Qatar	2.0	0.7	225
15 Israel	2.0	0.5	354
16 United States	1.8	3.7	-47
17 Taiwan	1.7	1.0	83
18 Oman	1.6	0.6	213
19 United Kingdom	1.6	1.7	2.3
20 Italy	1.5	0.6	162

Source: Stockholm International Peace Research Institute (SIPRI), Yearbook 2018: Armaments, Disarmament and International Security.

the largest arms importer in the world with a 12% share of the whole trade in the 2014-2018 on average. This rate is almost three times that of 4.3% of the previous five year period, 2009-2013. Another worrying development is the case of Egypt, which entered the list with 5.1% in 2014-2018, again an increase of three times compared to the previous period. On the other hand, the United Arab Emirates, Iraq, Qatar, Israel, Oman are other Middle Eastern countries in the top 20 list.

To summarize the story we can say that the developed world buys oil and sells death to the region.

While the USA is the top supplier of 11 of the top 20 arms importing countries, Russia is the top supplier of 4 countries, Britain is the top supplier of two countries and Germany, France and China are top suppliers for one country in the same list. When we look at the list of the second and third major suppliers of each country, Israel is also an important supplier of arms importing countries.

Turkey, the US and Russia share a recent crisis of S-400 and F-35 trade. Of course, there is also a special depth about the crisis because Turkey is a NATO member. However, if we consider the situation of Turkey's in terms of arms imports again it can easily be seen that Turkey is certainly not an aggressive buyer. Between the 2009-2013 period and the 2014-2018 period, Turkey's imports share has fallen from 3.2% to 2.3% with a 21% decrease of gross value in weapons imports lowering Turkey's rank to the 13th position. Not a rank so high compared to the country's economic size, population and area.

In particular, the decline in Turkey's arms imports between 2014–2018 can be explained by the economic problems that the country is experiencing. But let's bear in mind that Turkey is also looking for national solutions for its national defence needs. But in contrast to the recent tension between Turkey and the United States about the purchase of S-400 missiles from Russia, it still can't be denied that the US is still the major and strongest defence partner of Turkey and most probably be in that position also in the near term when the import figures are examined.

#### TURKEY'S LARGEST ARMS DEALER IS STILL THE US

Turkey imports 60% of its arms still from the United States. Spain follows the US by 17% and Italy by 15%. Only these figures alone show that Turkey is not in any quest for looking for a new major military partnership other than the Western or NATO block. Up to the last S-400 purchase from Russia, Turkey has never made a single military deal apart from its traditional Western allies since 1946. And China is not even on the list.

An objection might be "However, Turkey has bought the S-400 missiles and this has started a new era." The US administration's decision of dismissing Turkey from the F-35 program is indeed a negative and important development for the two countries relationship and that can't be denied. However, in light of the above figures, Trump has seen this issue as more of a trader and businessman and announced that there will be no sanctions against Turkey. We can say that Trump's words are not always trustable and his promises are not so stable but figures show that it is very hard to replace the US with Russia as the main arms supplier to Turkey. It's not only a choice of Turkey, Russian economic structure and arms industries have limits of their own also.

Besides, if the Cold War is over, and if the entire world -including Russia and China- without any ideological worry, has agreed on a global capitalist market system, each taking their position as commercial partners and competitors why is purchasing arms from Russia or China a violation of a big taboo for Turkey? In short, if arms exporters are practising free competition rules in the arms market which has become of almost a free death market in recent years, and can sell arms to any country regardless of their differences, regimes, religions human rights policies and ideologies, can arms buyer countries not benefit from the same free market?

#### "FREE" ARM MARKET

Our aim is not to legitimize this uncontrolled and unregulated market of arms. But Turkey is certainly not responsible for it. Turkey is neither a major exporter nor an importer. Let's try to explain buy what we mean by responsibility. Again, we look at the top 20 countries that import arms: For India, Egypt and



Iraq the top three arms suppliers are both the US and Russia. Pakistan is busy making deals with both the USA and China. Algeria is in intensive trade with China and Germany.

Although China, Algeria and Vietnam do not import arms from the USA, they trade with Russia and other countries that can be seen in the former Cold War Era "Western Bloc" such as France, Germany and Israel.

In the Top 20 list, if we sort out the countries that import only from the US and "Western Bloc" countries the list as followed: Saudi Arabia, Australia, United Arab Emirates, South Korea, Indonesia, Turkey, Qatar, Israel, the US, Taiwan, Oman, United Kingdom, Italy. It can be said that the arms market has been a politicized and compartmented market by the means of political hegemony of the oligopolistic superior countries. However, this dominant reality of the arms market is being worn out every year. Especially when we look at the list of the top 40 importing countries we can see that the number of countries importing from USA, Russia, China and Israel simultaneously increases even more.

Again if we categorize NATO countries and Israel as former "Western Bloc" countries within the framework of the former Cold War paradigm, the number of countries that import arms from "Western Bloc", Russia and China at the same time is 8 in the list of the top 20 importing countries and 15 in the top 40 countries list.

#### TURKEY IS STILL PART OF "NATO ECONOMY"

In the light of these figures, we can say that the main reason for the crisis that started with the purchase of the S-400 missiles did not source from the military-economy field but the political-diplomatic field.

When the armament and defence spending data of Turkey is realistically assessed it can easily be seen that Turkey can't be classified as an



When the armament and defense spending data of Turkey is realistically assessed it can easily be seen that Turkey can't be classified as an aggressive and revisionist country.

gressive and revisionist country. Besides not only in terms of military markets but also in all trade sectors, Turkey is mainly exporting and importing with the EU and USA. Military trade choice can very rarely differ radically from non-military market realities in the long run.

Another fact that we will see when we examine the market of arms importing countries is that the Middle East countries import more and more weapons every year from any country that is ready to make a deal under almost free and unregulated market conditions. It is this dangerous policy that should be questioned.

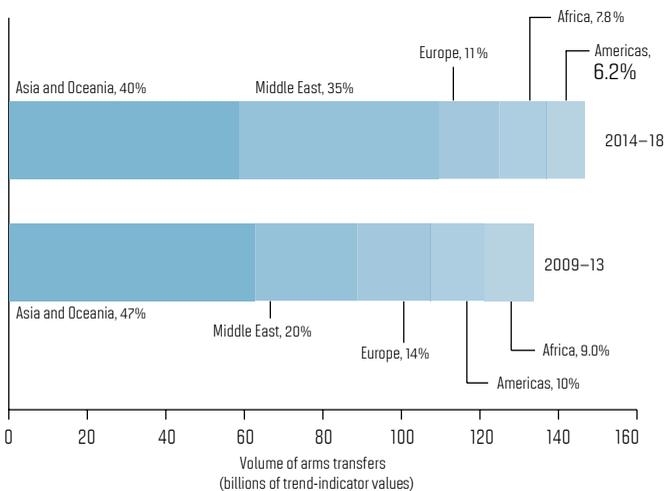
When we compare the two 5 year periods (2009-2013, 2014-2018) again we see that arms imports have decreased in all world regions except for the small increase in Asia and Oceania and a huge increase in the Middle East. Figures show

**THE SHARE OF THE MIDDLE EAST IN TOTAL ARMS IMPORTS INCREASED FROM 20 PERCENT TO 35 PERCENT IN ONLY 5 YEARS.**

that the overall increase of arms trade in the world is totally dependent on the growth in the Middle East market, the Middle East region alone increases the trade volume. The share of the Middle East in total arms imports increased from %20 to %35 in only 5 years. So, in other words, the Middle East countries' arms imports have increased by more than 100% whereas in the same period Turkey's arms imports volume decreased by 21%.

