ECONOMIC DIALOGUE
Turkey

ECONOMIC, POLITICAL AND CULTURAL MAGAZINE • OCTOBER 2018

RECEP TAYYİP
ERDOĞAN
President of the Republic of Turkey

First President
of the Presidential System
of Government

NEW ERA OF EXECUTIVE PRESIDENTIAL SYSTEM IN TURKEY

MINISTER OF TREASURY AND FINANCE OF THE REPUBLIC OF TURKEY
BERAT ALBAYRAK, PhD
NEW ECONOMY PROGRAM
WILL ENSURE SUSTAINABLE GROWTH

Publisher
On behalf of Özgencil Yayıncılık
Tanıtım Organizasyon A.Ş
ÖZGÜR ÖZGENCİL

**Editor in Chief &
General Coordinator**
ÖZLEM ÖZGENCİL

Deputy Editor
SONGÜL ŞİRİN

Art Director
BİLAL LEKESİZ

Editorial Office
İnönü Caddesi, Marmara Apt. 45/1
34437 Gümüşsuyu / İstanbul - Turkey
e-mail: info@ozgencil.com.tr
Phone: +90 (212) 241 70 84 - 85

Printed by
Mim Ofset Basım
Litros Yolu, II. Matbaacılar Sitesi ZE - 4
Topkapı / İstanbul / Tel: +90 (212) 612 44 04

Type of publishing:
Local, periodical, yearly

ECONOMIC DIALOGUE TURKEY

CONTENTS

OCTOBER 2018 // YEAR 35 // ISSUE 67

Berat Albayrak, PhD

Minister of Treasury and Finance of the Republic of Turkey

Honorary Chairman of Forum Istanbul
Yavuz Canevi

NEW ERA OF EXECUTIVE PRESIDENTIAL SYSTEM IN TURKEY

Everybody agrees that a new macro-economic story is needed. In this contexts President Erdogan's 100 day action plan is considered timely and Minister Albayrak's introduction of new economic model and a Medium Term Economic Programme is perceived positively. In summary, today there is a general cautiously optimistic consensus that a market friendly pragmatism will rule.

On the June 24th of this summer the most important two elections of the Republic of Turkey took place. The first Executive President of the Republic and 600 members of the new Parliament have been elected. There is no hung parliament today and there is no doubt over who won what. The reality is Turkish people opted for the first time "an executive presidential government system" over 72 years old parliamentary system. What is believed today political uncertainty is OUT, political stability is IN. That is what Turkey needed most in the first place.

However, this was a necessary but not sufficient condition to go forward. This will help to engine running and calm the market.

Having in mind the President Erdoğan's pragmatism, this overwhelming national mandate given to him in the election raised the hopes for a string of market friendly reforms. In fact new economy and finance ''tsar'' minister Albayrak's statements all along indicates a soft landing scenario. He clearly stated that they are not going to fight with the markets, they are after a win-win scenario. What we are seeing so far:

Mission: Well designed.

Vision: Well defined.

Action: Well planned waiting for full implementation.

I don't think this new team will let this opportunity slip from our grasp and fix the roof while the sun is shining.

New system means;

Old challenges for the public sector

New challenges for the private sector

Let me remind here that public sector is going through a serious structural transition period:

- New constitution and its requirements
- New executive Presidential system and its organization
- New decision making processes
- New institutions

For the public sector, institution building is the first priority. It is true that the level of institutionalization is a sign of health for every system.

Honorary Chairman of Forum İstanbul Mr. Yavuz Canevi is the Former Governor of the Central Bank of Republic of Turkey.

Due to the new system;

There will be new institutions directly linked to the Presidency and there will be no direct hierarchical linked among all institutions. Implementation of new legislation enacted by the presidency and the parliament will be carried out by the cabinet consists of 16 ministers.

However, one of the most important institution for our economy was and still is the CBRT. Therefore while we continue institution building process for the new system we have to be very careful to keep the credibility of our Central Bank. The key element of the credibility of any Central Bank is its independence. It is fundamentally important that we keep this in mind.

As a low domestic saving but pro-growth structure of the Turkish economy we all agree that

President Recep Tayyip Erdoğan.

Turkey needs to transfer foreign savings, i.e. international credits, to finance the chronic current account deficit, running between 3, to 6-7 percent of the GDP. That is why Central Bank's credibility and independence is critically important in this country. Bear in mind that trust is the foundation for everything we do in a market economy. Trust brings credibility and reliability, this brings predictability and predictability brings profitability. Therefore predictability enhances investment and risk appetite. That is what Turkey needs in this journey.

For the private sector which is the driving force for growth in this country a serious of new challenges waiting for:

- Industry 4.0
- Digitalization
- Creativism and innovation
- Any other effort towards the improvement of the quality of the growth

Up to 2018 June growth tilted toward domestic consumption and driven by credit. This growth considered low-quality growth and believed to be not sustainable. It is clear that what gets Turkey here, won't get to the 2023. Everybody agrees that a new macro-economic story is needed. That is why new challenges listed above will play a key role going forward. In this contexts President Erdogan's 100 day action plan is considered timely and Minister Albayrak's introduction of new economic model and a Medium Term Economic Programme (MTP) is perceived positively. In summary, today there is a general cautiously optimistic consensus that a market friendly pragmatism will rule. This pragmatism will be in response to

- Heightened international tensions, increased and even manipulated volatility in FX markets and fierce competition for international funds. In this context, I am obliged to mention that a country's economic destiny cannot be and should not be the hostage of a pastor's trial even if he is an evangelist pastor. By the way, if this country were a strategic ally in both militarily (NATO) and geo-strategically, these actions would be considered not only unfair but unjust. Besides its logic is unexplainable. On the other hand, all the sanction stories by the US will also seriously affect EU. Therefore EU and Turkey have common interest to join forces. A renewed and Solid EU anchor will mean and eventually will lead to wholesale structural reforms that markets would like to see. This was done in 1996 (Customs Union), 2005 and can be done again.
- Leading to improvements of the relations with the west in general and with the EU in particular
- Also more importantly in response to the local business community's concerns (not only established holdings, but new generation of medium size businesses which were created proudly by this administration during the last 15 years)
- Expected orthodoxy in the formation and implementation of economic fiscal and monetary policies, addressing to the long delayed structural reforms within the rule based and independent institution oriented free market economy.

Since 2008 global financial crisis, central banks were considered as if they were "superman" of the macro-economic management. Now it is almost clear that central banks, both globally and locally cannot handle any more this heavy burden. In the shadow of "trade war" with increased volatility of the global political and diplomatic environment with increased imbalances in wealth and well being world needs more than central banks guidance.

Can we rely on the global environment?

Unfortunately, to say yes is rather difficult. We all agree that a more volatile global economic climate with again rising oil prices, threats of trade wars and financial market instability has exposed emerging markets macroeconomic vulnerabilities, particularly those who have widening current account deficits, like Turkey.

The western world has seen plenty of division and conflict before. But in the past, the U.S.A. was the stabilizer. Today it is "de-stabilizer", driven by a belief that its interests and world's are at odds. So, the U.S. turns from a global uniter to a disrupter. What this new strategy will bring to the world? Can really a "single polarity"- "Trump polarity" work, if it does, how long? It is true that interference of politics and populism with the economy has never been so high in recent history. This is not a good trend either.

On the other hand, another global fundamental issue is the overextended role of the central banks. For the last 10 years, since 2008 global financial crisis, central banks globally and locally were trend setters, market makers, growth engines, inflation generators for the developed world, inflation fighters for the developing world, macroeconomic stabilizers etc. In a sense they were considered as if they were "superman" of the macro-economic management. FED leading the team and ECB, Bank of Japan, Bank of England coming behind for the global economy. Then of course for the emerging markets, central banks were given the same role, superman role, for their own domestic economy. Now it is almost clear that central banks, both globally and locally cannot handle any more this heavy burden. In the shadow of "trade war" with increased volatility of the global political and diplomatic environment with increased imbalances in wealth and well being world needs more than central banks guidance.

What we need on top of classical traditional remedies is a shared wisdom and leadership.

As Governor of the Bank of England, Mark Corney, suggest, are we going to take the high road or low road. Low road will lead to protectionism, will cost jobs, growth and stability. Whereas high road will lead to liberalization of global trade and services and could help solving the problem of persistent trade imbalances.

Obviously, this type of positive fundamental story and/or scenario is not currently appealing to the world leaders, what a pity! **EDT**

Columnist, Finans Dünyası Magazine
Servet Yıldırım

2001 EXPERIENCE OFFERS ROADMAP FOR 2018

Financial crises are a good example for this argument. From the Dutch Tulip crisis in 1637 to the Eurozone debt crisis which occurred six years ago, most of the financial crises gave the countries opportunities to correct decades-old economic and fiscal imbalances in their economies. Turkey's 2001 crisis and Portugal's 2011 bailout were two of the many examples.

The word "Crisis" comes from the Latinized form of a Greek word, "krisis", which means a decisive point in the progress of a disease. As used by Hippocrates, it was the correct word to describe the moment of recovery or death. According to the Oxford dictionary, a crisis is a time of intense difficulty or danger. The Cambridge dictionary describes the word as a situation that has reached an extremely difficult or dangerous point, a time of a great disagreement, uncertainty or suffering.

The word itself is terrifying and being in a state of a crisis may be devastating. However, crises are not always bad. Sometimes, they create valuable opportunities to take action against the root cause of problems. Crises reveal the urgent need for reforms and leave the actors of the economy and households with no choice but endure the short-term pains that follow from reforms since they clearly see the fact that it is a moment of death or recovery.

Financial crises are a good example for this argument. From the Dutch Tulip crisis in 1637 to the Eurozone debt crisis which occurred six years ago, most of the financial crises gave the countries opportunities to correct decades-old economic and fiscal imbalances in their economies. Turkey's 2001 crisis and Portugal's 2011 bailout were two of the many examples. Portugal, one of the weakest economies in the Eurozone in the late 2000s, is today cited as a successful example of economic resurgence after a series of economic reforms.

Turkey was another success story in early 2000s. It launched a comprehensive stability programme in 2001 shortly after its economy was hit by the worst crisis in the history of modern Turkish republic. Under a coalition government of three parties, the economy administration headed by the former World Bank economist Kemal Derviş designed a comprehensive programme in coordination with and by receiving financial assistance from the IMF.

Despite the fact that the government party had a narrow majority in the parliament and in spite of existence of some degree of harmony problems among itself, they realized substantial front-loaded structural reforms in a very short time, to be more precise, just a of couple of months.

While trying to weather a run on the lira and increasing credit crunch, Parliament passed around 20 critically important laws and regulations. In less than one year, the central bank law was amended and the bank was given independence, the banking law was updated and the system was subjected to a well designed regulatory and supervisory framework. State banks, whose balance sheets were eroded by subsidized loans and decades of financial losses, launched themselves at a complete reorganization and were transformed into profit-making commercially viable entities.

The debt management was made more effective by the enactment of a new public debt law. Agricultural policies were redesigned in a way to alleviate the burden on the budget. The government amended the telecommunications law to increase the competition and pave the way for the privatization of the giant state telecom company. Crucial legislative steps were also taken to regulate tobacco, sugar and aviation industries. Public procurement was brought under discipline and control.

New independent regulatory agencies were established within the economy and the existing ones were strengthened.

As a result of this painful process, Turkey narrowed its huge budget deficits, lowered inflation to single digit levels, reduced public debt ratio to very low levels. The troubled financial sector was cleared from major risks. Despite domestic, regional and global economic and political shocks, the reforms were a

success and supported the Turkish economy for more than a decade. The recovery which began in 2002 lasted more than 10 years. Turkey was one of the world's fastest-growing economies in 2000s.

The country has been experiencing another wave of financial and economic shocks. There is a disagreement among parties to label the wave. Some refer to it as a turmoil and some as a crisis. By looking at the ultimate concequences which Turkey will face in the coming months or years, it is a crisis with all its elements. Inflation is rising rapidly; the economic growth rate is plummeting. The unemployment rate over the coming months is projected to sharply increase, bankruptcy and insolvencies emerge among real sector companies and the number of bad debts started to increase on the banks' balance sheets.

This is a typical picture of a crisis, but there is no need for panic. This is not the first time Turkey is having such a problem. The 2001 experience offers the present administration a precious algorithm for a solution. In 2001, the lira was sharply losing its value and the central bank's reserves were depleting. There were increasing doubts among creditors on the country's ability to rollover its debts. The ratio of current account deficit to GDP exceeded five percent . And the inflation rate was one of the highest among emerging market economies. We have similar and familiar conditions today. In other words, Turkey has enough experience to cope with the crisis. The first action to take is to adopt the condition and tap back into the corporate memory.

Achieving long awaited structural reforms would be very difficult during normal times. And it was the case for Turkey. Despite continued calls for action, the governments failed to take an action while the economy was stable and growing in the past 15 years. The crisis now offers the administration an opportunity to draw up an effective road map. In 2001, the urgency and necessity of the programme was successfully explained to the public, business groups and even to the labor union. A similar communication process should immediately be launched for the success of the programme. **EDT**


Making a difference,
working for a brighter future!
Embracing every segment from retail to SME, commercial to investment banking, DenizBank is making a big contribution to the future of Turkey with its projects.
Life is beautiful at Deniz...
/DenizBank | www.denizbank.com | 444 0 800
DenizBank

MINISTER OF TREASURY AND FINANCE
BERAT ALBAYRAK, PhD

NEW ECONOMY PROGRAM WILL ENSURE SUSTAINABLE GROWTH

New Economy Program, comprising the roadmap for economic change in our country during the period of 2019-2021, aims to rebuild price and financial stability in the short term and ensure a more equitable welfare distribution and sustainable growth in the medium term. Basic mechanisms that help to realize these objectives are rebalancing in the economy, fiscal discipline and transformation in the economic perspectives. These mechanisms are also the main pillars of our New Economy Program.

Since her foundation in 1923, The Republic of Turkey has encountered many problems and difficulties, social, political, geopolitical, or economic in nature, but thanks to her unique, dynamic and adaptive socio-economic structure, she managed to surmount them. For instance, over the past decade, despite being exposed to a global financial crisis, domestic security threats, a failed coup attempt, and one of the worst humanitarian crises of modern times in her borders, Turkey has shown remarkable resilience and been one of the fastest growing countries in the world.

The Justice and Development Party (AK Party) governments have played an undeniably important role in Turkey's stellar economic performance over the past 16 years. However, we recognize that we have a lot more work to do to transform Turkey into one of the most prosperous and developed countries in the world.

The Constitutional Reform Package that was recently passed into law, after being approved in a public referendum on April 16, 2017, is an important step in this direction. It turned Turkey from a parliamentary to presidential democracy, scrapped the role of prime minister, lowered the age of candidacy for the parliament from 25 to 18 and increased the number of members elected for the parliament from 550 to 600. The new presidential system will streamline decision-making and avoid the unwieldy parliamentary coalitions that crippled the development of Turkey in the past.

At the first presidential elections held in June of this year, our leader, President Erdoğan, won a five-year term after securing a clear victory in the first round of the presidential polls.

During 2013-2018, domestic and external security threats were at the top of the government's agenda.

Since 2013, Turkey has encountered important domestic and external security threats, which unavoidably put security-oriented policies at the top of the government's agenda. During this period, previously scheduled structural reforms in the economy had to be postponed.

As security threats are now largely taken under control and both presidential and parliamentary elections were left behind, the economy is once again our top priority. By streamlining decision-making and consolidating ministries responsible for economic policies, the new Presidential System provides the apparatus for economic success.

The problems brought about by global circumstances endure.

Trade wars between countries and protectionist trade policies are on the rise in recent months. There is a danger that these problems will spread, increase business uncertainty and result in

Turkey, as a rapidly growing country, has faced several economic crises including the serious currency crisis in 1994, financial crisis in 2001, and global crisis in 2008, and resilience of Turkish economy to rebound from these crises was impressive. Our governments enacted necessary policies and these policies have helped the country get out of the crisis.

geopolitical conflicts. We believe protectionism benefits no one in the long term and support free trade. Therefore, we encourage greater multilateral and bilateral dialogue to resolve trade disagreements.

There are a couple of other risk factors that could impact the global economy. First, a faster-than-anticipated increase in U.S. inflation could lead the Federal Reserve to raise interest rates faster, which could then shake emerging country currencies, increase borrowing costs, and put pressure on highly levered companies. Second, a potential increase in oil prices would put pressure on both consumer and producer prices and widen current account deficits in countries dependent on oil imports.

Inflation and current account deficit are the main threats to Turkey's economic stability.

Since the second quarter of 2018, because of reductions in capital flows to emerging countries and speculative attacks against the Turkish economy, the Turkish Lira lost significant value against foreign currencies, which, in turn, increased inflation and interest rates. Banks have responded to these challenges by tightening their lending standards, which increased borrowing costs and reduced both corporate investment and domestic demand.

Inflation has long been one of the key challenges of the Turkish economy. In the new era, we are determined to push inflation down to single digits with fiscal discipline and tight monetary policy. Also, we will put in place a number of structural reforms, described in detail in our recently announced New Economy Program, that we believe will help in our fight against inflation.

The second important structural problem of our economy is high current account deficits. Much of our current account deficit is due to energy imports. In recent months, with a significant devaluation in lira, export and tourism revenues began to increase. During the new era, we will implement policies that will permanently reduce our current deficit to more manageable levels. In particular, we will support investments in areas that help reduce imports, increase energy efficiency, support tourism and exports.

A related problem is low domestic saving rates in Turkey, which leads the country to rely on external borrowing for growth, and thus increases the sensitivity of our economic performance to changes in international capital flows. We recognize that, for more stable and sustainable growth, we need higher domestic savings. We recently reformed our private pension system, and implemented several other reforms, to increase our domestic saving rates.

We are aware that recent FX moves will take its toll on overall growth, but we do not expect this slowdown to evolve into a hard landing. Thanks to

its well-established structure, Turkish financial markets continue to remain resilient and keep functioning efficiently during recent market volatility. Amid recent fluctuations necessary measures were taken by our relevant institutions to ensure efficient functioning of financial markets.

Turkish economy has proven repeatedly that it is resistant to the crisis

Turkey, as a rapidly growing country, has faced several economic crises including the serious currency crisis in 1994, financial crisis in 2001, and global crisis in 2008, and resilience of Turkish economy to rebound from these crises was impressive. Our governments enacted necessary policies and these policies have helped the country get out of the crisis.

We do not expect a secular downward trend; however, we expect a rebalancing period in the domestic economy. Our new economic model is based on this perspective.

After 2001 crisis, Turkey entered into a new transformation process in which the macroeconomic conditions improved rapidly. This economic transformation has been made possible by prudent macroeconomic policies and structural reforms of which we like to refer as first-generation reforms. The focal point of the initial reforms was to stabilize the economy after having faced frequent boom and bust cycles in the previous decades.

Our new generation reforms that we have accelerated after the global crisis aimed to increase our competitiveness and replace our economy at the higher levels of the global value chain, which requires a comprehensive effort to use resources effectively and efficiently in an inclusive manner, an understanding that embraces the whole society in the first place.

Our policies aimed at reducing the impact of recent unfavorable conditions in the global and domestic economy are gathered in New Economy

Program of Turkey and are briefly described below. We do not expect the recent negativities in the global level will have long-lasting effects on Turkish economy, for relevant institutions have taken and will take all the necessary measures independently.

Our aim is to develop our country further hand in hand with improved income distribution. We have great commitment in implementing structural reforms as they are vital to steer Turkey toward a growth path that is strong, sustainable, inclusive and balanced and increase the welfare of our society.

Financial sector continues to support growth

Because of the aforementioned problems mainly linked to the global environment and volatility in domestic financial markets, we expect economic growth to slow down in the near-term. In this period, we anticipate that there will be a rebalancing process in the economy. Turkey's economic fundamentals are strong, as confirmed against both the internal and external shocks in 2016.

Our financial sector is important for it supports the real sector, which has not lost its dynamism and continues to grow in the face of internal and external shocks. Financial sector continues to support growth and plays an important role in development with its solid performance.

Also, unlike it was in the past, financial sector today is in line with international standards and matured in intermediary role. Our financial sector has strong balance sheet, profitable and important potential for the investors.