We should also note that a large refugee and humanitarian crisis in the Middle East has shaken Turkey's borders in that period. Also a small parenthesis: Turkey and its western neighbour Greece still haven't been able to solve their long term territorial tensions in the Aegean Sea and East Mediterranean fronts. Greece started to increase its military spending share in the budget just after 2003, ie after Southern Cyprus became a member of the EU. Moreover, this was a period of great economic crisis for Greece. Nevertheless, military spending rose from 2.4% of GDP in 2003 to 3.2% in 2009, an increase of 80% in GDP ratio. All these tensions and crisis hasn't stopped Turkey to decrease the share of defence spending in the overall government budget and hasn't caused it to look for new trade partners in defence other than NATO countries.

> The largest importers of major arms, by region, 2014-18 and 2009-13, percent of global share



Source: Stockholm International Peace Research Institute (SIPRI), Yearbook 2018: Armaments, Disarmament and International Security.

**THE USA IS THE UNDISPUTED LEADER IN ARMS EXPORTS**

Let's stop focusing on Turkey and look at the top 25 countries that export arms. This list will reveal more clearly the location of both Turkey and the major actors in the arms market.

This list shows that the US is by far the first in world arms exports. It is followed by Russia, France, Germany, China, Britain, Spain, Italy and the Netherlands, respectively.

When we look at this market, we don't come across a phenomenon of Russia or China shaking the position of the US. They may have such intentions, but they certainly don't have such a performance yet. When the two periods of 2009-2013

>The 15 largest exporters of major arms and their main clients, 2014–18

	Importer	Share of arms exports (%)		Percent change from 2009–13 to 2014–18
		2014–18	2009–13	
1	United States	36	30	29
2	Russia	21	27	-17
3	France	6.8	5.1	43
4	Germany	6.4	6.1	13
5	China	5.2	5.5	2.7
6	United Kingdom	4.2	4.3	5.9
7	Spain	3.2	2.9	20
8	Israel	3.1	2.1	60
9	Italy	2.3	2.7	-6.7
10	Netherlands	2.1	1.9	16
11	South Korea	1.8	1.0	94
12	Ukraine	1.3	2.7	-47
13	Switzerland	1.0	0.9	20
14	Turkey	1.0	0.4	170
15	Sweden	0.7	1.9	-62

Source: Stockholm International Peace Research Institute (SIPRI), Yearbook 2018: Armaments, Disarmament and International Security.



>We should also note that a large refugee and humanitarian crisis in the Middle East has shaken Turkey's borders in that period.

and 2014–2018 are compared, it can be seen that the leadership of the US in the arms export sector is reinforced. While the USA held a 30% share in world exports, this ratio increased to 36% in the following period, a 29% increase in monetary terms between these two terms. The first country in the US arms exports list is Saudi Arabia with 22% of all exports. The second country is Australia with 7.7% and the third is the United Arab Emirates with 6.7%.

Russia's total export volume decreased by 17% in five years, and its share in the world exports cake decreased from 27% to 21%. Is this a permanent trend? We'll see soon. Russia is still an important military force, independent of its economic and political problems. A significant portion of Russia's traditional customers from Cold War Era remains as buyers. However, the situation may change if the current trend continues.

In other words, the big noise about the S-400 crisis should not create the illusion that Russia is a force in the sector that shakes the US throne. Russia is experiencing its own economic and political crises. It is still one of the world's two largest nuclear and military forces, but the military-industrial complex is directly linked to the overall economic performance of a country. Even the strength of the US economy is being tested for now, but Russia has long lost its claim to be one of the two "superpowers" in the economic-commercial arena and even in the military sphere.

China comes to mind. The Chinese issue is more complex. Because the data that we will look at soon shows that China can indeed be a military force that threatens the US position. However, when it comes to arms exports, China is far from competing with other NATO countries, not only the United States.

When we consider the 10 top arms exporters in the world, all 8 countries except China and Russia are NATO member Western countries and Israel. The share of these 8 countries in the world arms exports was 55.1% between 2009 and 2013, and this share increased to 64.1% in the next 5-year period. We see that 6% of this 9% increase comes from the USA. However, other NATO countries and Israel also increased their arms exports during this period. Israel's 60% increase is remarkable.

China has achieved a similar export rate in both periods around 5%. At a time when China's military spending increased tremendously, there was only a 2% increase in the total monetary volume of arms exports. Is China practising a new form of military mercantilism? Will the next stage be a phase of military expansionism? It seems more logical that the US focuses on China, not Russia. That's a simple fact that is temporarily concealed by the current heat of the S-400 crisis. The military competition of the 21st century may be between the US and China most probably, not the US and Russia.

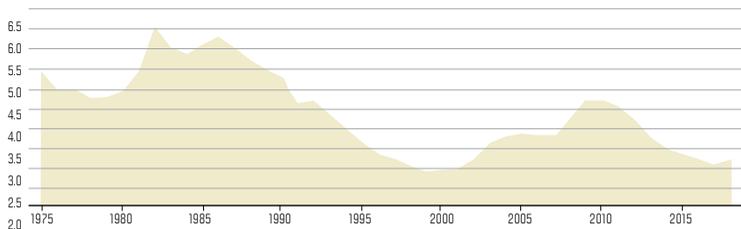
**THE RE-MILITARIZATION OF THE US ECONOMY AFTER 2001**

Now let's look at the motivation of the United States. Is the US transforming into a war economy again? When we look at the US military spending, we can say that the winds of globalization, democracy, regional and global cooperation that wrapped the world after the Cold War years ended in the military field in 2002. September 11, 2001 terror attack, invasion of Afghanistan in 2001 and the invasion of Iraq in 2003... These are milestones for the re-militarization of the US economy. Let us note the 2008 financial crisis as another important turning point, and now examine the data.

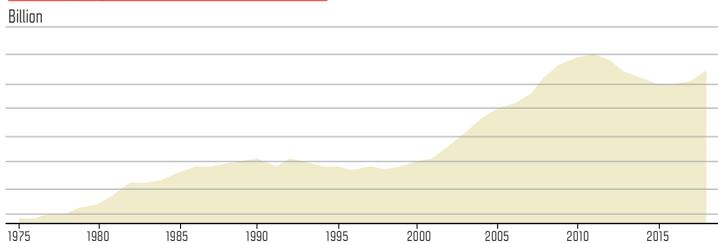
We will start our first trend from 1975, the end of the Vietnam War, and bring it to 2018.



### > Military expenditure of USA (% of GDP)



### > Military expenditure of USA (current USD)



Source: Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security.

In 1975 military spending was around 100 billion USD and in 2010 it reached 700 billion USD. This upward trend is of course in current (2019) USD value and we must take inflation into account. In other words, the World Bank's data includes the nominal USD value of that year. Thus, between 1985 and 2001, a stable annual military expenditure of 300 billion USD actually represents a major reduction in defence spending share of both government budget and GDP.

For a more realistic view, we should analyze the ratio of defence spending to the US GDP.

Military spending in 1982 - the famous years of Star Wars - rose up to 6.5% of GDP and then fell steadily as the Eastern Bloc and the Soviet Union pulled the white flag in the arms race. 2.9% in 2001 was the historical bottom point of a 20-year long term of decline. Then after the year 2001, there was a tremendous increase in military spending, both nominally and in real terms. An-

**IN 1975 MILITARY SPENDING WAS AROUND 100 BILLION USD AND IN 2010 IT REACHED 700 BILLION USD. THIS UPWARD TREND IS OF COURSE IN CURRENT (2019) USD VALUE AND WE MUST TAKE INFLATION INTO ACCOUNT**

nual defence spending, which fell to \$ 300 billion, exceeded \$ 700 billion in 2010 in 9 years and reached a 4.7% share of GDP. As a result of the financial crisis and the decrease in the number of troops in Iraq and Afghanistan, we see that the ratio of military expenditures to GDP has decreased to 3.1%. However, the US economy, which entered a growth trend again in 2010, offset this proportional decline on a nominal basis. Military spending remained at a 650 billion USD level.