New Economy Program of Turkey is built upon resilient and strong economy, low public debt, fiscal discipline, dynamic and entrepreneurial private sector, open export structure to the world markets, accelerated political decision-making processes with the new government system, and our strong human capital.

New Economy Program will give confidence to all stakeholders and ensure sustainable growth.

Macroeconomic policies are designed in line with our priority of "rebalancing of the economy", in order to address inflation and current account deficit in the forthcoming period.

New Economy Program, comprising the roadmap for economic change in our country during the period of 2019-2021, aims to rebuild price and financial stability in the short term and ensure a more equitable welfare distribution and sustainable growth in the medium term. Basic mechanisms that help to realize these objectives are rebalancing in the economy, fiscal discipline and transformation in the economic perspectives. These mechanisms are also the main pillars of our New Economy Program.

With the New Economy Program, projects and programs related to formation of high skilled human resource and strong community will be implemented in order to support and sustain macroeconomic targets depicted in the New Economic Program.

Reducing inflation is the main objective of the monetary policy. Inflation will be reduced to single-digits by the end of 2020 through coordination of monetary and fiscal policies. Tight monetary policy will be supported by fiscal discipline, provided through preventing waste, reducing cost and expenditures and improving the quality of revenues in the public sector and increasing the ratio of primary surplus to GDP.

We are decisive to keep the fiscal performance as one of the main anchors of our economic policy going forward. Budget targets set in the New Economy Program will be accomplished by tightening expenditures and achieving an over performance in budget revenues. Fiscal discipline, as one of the three main components of our New Economic Program, will be the reassuring factor in the rebalancing process. In order to implement and improve fiscal discipline, The Public Finance Transformation Office is established within the Ministry of Treasury and Finance. Responsibilities of this Office include assuring efficient use of resources, reducing costs and expenditures, and increasing the quality of revenues in the public sector. The Savings and Revenue Transformation Program, which will be designed and monitored by this office, will provide permanent improvements in public finance. There will be no deviation from the fiscal targets. The central government budget deficit to GDP ratio will be kept below 2% for the next three years.

Our goal is to reduce the current account deficit to below 3% of the GDP by 2020. To achieve this goal, we will implement policies that will help limit the import of intermediate goods, increase energy efficiency, and produce high value-added goods.

The Central Bank will continue to maintain its tight monetary policy stance. Additionally, fiscal policy will remain supportive for curbing further rise in inflation through some arrangements on administered prices and tax adjustments.

Economic and social projects and programs to be implemented within the scope of the New Economy Program will be closely and regularly monitored, benchmarked against pre-determined and objective performance criteria and progress reports will be shared with the general public.

To sum up, in the last 15 years, Turkey demonstrated a good example of strong economic performance and resilience. While doing so, she managed to surmount a series of domestic and international headwinds. Currently, like other emerging market economies, Turkey is facing pressure in the value of Turkish Lira. This pressure has been amplified by some other concerns. But, we, as the government, are aware of the challenges and strengths of our economy, and we are taking necessary measures to curb the volatility and ensure that the economy is embedded in a strong, sustainable, balanced and inclusive growth path of the medium term. To this end, we are going to implement well-designed, coordinated and comprehensive policy actions and sweeping structural reforms. These steps as outlined in the New Economy Program will help us reduce inflation, contain current account deficit, and transform Turkey into a high productivity high value added economy. **EDT**

MURAT ÇETİNKAYA
Governor of the Central Bank of the Republic of Turkey

TURKEY
FROM RECOVERY TO REBALANCING

The CBRT remains committed to achieve price stability and will continue to use all available instruments in pursuit of this objective. Our intention is to keep a tight monetary policy to ensure a clear, persistent, and convincing downward trend in inflation.

Turkish economy has shown strong resilience against a string of adverse shocks experienced in recent years, which was driven by a concerted combination of monetary, macro-prudential, and fiscal policies.

Most recently, the policy challenges have become more pressing with the escalation of external shocks. Starting in H2 2017, we witnessed heightened geopolitical and global risk as well uncertainty stemming from external and domestic factors, including tighter global liquidity conditions and elevated concerns of possible trade wars. These uncertainties coincided with a widening in the domestic current account deficit and rising inflation. The consequent depreciation in the lira materialized amid a persistent oil price shock, which compounded upside inflationary pressures.

The Central Bank of the Republic of Turkey (CBRT) has responded strongly by first delivering a decisive monetary tightening and then implementing preemptive liquidity measures to support the functioning of the financial system. Several supplementary instruments such as currency swaps, domestic currency settled forward auctions and reserve requirements were used to smooth the excess volatility in the markets.

The Road to Rebalancing and Disinflation

Going ahead, the main focus of macroeconomic policies will be delivering a persistent rebalancing and disinflation path: As the effects of the last year's expansionary fiscal measures fade away, we expect that the pace of growth will normalize and economic activity will gradually converge to its potential in the upcoming period. Achieving a balanced growth, in terms of both pace and composition, will be essential to attain the desired outcome in terms of inflation and the current account deficit. In order to reduce the tradeoffs regarding disinflation and to enhance the resilience of the Turkish economy, the contribution from fiscal and macroprudential policies to the rebalancing process is crucial. In fact, relevant authorities have already announced that the priority in the forthcoming period will be achieving sustainable growth and price stability. Fiscal, monetary policy, and macroprudential policy will act in a coordinated and targeted fashion to achieve these goals. Under a tight monetary policy stance and enhanced fiscal and monetary policy coordination, rebalancing is projected. This process will be supplemented by an ambitious structural reform agenda.

Recent data indicates that the rebalancing process had already started in Q2 2018. The output gap will gradually close throughout the year, which should help disinflation. Inflationary pressures are expected to subside in 2019 as the pass-through effects gradually fade away and the cyclical downturn closes the output gap. On the other hand, goods and services export revenues remain strong, thanks to a synchronized global

In order to reduce the tradeoffs regarding disinflation and to enhance the resilience of the Turkish economy, the contribution from fiscal and macroprudential policies to the rebalancing process is crucial. In fact, relevant authorities have already announced that the priority in the forthcoming period will be achieving sustainable growth and price stability.

recovery. Such a growth composition bodes well for the external deficit. With the support of the rapid recovery in tourism revenues, we expect to see a persistent improvement in the current account deficit starting from mid-year.

The CBRT remains committed to achieve price stability and will continue to use all available instruments in pursuit of this objective. Our intention is to keep a tight monetary policy to ensure a clear, persistent, and convincing downward trend in inflation. Therefore, inflation expectations, pricing behavior and other factors affecting inflation will be closely monitored and, monetary policy will be adjusted to ensure that inflation converges to the targets within a reasonable period. As a complementary policy on the structural side, we have been working jointly with other institutions to ease policy trade-offs and support long term price stability as well as balanced growth.

To this end, during the past year substantial progress has been made to mitigate the risks emanating from corporates' FX borrowing. Existing regulations have been amended to link FX borrowing to FX income, especially for small and medium enterprises, which will curb excessive FX risk taking motives by corporates. All these efforts demonstrate our commitment and willingness to achieve and maintain a low and stable inflation environment. **EDT**

Editor in Chief, Hürriyet Newspaper

Vahap Munyar

DICTATORSHIP IS IMPOSSIBLE IN SUCH AN ECONOMY

It was 2 months before the referendum which was held on April 16, 2017, which would transform the system of government to a "Presidential Government System" in Turkey. President's Chief Advisor, Chairman of the Constitutional Commission Prof. Şükrü Karatepe presented the study they conducted, namely **"New Constitution with Questions"**.

Recep Tayyip Erdoğan was sworn in on July 9, 2018 as the first President of the Presidential System of Government, which Turkey switched to following the constitutional amendment that was adopted in the referendum on April 16, 2017.

Prof. Karatepe started by listing the names who contributed to the study: Prof. Haluk Alkan, Prof. Yavuz Atar, Prof. Yılmaz Bingöl, Prof. Gonca Bayraktar Durgun and Mehmet Uçum.

The chapter entitled "dictatorship" attracted my attention in the booklet. The question in the title of the chapter was as follows: **Is Presidential Government System a civil democratic system?**

The response began with the following sentence:

Presidential Government System is a civil and democratic system just like the parliamentary system or semi-presidential system. None of the democratic government systems changes into a dictatorship.

It was emphasized that the undisputed accepted prerequisite of democracy is free elections:

Authoritarian or dictatorial regimes primarily rely on single-party rule or puppet opposition parties that are formed under the control of a single-party. The public cannot participate in the elections freely in the countries governed by dictatorship. Therefore, change of power through peaceful means is not possible.

It was pointed out that Turkey's transition to multi-party democracy by way of elections in 1950 constituted a unique example:

Despite the pressure by the political authorities, the public paved the way for a democratic process through the elections. Held

after interim regimes, the elections of 1961, 1983 and 2002 are prominent examples in this regard. Turkey has a well-functioning election management system.

The issue was also tackled from the economic aspect:

Turkey has an economic structure that is open to the world, capable of competing in different sectors and attractive for foreign investors. In such an economy, it is not possible to develop a tendency that would constitute the basis for dictatorship.

It was argued that the mechanisms which were put in place for the Presidential Government System would curb the emergence of personal dictatorship:

Presidential Government System, involves a time limit for the presidency position. One person can be elected as president, maximum twice and for a total of ten years. No democratic system in which the right of accession to power is based on the elections is restricted in this way can transform into a dictatorship.

President Prof. Karatepe and the members of the Commission who prepared the Constitutional Amendment for "Presidential System" respond in this way to the dictatorship concerns, which come to the fore since the preparations for the new system has begun...

All despotisms wear away within a short period of time

In July 2018, Prof. Şükrü Karatepe, the Chairman of the Commission for Constitutional Amendment that enabled the transformation of Turkey's system of government to a"Presidential Government System", has updated the book that he wrote 30 years ago: Turkish Constitutional Law is in compliance with "Presidential Government System"...

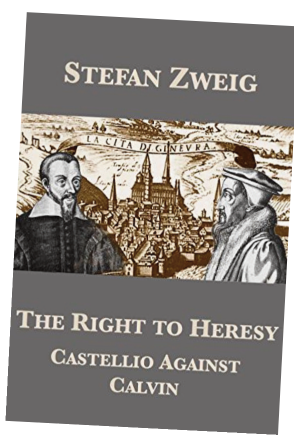
The quote from "The Right to Heresy: Castellio against Calvin" of the famous Austrian writer Stefan Zweig as cited by Prof. Karatepe before the preface caught my attention:

All despotisms wear away within a short period of time, all ideologies and their temporary victories come to an end in their own era. Only the idea of freedom of thought is never defeated, it always returns. When it is silenced temporarily, it takes refuge in the deepest part of conscience, where no danger can access.

Prof. Karatepe concluded his citation from Stefan Zweig with the following sentences:

It is of no avail that the authority believes that they have defeated the free spirits by shutting their mouths. Because, with every new human being a new conscience is born. Someone always comes and remembers that the ancient fight should be resumed for the sake of humanity's indispensable rights.

I looked at the section entitled "Presidential Decree", where the "Decrees of Ordinary Periods" are marked out as follows:



• Fundamental rights, personal rights and political rights cannot be regulated by Presidential decree.

• A Presidential decree cannot be issued in matters that are ordered to be exclusively governed by the Constitution such as limitation of fundamental rights and freedoms, penalties or security measures substituting penalties; financial liabilities such as taxes, duties and charges.

• A Presidential decree cannot be issued in matters which are clearly governed by the law.

• If there are discrepancies on the same subject between the laws and in Presidential decrees, the provisions of the laws shall prevail.

• If the Grand National Assembly of Turkey issues a law on the same subject, the Presidential decree becomes null and void.

The updated book of Prof. Karatepe stands out as a guide to understand the Presidential Government System...

The Head of Strategy and Budget will work like a minister

During the "August 30 Victory Day Reception" hosted by President Recep Tayyip Erdoğan, I approached Prof. Şükrü Karatepe, Chief Advisor of the President, indicating Mr. Naci Ağbal, President of Strategy and Budget, and asked:

"Could you please explain the position of Mr. Ağbal?"

He began by saying:

"The Strategy and Budget Directorate is a very important position. It is the first time Turkey has seen such an institution. In consideration of the fact that hereinafter the budget will be presented by the President, such an institution has been established."

I asked my question from a different standpoint to understand the situation:

"Can the Minister of Treasury and Finance give instructions to Strategy and Budget Directorate?"

Prof. Şükrü Karatepe, Chief Advisor of the President, was also the Chairman of the Constitutional Commission.

The answer was important in terms of understanding the characteristic of the system:

"The Strategy and Budget Directorate receives instructions only from the President."

He emphasized the following:

"The Strategy and Budget Directorate should attend the session of the Council of Ministers. Because, he should monitor the needs of the ministries closely."

Strategy and Budget Directorate is a new institution for Turkey... Appointment of a person who comes from finance bureaucracy as well as having served as Minister of Finance gives a clue on the targeted work... **EDT**

Presidency of the Republic of Turkey Investment Office

RECENT CURRENCY DEVELOPMENTS EXCEPTION GIVEN TURKEY'S SOLID MACROECONOMIC FUNDAMENTALS AND LUCRATIVE INVESTMENT ENVIRONMENT

Turkey's macro fundamentals are strong enough to weather temporary developments. The recent fluctuations in the Turkish Lira and the depreciation in emerging market currencies were mainly the circumstance of a globally strong USD, increases in US bond rates, a tightening cycle of advanced economies, and uncertainties arising from protectionist trade measures.

Turkey is a dynamic and growing G20 economy that links east and west in a unique way. In addition to being one of the world's fastest growing economies, Turkey also supports international investors' growth via a business-friendly agenda and by permitting access to a large domestic market and neighboring international markets.

Turkey's strong market fundamentals, such as a young and dynamic population with an average age of 31, a well-educated work force, increasing rates of employment over the years, a growing middle-class, and a unique geographical location have all helped transform Turkey into the fastest growing OECD member country. As of end-2017, Turkey is the 13th largest economy in the world according to GDP at PPP.

Against this backdrop, Turkey's macro fundamentals are strong enough to weather temporary developments. The recent fluctuations in the Turkish Lira and the depreciation in emerging market currencies were mainly the circumstance of a globally strong USD, increases in US bond rates, a tightening cycle of advanced economies, and uncertainties arising from protectionist trade measures.

Robust Growth

Turkey achieved an average annual growth rate of 5.7 percent in the 2003-2017 period, which proved resilient against domestic and international shocks. With this performance, the Turkish economy outperformed other emerging countries despite negativities such as the 2008 Global Financial Crisis, the European Sovereign Debt Crisis, the tapering period, an influx of refugees, a failed coup attempt, Brexit, regional conflicts, and recent protectionist moves and trade war expectations. The composition of the growth has also evolved into a more balanced position in recent quarters.

Along with domestic demand, an important driver of Turkey's growth performance, a rebound has been observed in the contribution of net exports thanks to competitive exchange rates, rising tourism revenues, restored relations with neighbors, and trade diversification policies. Thus, Turkey has achieved a sustainable production and investment-oriented export-led growth strategy.

Improving Current Account Balance

Excluding gold and energy, the current account dynamics and its financing have improved recently in Turkey. Growth recovery in trading partners such as the EU, the contribution of competitive real exchange rates, and downward expectations in imports can be considered the main factors that will support the current account of Turkey for the near future. With regard to financing of the current account deficit in Turkey, an important part is financed by FDI and long-term sources.

Fiscal Discipline

Turkey also has a strong position in public finance. The recovery in the Turkish economy after the 2001 Crisis has been characterized by the restructuring of the banking system and, more importantly, restoring the healthiness of its fiscal

Arda Ermut, formerly the President of ISPAT has been appointed as the head of the Investment Office and will continue leading efforts to attract FDI to Turkey.

position. In this context, Turkey has achieved lower public debt and decreased the budget deficit by pursuing tight fiscal policies. Over the past 15 years, budget deficit to GDP ratio in Turkey has drastically decreased from over 10 percent to levels varying between 1 to 3 percent and the public debt to GDP ratio has also been reduced from over 70 percent to below 30 percent, outperforming the Maastricht criteria of 60 percent.

Manageable Corporate Debt

While corporate debt in Turkey has recently increased, it has been successfully managed by companies and banks. Private sector's overall liabilities due within a year are USD 180.6 billion. Out of this total, the share of the banking system is USD 102 billion, half of which is deposited by non-resident investors hence not recognized as debt. The remaining half, roughly USD 50 billion, is the amount to be paid back as liabilities. Turkey's 12-month cumulative rollover ratio of this type of liabilities is above 100 percent, demonstrating the banking sector's ability to pay back without any difficulties. All these figures indicate that the fundamentals of the Turkish economy are solid, strong, and promising.

Looking at the domestic dynamics, the recent presidential elections in Turkey and the new presidential cabinet eliminated uncertainties in Turkey and the new administration prioritizes structural reforms. Being part of these reforms, the Prime Ministry Investment Support and Promotion Agency of Turkey (ISPAT) has been restructured as the Presidency of the Republic of Turkey Investment Office under Turkey's new presidential system of government. Arda Ermut, formerly the President of ISPAT, has been appointed as the head of the Investment Office and will continue leading efforts to attract FDI to Turkey. The Investment Office will operate under the presidency and will support foreign investors and promote the investment environment of Turkey across international platforms. The office will also ensure coordination and cooperation among all investment related institutions. **EDT**


With hundreds of projects already in development, now could be the time to start your journey on the Belt and Road.
The Belt and Road Initiative will open up new opportunities for our customers. Over 250 projects are currently in the pipeline and the number is rising.
As Asiamoney's "Best International Bank for the Belt and Road Initiative" and FinanceAsia's "Best Belt and Road Bank" in 2017, our universal bank model is primed to help our customers make the most of every opportunity.
Fast track your way at business.hsbc.com/bri
ACHIEVEMENT AWARDS
FinanceAsia
2017
NEW SILK ROAD FINANCE AWARDS
2017
ASIAMONEY
HSBC
Together we thrive
Issued by HSBC and approved for use of HSBC Turkey. HSBC operates in various jurisdictions through its affiliates, including, but not limited to HSBC Bank A.Ş. and HSBC Yatırım Menkul Değerler A.Ş. HSBC Bank A.Ş. is a Turkish BDDK (Banking Regulation and Supervision Agency) Authorized Bank and HSBC Yatırım Menkul Değerler A.Ş. is a SPK (Capital Markets Board of Turkey) Authorized broker-dealer and both are members of the Istanbul Stock Exchange. All kinds of transactions shall be subject to business conduct of HSBC Bank A.Ş. and compliance to local legislation. No information in this document is provided by HSBC for the purpose of offering, cross border marketing and sale by any means of any banking services outside of Republic of Turkey. Copyright 2018. ALL RIGHTS RESERVED.

ECONOMY

The Central Bank of the Republic of Turkey

REBALANCING: THE NEW STORY OF THE TURKISH ECONOMY

The strong growth figure in 2017 was achieved thanks to countercyclical fiscal and macro prudential policies, strong global growth and recovery in tourism. In the current conjuncture, it is time to bring the economy to a more sustainable growth path, again with the coordinated actions of monetary, fiscal and macro prudential policies.

The main story of the Turkish economy in 2017 was recovery. Significant downside risks on the Turkish economy back in 2016 due to many adverse domestic and external shocks were able to be eliminated in 2017 thanks to the coordinated actions by fiscal, monetary and macro prudential policies, as a result of which the economy grew at an impressive rate of 7.4 percent. In the current conjuncture, it is time to bring the economy to a more sustainable growth path, again with the coordinated actions of monetary, fiscal and macro prudential policies. In this respect, the new Medium Term Program is expected to contribute to the rebalancing process by helping disinflation efforts of the Central Bank of the Republic of Turkey (CBRT) and achieving healthier domestic and external balances. Therefore, it would be reasonable to label the new story of the Turkish economy as macroeconomic rebalancing for 2018 and beyond.