In 2018, while the total military expenditure of governments in the world was \$ 1,822 billion, the US alone made 35.6% of it. Only 4.3% of the world's population and 24.4% of the world's economy account for 35.6% of the world's military spending. The US is certainly a military economy, but even within the US, the negative aspects of the militarization of the economy are being discussed more. Trump accuses other NATO countries, particularly Germany, of keeping military spending low and transferring its own defence costs to the United States and thus stepping forward in economic competition.

The overall contributions or harms of the military-industrial complex to the economy are very controversial. From a Keynesian point of view, military spending can be considered as an element of growth, employment and recovery in the economy by firing public spending. But on the other hand, it can put a huge burden on the government budget and create a phenomenon of continuous inflation and budget deficit. This is a disadvantage in international competition. The miracle of Germany and South Korea was indeed supported by an almost zero-cost defence strategy stemming from the special conditions of the Cold War years.

On the other hand, military spending is an obligation to be a superpower of the capitalist system. The thesis "The US is getting rich by selling weapons to the world" is a simple one to falsify. Take the year 2018 for example. Military spending in the US government budget amounted to 649 billion USD, while the total export revenues of arms were only

10.5 billion USD. This is an insignificant amount in the total US exports revenue, and it does not even make one in sixty of the total defence costs.

However, any comment about “the burden of defence costs on the national economy” without taking account the contribution of the military-industrial complex’ multiplier impact and the economic externality created by country’s exportation of arms which increases the economic-political hegemony domain of the US would be a too simplistic interpretation of the issue.

In short, the re-militarization trend of the US economy since 2001 has affected the whole world.

The volume of the world arms trade, which did not fall below 40 billion USD in the 1980s, fell to 20 billion USD in 2000, but then rose over 30 billion USD. And there is no downward trend.

**DEFENSE EXPENDITURE EXCEEDS COLD WAR PERIOD**

Another interesting figure is that of the inflation-free graph of the US defence costs. The graph-based on 2009 prices shows the total military spending in US dollars.

This chart gives a clearer picture of reality. The record military spending of 800 billion USD in 1944 was broken in 2010 for the first time on 2009 prices, a record that had not been reached even during the Cold War. The worrying trend is that after each period of hot conflict, US military spending has declined slightly –i.e. a decline just after the end of Vietnam War– however this decline never reached back to the pre-war level.

Then the famous military race of the Reagan era, which broke the Soviets, began. The level of military spending surpassed even the Vietnam War era. But after the end of the Cold War the slight decline of the 90s did not lower defence costs to the levels of the post - Vietnam War. And finally, the new trend that started in 2001. Even the Great Financial Crisis in 2008 could not stop this trend and the upward trend reached the level of expenditure of World War II. Of course, in that half-century, the US and the world economy grew in real terms. However, the term real means real so the threat of armament itself is not unreal at all.

There are two peaks in military spending based on 2009 prices. One is the year 1944 and the other is the year 2010. 1944 was the bloodiest year of World War II. This year, US military spending exceeded 40% of GDP. In 2010, this ratio did not exceed even 5% of GDP, but it reached the same level in real value.

In short, it can be misleading to say that the world has entered a new arms race. But even before entering a new arms race, the extent of economic militarization is frightening. Weapons are not less lethal than in 1944. Let’s make a note of that. Therefore, when we consider the enormous increase in China’s increasing military spending, the picture is even more frightening.



> So don't be mistaken by focusing on Turkey's purchase of S-400 missiles, Russia's chance of being a military rival for the US is much lower than China's. A country whose economy lags behind cannot advance in the military field.

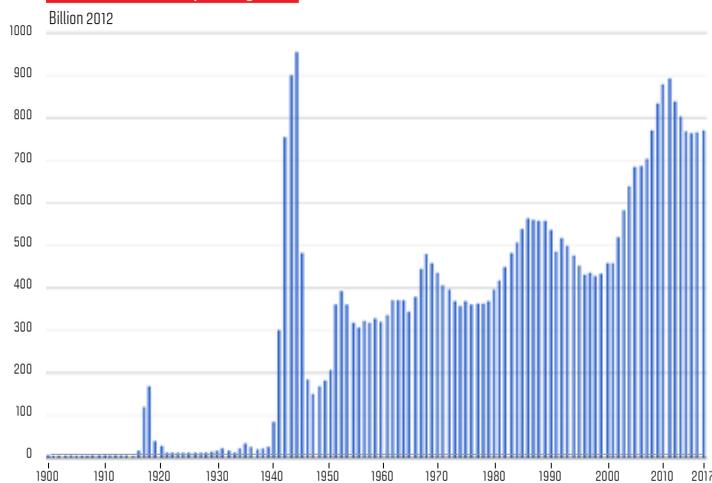
**> The top 15 manufacturing companies compared with the top 15 arms-producing and military services companies**

Rank	Top 15 manufacturing companies	Total sales (US\$ b.)	Rank	Top 15 arms producers	Arms sales (US\$ b.)	Total sales (US\$ b.)
1	Toyota	254.7	1	Lockheed Martin Corp.	44.9	51.0
2	VW	240.3	2	Boeing	26.9	93.4
3	Apple	215.6	3	Raytheon	23.9	25.3
4	Samsung Electronics	174.0	4	BAC Systems	22.9	23.5
5	Daimler	169.5	5	Northrop Grumman Corp.	22.4	25.8
6	General Motors	166.4	6	General Dynamics Corp.	19.5	31.0
7	Ford	151.8	7	Airbus Group	11.3	75.2
8	Hon Hai Precision Industry	135.1	8	Thales	9.0	17.8
9	Honda	129.2	9	Leonardo	8.9	13.0
10	General Electric	126.7	10	Almaz-Antey	8.6	9.1
11	Fiat Chrysler Group	125.0	11	United Technologies Corp.	7.8	59.8
12	SAIC Motor	113.9	12	L-3 Communications	7.8	9.8
13	Nissan	108.2	13	Huntington Ingalls Industries	6.5	7.4
14	BMW	104.1	14	United Aircraft Corp.	6.4	7.7
15	China Railway and Engineering Group	97.0	15	United Shipbuilding Corp.	5.0	5.6
Total top 15 sales		2311			231.6	455.6

Although total arms sales of the top 15 arms seller companies is only about 10% of the total sales of the top manufacturing companies, total sales including non-military commodities of the arms producers is about twice of that value. That figure alone shows the strategic and technological importance of the defense industry and the externalities it creates in other economic sectors.

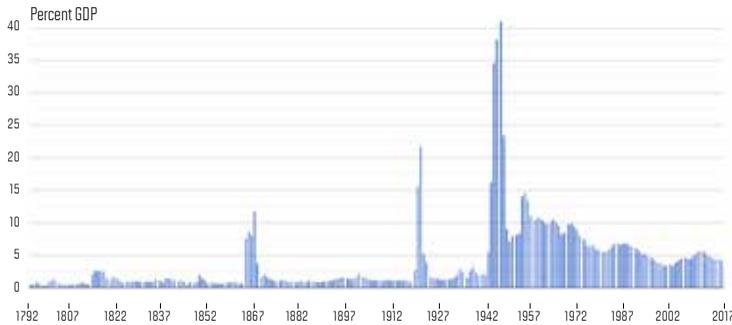
Source: Fortune, 'The Fortune Global 500', 2017; and SIPRI Arms Industry Database, Dec. 2018.

**> Recent Defense Spending (USD)**



Source: www.usgovernmentsspending.com

### > US: Recent Defense Spending



Source: www.usgovernmentsspending.com

### US MILITARY EXPENDITURE RIVAL IS CHINA, NOT RUSSIA

Now let us begin the comparison of China and Russia with the USA. If we evaluate the increase of military expenditure globally since the 1980s the chart confirms the previous data. The total military spending of the world, which remained at a constant level in the 1990s with current USD values, sprang like a rocket after 2001.

Data from China and Russia have been available only since the 1990s. But the main period we will focus on is after 2001. The figures show that after 2010, both the US and Russia have cut their military spending somewhat, but China has achieved a very aggressive upward trend. While the gap between the US and Russia is opening, the gap between China and the US is closing.

Moreover, China's military spending is not very high compared to its GDP. However, the fast growth of the Chinese economy reflected itself as a military expansion also.

The ratio of Russia's military spending to GDP rose suddenly in 2010 but still that didn't add up near to the USA's and China's gross spending due to the low performance of the Russian economy. China, on the other hand, has remained at a stable level in the 1.8% - 2.0% band of GDP band for ten years, but it has made a huge difference in total military spending to Russia and has narrowed the gap with the US. So much so that if China's military spending alone increased its GDP share from 1.8% to 3.2% -the ratio of the US- China's total annual expenditure of



**CHINA'S MILITARY SPENDING IS NOT VERY HIGH COMPARED TO ITS GDP. HOWEVER, THE FAST GROWTH OF THE CHINESE ECONOMY REFLECTED ALSO ITSELF AS A MILITARY EXPANSION**

250 billion USD would escalate to 450 billion USD, not very far away from the USA's level.

So don't be mistaken by focusing on Turkey's purchase of S-400 missiles, Russia's chance of being a military rival for the US is much lower than China's. A country whose economy lags behind cannot advance in the military field.

When we put these military spending figures of the two countries into the frame of the newly starting Trade War between the US and China, a much more worrying picture arises.

### CHINA'S DILEMMAS AND ADVANTAGES

Of course, to avoid to be misled by China's astronomical military spending, we must provide the following information. While the number of military personnel of the Chinese Army was 2 million 695 thousand as of 2017, the number of personnel of the US Army was approximately 1 million 359 thousand, about half of China's. The Chinese Army is not as capital-intensive as the US Army is.

The leadership of the new generation technologies is still in the US and developed NATO countries mainly. Let's examine the arms export data again. As we said, these exports are far from meeting military expenditures, but this market presents figures that determine which country is leading the military industry and technological development. Don't let the S-400 debate be misleading again. We can say that the US is starting to make a difference to its competitors and especially Russia. China exports weapons at a stable but modest level which is less than 10% of the US.

So why did the enormous increase in China's military spending not reflect an effect on arms exports? The total number of personnel of the Chinese Army was 3 million 910 thousand in 2000 but it decreased to 2 million 695 thousand in 2017. This is a 32% drop. However, while the number of personnel decreased by 32%, the military spending rate increased from 23 billion USD to 228 billion USD in the same 17 years, almost 10 times.

This is an indication that China has entered a very ambitious and aggressive military modernization process. China has its own handicaps, however. It's not a naval force and feels vulnerable about its ports being blocked. Such a military giant still has only a single aircraft carrier operating. But meanwhile, China is taking ambitious steps towards becoming a space force.

Speculations about Russian influence and the S-400 missiles miss the real map of the race. By this day together the US and China make 49% of military spending in the world, and if this trend continues, it is even possible that this share will soon get over 60%.

### > Global military expenditure (current USD)



Source: Stockholm International Peace Research Institute (SIPRI), Yearbook 2018: Armaments, Disarmament and International Security.

**MILITARY SPENDING IN TURKEY HAS STABILIZED IN THE LAST YEARS**



> Turkey as a country has been dependent on the US for more than half a century in terms of weapons, equipment, technology and infrastructure. Figures show that 60% of Turkey's arms imports still comes from the US.

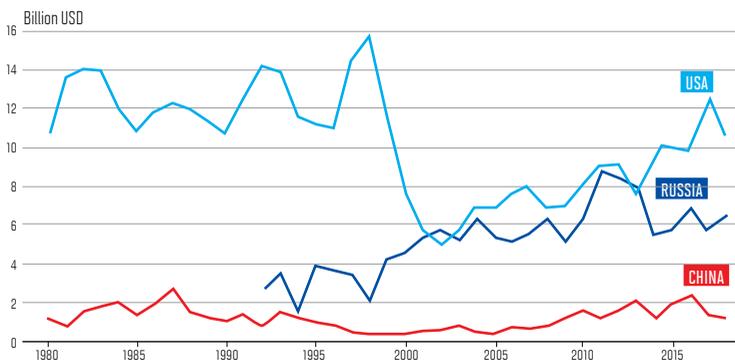
Let's go back to the front of Turkey again finally ask the same questions: Does Turkey have an aggressive defensive strategy? Is Turkey's orientation revisionist or conformist?

The numbers will help us again to disperse the myths. Turkey's arms imports policy is not aggressive, on the contrary, Turkey's arms purchase has diminished. Turkey's arms imports decreased by 21% in a period when the arms trade worldwide increased by approximately 25%.

Arms imports of Turkey, which were 1.5 billion USD in 2014, fell to 685 million USD in 2018. That's not an armament strategy of aggression.

What about a revisionist orientation? Turkey as a country has been dependent on the US for more than half a century in terms of weapons, equipment, technology and infrastructure. Is Turkey in search of new partners? Leaving daily political debates aside, figures show that 60% of Turkey's arms imports still come from the US. This is followed by Spain with 17% and Italy with 15%. They're all NATO countries.

> Arms exports (SIPRI trend indicator values)



Source: Stockholm International Peace Research Institute (SIPRI), Yearbook 2018: Armaments, Disarmament and International Security.

**TURKEY ENTERS TOP 15 LIST OF ARMS EXPORTERS FOR THE FIRST TIME**

Checking the 2014–2018 period in terms of export figures shows that Turkey has entered among the top 15 most arms-exporting countries in the world for the first time. Turkey wasn't even in the top 20 list in the previous period. The most important reason for this achievement is the breakthroughs in Turkey's military industry. A total monetary increase of %170 was reflected in arms exports. However, this rate still represents a very small share of the world arms trade. Turkey has a long distance to go for a self-sufficient defence industry let alone becoming one of the major arms supplier of the globe. Turkey's highest export rates are to the UAE, (30%), Turkmenistan (23%) and Saudi Arabia (10%) respectively. Let us emphasize that UAE and Saudi Arabia are among the most important customers of the USA as well. In short, Turkey's arms export strategy can't be considered as aggressive and revisionist neither.

Finally, let's focus on the total military spending of the Turkish government. The trend shows an increase in the 2000s, but bear on mind that-Turkish economy has enjoyed a high growth rate from 2001 to 2008. However, Turkey has secured military spending at a stable level from 2008 onwards, between 16 billion and 18 billion USD per year. However, the world trend in the same period was quite different.

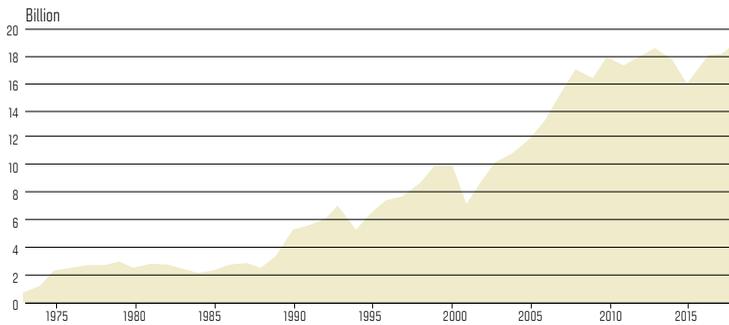
Rise in Turkey's military spending is line with the world trend in 2000–2008. However, after 2008 up to 2018, Turkey has had a very marginal increase in military spending. Turkey's annual military spending in 2008 was 17.127 billion USD, and that rose to only 18.967 billion USD, an increase of just 10.7%. Note that these figures are in 2019 USD values and not inflation-adjusted.