Economic activity is moderating

The strong growth figure in 2017 was achieved thanks to countercyclical fiscal and macro prudential policies, strong global growth and recovery in tourism. Strong growth came with significant employment gains in this period and the unemployment rate decreased from 12 percent at the end of 2016 to 9.9 percent at the end of 2017. Economic activity continued to remain strong in the first half of 2018 and the Turkish economy secured a growth rate more than 6 percent during this period.

Data realizations point out that economic activity started to decelerate in the second half of the year as relatively higher inflation, weaker TL, rising uncertainties and tighter financial conditions have geared down domestic demand through the consumption and investment expenditures channels. Ongoing recovery in tourism revenues as well as strong merchandise exports will mitigate the slowdown in overall economic growth. Survey indicators suggest that the moderation in economic activity continued in the third quarter as well, and moving towards its underlying trend, economic activity is expected to converge to its potential and to start contributing to the disinflation process in the second half of the year.

After the strong impulse of the Credit Guarantee Fund (CGF) in 2017, loan growth converged to historical averages in the first quarter of 2018 and continued to decline in the second quarter of 2018. This will help the rebalancing process in the coming period.

Current account deficit has started to shrink

The current account deficit widened in 2017 mainly due to soaring energy prices, gold imports,

and strong domestic demand, reaching 5.6 percent of the GDP. After displaying a gradual deterioration in the first five months of 2018 and peaking at USD 58 billion in May, annualized current account deficit narrowed to USD 57 billion in June, which indicates that the external balance has started to correct. With the cumulative depreciation in the real exchange rate, strong recovery in tourism, and the favorable global growth outlook, it is likely that exports of goods and services will continue to affect the current account balance positively in the second half of the year.

Inflation has been elevated; however, it is projected to stabilize over the medium-term

Although the impact of demand factors on inflation started to fade away in the second quarter, cost-push factors and the deteriorated pricing behavior as well as volatile food prices have worsened the inflation outlook. Consumer inflation rose to 17.9 percent in August. Core goods and energy prices proved to be the main drivers of the uptick in inflation. The contribution from tight monetary policy stance and enhanced policy coordination with the Government is projected to bring consumer inflation down to single digits in 2019 before stabilizing at 5 percent over the medium term.

Monetary policy has been tightened significantly

The CBRT has been in a tightening cycle since the beginning of 2017 against inflationary pressures. However, in 2017, accommodative fiscal and macro prudential incentives and measures, which led to a strong recovery in domestic demand, weakened the disinflationary transmission of the monetary policy.

In 2018, the tightening in financial conditions has become more visible. Moreover, due to the unhealthy price formations in the markets and persistent increase in inflation expectations and deterioration in pricing behavior, the CBRT decided to further tighten the monetary policy and made a significant interest rate hike.

Moreover, the CBRT has used several supplementary instruments such as currency swaps, domestic currency settled forward auctions, and reserve requirements to smooth the excess volatility in the foreign exchange markets.

Simplification: a more explicit and clearer monetary policy stance

In order to further strengthen the desired effects of this significant tightening and to make the monetary policy stance more explicit and clearer, the CBRT decided to complete the simplification process of its monetary policy framework starting with June. One-week repo rate was set as its policy interest rate. The new framework will help mitigate the uncertainties by facilitating monetary policy communication and enhancing the efficiency of the monetary policy by strengthening the transmission mechanism.

Identifying the structural impediments to disinflation

The CBRT also works on the structural side to identify the structural reasons for inflation in Turkey with other institutions and promotes coordinated efforts between relevant institutions to achieve sustainable disinflation. Substantial progress has been achieved in the last one year to mitigate the risks stemming from corporates' FX borrowing. Existing regulations have been amended to link FX borrowing to FX income, especially for small and medium enterprises, which will curb excessive FX risk taking motives by corporates.

Going ahead, the CBRT will continue to use all available instruments in pursuit of the price stability objective. Inflation expectations, pricing behaviour and other factors affecting inflation will be closely monitored and monetary policy will be adjusted to ensure that inflation converges to the targets within a reasonable period.

The CBRT is ready to support financial stability when needed

Aside from its main mandate of price stability, the CBRT will continue to pursue financial stability together with the Banking Regulation and Supervision Agency (BRSA). In August, during the market turbulence, the CBRT introduced a series of measures to provide TL and FX liquidity to the banks with a view to bolster financial stability and vowed to take all necessary measures. At the same time, the BRSA introduced some measures which took effect and confidence in financial and FX markets was achieved in a very short period of time.

Fiscal discipline will be crucial to support disinflation

In the first half of 2018, fiscal policy supported economic growth through fiscal measures and incentives coupled with public spending on consumption and on particularly investment. At the same time, adjustments in administered prices and taxes prevented inflation from increasing further. In the second half of the year, the new Government has put more efforts to reduce expenditures and increase revenues.

Going ahead, it will be crucial to strengthen the coordination between fiscal and monetary policy, with a clear focus on reducing inflation. In this respect, the new Government has an explicit commitment to design a new fiscal framework which will be supportive of the disinflation process mainly through fiscal discipline and setting wage contracts and public prices in line with inflation targets. The new Medium Term Program will be an important cornerstone of this framework, which will bring the necessary strong coordination for the gradual macroeconomic rebalancing and disinflation in the Turkish economy. EDT

Chairman of Turkish Exporters Assembly
İsmail Gülle

INCREASING EXPORTS IS THE ONLY WAY THROUGH A STRONGER ECONOMY

In 2023 we have a $ 500 billion export target. To realize this goal, we are aware that we need to concentrate on value added production and exports, and we develop strategies accordingly.

The year 2018 was a year when international trade and general policies in the world became more protectionist and all countries, especially the USA, began to raise the protective walls in trade. The tension in the bilateral trade between the United States and China lighted the fire in international trade environment which followed by all countries to implement protectionist policies on customs walls.

As a result of this situation, we faced with a serious pressure on our currency in Turkey and international markets. Moreover; to turmoil on the Turkish Lira starting from the beginning of August, 2018 put Turkish monetary policies between a rock and a hard place.

Such speculative attacks hit the value of Lira to fall and create an unstable environment in the market. For this reason, the measures taken by our government and official institutions have been positive, with the dollar-lira parity stabilizing at an average of 6 lira.

Mr. President Erdoğan's attitude on the exchange rate and the precautions actions to be taken showed their effects on the market. Later, the measures imposed by the Ministry of Trade, the Ministry of Treasury and Finance and the Ministry of Industry and Technology led to a balance price on the market.

So in this process, the newly announced economy model was, in fact, a strategy that we, as exporters, always adopted. We act with the belief that growing must always be of export origin. With the export of mobilization, we will use all our resources in a way that will be beneficial to the economy of Turkey. All economic and commercial opportunities will be assessed to protect the value of the Turkish lira.

Especially in the recent period, we can observe that strategies such as keeping credit channels open, R & D investments in the level of exchange rate are kept constant, especially in order not to be influenced by the volatility of exporting small and medium sized enterprises from the volatility of exchange rate. To protect our exporters from the US sanctions and speculative movements in exchange rates, we have signed a protocol with Eximbank subjecting allocation of the reserve funds of TIM and Exporters' Associations as well.

Despite all these negativities, as Turkish exporters, we have exported 14,1 billion dollars value worth product in July, with an export increase of 11.8% compared to the same month of the previous year, even within the current international trade atmosphere. In fact, this figure has reached the record as the most exported July until this day. In today's conservative politics, our exporters have been able to wave our flag in 233 countries. In this success, we are able to clearly see the effects of the expansion of the growth model to an export-based structure, the expansion of the support given and the efforts of our associations to gain new members to the exporters' family and spread them to the export base.

We aimed to create more effective, more active and result-oriented projects to increase Turkey's exports and continued to work with enthusiasm and courage. We established a successful ecosystem in exports and based our export-based growth infrastructure on solid foundations. For instance, increasing the customs duty imposed by US on the steel and aluminum products imported from Turkey were not affected the success of our exports. According to the figures of 2017, we are in the 8th place in steel imports of USA. However; our "Iron and Steel" exports in the first 8 month of 2018 experienced a 23% decline due to these adversities and the effects of taxes. On the other hand, we have diversified our markets as a reaction to these protectionist action and the total

value of "Iron and Steel" in the first 8 months 2018 reached a 32% increase. These figures show that our country can increase market diversity very quickly.

Our Targets and Projects

The access of our country to its present position has emerged as a product of a long-standing effort. The share of our world trade has been on the decline from 1950s to 80s until the liberalization steps been taken by the government in force back then. However, the real leap was realized with the export-based growth strategy put forward by the government at the beginning of 2000s. In 2000, our share of world trade, which was 4.3 per mill, doubled in 16 years, reaching 8.9 per mill in 2017. We have 25 thousand exporters in 2000 and today we have more than 71 thousand exporters. Turkey now exports adopted, brought into one of the indispensable elements of the economy.

Besides the positive trend in Turkey, world trade continues to rebound well. World trade, which continued to decline from October 2014 to October 2016, has been recovering at an accelerating pace for the last 20 months. When we look at the 12-month trading figures, it turns out that world trade has reached the second highest level in history. As exporters of Turkey, with the support of the recovery in world trade, maintaining this trend we will capture the targets we have set for 2018, top of the line, which we believe will exceed this target of 170 billion dollars.

Today we are also working as focused on specific targets in Turkey in 2023. In 2023 we have a $ 500 billion export target. To realize this goal, we are aware that we need to concentrate on value added production and exports, and we develop strategies accordingly. At the beginning of these strategies are two main factors. We can raise the share we have gained from world trade while we increase the unit value of our exports.

If we don't increase production and unit value of our exports, our economy will suffer even worse recession. The most effective way to increase the unit value of exports is to increase the value added of the products by increasing our R & D investments.

We know that investing in R & D means increasing the short-term debt while income for a business is the same. However, in the medium and long term, the return from R & D investment can be a qualification to change the structure of firms. Therefore, in order to enable our exporters to invest in R & D as TIM, we have a R & D and Design Centers project in coordination with our Ministry of Industry and Technology. Up to now, 942 R & D Centers and 233 Design Centers have been continuing their work.

Machinery, defense industry, textiles and ready-garment and automotive sectors stand out among the sectors that provide added value to our exports. These sectors also attract attention as the sectors we export the most at the same time. Quality and design are at the forefront of the decisive factors that can be preferred today. It is our greatest goal that all of the sector representatives follow the trends related to the sectors, focus on the future and emphasize innovation. To help 71.000 exporters operating in all sectors in exports, we have the service of Sector Desks for collecting the problems and demands related to the sectors as well. Thus, we aim to ensure that our exporters continue their export operations smoothly.

We think that the diversification of the market in exports is very important especially in terms of continuity. In this regard, one of our most important activities is the trade delegations. This year we are planning 30 delegations and we have realized one in three of them so far. For instance, we will pay special attention to India, Indonesia and Malaysia. We will organize a delegation for the first time in Australia and New Zealand.

We determine our trade delegations from the countries that are relatively underdeveloped, and especially from countries where our exporters are distant or who are reluctant to go because they are not familiar. In addition, we have created our Export Compass portal so that our companies can examine the alternative markets and trade opportunities.

With a similar logic, we organize the "Route: Familiarizing with Markets" events to inform our exporters about the trade opportunities and target markets for new countries. Through our organization that we have carried out in 14 countries so far, we have directed many exporters to new markets. By organizing an event for the Philippines in September, we will ensure that our exporters get to know this market more closely.

Our Country Desks department continues to provide important information about the trade and economies of the countries where they want to guide the firm and export to them. Our department provides up-to-date information about the general economic and commercial data of the target countries, export potential, competitor analysis, custom tariffs, priority tariffs and technical barriers, bilateral agreements and Free Trade Agreements (FTAs).

Four Dynamics in Turkey's exports

As 71 thousand exporter; we act with unity and solidarity with the future of our country. Our priority is to create a solution-focused trade environment and solve the problems of exporters. For this reason, we will act more actively by listening to our delegates continuously and act with 7/24 export philosophy.

As a result of our strategy based on R&D, innovation, brand and design as usual we are organizing our annual organizations with a strong dynamics on innovation and R&D such as Innovation Summit and Entrepreneurship Week.

İsmail Gülle, Chairman of Turkish Exporters Assembly

We now believe that Turkey formed the basis of the innovation ecosystem. That is why we will organize the Innovation and Entrepreneurship Week, which we have organized since 2012, in a different system this year. This year, the organization normally held during the week will be organized on 5th of October as a single day. Henceforth, the innovation experts, who act with more added value and results-oriented perspective and create a difference in the world and Turkey, will meet with qualified business people exchanging ideas and researchers through this event. We distinguished entrepreneurship from innovation because we pay special attention to entrepreneurship. We plan to organize the Entrepreneurship Week as a separate event on a single day.

Thus, we will contribute to Istanbul's goal of becoming a global entrepreneurship center. We aim to make this event one of the most important meeting points for start-up and technology companies.

We have also Entrepreneurship Centers project for 3 years; so far, 672 entrepreneurs have benefit from them. The projects produced in Entrepreneurship Centers reached 332 million Turkish Lira in turnover in 2017, with state support of 76 million and investment of 64 million Turkish Lira. The most important contributors to our economy are in employment and exports. While a total of 2,441 people were employed, 34 million of total turnover were exported.

We will give consultancy services to companies who have never exported or want to increase their exports. We will match the experts in foreign trade with companies in order to provide mentorship support. In this context, we plan to extract the needs analysis of our companies

This need analysis covers export tariffing and contracts, Certificates of Origin and Circulation of Goods, Government Supports in market research, the country procedures according to export type and production and Export Compass.

To sum up, with an innovative strategy perspective, we mobilize all our resources in order to inform our companies and access new markets to increase our exports and we will increase the number of our trade delegations in order to better inform our exporters about the target and alternative markets. Turkey Trade Centers also provide services with the logic of "365 days –fair" for all our exporters. In the coming days, we're also opening a Turkish Trade Center in London.

In Brief

As I mentioned above, one of our priority goals is to increase our share in world trade. By 2023 we aim to increase our share from 0.9% to 1.5%. We are working to increase our trade volume by increasing our market diversity and developing our commercial ties with countries especially in Africa, Latin America, Middle East and Far East. As TIM, we consider that it is not an unfeasible target to increase our ex-unit price of $ 1.36 by producing value added.

"The First 100-Day Action Plan" which is newly announced is a comprehensive program that responds to all our necessities we have been waiting for months. I hope that with the declaration of the Medium Term Program we will have a much stronger economy with the harmonization of the two programs as well. Such programs will be very beneficial in terms of stabilizing the fluctuations in the exchange rates and reducing the rising inflation in the recent period. We will continue to work resolutely and determinedly in the export mobilization that we have started to reach our national goals faster. As exporters, feeling the support of our government encourages us to work in a much more motivated way. **EDT**


INVESTING IN THE FUTURE
Having been one of the largest stakeholders of İstanbul International Financial Center Project (IIFC), besides its rent income-producing properties, Halk GYO is expanding its portfolio with the office, residential and hospitality projects.
Halk GYO keeps growing with profitability.
HALKBANK
HALKGYO
Halk GYO is a subsidiary of HALKBANK
www.halkgyo.com.tr

The Financial Center Will Carry The International Prestige Of İstanbul To The Top

London maintained its leading position again this year as the largest financial center of the world in the Global Financial Centers Index. It was followed by New York, Hong Kong, Singapore and Tokyo respectively. Similarly, cities such as Shanghai, Toronto and Boston raised their index points upwards with the new investments they have made.

One can see that the most important trade centers of the world are the centers where finance and trade are carried out together. Compared to these financial centers, İstanbul is heading towards the future confidently with its strong financial center potential which is at a competitive level. **İstanbul International Financial Center (IIFC)**, which will ensure that Turkey will use its economic power and financial transaction volume potential in the best way in the international area, is a mega project realized with this vision. The Financial Center Project which will ensure that financial intermediary function is realized on an international scale is getting prepared to carry the importance and the prestige of Istanbul to the top in the international level.

Mega projects which are the largest in the history of the Republic such as the 3rd Bridge, the 3rd Airport and the Istanbul International Financial Center are increasing the level of welfare in Turkey even further with the value they add to social life.

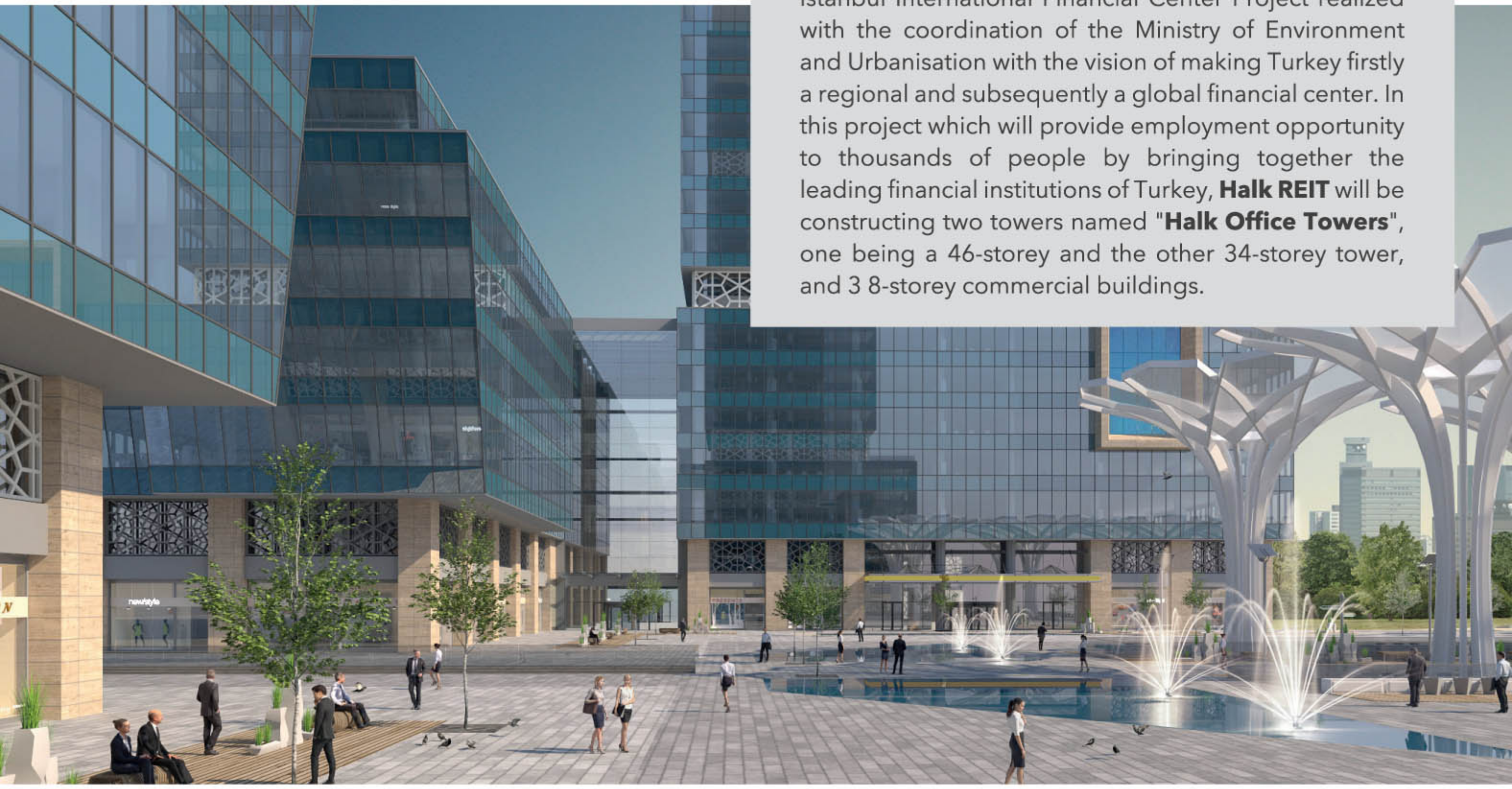
The İstanbul International Financial Center Project deemed as future regional and global financial center will have approximately 3 million m² of construction area. The Project will gather up the projects to be realized on lands owned by the private sector, along with public banks which are leaders of the banking sector in Turkey such as Ziraat Bank, Halkbank, the Vakıflar Bank, and public institutions such as the Central Bank of Turkey, the Capital Markets Board, the Banking Regulation and Supervision Agency. After completion, IIFC will be the representative and the pioneer of innovative and sustainable development, a location which is alive 24 hours a day.