Now let's look at the volume of military spending in the world in the same period. In 2008, the total amount of global military spending was 1,491 trillion USD and that figure rose to 1,782 trillion USD in 2018, despite the global economic crisis of 2008. So in this period, Turkey military spending increase rate was almost twice as slow as the global increase rate which was a rise of 19.5%. Under these conditions, any objective observer can not object to the fact that Turkey doesn't have an aggressive defence budget.

**TURKISH ARMY STAFF SHRINKS AS WELL**

The following data belongs to NATO. Turkey's military staff numbers fell from 800 thousand since 2000 with a steady decline every year. Data between 2010 and 2017 shows that Turkey diminished its staff size most compared to other NATO armies. During this 8-year period, the Turkish Army fell from 495,000 to 387,000, shrinking by 21.8%. The total number of NATO fell from 3 million 572

### > Military expenditure of Turkey (current USD)



Source: Stockholm International Peace Research Institute (SIPRI), Yearbook 2018: Armaments, Disarmament and International Security.

thousand to 3 million 163 thousand, only a drop of %11.5. The Turkish Army is trying to evolve into an operational army that will deal with high regional risks leading to major humanitarian crises. Indeed, despite the reduction in the number of army personnel, data show that the ratio of personnel expenses in Turkey's military spending is increasing. This is the result of efforts to professionalize the Turkish Army.

27.98% of Turkey's defence budget in 2010 was spared as equipment expenses, 49.75% as staff, 2.84% as infrastructure, 19.43% as others (operations and maintenance expenditure, R & D expenditure etc.). In 2017 these percentages were 30.40% (equipment), 53.28% (personnel), 2.0% (infrastructure) and 14.31% (other).

### TURKEY IS NEITHER AGGRESSIVE NOR REVISIONIST

In light of all these data, we can reconsider some of the myths shared by the opposite poles in the political arena.

#### 1. Turkey has entered a more aggressive orientation with a new military strategy.

No. The data shows very clearly not that Turkey is not in the process of an aggressive arming and militarization. The economy of the country is not suitable for this. Turkey is still in a defensive position both regionally and globally.

#### 2. Turkey is a revisionist country that wants a major change in the global balance of power or at least aims to change its bloc of alignment.

No. The data show very clearly shows that Turkey's both military and non-military trade is with the United States and other NATO countries. Besides, the Russian military-industrial complex is far away to meet all the needs of Turkey.

So Turkey has neither changed poles nor transferred from the Western Bloc to the Eastern Bloc mostly because distinct blocs like that don't exist anymore.

**TURKEY IS NOT AGGRESSIVE BUT MAINLY DEFENSIVE, DOES NOT HAVE A REVISIONIST VISION BUT A CONFORMIST POSITION. IN OTHER WORDS, IT WANTS TO PROTECT ITS BORDERS AND EVEN KEEP THE BORDERS OF OTHER COUNTRIES THE SAME IN ITS NEARBY REGION.**

#### 3. Purchase of the S-400 missiles hit the US. F-35 cancellation was a blow to Turkey.

No to proposition one. Because compared to the capacity of the US military industry, that is no big deal. The second proposition is both no and yes. Cancellation of a great defensive project partnership is surely a bad development for Turkey. According to the 2011 US budget, the F-35 project is the largest defence project in the US and has a volume of 11.4 billion USD only for this year alone. Turkey was an important partner of the project and it was said that Turkey could contribute worth of 1.5 billion USD per year. This is, of course, an important project and contribution. The S-400 missiles crisis may escalate and cause even more tensions but the size of the crisis is still not enough to undermine the military-political partnership base of the two countries.

#### 4. US and Russian military competition is increasing and Turkey's position is uncertain.

No. Military gap between Russia and the United States is opening. Russia has no call to Turkey for exiting NATO. Turkey also does not intend to withdraw from NATO because there is still no single military-industrial complex in the world to compete with NATO yet.

#### 5. The US and Chinese military competition are on the rise.

This is the rumour closest to the reality right now. As one of the most important reasons for the Trade War that was started by Trump's administration last year, China's ambitious space program is shown. Both the US and the EU accuse China to have a military agenda in its space programs. This is one of the few issues the EU has in common with the Trump administration. The EU officials have announced their sceptical views about China's space exploration at various times and empathised that they are concerned that China's space ambitions will lead to a new armament war.

What about Turkey? Where is Turkey in the new USA-China competition? Nowhere. Turkey is fully in the NATO system. China's not even a minor choice for now and China's military export products to the whole world are still marginal.

Turkey's defence position and spending must be considered in light of these facts. Turkey is not aggressive but mainly defensive, does not have a revisionist vision but a conformist position. In other words, it wants to protect its borders and even keep the borders of other countries the same in its nearby region.

The latest S-400, F-35 crisis is a result of the security tension in the south of Turkey that lasted too long since 2003. Turkey is currently trying to protect himself. Military defence figures are completely consistent with Turkey's thesis on the purchase of S-400 missiles which claims that's only an act of "defence necessity".

Discover the potential of Turkey,  
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**Content:** Clear Your Mind Imagine Freely **POO** Elektra Elektronik Doubles Capacity with New Investment **POO** The Goal is to be A Global Brand **POO**

# Brands

TECHNOLOGY, ELECTRONICS...

## TECHNOLOGY

*A Day in Life:*

# BRINGING FUTURE TO PRESENT

Can you tell the difference between what is real or not? Evidently. What if you've been told that a company called Zero Density makes millions world-wide question the reality on their screens? Pushing the boundaries of what we consider to be real is an everyday activity for the ZD team.

**T**he story behind the remarkable success started in 2014 when a team of individuals with long experience in live production, postproduction, and visual effects teamed up to pursue an innovative project. They wondered what could happen if a powerful engine dominating the gaming industry serve the broadcast industry. As we now know, the answer is "a great deal", such as enabling the creation of hyper-realistic worlds with seamless amalgamation of physical and virtual elements, including "teleportation" of individuals and giving life to dragons.

There are three critical challenges for VS production; visual quality, utility, and ease of implementation. Visual quality is the most important of them. As Ulaş Kaçmaz notes, even though virtual studio production has always been an economically desirable option, most studios have been avoiding it because of the poor visual quality. Zero Density saw the need to develop innovative solutions to these problems of virtual production and started their efforts. With



their insightful idea of using a gaming engine in the broadcasting industry and the vigor with which they conducted research and development, they provided new options for advanced applications in Virtual Studio (VS) and Augmented Reality (AR) production. As a result, they brought the highest level of quality, ease of use, and implementation to the field. In 2016, they went on air with their cutting-edge product “Reality Engine™” which disrupted the industry. It was awarded two prestigious IBC Innovation Awards with Canada’s TFO.

#### MILESTONES: WHAT MAKES REALITY, REALITY?

What makes the Reality Engine™ different? Its unique architecture that allows Hollywood-level visual effects in live production. In particular, its unique compositing and keying tools that enable the magnificent output. One way or another, we are all familiar with the fact that a green box is used in movies for setting the actors into fantastic places; space, back in time, fantasy worlds, and so on. This positioning is enabled by a process called “compositing” where actors are extracted from the green box (i.e. the cyclorama) and put in the desired virtual environment. We use the same process in VS during live broadcasts, but in real-time.

The first significant difference of the Reality Engine™ is its mechanism of node-based compositing that avoids layer-based processing on which traditional methods of compositing rely in virtual production. In this processing technique, layers comprise of background



**Zero Density** demonstrates Reality Engine at NAB 2019 inside FOX Sports' NASCAR set. FOX Sports chose Reality Engine for its first virtual studio production in its history.

graphics, extracted actor, and possibly other virtual objects if we wish to add some — for instance, you, a castle, and a dragon, respectively. Lack of interaction between layers, such as between the actors and the virtual objects, creates essential challenges that reduces the believability in VS productions. It may feel as if the actors are hastily photoshopped on the scene.