Halk Real Estate *Investment Trust is one of the largest stakeholders of the project...*

Halk Real Estate Investment Trust (Halk REIT) which commenced its operations in the year 2010 succeeded in becoming a leading and prestigious institution in the real estate sector in a short period of time with the strength and experience taken from its principal shareholder Halkbank. **Halk REIT** is aiming at creating the economic activity that will enable Turkey to reach the targets for the year 2023 by making the real estate sector which has become the locomotive of the developing Turkish economy more attractive for the investors.

Halk REIT sees it as an important mission for itself to create added value for its stakeholders by developing their investments with the notion of "**correct project at the correct location**". Besides quality office, residence and hotel projects, **Halk REIT** is increasing its portfolio that is made up of real estates from which it obtains regular rent income, with its ongoing investments and making a contribution to the development of Turkey.

Halk REIT is one of the biggest stakeholders of the İstanbul International Financial Center Project realized with the coordination of the Ministry of Environment and Urbanisation with the vision of making Turkey firstly a regional and subsequently a global financial center. In this project which will provide employment opportunity to thousands of people by bringing together the leading financial institutions of Turkey, **Halk REIT** will be constructing two towers named "**Halk Office Towers**", one being a 46-storey and the other 34-storey tower, and 3 8-storey commercial buildings.



HALKGYO

Halk GYO is a subsidiary of HALKBANK

It will provide added value to the city life...

The İstanbul International Financial Center which is planned to be completed in the year 2020 is located at the intersection of two main arterial roads in the Anatolian side of the city, with the TEM highway on the east and the E5 connection road on the south. The Istanbul International Financial Center surrounded by living areas, social centers, cultural and entertainment venues will also be boosting the activity in the region. When the project is completed, it is expected that there will be a serious increase in the number of financial institutions, cultural centers, hotels and residences. The population movement to be brought on by the personnel who will be employed in the İstanbul International Financial Center, which is located at a very convenient location in terms of transportation means and the consequent need for residences are expected to liven up the region. Besides being a multi-purpose financial center with class A office standards, the İstanbul International Financial Center will also create new job opportunities for thousands of people and increase the economic activity in the region. Having been planned in detail also in social and cultural aspects, the project will be enriching the city life.

Competition in finance markets will increase...

Construction works were started at the end of 2016 for the two office towers, one 46-storey and the other 34-storey, and the three 8-storey commercial blocks which will be realized within the scope of the İstanbul International Financial Center Project. It is being planned that the higher block will be rented to Halkbank, the main shareholder of **Halk REIT**, as the headquarters building, whilst national and international financial institutions will be competing for the other areas in the project which are available for rent.

Making a dream come true for Turkey, the İstanbul International Financial Center, once completed, will increase the financial activity in Turkey whilst boosting the brand value of Istanbul from the perspective of international investors. Thus, our contact with the foreign investors will also become closer.

It will also become easier to finance investments in Turkey with access to low-cost fund sources. Thanks to this project, the largest city in Turkey that has a significant economic size for the Middle East, East Europe, Central Asia and North Africa will obtain its real value in terms of collection of the regional financial resources and redirecting thereof to the same regions. Competition will increase between the foreign financial institutions entering Turkey and the local financial institutions whilst the increasing competition will result in lower transaction costs which will in turn play a significant role in enabling the savers to receive a better quality service.

BANKING SECTOR IN TURKEY

As of July 2018, total assets increased by 28 percent on annual basis and reached 3.8 trillion Turkish Liras (USD 781 billion). The ratio of total assets to GDP is at about 108 percent. Loans and securities have shares of 63 percent and 12 percent in total assets, respectively.

Loan volume of banking sector increased by 24 percent annually and reached 2.4 trillion Turkish Liras (USD 494 billion). The ratio of loans to GDP is 69 percent.

63 percent of the total loans was in TL and remaining 37 percent was in foreign currency.

Commercial loans accounted for 77 percent of total loans while loans to consumers took 23 percent of the total. SME's share in total loans was 27 percent.

The ratio of non-performing loans before special provisions to total loans as of July 2018 was 3.1 percent.

Total deposits grew by 23 percent to 2 trillion Turkish Liras (USD 402 billion). The ratio of deposits to gdp was 56 percent. 51 percent of assets were financed by deposits.

Loan-to-deposit ratio realized at the level of 123 percent. Non-deposit funds, amounting to 29 percent of total liabilities increased by 38 percent to 1.1 trillion Turkish Liras (USD 226 billion). Non-deposit funds in foreign currency accounted for 23 percent of total labilities.

Shareholders' equity grew by 19 percent from a year ago to 398 billion Turkish Liras (USD 81 billion). The capital adequacy ratio of the sector is 16.1 percent as of July 2018. Common equity Tier1 capital ratio is at 13.2 percent as of the same date.

Return on annual average shareholders' equity increased to 14.4 percent in the first half of the year. Number of operating banks in Turkey is currently 52, of which 34 are deposit banks, 13 are development and investment banks and 5 are participation banks.

As of July 2018, banks employed 209 thousand people. Banking Sector operates with 11,603 branches. **EDT**

Hüseyin Aydın, Chairman of the Board, The Banks Association of Turkey

For further information:
The Banks Association of Turkey, www.tbb.org.tr
Information for Participation banks: The Participation Banks Association of Turkey (www.tkbb.org.tr).

Selected Indicators (July 2018)

	TL billions	USD billions	As % of GDP*
Liquid assets	593	121	16
Securities Portfolio	449	92	13
Loans	2,419	494	69
Deposits	1,970	402	56
Non-deposit funds	1,106	226	31
Shareholders' equity	398	81	12
Total assets	3,829	781	108

Source: BRSA, Turkstat.
***:** as of June 2018

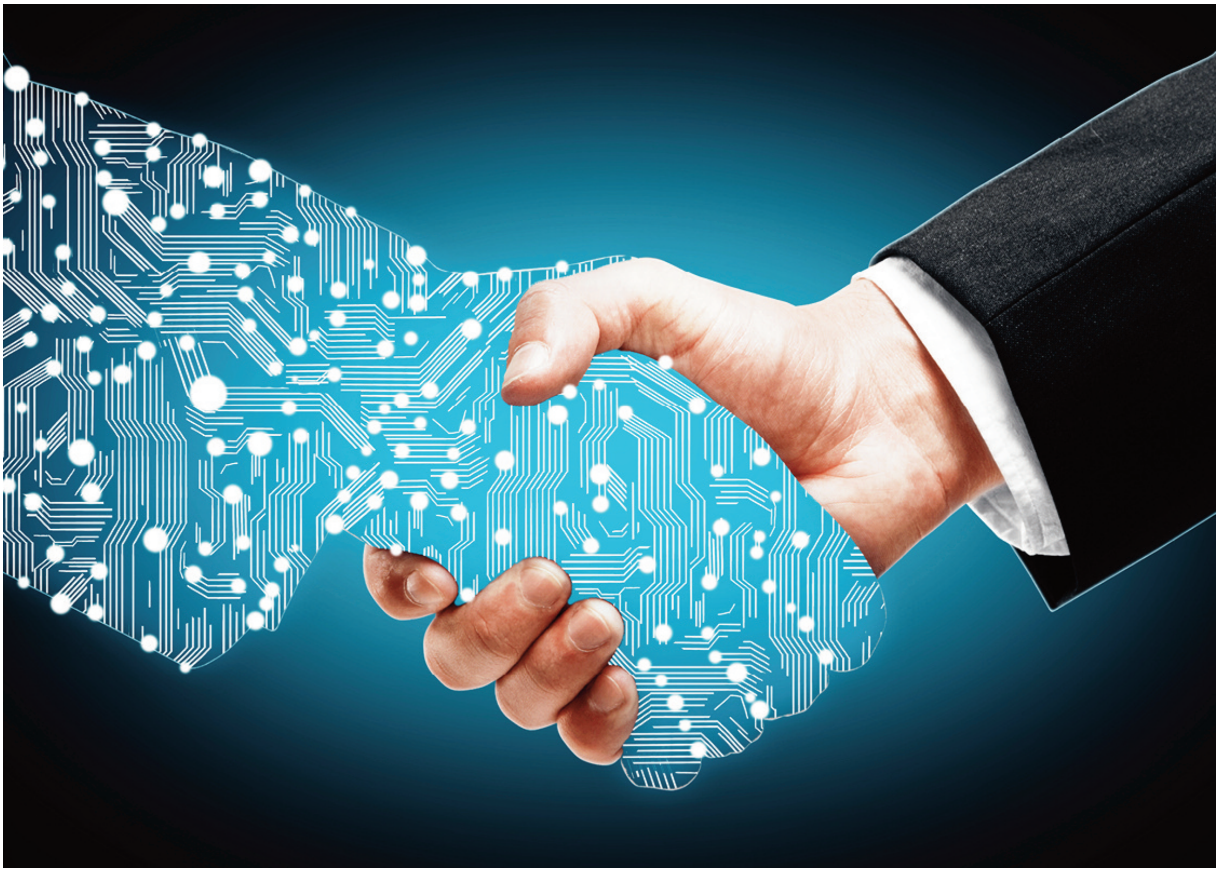
General Director, General Directorate of Incentive Implementation and Foreign Investment, Ministry of Industry and Technology of Republic of Turkey

Dr. Mehmet Yurdal Şahin

PROJECT-BASED INCENTIVE SYSTEM

TO ATTRACT INVESTMENTS FOR THE TECHNOLOGICAL TRANSFORMATION OF TURKEY

A new project-based system was designed for the first time with a view to attract investments which are crucial to the country and believed to serve the technological transformation of Turkey. With this new system, investments that meet the current and future needs of Turkey, provide supply safety, reduce import dependency, help the technological transformation and possess high R&D intensity/high added value are supported in accordance with our development plans and annual programs.



Turkey, which is one of the growth-leading emerging markets in the world, offers great investment opportunities for both domestic and foreign investors with its large domestic market, strategic location, favorable demographics and very liberal investment regime.

Since 2002, Turkey has taken many steps to facilitate doing business by simplifying all legal procedures, eliminating the administrative and bureaucratic barriers and putting into force lucrative incentive programs.

In line with these policies, Turkey adopted a very comprehensive investment incentive system in June 2012 to attract more capital inflows and high quality investments.

This system offers substantial advantages by a four-pillar structure, where incentive measures are applied to a wide range of sectors, either on a regional basis or according to the scale and strategic characteristics of an investment. Companies can benefit from the proper scheme according to their size, region, sector and the product that they produce.

In addition to the above-mentioned system, a very important step had been taken on investment incentive mechanism. Decree Concerning State Encouragements to Investments on Project Basis was issued and entered into force on November 26, 2016. By this step, a new project-based system was designed for the first time with a view to attract investments which are crucial to our country and believed to serve the technological transformation of Turkey.

With this new system, investments that meet the current and future needs of our country, provide supply safety, reduce import dependency, help the technological transformation and possess high R&D intensity/high added value are supported in accordance with our development plans and annual programs.

Through satisfying the needs of each investment project by considering its unique characteristics and providing a more efficient allocation of public resources, we anticipate that this new system will immensely help Turkey to cut current account deficit by boosting exports and lowering imports.

Since various investment projects have unique characteristics and different needs; instead of a fixed incentive package, a flexible system is adopted to ensure that each project will benefit from relevant support tools in accordance with their specific needs.

The projects, which are minimum of $100 million and meet the eligibility criteria, can take the advantage of generous incentive tools such as; value added tax (VAT) exemption for machinery and equipment, customs duty exemption, VAT Refund for construction costs, corporate/income tax reduction or exemption, social security premium support, qualified personnel wage support, income tax withholding support, energy support for energy consumption expenditures, interest support, land allocation, infrastructure support and public purchasing guarantee. Moreover, we also offer support for obtaining permissions, licenses, allocations, certificates and registrations.

This new system is not sector specific; however, some targeted investment areas may be named such as the renewable energy production technologies, integrated metallurgy investments, petrochemicals, medical equipment and health related technologies, pharmaceuticals, biotechnology and nanotechnology investments, light rail systems and high-speed trains, air, naval and ground defense systems, aircraft and space technologies, information and telecommunication technologies. The projects in these areas are expected to benefit from project based supports.

Dr. Mehmet Yurdal Şahin, General Director of Incentive Implementation and Foreign Investment

Since 2002, Turkey has taken many steps to facilitate doing business by simplifying all legal procedures, eliminating the administrative and bureaucratic barriers and putting into force lucrative incentive programs.

Considering the importance of the system as an investment promotion tool, the ceremony for the Project-Based Incentive System was held on April 9, 2018 at the Presidential Complex.

At the meeting, 23 projects, in the targeted sectors such as renewable energy technologies, integrated metallurgy production, petrochemical investments, transportation technologies, integrated livestock investment, hybrid engine production investment, electronics, defense systems and medical technologies, were announced by President Recep Tayyip Erdoğan.

The economic contributions of these projects cannot be ignored. The total fixed investment amount of 23 projects is over $33 billion which is around 3.9 percent of GDP. Employment effect is also huge; there will be 34.000 direct job opportunities and 134.000 indirect job opportunities. More importantly, thanks to those projects current account deficit is expected to decrease around $19 billion per year, by increasing Turkey's exports $6.3 billion and cutting imports $12.3 billion.

All in all, through satisfying the needs of each investment project by considering its unique characteristics and providing a more efficient allocation of public resources, we anticipate that this new system will immensely help Turkey to cut current account deficit by boosting exports and lowering imports.

To sum up, we believe that this crucial step on incentive policies will form an investment climate to bolster international competitiveness and facilitate technological transformation, will also help strengthen R&D and technology infrastructure and stimulate the investment appetite in Turkey. EDT

CEO, DenizBank Financial Services Group

Hakan Ateş

FINANCIAL INCLUSION – THE DIGITAL WAY

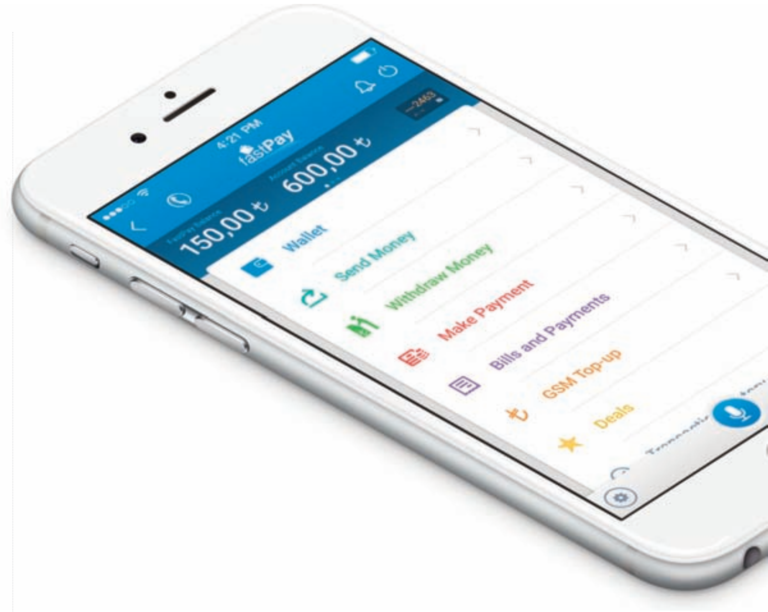
There are still close to 1.7 billion unbanked adults and more than 200 million enterprises with no access to financial services in the world. Why can't we include these people financially and benefit from its clear advantages? Digital connectivity is vital for financial inclusion as people can get online and access public and financial services. Also mobile phones are so convenient, easy to own and reach across for the low income segment.

Financial inclusion is the provision of affordable, accessible and relevant financial products to individuals and businesses who had no access to them before. The concept is especially important for countries where low and mid income segment make a big part of the population. They need to be able to make/receive payments and transfers easily, safely and cheaply, save prudently and profitably, obtain financing to start or grow businesses, and insure themselves against natural and man-made disasters.

There are great macroeconomic benefits as well. Financial inclusion supports economic growth through credit availability to the needy. A 1% improvement on the conversion of bank loans to investment, for example, may add up to 2 percentage points to economic growth.[1] It contributes to disinflate through lower cost of funds and cheaper banking services. Greater saving helps improve current account balances. Financial inclusion decreases unrecorded economy and that raises fiscal revenues. Women participation into the labor force is facilitated and income distribution becomes more balanced.

Despite these clear benefits, however, there are still close to 1.7 billion unbanked adults (more than a third of all adults) and more than 200 million enterprises with no access to financial services in the world, according to the World Bank. Only 75% of the adults have a bank account in BRICS countries compared to 94% in developed economies.[2] This goes down to 69% in Turkey (further down to 54% for women). Bank account ownership for businesses goes higher than individuals in Turkey at 79% but still substantially below those in BRICS and the Eurozone (both 96%). There are only 79 ATMs per 100 thousand people in Turkey compared to 103 in the Eurozone.[3]

Why can't we include these people financially and benefit from its clear advantages? Reasons are several. They may have no valid identification and hence no credit history. Some may be facing geographical challenges while others may be finding financial products and services



unaffordable. But the main reason for sure is that they have inadequate education especially in basic financial matters. They simply lack the ability to make informed judgements in managing their assets and liabilities adequately ranging from investing for retirement to borrowing small sums. They are unaware of what the system can provide them while being intimated by it. Then when they need financial assistance they fall prey to dodgy loan sharks outside the system. So financial literacy is a must indeed for financial inclusion and the basics must enter the primary education curricula to begin with. The fact that bank account ownership falls to 56% for primary school graduates from 79% for university graduates shows how essential financial literacy is for financial inclusion.

Digital technology is now transforming the financial landscape…

It may be hard to believe that the low income segment can benefit from technology because they typically lack technological skills and means of using it. Digital connectivity is vital for financial inclusion as people can get online and access public and financial services and today connectivity is easier, faster and more reliable than ever thanks to large advances in fixed and mobile network development. Also mobile phones are so

Hakan Ateş, CEO of DenizBank Financial Services Group

Turkey is well integrated with all parts of the world thanks to her strong demography, strategic geography and open and dynamic economy. We must take the right steps to also become well integrated in terms of technology and digital innovation.

convenient, easy to own and reach across for the low income segment. They do not have to own sophisticated hardware or pay a fortune to get connected. Reaching people has been the number one challenge and a mobile phone takes care of that in the simplest and most economical way. Banks can now easily push information on target and solicit transactions with very little costs. It is estimated that digital technology could result in $1 trillion of increased revenue and cost savings, equivalent to about 17% of global financial services.[4] At DenizBank, for example, transactions at branches for major products and services may cost up to 50 times more than mobile and internet banking transactions. Moreover, fintechs ranging from mobile wallets to more sophisticated peer-to-peer lending and crowdfunding platforms are penetrating increasingly more into the finance world and offering solutions banks cannot yet provide or do so inefficiently and costlier.

Our young and populous country Turkey, 24% whose 80 million population is below the age of 15 with a median age of 32 is a very lively example of digital technology transforming the financial landscape and reaching across the unbanked segment. With 46 million Internet users and 58% internet penetration, she has seen rapid growth in technology adoption. For example, 44% of e-commerce transactions are made on mobile devices as of 2016.[5] But given that 54% of salaries and wages, 85% of utility bills and 80% of tuition payments are still made in cash Turkey offers significant potential for digital solutions to be provided to the mass segment.

But this is no easy task. While having a big potential in developing and employing digital technologies Turkey is also a country where issues such as regulatory hurdles, lack of targeted incentives and inadequate collusion between the state and the finance sector as well as within the sector need to be worked out.

To address the problem, we conducted a study at DenizBank in conjunction with TUSIAD[6], a major think tank in Turkey, in which we brought together a group of representatives from 23 prominent names from banking and finance, consulting and technology companies. We searched for what needs to be done to support and manage technological advances for financial inclusion while proposing action plans for the State Authority to pave the way for the finance sector in that direction.

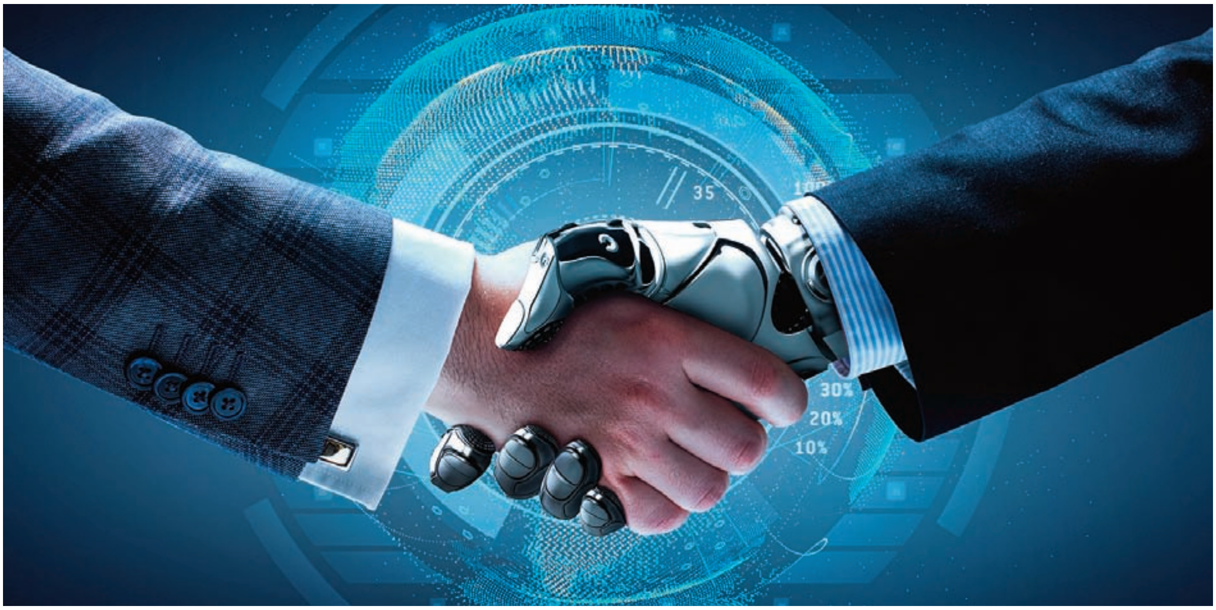
In a nutshell, we have seen first that public awareness must be increased in early ages starting with the incorporation of financial basics into primary education curriculum. The use of entering the financial system and saving must be emphasized as they support the rational allocation of resources for economic development. The use, benefits and reliability of digital applications must be well taught. Then special target groups should be defined such as women and low income people in rural areas and social benefits should be directed through easy to use, low cost and secure digital products and channels such as mobile payment applications. The savings from lower cost of digital channels can be diverted back to the target groups in the form of greater subsidies being another source of motivation for using the digital channels.

This could then be expanded into a national wallet system where all government to person (G2P) and person to all payments (P2All) as well as transfers and payments such as tax, tolls, public transportation, fines and utility bill payments can be made at a discount, easing and helping citizens' daily lives. The platform must be run by the State Authority while being be also open to outside developers and fintechs through open application programming interface (API).

Similar to payments and transfers, roadmaps and products can also be designed for saving and borrowing needs of the unbanked ranging from simple bank deposits and retirement plans to quick microcredits and credit risk assessment. Some of these are already widely employed in the banking system in Turkey while they can be expanded into sharing platforms enabled by recent digital advances such as crowdfunding, peer-to peer lending applications and blockchain applications.

A crucial conclusion of our study is that all these efforts to enable and expedite financial inclusion

DenizBank Headquarter, İstanbul



must be governed by an agile yet prudent regulatory oversight. Issues such as coordination between different regulatory bodies, handling of data and customer protection are of big importance. Establishing a CDO (Chief Digital Officer) position at perhaps ministry level for this coordination, as in many other countries, would be very useful.

While following technological developments, preparing the country's forward-looking digital roadmap and recommending and tracking the implementation of digital strategies for each ministry in the longer run, expanding the e-state conversion, where several government services are already provided through a web platform, would also effectively facilitate financial inclusion. Banks can be appended to the system and companies and individuals may use the platform in verifying and transmitting information requested by banks in a digital environment. Financial transactions could become less costly and easier and financial inclusion would be bolstered if

- customers could be acquired from a distance by completing the necessary regulatory arrangements for the use of e-signature and e-identity for individuals as well as companies,
- transaction limitations on mobile wallet applications are reduced,
- restrictions for cloud solutions provided from abroad and sharing of personal data in greater depth and breadth are eased,
- tax incentives are provided and regulations are reworked to ease fintech innovation including blockchain applications,
- and establishing a taskforce working towards creating digital money under the control of the Central Bank.

Turkey is well integrated with all parts of the world thanks to her strong demography, strategic geography and open and dynamic economy. We must take the right steps to also become well integrated in terms of technology and digital innovation. New technologies like artificial intelligence and machine learning present many new opportunities to improve peoples' lives and in fact have the potential to create more jobs in the future than those lost in the very short-run. We have to surf through it rather than avoiding it. **EDT**

1 Mastercard Center for Inclusive Growth
2 BRICS: Brazil, Russia, India, China and South Africa
3 Worldbank Global Findex 2017, IMF Financial Access Survey
4 "Modular Financial Services – the new shape of the industry"Oliver Wyman 2016
5 "The New growth Engine in the Digital World: E-Commerce", May 2017, TÜSİAD
6 TUSIAD: Turkish Industry and Business Association

CEO of Interbank Card Center (BKM)
Soner Canko, PhD

AN INCREASINGLY DIGITAL NATION

Currently, in Turkey, there are more than 200 FinTech startups*, which have attracted investments around 80 million USD* since 2012. In 2016, FinTech startups accounted for almost half of the value of the investment that has meant for startups in Turkey. Like many countries payments segment is clearly the leading space in Turkey.

Source: Startupswatch

If you are in Turkey or expect to be in Turkey soon, then you must know that you are in the global capital of many delights of the world. Food, bath, coffee, whirling dervishes, exquisite mosques, Cappadocia, Ephesus, The Grand Bazaar, beautiful beaches and addictive soap operas come to mind instantly, just with a single thought of being here. Well, there is also one particular thing in Turkey that you probably may have not thought of as "the best in the world". It is payments!

A great achievement built on culture

Turkey is counted among world's one of the top, most innovative payment locations. Many financial experts label Turkey as the global capital of digital payments and the most successful country in the world to become a 100% cashless society. This is no surprise of course. Just like you need a deeply rooted culture to have globally famous traditions, Turkey has a very strong payment culture derived from its historical roots. The first money ever used in the world was invented in Turkey thousands of years ago, while the first ever shopping center in the world opened its gates to public 600 years ago. Built on this rich legacy, payments have not just become regular transactions but a whole cultural way of social interactions and practices.

Culture is one thing but there's also structural vision behind this achievement. There are major reasons that helped to be established such an innovative environment.

- Strong banking infrastructure & vision for change
- Appetite for new technologies
- Young population

From becoming the first to being the best

When these significant values come together with a rich culture it would not be an exaggeration to claim that Turkey wrote its own success story. Just like in any other success story, this one also have brave and visionary actors. In Turkey's case, banks must take a bow. I can clearly state that banks in Turkey have been highly enthusiastic

Soner Canko, CEO of Interbank Card Center (BKM)

about using new technologies to reach and engage with their customers. Turkey was the first country to offer totally free instalment options for credit cards, the first European country to offer a contactless card, and to accept contactless cards for highway tolls. Turkey was one of the first to finalize EMV migration, and, finally, we have the only national digital wallet, BKM Express, that covers the whole banking industry. We also have very sophisticated loyalty practices.

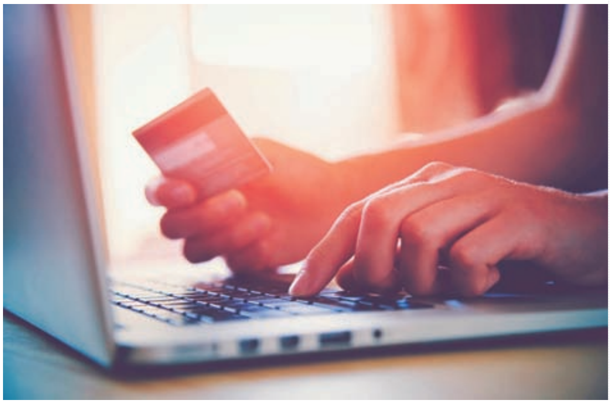
To become a totally cashless society by 2023

Being the best in something always comes with a responsibility. In our case, the most significant one is staying innovative anytime and anywhere.

Turkish banks and the technology suppliers to the sector are constantly trying out new ways of improving existing solutions and testing new technologies. This innovation-driven culture made Turkey one of the top three card markets in Europe in only 15 years. As of June 2018, there are 65 million credit cards, 137 debit cards and 2.4 million POS terminals in the market.

Turkish banks and the technology suppliers to the sector are constantly trying out new ways of improving existing solutions and testing new technologies. This innovation-driven culture made Turkey one of the top three card markets in Europe in only 15 years. As of June 2018, there are 65 million credit cards, 137 debit cards and 2.4 million POS terminals in the market. Although Turkey is a heavy cash country, with a population of 80 million, it is aiming to reach cashless society by 2023. Ten years ago, only 20 percent of total household consumption was conducted via cards. Today this ratio is around 40 percent. In addition to key advantages like high smartphone penetration, card numbers, innovative financial products towards cashless society our company BKM, plays key role towards reaching a cashless society.

BKM was founded as a service provider for clearing and settlement in 1990, as a subsidiary of banks operating in the payments business. BKM is the one and only company that provide switching, clearing and settlement for card transactions in Turkey. It aims to foster innovation and drive growth by providing innovative products and services on a continuous basis. In this respect, I believe that BKM has proved itself with its latest products like national digital wallet BKM Express, and domestic scheme TROY. While we are creating a seamless, convenient online and mobile payment experience through BKM Express for consumers, we are providing innovative solutions to our members developed specifically for the benefit of Turkish market.



The next big ring of the chain

I believe that in a digitalizing world, those who are inquisitive, curious and courageous will always be one-step ahead. In today's world one of the key technologies that will disrupt many industries is blockchain. Apart from scanning and reading blockchain documents and reports we have developed a proof of concept project for blockchain.

We have simulated an environment with different financial institutions to test predefined concepts like digital identity, smart contracts on the blockchain. We have a blockchain loyalty program, which is active for the last couple of years and used by all of our employees. We also have a report regarding our observations on this technology and our significant findings for the next steps to be taken of our project, called BBN. BKM is also going to launch its second Blockchain PoC Project within this year.

As an organization we strongly believe in the power of ecosystem. With this philosophy in mind, we have launched Blockchain Turkey Platform

(BCTR) – an initiative of the Turkish Informatics Foundation (TBV), an independent, non-profit organization, that aims to create a sound blockchain ecosystem in Turkey.

BCTR will strengthen Turkey's leadership in its region. In this regard, BCTR will produce reports, produce and implement projects for filling lack of qualified human power, organize events that will help to have strong blockchain ecosystem in Turkey.

Collaboration is key to innovation

Another phenomenon, which has been gaining considerable momentum in Turkey for several years, is FinTech industry. The strong financial institutions and companies of Turkey have a great potential for assuming a powerful role and positioning within the global FinTech ecosystem.

Currently, in Turkey, there are more than 200 FinTech startups, which have attracted investments around $80 million since 2012. In 2016, FinTech startups accounted for almost half of the value of the investment that has meant for startups in Turkey. Like many countries payments segment is clearly the leading space in Turkey. We see that there are a good number of startups lined up for generating various services through innovative solutions.

We have launced a platform, FinTech Istanbul, in 2016 for a healthy growth in Turkish FinTech ecosystem. 'FinTech Istanbul' is the first platform of its kind in the region and aims to help Turkish entrepreneurs to make the most of the opportunities offered by FinTechs and facilitate the healthy growth of the newly developing Turkish FinTech entrepreneurial ecosystem via a single platform. We are bringing together the leading experts in the fields of training, entrepreneurship and data analysis. The platform has been designed to enable cooperation from multiple individuals and institutions, fostering true collaboration through different activities such as;

- FinTech 101 trainings focusing on teaching local entrepreneurs the basics of Fintech as well as digital innovation.
- FinTech meetups as a regular platform for all members of the ecosystem to meet and share their experience and expertise.
- Providing content through posting the latest FinTech news, creating and publishing reports, books etc.
- Cooperation with other FinTech hubs through developing its global network

We believe that Turkey will become one of the countries offering the most ideal environment for FinTech startups. In line with this objective, we will continue working with great passion for Istanbul to become a regional FinTech hub.

Turkey's success story continues with new innovations to inspire all countries in the world. As proud witnesses, we cannot wait to experience the next big things in payments world's pipeline. **EDT**

Turkey's Payment Systems Center

BKM

1990

Turkey's Digital Wallet

BKM express

2012

Turkey's Payment Method

troy

Türkiye'nin Ödeme Yöntemi

2016

HSBC IS WELL-POSITIONED TO SUPPORT TURKEY

BENEFIT FROM BELT AND ROAD INITIATIVE OPPORTUNITIES

HSBC Turkey introduced Turkey's potential to Chinese companies and investors at a recent HSBC MENAT (Middle East, North Africa and Turkey) Roadshow to China, which focused on the opportunities under BRI. The Roadshow went to Beijing, Shanghai and Guangzhou with the participation of around 200 representatives from the government, financial and corporate sector, who met their Chinese counterparts, generating discussions and driving business cooperation related to the MENAT corridor.

HSBC Turkey, operating in the country since 1990, is recognized as a leading international bank with a strong value proposition for corporates, financial institutions, public sector and premium retail clients alike. It offers access to many of the world's most dynamic and innovative capital markets to help clients achieve their international ambitions. With a global network that covers 90% of world trade routes, HSBC is uniquely positioned to support businesses all around the world. HSBC Turkey's vision is to be the bank of choice for those international companies that are willing to trade with, or invest in Turkey by making banking in Turkey as easy as banking in their home markets. To make this possible, in 2012, HSBC Turkey established an International Subsidiary Banking Team formed by a group of highly qualified relationship managers with international experience, strong foreign language skills, and experience in handling subsidiary requirements for start-ups through to large corporates. The team is completely focused on helping foreign companies enter and operate in the Turkish market.

Turkey offers significant opportunities for the companies and investors in relation to BRI

Belt and Road initiative (BRI), first laid out by Chinese President Xi Jinping in 2013, is a historic step in providing momentum to the global economy. BRI aims to build the infrastructure to support trade and investment links between major economies in Asia and Europe. BRI is expected to cover two-thirds of the world's population and one-third of the world's GDP and global trade. Considering its geographic position, Turkey may offer significant opportunities for companies and investors in relation to this initiative. HSBC is already supporting clients to make the most of opportunities generated by the BRI: the bank was recently recognized by Asiamoney magazine for its expertise in the programme. More widely, with a presence in 66 countries and access to more than 90 percent of world trade flows, HSBC makes best use of its worldwide network to act as a bridge between customers to help ensure their success on the global stage.

Turkey has a young population of 80.8 million (median age of 30), a GDP of $851 billion (as of 2017 year-end), $391 billion of foreign trade volume ($157 billion of exports and $234 billion of imports), and is located in a unique geographic position - lying partly in Asia and partly in Europe, between central China and West Europe, making it an integral part of BRI.

"Railway Silk road which will connect London and Beijing makes Turkey a strategic partner of BRI"

Commenting on the biggest development project of 21th century, Belt and Road Initiative, Selim Kervancı, CEO, HSBC Turkey said: "BRI offers significant opportunities for Turkish companies that should be taken into consideration. We expect to see significant infrastructure investment and strong trade flows, which creates significant opportunities for companies in Turkey. Consider the Railway Silk Road, which will connect London and Beijing - it makes Turkey a strategic partner of BRI with the Baku-Tbilisi-Kars railway line. Many Turkish companies are seeking access to new export markets, with attention turning East."

Selim Kervancı, CEO of HSBC Turkey

HSBC MENAT (Middle East, North Africa and Turkey) Roadshow 2018

BRI covers more than 70 countries -including Turkey- and the scale of these countries' economies is $21 trillion. Building and integrating transportation, telecommunication, energy and other infrastructure networks, providing credit and capital raising facilities for new projects, interregional coordination of customs and tax, and reviving trade and investment partnerships are all part of BRI. China expects annual trade volume in the countries involved in this initiative to rise to $2.5 trillion in the next 10 years – it stood at $1 trillion in 2014.

HSBC held roadshow in China to promote investment opportunities in MENAT region

HSBC Turkey introduced Turkey's potential to Chinese companies and investors at a recent HSBC MENAT (Middle East, North Africa and Turkey) Roadshow to China, which focused on the opportunities under BRI. The Roadshow went to Beijing, Shanghai and Guangzhou with the participation of around 200 representatives from the government, financial and corporate sector, who met their Chinese counterparts, generating discussions and driving business cooperation related to the MENAT corridor. The MENAT Roadshow saw discussions on infrastructure, trade, investment, services, supply chain and the use of Chinese currency RMB, drawing a road map on how the cooperation within BRI will shape the world trade. In Beijing, a special session took place on Turkey to promote investment and trade opportunities on the China – Turkey corridor and financing solutions for BRI related projects.

"We aim to support the two countries' entrepreneurs with value-added financing models"

Selim Kervancı, CEO, HSBC Turkey said HSBC's MENAT Roadshow was an important step in strengthening the trade and investment corridor between China and Turkey. "We aim to strengthen commercial ties with China by building a bridge between the two countries' companies, while transferring Turkey's potential in both investment and trade to the Chinese business world. As HSBC, our operations in China, Hong Kong and many Belt

The world's second largest trader, China, invests $120 billion annually in various countries across the world, and Turkey has been involved in China's overseas investments in the recent decade.

and Road countries allow us to support our clients in capturing the opportunities that will arise from the commercial, investment and infrastructure projects under BRI," Kervancı continued. "We aim to support the two countries' entrepreneurs with value-added financing models by using our power in the relevant commercial corridors. We are particularly focused on major infrastructure projects such as railways that will link Turkey to Asia, as well as investments in various sectors connected to public-private partnership in the context of BRI."

Ever-growing Turkish-Chinese economic partnership

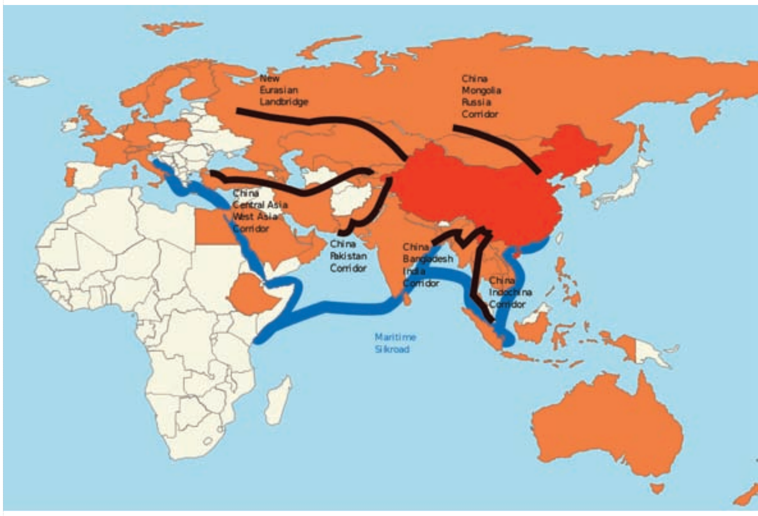
The world's second largest trader, China, invests $120 billion annually in various countries across the world, and Turkey has been involved in China's overseas investments in the recent decade. Moreover, the number of Chinese firms operating in Turkey has risen to nearly 1,000, according to the data from the Turkish Ministry of Economy. Meanwhile, bilateral trade volumes between Turkey and China reached $26.3 billion in 2017. Turkey's exports to the country totalled nearly $3 billion while its imports from China exceeded $23 billion. Energy, manufacturing, technology, telecommunications, transportation and automotive have been the most prominent sectors that shaped the ever-growing Turkish-Chinese economic partnership. In order to align China's BRI with "Middle Corridor" Project of Turkey, a Memorandum of Understanding was signed in 2016 and Chinese investment into Turkey is forecast to rise significantly as ties are strengthened within this framework. When it comes to institutional support, Turkey is a founding regional member of Silk Road Fund and the Asian Infrastructure Investment Bank, which will be key in driving this initiative forward.