Reality Engine™, on the other hand, adopts a different and innovative solution for

virtual production. Following the extraction of actors from the cyclorama, instead of inserting them into a separate layer, it creates the virtual world with the actor in it as if they are virtual objects. This method affords the capacity of rendering everything uniformly using the Unreal Engine. Rendering in this fashion avoids the use of multiple layers, thereupon, the interaction problem they create. Actors are considered a part of the virtual scene and

all their properties—such as real shadows, reflections, and transparency—are automatically crafted in the rendering stage for unification of virtual with physical objects. Consequently, Reality Engine™ achieves an unmatched photo-realistic quality.

The second significant difference about Reality Engine™ is its powerful keyer, the Reality Keyer™—the process we have been



### FEELING GOOD: A CASE STUDY AND LOOKING INTO THE FUTURE

The “teleportation” is an excellent example of how the superior visual quality of the Reality Engine™ disrupts the way we think about live broadcasting. The soccer player is a Belgian sportsperson named Eden Hazard. After their victory against England to take the third place in the FIFA World Cup 2018, Belgian fans had a chance to see their favorite player in a VS commentary program. While Hazard was sharing post-game feelings in a Belgian studio, he was actually in Russia. This futuristic interview involving a hologram-like Hazard happened thanks to the Reality Engine™. Notably, the futuristic part of the interview was not the kind of technique used to conduct it. Keying has been around since the nineties. However, the mechanism behind Reality Engine™, as we discussed to be insightfully unique, was the essential element which made this holographic interview possible at sufficient visual quality.

Prestigious newspapers formulated this event as “a glimpse of the future”. Since then, Reality Engine™ has enabled many other teleportation across global televisions.

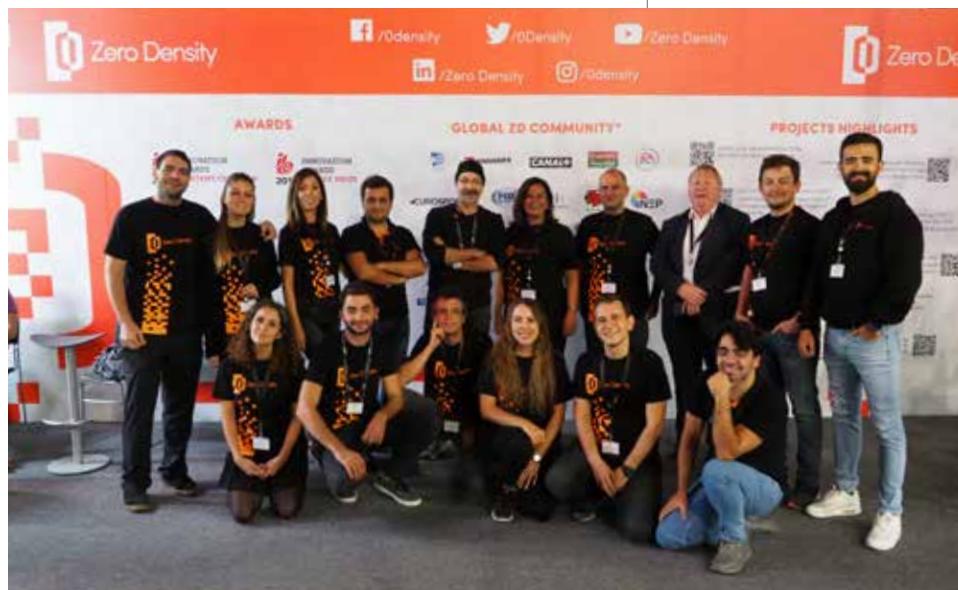
Considering the future, Zero Density is growing, and their roadmap is taking shape. They launched their Europe branch with a team of key experts from the broadcasting, media and sports industry. They are also planning to restructure their office in the USA. A new version of the Reality Engine™ based on Unreal Engine 4.22 is released.

*Considering the future, Zero Density is growing, and their roadmap is taking shape. They launched their Europe branch with a team of key experts from the broadcasting, media and sports industry.*

During NAB Show, they created another milestone of the industry by making world's first real-time ray traced virtual studio production with Nvidia and Epic Games. It is important to note that the Reality Engine™ in the big picture is not a tool, but a platform which will respond to many needs of the industry with each new release.

Zero Density is also developing a new platform which will unify the separate workflows of preproduction, production and postproduction under one roof in order to increase the efficiency and decrease the duration between these processes. This platform will lower budgets too. This will also transform the cinema industry. Shooting on site and collecting raw data of images, graphics and tracking into one stream, and delivering the result to the postproduction crew will be possible with this version. As they always do, Zero Density will disruptively innovate the industry to be more real, utile, and budget-friendly than ever. ■

talking about as “extracting the actor” is called “keying” in the industry. Reality Keyer™ is an image-based keyer which can perfectly handle the non-uniformity in the green screen. Reality Keyer™ provides spectacular results for keying of real soft shadows, transparent objects and sub-pixel details such as hair. Without losing the vital details, it provides plenty of room of creative teams to play adding dramatic lights and whatnot.



## TECHNOLOGY

# CLEAR YOUR MIND IMAGINE FREELY

Orka creates expert virtual reality and interactive platforms for all industries.

**T**he VR industry is now in a long-term growth phase and will be worth 110 billion USD by 2025, according to the advisory firms' research reports. More and more entrepreneurs and businesses want to be in this industry every day. And one of them is Orka Informatics.

Orka, has been founded as a Research & Development company focused on education and training technologies in 2011, located in Istanbul and London. Since their establishment, all their R&D projects completed successfully and commercialized with global B2B customers which cover approximately %80 of their income.

Levent Şen, the founder of Orka, mentions that "The most important factors behind the success of Orka was continuous development

of our products with customer feedbacks, commercialization of all our projects and making R&D investment with our own resources. Also, the quality and diversity of our products along with our excellent customer care are the reasons behind our success."

In the beginning, Virtual Reality was only a tool to deliver their training contents like their LMS platforms, interactive contents, and serious games. Then, VR became one of the main

services of the company. Their first VR product was sold in 2013 and from that time they have been serving with their VR technology especially.

#### EXPANDING TO OTHER INDUSTRIES

They targeted the Maritime Industry because of the founder's marine background and his prediction about the gaps in the industry. In a short time period, they had a chance to expand their service areas with tailored VR training simulations.



"One of my friends who runs an event management company visited my office. He was so curious about our work and had a chance to experience some of our simulations. Suddenly he asked me why we don't serve the entertainment industry. Our products were developed with physical algorithms and high-quality visuals. Because those products designed the train the professionals who are actually doing that job. Your work needs to be designed to add the ability to them and it has to be real in the virtual environment. So, our works were created with very high-level simulation techniques. However, the entertainment does not need that. We created some special contents for them and they used in

*Orka is becoming one of the best and is an innovative virtual reality company that you can access to the incredible VR experiences with latest technological solutions.*



different countries all over the world. So, we understood that we can find more niche areas in different industries too.”

#### “NOT MARKETING OR ANNOUNCING ANYTHING”

After that they had started to work with professional to revise their business model to provide a high-level overview of the areas to consider when conceptualising, building and selling ideas in addition to the operational aspects of running a VR company. As a result, Maritime Industry became only a part of their VR business like entertainment, industrial training, finance and mobile applications.