Recent Chinese Investments in Turkey

As for recent Chinese investments made in Turkey, in 2015, a Chinese consortium involving the shipping and logistics company COSCO Pacific, Merchants Holdings International and CIC Capital, has bought a 65% stake in Turkey's third largest container terminal, Kumport for $940 million, which marks the largest foreign direct investment from China to Turkey to date. A very important pipeline project for this initiative is a high-speed train project, planned to be constructed between the very north western and the very north eastern parts of Turkey, which is expected to cost a total of $30 billion.

Future Investment Opportunities in Turkey

Over the last decade, Turkey has invested $90 billion in infrastructure projects, including bridges, highways, tunnels, railways and airports, and a further $64 billion of investments are to be made through the 3,400 infrastructure projects that are in the pipeline. Due to this vast amount of investment,



Belt and Road Initiative (BRI) map.

HSBC Turkey Headquarter

attracting Asian investors to these projects will be key in ensuring the healthy growth in infrastructure. Turkey has already completed landmark projects in that respect; the middle belt of the Beijing-London line with Marmaray Project, the undersea railway tunnel which became operational in 2013 and the third bridge on the Bosphorus in Istanbul, both linking the Asian and European sides of Istanbul; both of which had been originally designed as part of the Belt and Road Project. Turkey's transparent and investorfriendly tax regulations and legal framework have been crucial in attracting the investment needed for these projects.

HSBC Turkey aims to introduce Turkey with different financing models

HSBC Turkey supports investors in national and international investments and projects with a full suite of financing solutions, as well as treasury, cash management and foreign trade financing products for large scale projects from the beginning phase to completion. With its global scale, unique network, extensive transaction expertise and its experienced teams in Turkey, HSBC provides its clients with access to a strong platform, with support across debt financing, initial public offerings, and mergers and acquisitions. By embracing a multidirectional approach regarding customer needs in the assessment and management of market risks issues, HSBC benefits from its global expertise in analyzing the risks of its customers in Turkey and offering different solutions.

HSBC Turkey aims to grow alongside its customers and add value to Turkey's economy by the synergy created in customer relations. Looking ahead, Turkey's global connectivity will allow the economy to benefit from fast growing trade links with emerging markets and established links with developed markets.

HSBC will continue to support Turkey as it seeks to capitalize on new opportunities in line with the commitment from HSBC to become Turkey's leading international bank, supporting all those who wish to thrive with Turkey. **EDT**

Issued by HSBC and approved for use of HSBC Turkey. HSBC operates in various jurisdictions through its affiliates, including, but not limited to HSBC Bank A.Ş. and HSBC Yatırım Menkul Değerler A.Ş. HSBC Bank A.Ş. is a Turkish BDDK (Banking Regulation and Supervision Agency) Authorized Bank and HSBC Yatırım Menkul Değerler A.Ş. is a SPK (Capital Markets Board of Turkey) Authorized broker-dealer and both are members of the Istanbul Stock Exchange. All kinds of transactions shall be subject to business conduct of HSBC Bank A.Ş. and compliance to local legislation. No information in this document is provided by HSBC for the purpose of offering, cross border marketing and sale by any means of any banking services outside of Republic of Turkey.


TOKİ
EMLAK KONUT
REAL ESTATE INVESTMENT COMPANY
siyahkalem
KÖY
ZEKERİYAKÖY
Beside the Kilyos Beach,
Istanbul New Airport and
Belgrad Forest,
summer is beautiful in KÖY!
60 MONTHS
0.98%
INSTALMENT PLAN
KÖY
ZEKERİYAKÖY
LIFE
STARTED IN
300
UNITS!

CEO, KT Asset Management, part of KFH Group*

Tayfun Özkan

RIZQ SHARING AND PARTICIPATION ASSET MANAGEMENT

Islam suggests that returns should be earned by active involvement and participation in the business risks in investments - and not on lending. Actually a recent international research has also shown that both the asset managers and the investors prefer active management in participation asset management industry.

*A participation (a.k.a. Islamic) asset manager in Turkey

There is now a growing consensus that the objectives of generating profit and doing well (in whatever form, be it tackling environmental concerns, poverty alleviation, humanitarian crisis management or resourcing healthcare or education) are not mutually exclusive and, in fact, can be achieved in tandem.

In the next few years, millennials will inherit the largest transfer of generational wealth to date and are potentially set to control US$ 24 trillion by 2020, according to Deloitte. Millennials tend to be better educated, better informed and socially minded, and they are proactive investors in the SRI environment. More affluent Muslim countries each have significant millennial populations that are also proportionally greater than those of non-Muslim countries.

Private equity: Participation in risk and return

Private equity (PE) is a source of investment capital raised from institutional investors and wealthy people by professional investment managers to be invested into private companies –or public companies with a view to delist and manage them privately. Private equity is a vehicle for investors to gain access to potential high return businesses around the world can generate. At the end of the day, business profits are the original source of returns on which any other securities' returns, such as bonds, stocks, etc. are all dependent.

PE is a commitment of both the managers and the investors to each other for a long-term risk sharing arrangement, which offers the highest potential return to those investors who are willing to take the highest risk.

There is an Arabic word which combines risk and reward: **rizq**. The etymology of the word dates back to ancient Greek navigation term rhizikon, which was a metaphor for "difficulty to avoid in the sea". The word got a 'benefit' meaning in 16th century German, rysigo, a technical term for business, meaning "to dare, to undertake, enterprise, hope for economic success".[1] The word was then transferred to Arabic through the Mediterranean neighborhood and bore the meaning "everything given by God for livelihood". We use the same word in English as

Tayfun Özkan

"risk" ("risqué" in French). Hence essentially rizq sharing is participating in risks and returns, which is the essence of private equity.

In general, Islam suggests that returns should be earned by active involvement and participation in the business risks in investments –and not on lending.[2] Actually a recent international research has also shown that both the asset managers and the investors prefer active management in participation asset management industry.[3]

Participation in risk and return is an integral part of two main financing forms of Islamic finance: **Musharaka**, which is a capital partnership whereby all parties inject capital and participate in the profit/loss as per their capital contributions, and **mudharabah**, which is a capital-labor partnership, whereby one party injects capital (rab-al-mal) and the other (mudarib) contributes with his labor (i.e. management of the business) and profit is shared as per a pre-agreed arrangement while loss is born solely by the rab-al-mal –the mudarib loses his labor, i.e. the time and effort he has put in.

The modern world conceptualized PE, especially in the form of PE firms quite recently, in 1950s. "The private-equity firm is a relatively new beast in the capitalist zoo." However, "…while the private-equity firm is new, its methods -venture capital, growth capital, distressed situations, leveraged buyouts and others- are as old as capitalism itself."[4]

When participation banks were first established in mid 1980s in Turkey, I recall one of the founding fathers saying "These institutions are in place in the developed world for decades, and they call them private equity."[5]

In short, given the historical and doctrine background, Muslim investors should be well prepared in investing via private equity funds. Consecutively, one would also expect many private equity firms being active in Muslim countries, even some of them ranking among the biggest in terms of assets under management.[6] Yet that's not the case!

What PE can do for the good of the Muslim world

Private equity can play a pivotal role in transforming the Muslim countries' economies by;

- Increasing co-operation among the Muslim countries,
- Enabling technology development in the Muslim world,
- Financing humanitarian relief efforts required in many Muslim countries.

Turkish experience

Turkish authorities have realized the significant role PE funds can play. A macro-economic approach would state: Gross national savings as a percentage of the GDP is much less in Turkey than its peer group (around 14% vs 26%). Using foreign savings, i.e. foreign debt raises the current account deficit and increases the vulnerability of the economy. Therefore domestic savings should be increased. One of the best ways is to promote collective investment schemes (CIS) which will in turn be utilized to finance businesses through capital markets. Regulated, tax-incentivized, structured PE funds can be one form of CIS.

We would reach the same conclusion via a micro-economic approach as well: Capital accumulation is limited in Turkey. Hence debt financing, especially bank debt is the main source of finance for many companies on their balance sheets. However, the loan-to-deposit ratio reached almost 150% signaling an unsustainable situation. Hence PE funds can come into the picture for equity financing.

Turkish investors are in fact inclined to invest in CIS with a high risk-high return expectation. The so-called "green holdings" in 1990s raised millions of funds especially from the pious people, who did not want to be involved in interest in their investments, with a promise to invest in businesses and share the returns. Without any regulation on the fund manager and any investor protection, many of these so-called "green holdings" embezzled the invested funds –a lethal experience for the new PE structure.

Nevertheless, we know that the demand is there and now we have a regulated yet flexible and tax-incentivized PE investment fund (PEIF) structure in place. Moreover, the government has recently (Jan 2017) made it mandatory for the standard auto-enrollment pension funds to invest at least 1% of their assets into PEIFs (and at least 10% in a combination of PEIF, REIF, and TWF[7]). So now there is a lot to be optimistic about the development of PEIFs in Turkey.

In a nutshell PEIFs;

- are asset pools (CIS-collective investment schemes),
- can only be set up for a definite period of time,
- can be set up as a private (specific to certain investors, certain assets, etc.) or a general fund,
- have no legal personality except for title deed at the Companies Registry,

- can only be established and managed by Portfolio Management Companies (PMCs),
- should raise at least 5 MTL in commitment in its first year of establishment,
- can only be marketed to Quailified Investors.

Turkey has an aspiration to make İstanbul a global financial center, and first a global participation finance center to start with. Creating a vivid PE sector may well contribute to this initiative. Enacting the PEIF regulation in mid-2014 is supported with additional regulations to create institutional investors and angel investors. Then Borsa Istanbul founded the private market where entrepreneurs can market their companies without listing to potential buyers such as PE firms who have become members of the market. The next step is now attracting the talents and establishing the first PEIFs to write the initial success stories.

We have already started observing PEIFs being set up by Turkish asset managers especially for renewable energy investments, fintech and other technology related start-up investments, healthcare investments, etc. We also expect PEIFs set up to enable SMEs access equity financing; in other words, enable qualified investors become partners to some selected, promising SMEs in the vibrant Turkish economy –even retail investors would have the chance to benefit from this opportunity indirectly through their pension investments.

Call of duty: Set the playing field

Private equity is the modern financial term for what has been practiced in the Muslim business communities for centuries in the form of musharakah and mudharabah. Some rich Muslim countries, via their sovereign wealth funds, invest in PE all over the world. Not only governments but also HNWIs[8] can also take more part in PE investment. There is more than sufficient investment opportunities in emerging Muslim countries as well offering potential high returns. It is just a matter of laying the playing field where the relations, regulations, and standards are streamlined in a multilateral framework. Islamic Development Bank, or the new initiative of Mega Islamic Bank, may play a role in this respect. **EDT**

1 Etymology of Risk, Rolf Skjong, 25.02.2005, http://research.dnv.com/skj/Papers/ETYMOLOGY-OF-RISK.pdf, accessed 02.06.2017.

2 Main motive in lending, according to some sharia scholars, should not be making profit out of it but doing infaq, i.e. helping people who are in need.

3 Unlocking Potential, Global Islamic Asset Management Outlook 2015, Thompson Reuters.

4 A Short (Sometimes Profitable) History of Private Equity, J. S. Gordon, The Wall Street Journal, Jan. 17, 2012.

5 Although the intention had been to create private equity fund managers, participation banks in Turkey carried out regular banking activities, i.e. collecting deposits under the contract of mudharabah and utilising funds under the contract of murabaha (cost-plus financing). It is the subject of another discussion why this diversion happened.

6 There is just one PE firm from the Muslim World, Abraaj Group of UAE, 42nd. in the top 50. Global PE rankings 2017, https://www.privateequityinternational.com/pei/pei300/, accessed: June 2, 2017.

7 REIF: Real Estate Investment Fund, TWF: Turkish Wealth Fund

8 HNWI: High Net Worth Individual


Your
event partner
in Turkey
ÖZGENCİL
Let's create awareness
www.ozgencil.com.tr

*An interview with the CEO of ÇOK A.Ş.**

Mustafa Tanrıverdi

1915 ÇANAKKALE BRIDGE PROJECT "A REALIZATION OF A DREAM"

After 1915 Çanakkale Bridge is completed with a center span of 2023 meters, it may have a world record as the suspension bridge with the longest center span. In this respect, it is a project followed and hotly-anticipated in terms of world engineering.

** Çanakkale Otoyol ve Köprüsü İnşaat Yatırım İşletme A.Ş.*

Could you please tell us about the process experienced regarding to 1915 Çanakkale Bridge and the Malkara-Çanakkale Highway Project? What has been done so far?

I believe that it would be useful to begin with the history of the Project. Çanakkale Strait has always been of great significance for various civilizations lived in this geography. It is situated on a strategic and valuable area separating Asia and Europe, the location of which can be characterized as a very important check point in terms of the traffic in this region. When we look at the history of the idea of passing through Çanakkale Strait, which used to be called "Dardanelles" in the ancient period, we see that the oldest known attempt was made by Xerxes, the Persian Emperor, in 480 B.C. Xerxes constructed a bridge over the strait by means of timbers and earth fill by lashing 674 row ships together between Nara Cape and the cliffs across to conquer Europe. This bridge is known as the first bridge over a strait in the world history. Talking about more recent dates, the idea of building a bridge over Çanakkale Strait, which is about twice longer than Bosphorus, was suggested between 1984-1989. The attempts to realize this idea were fully implemented in 1994 and a tender for the project was lodged with the participation of 18 foreign companies in 1995. However, the company awarded with the tender expressed that the project was not achievable and withdrew from the project. As a result, we can describe 1915 Çanakkale Bridge Project as realization of a dream that also has a historical background.

The tender for the Project was conducted on January 26, 2017 by Ministry of Transportation and Infrastructure General Directorate of Highways in terms of Build-Operate-Transfer model.

The company awarded with the tender of the Project, namely Çanakkale Otoyol ve Köprüsü İnşaat, Yatırım ve İşletme A.Ş. (ÇOK A.Ş.), is a company established on March 10, 2017 by 4 investor partners for the implementation of this project. Among the partners, Daelim and SKEC are of Korean origin while Limak and Yapı Merkezi are Turkish companies. The Implementation Agreement concerning the Project was executed

on March 21, 2017 by and between General Directorate of Highways and ÇOK A.Ş. and entered into force on March 16, 2018 upon finding the funds, which was a condition of the agreement. The sod-turning ceremony of the Project was done on March 18, 2017. The Contractor of the Project is DLSY Ordinary Partnership, which is established by the same partners. The EPC Contract between ÇOK A.Ş. and DLSY Ordinary Partnership was signed on March 16, 2018. "Tower Foundation Concrete Laying and Piling Ceremony" was held on March 18, 2018.

The works carried out for the project are split into two sections as the bridge and the highway. The construction of the dry dock for the production of caissons to be used for the foundation of the towers of 1915 Çanakkale Bridge was completed and the caisson production has started and is already ongoing. The traffic studies were conducted at international standards by expert organizations. The navigation studies in order to determine the marine traffic at Çanakkale Strait were completed by Dokuz Eylül University. Sea current measurement studies were performed. The wind tunnel testing of 1915 Çanakkale Bridge were made in Canada during October - November 2017 for deck sections and in Denmark during March - May 2018 for the tower foot section modeling. Last week, we performed the full model wind tunnel test of the bridge in China, which was the last test. We completed the preparations of our construction sites. The mapping works were completed which would constitute the base plate for the design works for the highway section

The Implementation Agreement of the Project stipulates its completion by September 16, 2023 but we aim to finish the Project on March 18, 2022, hence approximately 18 months earlier.

What would you tell if you evaluate in terms of world engineering? What are the features of the bridge that are prominent, making a difference?

Mustafa Tanrıverdi, CEO of Çanakkale Otoyol ve Köprüsü İnşaat Yatırım İşletme A.Ş.

After 1915 Çanakkale Bridge is completed with a center span of 2023 meters, it may have a world record as the suspension bridge with the longest center span. In this respect, I can say that it is a project followed and hotly-anticipated in terms of world engineering. Nevertheless, in consideration with the earthquake, wind and marine traffic in the region where the Project is carried out, construction of such a massive structure requires a serious engineering study. It will be a very exciting project in terms of engineering.

On the other hand, in addition to the technical and economic features of the Project, 1915

In addition to the technical and economic features of the Project, 1915 Çanakkale Bridge will also be a very valuable symbol catching up the history of the region. In this context, the bridge reflects the spirit of the region where it is situated with its visual design and aesthetics.

Çanakkale Bridge will also be a very valuable symbol catching up the history of the region. In this context, the bridge reflects the spirit of the region where it is situated with its visual design and aesthetics. Symbolizing also the significant historical moments, the presence of such a massive structure in Çanakkale, one of the locations that witnessed the milestones of Turkish and world history, attains an uncommon meaning to the Project. The construction doesn't only generate a suspension bridge for passing the strait and facilitating the transportation, but also an important monument that will recall this historical emotions and spirit to the next generations.

What would be the benefit of 1915 Çanakkale Bridge and the Malkara-Çanakkale Highway Project to the Turkish economy, when it is completed? (We know that there are also impact analysis conducted by research companies like Deloitte.) What will change upon implementation of the project?

Malkara-Çanakkale Highway Project constitutes the tendered first phase of Kınalı – Tekirdağ – Çanakkale – Savaştepe Highway Project. This Project is not only a bridge, highway or transportation project but also a very important development project for Turkey and an investment move to the future. 1915 Çanakkale Bridge and the Malkara – Çanakkale Highway Project is a very valuable investment towards the future of our country and a national and regional planning and development project. During the ongoing process after the completion of the Project, a high quality network of highways will be established around Marmara Sea, including the existing and prospective highways. Besides, 1915 Çanakkale Bridge to be done within the scope of the project will become an alternative to the İstanbul route for Asia - Europe transit and reduce the traffic dramatically. The reduced traffic congestion will contribute to the air quality and minimizing the noise pollution. The accidents and risks due to the inadequacy of the geometric standards of the existing road in the region will be minimized with the high standard and quality highway to be newly constructed. The time spent to change the continents in this region will be decreased substantially in consideration with the waiting and transit periods of ferry transportation and it will be reduced to 3-4 minutes with 1915 Çanakkale Bridge. The problematic ferry queues particularly during the weekends and holiday periods will be eliminated. The bridge will allow a fast connection between Western Anatolia and Thrace and provide great benefits to the sectors like freight shipping thanks to its gains in terms of both distance and time. It will provide great convenience for the products to be exported to Europe via Western Anatolia and Mediterranean regions. In consideration with the studies performed during the construction and operation stages, reduced distance and transit times, tourism revenues in the region and use of ferries, we also expect an economic dynamism 4-5 times of the total Project cost in the region and generation of employment for approximately 24,000 people during the Project. The project generates a daily business volume of about 2-3 million TL to Turkish economy due to the expenditures during the works. When all of these contributions to economy and tourism are taken into account, we also expect acquisition of a tax revenue of 2-3 billion Euro additionally.

What would you say if you explain the 1915 Çanakkale Bridge by numbers, which is said to be realized with an investment above 10 billion Turkish Lira?

The construction cost of the project at the time of the tender was about 10 billion Turkish Lira. However, this figure only refers to the construction expenses of the investment. At this current stage, in terms of figures, the total investment amount including the financing expenses is 3.14 billion Euro. In consideration of this figure, this Project is one of the biggest projects ongoing in Turkey. But when we look at the Project in terms of figures, this is not the most striking characteristic. The greatest characteristic of the Project is that 1915 Çanakkale Bridge will be the suspension bridge with the longest center span in the world when it is completed with a center span of 2023 meters, as I

mentioned before. As far as other characteristics of 1915 Çanakkale Bridge is concerned, it has a total length of 4608 meters and this consists of two approach viaducts, being 680 meters on the Asian side and 365 meters on the European side, 770 meters of side spans and a center span of 2023 meters. The height of the tower feet will be 318 meters. This corresponds approximately to the height of a 110-storey building. The numbers 3 and 18 in 318 as the height of the tower feet represent 18th day of March and refers to March 18, 1915 Çanakkale Victory. The size of the dry dock, where the reinforced concrete caissons are being manufactured, is equal to 3 football pitches approximately. The depths of the caisson tower foundations are -45 meters for Asia and -37 meters for Europe in reference to sea level. Within the scope of the piling works included in the ground reinforcement works that are being done where the caissons will be located, steel piles with a diameter of 2.5 meters have been used, the number of which is 165 in the Asian tower foundation and 192 in the European tower foundation. On the other hand,

The height of the tower feet will be 318 meters. This corresponds approximately to the height of a 110-storey building. The numbers 3 and 18 in 318 as the height of the tower feet represent 18th day of March and refers to March 18, 1915 Çanakkale Victory.

approximately 84.000 cubic meters of gravels will be used for the gravel bedding works, which will be done after the piling. The clear span of the bridge with reference to the sea level is 1600x70 meters. The distance between the feet of the bridge is 2023 meters but the section area allocated for a safe marine transportation gives us the clear span. The length of the highway section will be about 88 kilometers, in addition to which 13 kilometers of access roads will be constructed and the highway will have 2x3 lanes. There are 6 junctions within the scope of the project, namely Malkara, Bolayır, Gallipoli South and Gallipoli North on the European side and Çanakkale 1 and Çanakkale 2 on the Asian side. In addition to that 4 viaducts will be constructed. Generally speaking about the scalar quantity to be used for the Project, I can say that about 8 million tonnes of asphalt, 1 million cubic meter of concrete, 125,000 tonnes of iron and 150,000 tonnes of steel materials will be used. In addition to that, approximately 3 billion cubic meters of stripping work, a total of 42 million cubic meters of excavation including 30 million cubic meters at the highway route and 26.5 cubic meters of filling work will be performed. However, all the figures given above might partly be revised after the final design is completed.

How many people are employed within the scope of the Project?

As from August 2018, there are 2475 people working for our Project, 40 of which are foreign nationals. Among them, 445 are technical personnel, 525 are administrative personnel and 1505 are blue-collar personnel. This number will increase in the further stages of the Project when our works gain pace. We expect that the personnel number will raise to 3200 when the Project works reach to the top level.

Anything you would like to add...

I also would like to mention the funding process of the Project. In such a period of challenging financial market conditions worldwide, procurement of Project funding in a rather short time of 1 year is also one of the significant achievements of this Project. The loan amount of 2.265 billion Euro obtained in 1 year has been procured as a result of agreements executed with 25 different financial organizations, 6 of which is domestic. During this funding process, various agreements were signed with the relevant organizations and institutions, 15 of which are major, 20 are medium-scaled and 55 are small-scaled.

As a final word, may our Project be favorable and beneficial to our country and to all humanity, which will add great value to the region socially and economically, have great importance in terms of engineering and project management and take place among the meaningful monuments of our country by reflecting the spiritual and historical wealth of the territory where it will be located. Thanks. **EDT**


VENUS SEASHELL JEWELLERY
brave - free - wild
as the ocean...
VENUS
instagram/designlikevenus
designlikevenus@gmail.com

Managing Partner, ACTECON

Fevzi M. Toksoy

COMPETITION LAW IN TURKEY: THE NEXT 20 YEARS

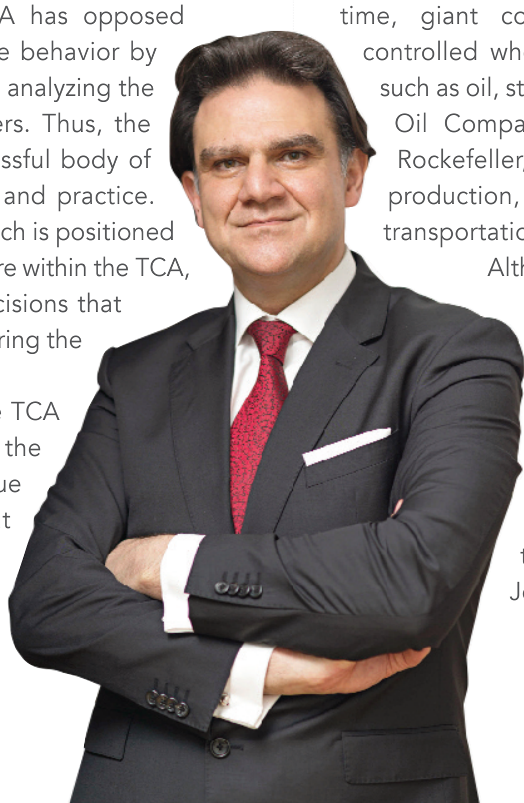
Turkey has a 20-year practice of competition law. The TCA has produced a successful body of work in terms of both law and practice. The Competition Board, which is positioned as a decision-making structure within the TCA, has made thousands of decisions that have affected the market during the past 20 years. Now it is necessary to design what Turkey should expect for the next 20 years.

It has been 20 years since Turkey introduced competition law, and with it, the Turkish Competition Authority (TCA). During these past two decades, Turkey has experienced for the first time an institution that is supra-sectoral, independent and granted broad legal authority. And although it is an administrative agency, the Competition Authority has always been positioned as an extension of the judiciary. Indeed, today the Competition Authority is seen as a quasi-judicial agency, which can launch investigations on its own authority as well as acting on complaints received. Given that the TCA has the authority to impose fines up to 10 percent of a company's annual turnover, its potential to affect the market is clear.

To determine the impact of the Competition Authority over the past 20 years, it is necessary to assess both the legal framework governing competition in the Turkish market and the TCA's implementation of it. If we compare competition in the market to a sports match, then competition law represents the rules of the game, while the Competition Authority is the referee, defending the rules to ensure a fair game.

From the perspective of what the TCA was established to to, it can be said that the Competition Authority's application of the legal framework is above the average standards in Turkey. For two decades, the TCA has opposed cartels and anti-competitive behavior by dominant players, as well as analyzing the impact of proposed mergers. Thus, the TCA has produced a successful body of work in terms of both law and practice. The Competition Board, which is positioned as a decision-making structure within the TCA, has made thousands of decisions that have affected the market during the past 20 years.

The secondary task of the TCA is advocacy. In this regard, the TCA has the authority to issue advisory opinions about privatizations, proposed legislation, and practices by other government agencies that may discourage competition. The TCA has evidently succeeded in implementing this advocacy function.



Where did the rules of competition come from? How did they get onto Turkey's agenda?

All competing entities should conduct their economic activities fairly. The ideal result of fair competition in every economic activity is that companies offer better products and services at lower cost to consumers. Unfortunately, fair competition does not guarantee maximum profitability or market share, which are the main objectives of every company operating in a market economy. And because these are their objectives, companies may try to restrict competition. In other words, they may resort to rigging the game in order to reduce or eliminate the uncertainties of a competitive environment. To prevent companies from yielding to this temptation, competion laws have been adopted all around the world. In their simplest form, these laws contain two main rules: first, you may not conspire with your competitors to eliminate competition; and second, you may not abuse your power in the market.

These two rules were first introduced in their simplest form in the United States in 1890. At that time, giant conglomerates known as trusts controlled whole sectors of the US economy, such as oil, steel, railroads, and sugar. Standard Oil Company and Trust, run by John D. Rockefeller, controlled 90-95% of the production, processing, marketing and transportation of oil in the United States. Although trusts' economic impact on society was not fully known, their political influence was becoming evident: believing it was their right, trusts were interfering with the rules of the game.

Responding to public demand to "bust the trusts," Ohio Senator John Sherman introduced antitrust

The impact of globalisation, the convergence in the structure of capital, and its tendency to concentrate has shifted the axis of competition rules. This trend can be seen clearly, especially in digital economies.

legislation which, essentially, aimed to break the political influence of the concentration of capital. The Sherman Antitrust Act was America's first competition law, and still retains its original essence and validity (when the US government sued Microsoft in the late 1990s, it used the Sherman Act, by then over 100 years old). It banned trusts, monopolies, price fixing, and other activities that restrain trade or commerce.

In the belief that competition must be regulated to achieve a healthy economy, the rules of the game have been rewritten according to the modern economy. After the Second World War, these rules were exported to continental Europe, where they were accepted as a cornerstone of the European Union single market.

With Turkey's EU adventure in the early 1960s, these two rules, which were coming closer to our land day by day, got onto Turkey's agenda concretely. Competition rules, which had been a low priority for Turkey, jumped to first priority during the Customs Union process in the 1990s, with the driving force of integration with the EU and the development of our industry. Finally, with the enactment of the competition law in 1994 and the establishment of the Competition Authority, which began working in 1997, these two rules became applicable in Turkey.

The discussion about the purpose of competition rules

Attempts to define the purpose of competition rules, which emerged as a derivative of the rules regulating the relationship between capital and politics, have been made from different perspectives during the past century. Although the view is widely accepted that the main goal of antitrust law was to protect consumers, the majority holds that consumer welfare was a consequence rather than an objective. From the perspective of industrial policy, the discussion has included objectives such as protecting small business and promoting strong national champions. More recently, however, the impact of globalisation, the convergence in the structure of capital, and its tendency to concentrate has shifted the axis of competition rules. This trend can be seen clearly, especially in digital economies. With a business model that transcends (usually avoids) regulations in areas such as transportation, accommodation, and social networks, mega-economies have begun to form that are beyond the reach of competition law and national mechanisms such as tax and professional regulations. These structures, unlike traditional multinational companies, have been implemented by a new kind of management and institutionalization that is central but with a worldwide spread of agents and consumers.

Today, with its application confined by national boundaries or economic blocs, traditional competition law cannot keep pace with such a cross-border expansion of capital. The fact that Facebook has become a target of investigations in

the US Congress shows the political result of its uncontrolled growth, much like the case of Standard Oil in the early 1900s. While Standard Oil developed before US antitrust laws existed, in the case of Facebook, authorities chose not to apply competition policies while Facebook grew to unrivalled status. And like the case of Standard Oil, authorities only began to react after the company's political influence created discomfort. As a matter of fact, although there was relatively little mention of antitrust rules during five hours of hearings about Facebook in the US Senate, the real issue is the lack of enforcement. This indicates that the competition rules that were created to stop companies like Standard Oil from gaining too much power, cannot prevent the same mistake from happening again. In this regard, either the misapplication of competition rules (or a preference for not applying them) or the inadequacy of the existing competition rules is a point for further discussion. In my opnion, national application of competition rules is insufficient to meet the challenges of the new global economic order created by the development of technology. In other words, things have gotten out of control.

It is easy to see that the world is gaining a new economic movement. Especially the new products and services emerging in developed societies can quickly catch up with classical industrial production methods and outpace them. While doing this, they can spread rapidly all over the world, not limited by national borders and regardless of the development of states.

Even the owners of that capital can be blindsided by how quickly capital accumulates. As the simplest example, the competitive pressure on the conventional auto industry created by Tesla resulted from consecutive studies in the field of electric vehicles (and came perhaps much earlier than planned). It is clear that some developments, such as Industry 4.0, artificial intelligence, and blockchain, affect both production processes and consumer expectations. Inevitably, this situation raises questions about the utility of the classical competition law approach based on consumer welfare.

With all these developments, as an interesting contrast, the 1998 global crisis triggered political trends that have revived nationalism and protectionism. Today, the economic-political situation created by trade wars in the world leads us to question the purpose of competition law from another perspective. Do the increasing protectionist trends of the last five years imprison consumers in an artificial and costly competitive environment in the name of creating national competitive advantage? For example, while the over-protective safeguards imposed by the United States on imports of iron, steel and aluminum (which are just the tip of the iceberg) may protect domestic industries, are they providing a competition-free environment to the consolidated domestic giants in these industries? Is the consumer welfare-oriented purpose of competition laws evolving into a political power orientation, indexed to national interest, despite the consumer? Or let's take the Brexit perspective. Will the effect of the new competitive environment created by Brexit, which can be defined as a consumer choice, have a positive impact on consumer welfare or lead to disappointment? Of course we will see; however, it raises another question, to add to the list of questions above: can consumers make the right political decisions about their own welfare?

So, what about the next 20 years?

In its 20-year experience of applying competition law, Turkey has been able to internalize competition rules in a certain part of the business world, due to the fines that have been imposed on large companies. However, the concept of fair competition has not spread out from there and become part of the common social fabric. Why? Competition rules have been applied in world markets for 100 years: how does their two decades of application in Turkey contribute to realizing their basic objective?

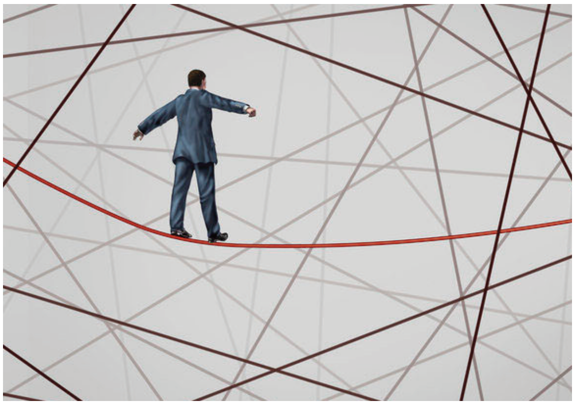
It is necessary to consider the answer to these questions deeply and comprehensively. It may also be useful to revisit the discussion about the purpose of competition rules, which so far has been conducted from the consumer perspective, to examine the issue from the Turkish perspective. I suggest that intensive but one-dimensional implementation of competition rules has led to a rooted perception that they are only relevant to companies. This, and the Competition Authority's rather narrow application of the competition rules, obeys the letter of the law but not the spirit. It undermines the true purpose of competition rules and risks isolating Turkey's practice of competition law.

Whether we adopted competition rules in Turkey because of the pressure of the EU process or they entered Turkey's agenda inevitably as a result of the economic conjuncture of the period, especially in terms of the place of foreign capital in the confidence index, we have a 20-year practice of competition law. Now it is necessary to design what Turkey should expect for the next 20 years. Otherwise, our competition law practice will be carried out in an isolated and self-proclaimed system, like an aquarium.

As I mentioned at first, the competition authority has given a successful practice test. I consider this success as a good start obtained at the end of 20 years. The next objective should be to enhance the role of the Competition Authority in the national economy and thereby ensure that it becomes a reference institution indexed to Turkey's industrial policy.

In order to achieve this goal, I think it is necessary to focus on three macro areas in which quick and concrete progress can be made.

First, the place of competition rules in Turkey's innovation policy should be determined. In the wave of digital transformation within the economy,



there is only one reality that does not change: innovation emerges as a result of fair competition.

In the past year, the Competition Authority has attached special importance to the digital economy. It has strived to make the right decisions in this field. These efforts should constitute encouragement of entrepreneurship that can pave the way for entry into innovative markets. That is, in addition to the incentive systems presented to support entrepreneurship, barriers to market entry must also be lifted by the rapid application of competition law. In other words, a fast-acting Competition Authority will expedite entries into the market.

Another issue to be considered is that competition law practices must be coordinated with a country's industrial policy in a way that balances the country's ultimate objectives for competitiveness and consumer welfare. How determination in the fight against cartels or behavior by a domestic industry that has been strengthened by doping in the domestic market as a result of trade wars impact competition and consumer welfare should be evaluated in this context.

Otherwise, in keeping with the analogy above, it would not be possible to regulate competition among the fish that have been taken from the ocean and put into an aquarium. Competition rules are not meant only for products that can enter the region where those laws are applicable.

A number of factors, such as the position of that region in world trade flows, free movement of goods and services, and whether technical barriers are linked rationally to industrial policy, influence the welfare of consumers in that region. The Competition Board should clarify the limit of its discretionary power with concrete justification in a way that respects consumer welfare.

Finally, let's ask the following question: Are different agencies that should determine the country's industrial policy aware of the power of competition rules? Regarding this, let's clarify the third assignment of the Competition Authority. The government should use competition rules more effectively. In particular, it is inevitable that the

Competition Authority will play a more active role in promulgating and abolishing regulations that restrict competition unnecessarily. As I mentioned, competition rules in our country are still perceived as superficial. It is also a fact that this perception cannot be changed by the actions of the Competition Authority alone. However, it is the duty of the Competition Authority to ensure that the competition game is internalized throughout the government and see that regulations are designed to include the concept of fair competition from the beginning. From this perspective, I am confident that public institutions will benefit from such coordination.

Competition rules should be known by many different elements of society in Turkey. However, if we are to discuss the next 20 years, it is inevitable that the Competition Authority will design a new road map. The concept of fair competition permeating all segments of society is the fairest arbiter of who should carry out economic activities. As such, the Competition Authority should make decisions quickly to pave the way for entrepreneurs, support innovation in particular, address the adverse effects of trade wars on consumers by considering consumer welfare in competition analysis, and finally, explain itself to the public in a way that stands firm against competition-distorting regulations of the government. By adding these objectives to the success of its activity over the past 20 years, the Competition Authority will fulfill its ultimate purpose. **EDT**

Esra Tunçay, Associate, Yazıcı Attorney Partnership
Güryay Bingöl, Partner, Yazıcı Attorney Partnership

PERSONAL DATA PROTECTION LEGISLATION AND PRACTICE IN THE EU AND TURKEY

In today's information technology age, it is for sure that personal data and data subjects now became key commercial assets for businesses and other organizations. Thus, the need to regulate the personal data processing and protection has long ago became a necessity for the entire world.

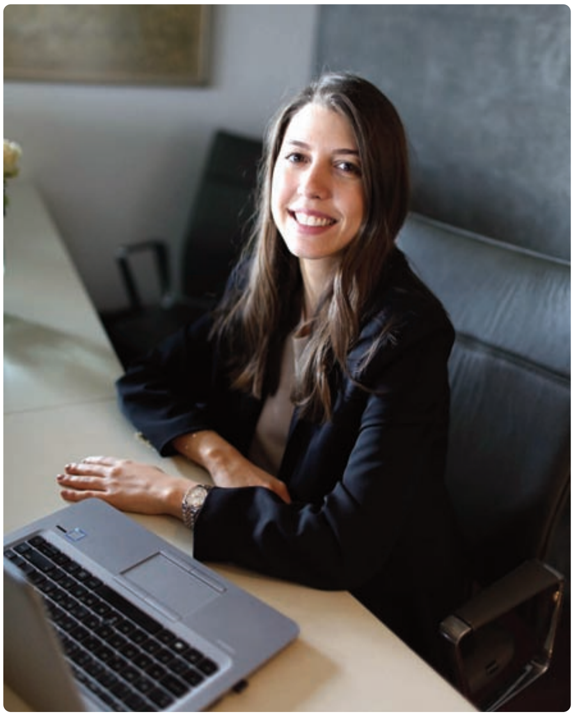
The European Union (the "EU"), The European Data Protection Directive (Directive 95/46/EC) on the protection of individuals with regard to the processing of personal data and on the free movement of such data has been adopted in 1995. Together with the European Commission's proposal of a comprehensive reform of the EU's 1995 data protection rules to strengthen online privacy rights, the discussions of a new legislation have started in 2012. Thus; the General Data Protection Regulation (the "GDPR") has been drafted, aiming to strengthen individuals' fundamental rights in this highly digitalized age and also to promote business by clarifying rules for companies and public bodies in the digital single market. Another major aspect of the GPDR is the reduction of the differences between the member states' national systems. The GDPR has entered into force in 2016 and applies since May 25, 2018.

As to Turkey, the Turkish Law on Protection of Personal Data numbered 6698 (the "LPPD") regulating the lawful processing and protection of personal data has entered into force on April 7, 2016 and the envisioned transition process for compliance has ended on April 7, 2018. In Turkey's legislation history, one can often see the impacts of EU legislation. In 1995, following the Directive 95/46/EC's entry into force in the EU, a committee was established in Turkey in order to prepare a legislation coherent with the Directive. Yet; the efforts ongoing for many years in order to introduce such a law failed due to political instabilities and bureaucratic problems. Meanwhile in 2010; Turkish Constitution was amended and a provision was added to Article 20 which regulates the right to privacy. Yet; the legislation which was needed in order to implement these rights recognized in the Constitution in practice didn't become law until 2016. Finally; during the course of intense negotiations between Turkey and the EU about Turkey's membership to the Union, the process was accelerated in 2015 and the LPPD passed in April 2016.