They had very unusual strategies like “not marketing or announcing anything” till the beginning of the 3rd quarter of 2019. We asked the reason; “It was all about having the right technology and excellent content and publish it at the right time. The VR hardware was too expensive to appeal to most users and need to come to the point where people can purchase it. Also, the VR headset technology was only a development kit, not the final



**Levent Sen, the founder of Orka,** mentions that “The most important factors behind the success of Orka was continuous development of our products with customer feedbacks, commercialization of all our projects and making R&D investment with our own resources.”

product. So, we didn’t make marketing to consumers but enterprises with face to face meetings. Our strategy was waiting the right time and it is just now.”

“VR made peak after 2014 and lots of companies established to be a part of it. However, lots of them focused on similar ideas like using VR for Real Estate Sales, creating roller coasters and positioning their companies as a content provider only.

There are 3 company types in the VR industry. Content providers, service providers, and technology companies. We, as Orka, found niche areas to serve and positioned ourselves not only as a content provider but also technology and service developer.”

#### FINALIST OF “INTERNATIONAL VR AWARDS”

Orka revealed some of their works on June 2019 and in a short time period, they were noticed by the industry. Their work was honoured with being announced as a finalist of “International VR Awards” on the category of “VR Education



and Training of the Year” by The Academy of International Extended Reality’s (AIXR). The judges (more than 80 experts) evaluate the candidates by some criteria such as innovation, practicality, applicability and efficiency. This can be considered as an indicator of the potential of their company and the potential of their products, especially in the growing VR industry.

Today, Orka becoming one of the best and an innovative virtual reality company that you can access to the incredible VR experiences with latest technological solutions. ■





## ELECTRONICS

*Elektra Elektronik*

# DOUBLES CAPACITY WITH NEW INVESTMENT

The company announced 2019 as the Year of Progress and plans to increase domestic production transformer and electronic goods exports to 60 countries across 6 continents up to 70 percent.

**L** eading brand of Turkish electronics industry, Elektra Elektronik announced 2019 as the “Year of Progress” as foreign market share and business volume increased rapidly each day. Continuing the progress to enlarge production line of the factory operating in Istanbul, Esenyurt in order to double its capacity, Elektra Elektronik is also planning to

start the installation process of R&D Center in 2020, the company’s 40th year. With the company in Germany and sales offices in China and America, Elektra Elektronik exports domestic production transformer and electronic goods to nearly 60 countries over 6 continents. With its products used in important projects such as airports, rail systems, city hospitals and such in Turkey alongside

Chinese railroads, Guangzhou waste water project, Serbia Power Administration and iron and steel plants in Russia abroad, Elektra Elektronik earns 50 percent of its revenue from domestic market and other 50 percent from export. Performing 20 percent of export mainly to China with transformers and harmonic filter products, the company performs other 40 percent to Europe via the company founded in Germany named Elektra Power Quality for the purpose of direct trade with EU countries. Planning to add America to its export market with this new investment, Elektra Elektronik plans to increase its total export rate up to 70 percent by 2020.

Founded 40 years ago in Istanbul, Esenyurt with the purpose of manufacturing transformers, the leading brand of Turkish electronics industry Elektra Elektronik serves numerous fields of industry in Turkey and the

world with transformers, reactors, wound components, energy quality and power electronics solutions. Coming forwards with its investments on R&D since 2010, Elektra Elektronik is positioned as the leading company of low voltage transformer and reactor in Turkey in terms of manufacturing capacity, number of employees and export rate. Stating that along with increasing foreign market share and business volume they stated 2019 as the “Year of Progress”, General Manager of Elektra Elektronik Emin Armağan Şakar said they decided to grow the production line of the factory in Istanbul, Esenyurt. Stating that investments towards doubling the capacity of the factory currently operating in a 5 thousand square meters indoors area is ongoing with full force, Armağan Şakar said that renovation and growth will be finalized by the end of 2019. Stating they are also focusing on TUBITAK joint projects in the year of progress 2019, Şakar said they are

**Performing 20 percent of export** mainly to China with transformers and harmonic filter products, the company performs other 40 percent to Europe.



planning to start the progress of becoming the “Elektra Elektronik R&D Center” by 2020 as a result of industry-university cooperation projects.

#### **TURKISH BRAND SELLS DOMESTIC PRODUCTION TRANSFORMERS TO CHINA**

Stating that as Elektra Elektronik they export domestic production transformer and electronic goods to nearly 60 countries over 6 continents, mainly being China, Spain, Germany, France, Russia, New Zealand, Africa, Middle Eastern and South American countries, Şakar continued; “Alongside important projects such as airports, rail systems, city hospitals in Turkey, our products are also used abroad

*General Manager of Elektra Elektronik Emin Armağan Şakar said they are planning to start the progress of becoming the “Elektra Elektronik R&D Center” by 2020 as a result of industry-university cooperation projects.*

in numerous projects such as Chinese railroads, Guangzhou waste water project, Serbian Power Administration and Russian iron and steel plants. Our revenue consists of 50 percent domestic market and 50 percent export. We performing 20 percent of our export mainly to China where we have a sales office with transformers and harmonic filter products. We are heavily preferred by Chinese companies that want to export their products developed using our transformers and harmonic filters manufactured in compliance with EU standards.”

#### **FOUNDED A COMPANY IN GERMANY FOR DIRECT TRADE WITH EU COUNTRIES**

Stating 40 percent of their export is made to Europe, Şakar said; “In order to perform direct trades with European countries, mainly Germany with its high potential, we founded Elektra Power Quality company situated in Cologne, Germany. This company is a vital investment that will contribute greatly to our trade operations abroad.”

#### **WILL EXPORT TO AMERICA WITH THE NEW INVESTMENT**

Emphasizing that they are the only company in Turkey with UL Certificate which makes it possible to export to America in low voltage transformer and reactor sector, Şakar said they are planning to add America, where they opened a new sales office in, to the list of export market countries with this new investment. Stating that they are planning to increase export rate to 70 percent with this factory investment, Şakar underlined the fact that they are going in the right path towards becoming a global brand. ■



## TECHNOLOGY

# THE GOAL IS TO BE A GLOBAL BRAND

Doruk, a 21-year technology brand targeting 250 percent growth in 2019, plans to open offices in Germany and Japan in 2020 in addition to its US based Company.



**Doruk Technology** Company which built the digitization market and is a leader of this field in Turkey is finishing the digital conversion of more than 300 factories worldwide with ProManage an intelligent production management system which is designed by Turkish engineers according to international standards. Doruk has a company in Chicago for partnership with the R & D of DMDII, the Institute of Digital Production Design and Innovation which is established to strengthen the manufacturing industry in the United States. Doruk achieved 100 percent growth in the first half of 2019 compared to the same period of the previous year and aims to finish 2019 with 250



percent growth. Determining its future goal as “being a world brand” Doruk plans to open offices in Germany and Japan by the end of 2020. Continuing its global expansion by targeting the central countries where digital transformation is a priority in the industry, Doruk aims to spread to all European

*Determining its future goal as “being a world brand”, Doruk plans to open offices in Germany and Japan by the end of 2020.*

countries and enter the Asian market in the medium and long term with ProManage, the only production management system in the world that is fully integrated with augmented reality and artificial intelligence technologies.

Technology Company Doruk which has held the first R & D activities in the industrial digitization area in Turkey, is transforming industrial enterprises in 20 countries into intelligent and digital factories with its registered ProManage, an international production management system which originated from Turkey. Doruk outstands with innovative technologies developed in digital conversion area for 21 years, is becoming a global

brand in the global market by using its industrial leadership position in Turkey.

#### **DORUK IS A R & D PARTNER OF DMDII WHICH OBAMA HAS ESTABLISHED TO STRENGTHEN INDUSTRY IN AMERICA**

Its central office located in Technopark, Istanbul, Turkey, Doruk operates R&D intensively with its Antalya office in Teknokent and Izmir office in says Doruk International Expansion Board Member Aylin Tülay Özden and adds that Doruk is at the same time operates with its Chicago based company for R&D partnership with Digital Production Design and Innovation Institute DMDII (The Digital Manufacturing and Design Innovation Institute) which is established by the request of former US President Barack Obama to strengthen the manufacturing industry in America. She emphasizes that they aim to turn their companies established in the USA in 2017 into the center of Doruk's global R & D and expansion operations.

#### **250 PERCENT GROWTH TARGET IN 2019**

Özden said that Doruk initiated a new growth operation in 2018 with a leap of change and transformation and added these:

"We increased our annual growth rate from 20 percent to 50 percent in 2018. In the same year, we increased the share of our R&D investments in our turnover from 30 percent to 55 percent. In the first half of 2019, which is a very ambitious year in which we began to reap the fruits of this move, we achieved 100 percent growth compared to the same period of the previous year. We aim to finish the year with 250 percent growth."

**Doruk International Expansion Board Member Aylin Tülay Özden stressed,** "ProManage, a digital production management system developed by Turkish engineers from Doruk in the years when digitalization has never been discussed in industry, is being used in more than 300 leading industrial organizations worldwide."



#### **WITH OFFICES IN GERMANY AND JAPAN, DORUK AIMS TO EXPAND INTO EUROPE AND ENTER THE ASIAN MARKET**

Underlining that they set their future goals as "being a world brand" Özden states that they are moving forward with the goal of being the best Production Management System in the world. Ozden states that they perform digital conversion of the factories in the US, Russia, Belgium, Romania, Bulgaria, Algeria, Serbia and Tatarstan Turkey, as well as in Turkey and until the end of 2020 they plan to open offices in Germany and Japan. Özden says that they aim to continue their global expansion by targeting the central countries where digital

transformation is a priority and they aim to spread to all European countries in the medium and long term and to enter the Asian market.

#### **INTELLIGENT PRODUCTION MANAGEMENT SYSTEM PROMANAGE IS USED IN MORE THAN 300 FACTORIES AROUND THE WORLD**

Stressing that Doruk is the founder of market of "digitization production management" in Turkey Özden adds this:

"ProManage, a digital production management system developed by Turkish engineers from Doruk in the years when digitalization has never been discussed in industry, is being used in more than 300 leading industrial organizations worldwide. This concept is the only production management system in the world that is fully integrated with augmented reality and artificial intelligence technologies."

#### **DIGITAL TRANSFORMATION MENTOR OF INDUSTRIALISTS**

Özden stated that Doruk, a high-tech company specialized in digital production management, provides high added value to the industry with its

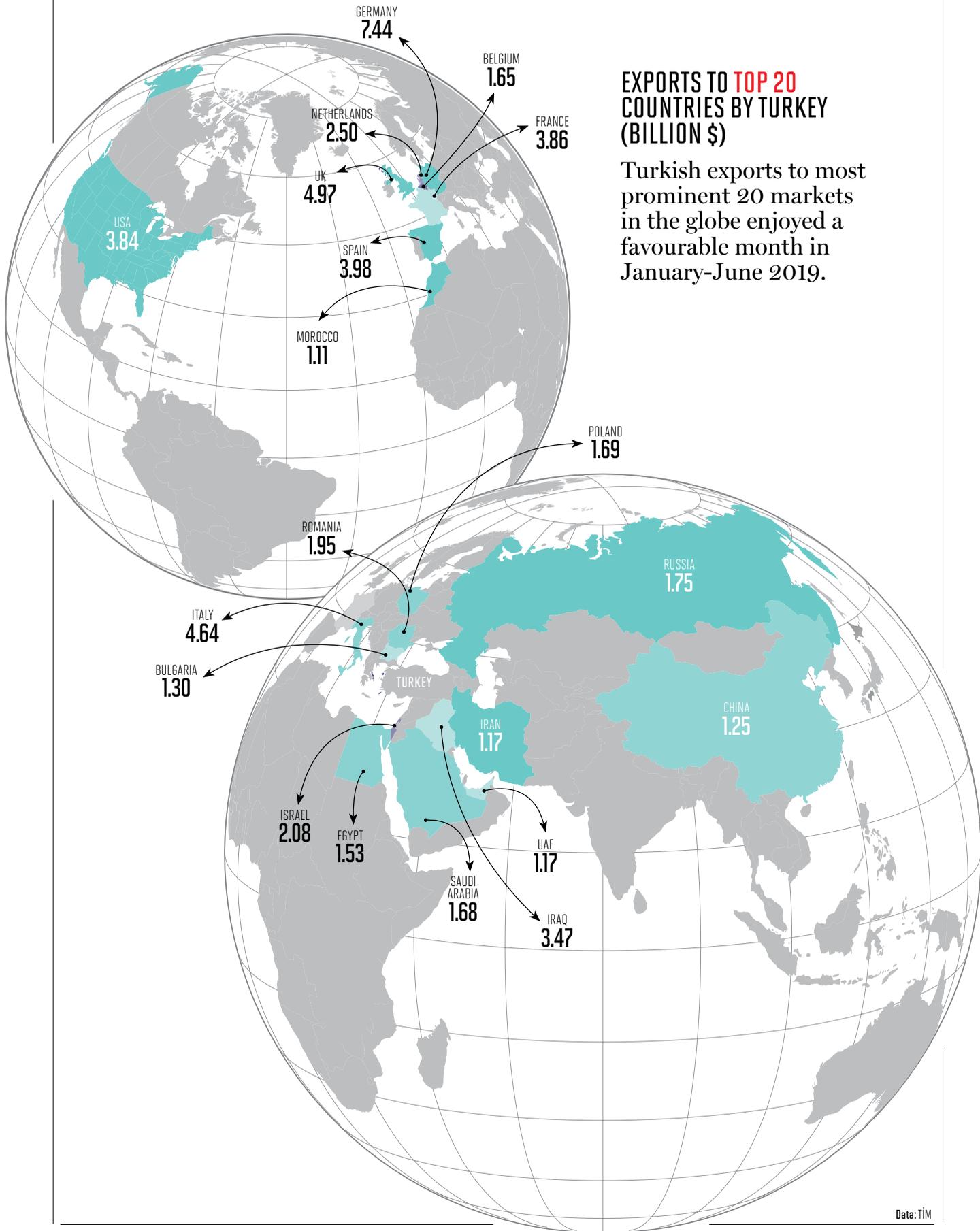
competent staff in the fields of augmented reality, machine learning, artificial intelligence, big data and analytics that form the basis of Industry 4.0 and digitalization and said:

"We offer digital transformation mentoring services to industrialists around the world where their current status in digital transformation is measured by digital methods and development roadmaps are prepared and transformation journeys are planned."

#### **FACTORIES ARE DIGITIZED IN 4 TO 8 WEEKS, INVESTMENT COST RECOVERED IN 2 MONTHS**

Özden stated that it took only 4 to 8 weeks for companies to convert to digital with ProManage, the digital and intelligent production management system of Doruk and concluded her speech as followed:

"Industrialists can reclaim their investment for about two months after using the digital and intelligent production management system ProManage. At the end of 2 months, a minimum of 10 percent, but usually 20 percent productivity increase is provided. Considering the year, for example, for an enterprise with an input cost of 1 million Euros per month, the investment of 10 million Euros in 10 months decreases to 8 million Euros and the plant saves 2 million Euros per year. In summary, companies using Doruk's production management system ProManage can make their production more efficient and agile, detect and reduce losses and manage their costs and competitiveness. With ProManage, Turkish industrialists can compete with world companies in the Industry 4.0 stage and lead by leading their own sectors." ■



Data: TIIM

A STAR ALLIANCE MEMBER 

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A STAR ALLIANCE MEMBER 

# WELCOME ON BOARD: MEXICO CITY

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**TURKISH AIRLINES**

**MEXICO**