Both LPPD and the GPDR adopt nearly the same concepts and rules and here are some key definitions from the LPPD; first of all; 'personal data' is all kind of information regarding a natural person whose identity is or can be determined including one's government records, financial and personal information, and even name, whereas 'data processing' is any kind of action performed on data such as obtaining, storing, changing, disclosing, transferring or classifying personal data through automatic or non-automatic method as long as it is a part of any data entry system. As seen, even obtaining or recording a personal data is deemed 'processing'. Another two key concepts are the 'data controller' and the 'data processor'; the former being a legal or natural person who determines the purposes and means of personal data processing and liable to establish and manage the data registration system, and the latter being a legal or natural person who processes the personal data on behalf of the data controller based on the data controller's authorization. An appropriate example in order to draw the line between them would be an institution collecting personal data –a data controller- concluding an agreement with a cloud service provider in order to store the collected personal data. In such a case, the cloud service provider is the data processor, since the cloud service provider cannot use such data for its own purposes and also does not collect the data itself. Its only activity is to store the data received from the institution in accordance with the data controller's directions.

Both the LPPD and the GDPR determine the processing aims and grounds by establishing the

Güryay Bingöl, Partner, Yazıcı Attorney Partnership.



Esra Tunçay, Associate, Yazıcı Attorney Partnership.

'explicit consent' as the main ground for lawful personal data processing. Such consent must be given explicitly for a specific processing and a specific purpose by the data subject, with free will following the liability to inform is fulfilled by the data controller. Thus; the data controllers have an obligation to inform the data subjects regarding the processing purposes, methods, and storage periods and obtaining a legally valid consent. It is expressly stated that, conditioned consents or umbrella consents –obtained or given for a wide range of processing- is not valid. For instance; obtaining consent from the data subject by the data controller should not be presented as a prerequisite for a product or service. Other than 'explicit consent', there are several grounds established for processing personal data without the need to obtain the explicit consent of the data subject.

Requirement by law, necessity for the performance or establishment of a contract to which the data subject is party to and for the legitimate interests pursued by the controller or by a third party, except where such interests are overridden by the interests or fundamental rights and freedoms of the data subject which require protection of personal data may be shown as examples for such exceptions. Entering into details of these exceptions would go far beyond this article's aim; yet it is important to highlight that, in each case and whatever the legal ground is, the personal data should be processed for specified, explicit and legitimate purposes in line with the principles of lawfulness, fairness and transparency.

Thus, the processing should be performed in an adequate and relevant manner in line with the purpose, given that the processing exceeding such purpose is forbidden. Additionally; the data should be accurate and kept up-to-date while the storage period must be either limited with the periods specified in the relevant legislation or as long as it is necessary for the processing purpose. In sum; the data controller should not keep any personal data if there is not any underlying legal ground.

It is very important to highlight that, there are severe sanctions which may be imposed to data controllers and processor if any violation of the LPPD or the GDPR occurs. In Turkey, fine between TRY 5.000 and TRY 100.000 for non-compliance with the obligation to inform, TRY 15.000 and TRY 1.000.000 for non-compliance with the liabilities in relation to data security and TRY 25.000 and TRY 1.000.000 for non-compliance with the decisions rendered by the Data Protection Board have been stipulated. Please be noted that these sanctions shall be imposed per each violation. Set aside these administrative fines; recording personal data unlawfully may result in 1 to 3 years of imprisonment while transferring, disseminating and obtaining personal data unlawfully in 2 to 4 years. Under the GPDR; infringements of certain provisions such as the basic principles for processing, including conditions for consent or data subjects' rights shall be subject to administrative fines up to EUR 20 000 000, or in the case of an undertaking, up to 4 % of the total worldwide annual turnover of the preceding financial year, whichever is higher.

Thus; it carries a great importance for companies and public bodies to comply with the liabilities stipulated in the LPPD and the GDPR, since non-compliance might cause a high financial distress for a business. It is also important to review the decisions rendered by data protection authorities in order to understand and follow the implementation of these legislation in real-world practice.

On September 1, 2018, an interesting update came from the Information Commissioner's Office (the "ICO") - the independent regulatory office responsible for enforcement of Data Protection Act in United Kingdom whose mission has just changed to being an important resource for understanding the basics of GDPR - finding that prior consent is not required for sending marketing e-mails to employees' personal corporate e-mail addresses at a corporate body and the data controller may be able to rely on legitimate interests to justify some of its business to business marketing.

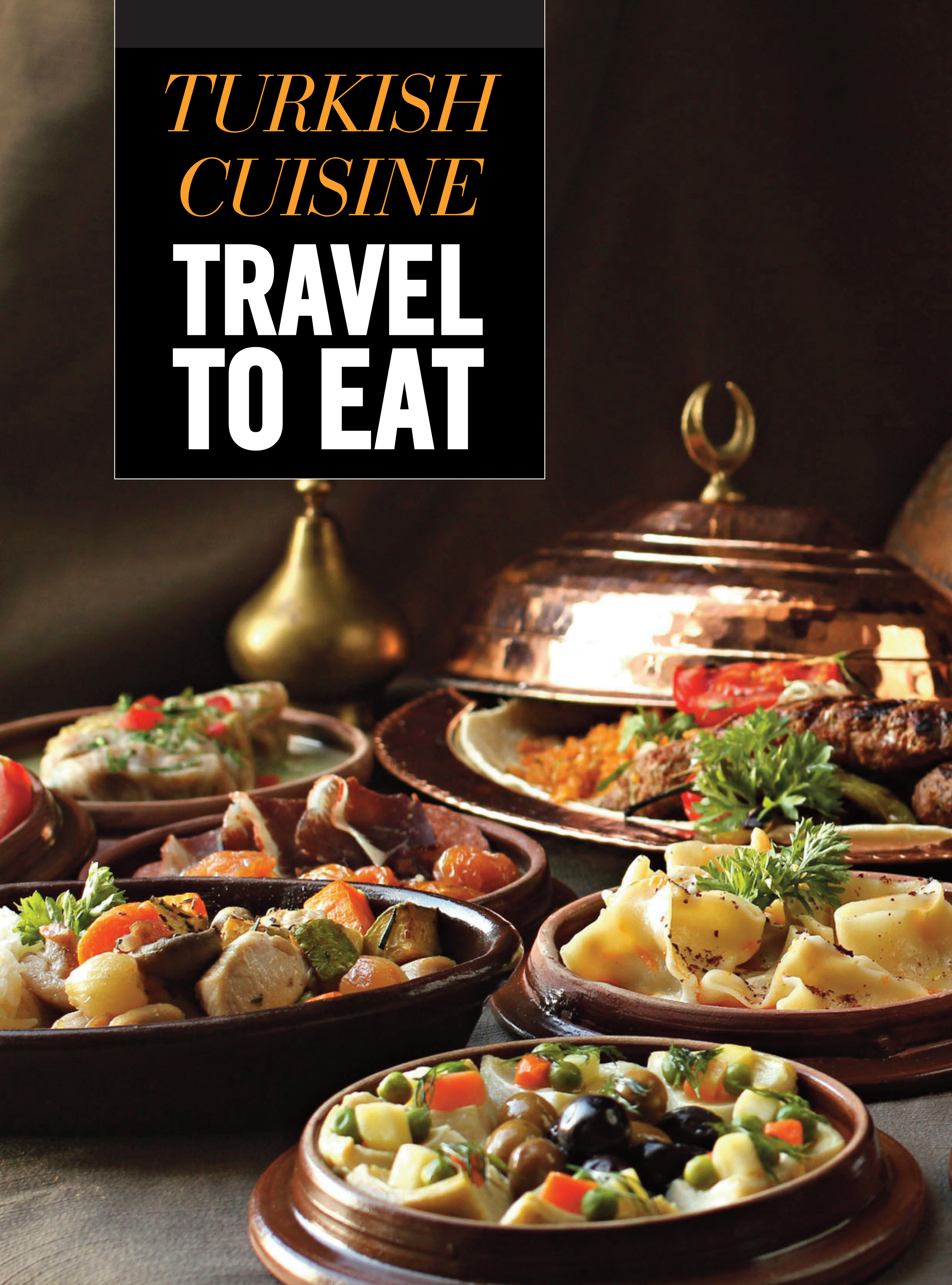
In a decision rendered by ICO on September 5, 2018 against a private organization, it was fined £60,000 for sending 1.42 million e-mails without consent.

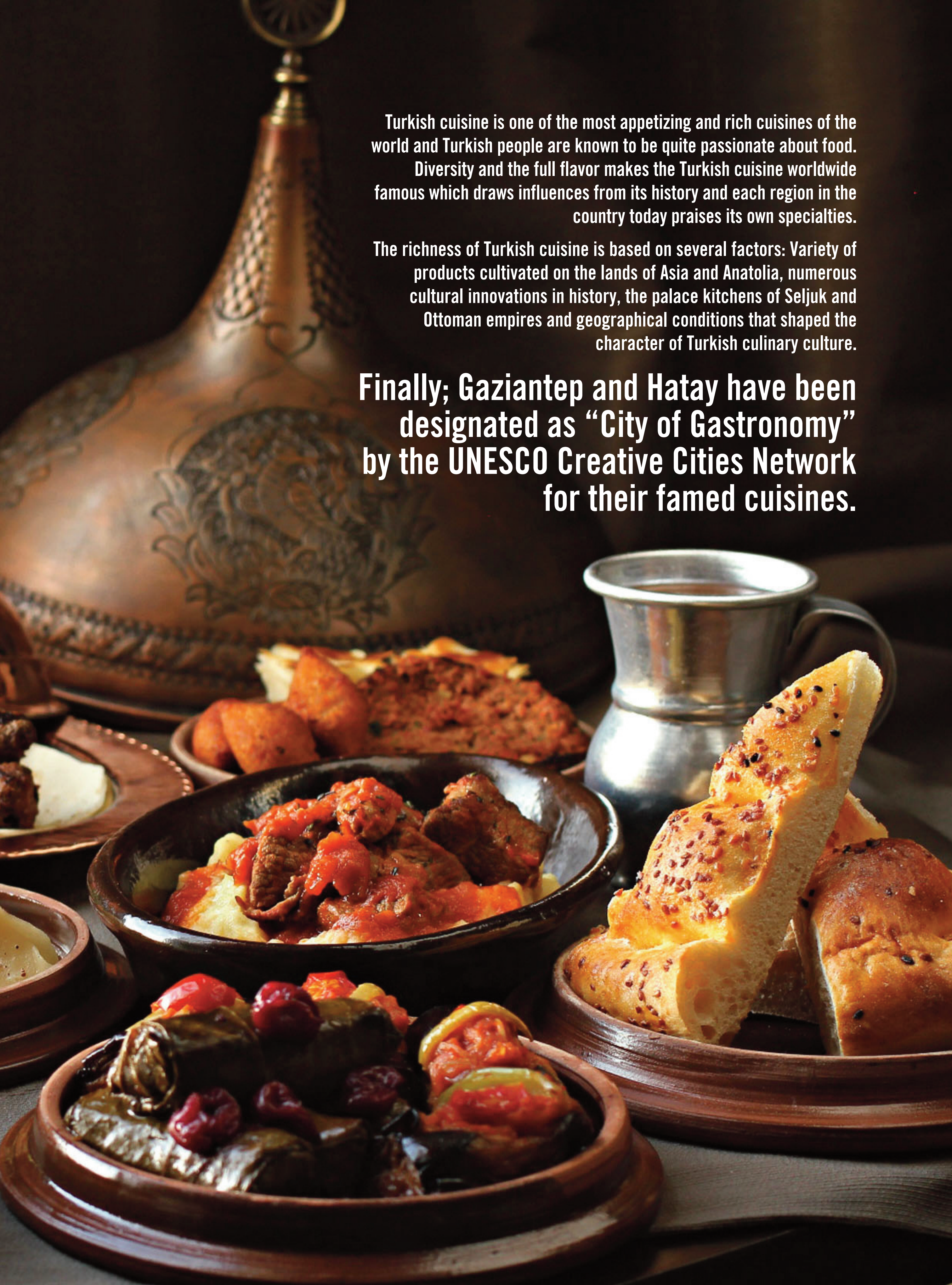
Again, this year the ICO has taken enforcement action against two firms for making nuisance telephone calls, issued enforcement notices ordering the firms to stop their illegal marketing activity and as well as the notice, one of them was fined £70,000 for making 55,534 unsolicited marketing calls to people who had not consented to being contacted by the company.

In Turkey, the Personal Data Protection Board has started to render decisions on different subjects as of 2017. One of the latest decisions in Turkey stipulates that the personal data safety violations occurring in service areas such as counters, box offices and desks, the Board has resolved unanimously for public and private institutes and organizations, primarily banking and health industries along with mail and shipping services, tourism agencies, customer service departments of chain stores; to take the necessary technical and administrative regarding the protection of personal data, in order to prevent the presence of unauthorized people in areas such as counters/box offices/desks and to prevent the persons from hearing, seeing, learning and obtaining other's personal data while benefiting from services in locations close to others. In another case, the Board has imposed an administrative fine to a holding for a member company to that holding transferred the CV of an applicant to another member company of the same holding since this constitutes a data transfer under the LPPD and there is no explicit consent of the CV holder data subject.

As a result; the LPPD and the GDPR should be reviewed with great attention and the compliance process has to be completed right away in order to promote privacy of the data subjects and to avoid any possible negative outcomes as a business, since severe monetary fines may be in question to the extent destroying the financial structure of a company. **EDT**

TURKISH CUISINE
TRAVEL TO EAT





Turkish cuisine is one of the most appetizing and rich cuisines of the world and Turkish people are known to be quite passionate about food. Diversity and the full flavor makes the Turkish cuisine worldwide famous which draws influences from its history and each region in the country today praises its own specialties.

The richness of Turkish cuisine is based on several factors: Variety of products cultivated on the lands of Asia and Anatolia, numerous cultural innovations in history, the palace kitchens of Seljuk and Ottoman empires and geographical conditions that shaped the character of Turkish culinary culture.

Finally; Gaziantep and Hatay have been designated as "City of Gastronomy" by the UNESCO Creative Cities Network for their famed cuisines.

GAZIANTEP

As per UNESCO, Gaziantep is well-known for its long gastronomic history which has been at the core of its cultural identity since the Iron Age.

Gaziantep has a strong reputation in all culinary areas and one of the real treats of the city is its incredible food. The pistachios and thus the baklava are considered to be the best in the world and it is the only Turkish foodstuff to have achieved the honor to be officially protected by the European Union as an authentic food. An international festival is even organized every year in Gaziantep to celebrate pistachios and culture, the "International Gaziantep Pistachio Culture and Art Festival".

Over the centuries, Gaziantep chefs have used local produce to create Turkish dishes with a twist. Most meat dishes are known as kebabs and they are often accompanied by pistachio, olives, and fruits such as apricot, plum and apple. Meat stews with yoghurt are a staple, and meatballs are often stuffed with locally grown vegetables, bulgur and lentils with their meat. Thanks to its cultural assets and its involvement in a constant urban development, the city of Gaziantep has been awarded in 2015 from European Commission EDEN Award on "Local Tourism and Gastronomy" and has been recognize by UNESCO as a Creative City in the field on gastronomy.

BAKLAVA

Baklava is a rich, sweet pastry made of layers of filo with chopped nuts, sweetened and held together with syrup or honey and is popular all over the world. The history of Baklava is not well documented, but there is some evidence that its current form was developed in the imperial kitchens of the Topkapı Palace in Istanbul. The Sultan supposedly presented trays of baklava to the Ottoman household troops and bodyguards every 15th of the month of Ramadan in a ceremonial procession called the Baklava Alayı. However, in 2008 the Turkish patent office registered a geographical indication for Antep Baklava and in 2013 Antep Baklavası or Gaziantep Baklavası was registered as a Protected Geographical Indication by the European Commission. So, baklava now officially belongs to Gaziantep!

Besides its gastronomic tourism, the city counts many museums which the Zeugma Mosaic Museum, the city's top tourist attraction. Opened in 2012 it displays fine mosaics unearthed during the excavation of the nearby Belkis-Zeugma archaeological site. On opening it became the world's largest mosaic museum. Some other museums have been settled in old Gaziantep mansions as Emine Göğüş Culinary Museum (the first of Turkey), or the City Museum set in the restored Bayazhan building.

Baklava

SOUPS

Soup is a major part of the Anatolian diet and Gaziantep has created a few that are well known across Turkey. Yuvalama is the most popular, enjoyed very much by locals during the three day Bayram festivities at the end of Ramadan. Yuvalama is a chickpea soup made with lamb, filled with meatballs and accompanied by a spoonful or two of yoghurt. This soup is regarded as one of the most important foods of Gaziantep culture.

KEBABS

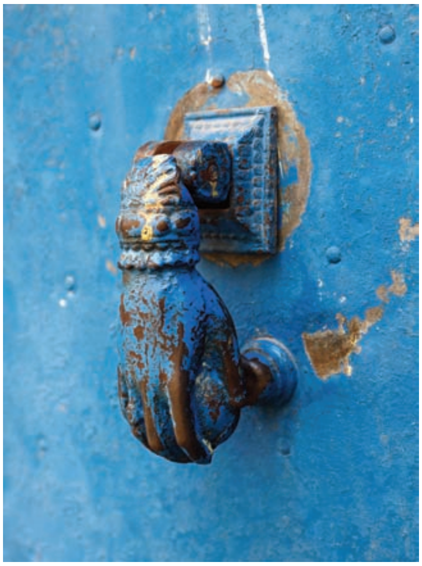
We can't talk about Turkish food without mentioning their famous kebabs and of course Gaziantep has it's own versions of those too. The Kilis Kebab is a bit different, the meat is ground and then cooked in a pan in the oven rather than the traditional method on a grill. Turkish grown pomegranate fruit is featured again in the Sarımsak Kebabı, mixed with beef and garlic. Of course, they have also found a way to incorporate their famous pistachio nuts too with the Simit Kebab where you will find a mixture of meat and bulgur smothered in a pistachio puree.

Popular Restaurants in Gaziantep

Kebapçı Halil Usta: Küşleme, simit kebabı
İmam Çağdaş: Alinazik, baklava, patlıcan *(aubergine)* kebabı
Aşina: Yuvalama
Mutfak Sanatları Merkezi: Meat dishes with fruit
Üçler Kebap: Lahmacun
Koçak Baklava: Baklava
Ciğerci Ali Haydar Usta: Ciğer *(Liver)*
Zekeriya Usta: Katmer
Metanet Lokantası: Beyran Çorbası *(Soup)*

Yuvalama

Sarımsak Kebabı (Kebab with garlic)



HATAY

Hatay hosted 13 of the 23 civilizations; a city where Arabians, Turkmen, Circassians, Christians, Jewish, Armenians, Nosairians and Sunni people lived together for hundreds of years, and civilizations and cultures were united. Due to the richness of all these ethnic origins and religions, the cuisine culture is also well-developed. Located on the Spice and Silk Roads, being a door to Mesopotamia and the Middle East, Hatay is a quite rich city in terms of its cuisine culture, the kitchen utensils that have been used for hundreds of years, and preservation of the local recipes and passing them from generation to generation.

The answer to the question "Live to eat or eat to live?" in Hatay is "Live to eat". Hatay community consists of people that live thinking what to eat the next day, that are fond of having pleasure, and each and every of them are gourmets due to their fertile soil, climate, abundance and cheapness of fruits and vegetables, and high welfare and living conditions.

The Most Popular Restaurants

Pöç Kasabı ve Kebap Salonu: Tepsi Kebabı, Kağıt Kebabı
Sveyka Restaurant: Sucuk Roll, Vişne Kebabı,
Anadolu Restaurant: Künefe, sac oruğu, peynirli irmik helvası
Sultan Sofrası: Ekşi aşı, oruk, borani, kaytaz böreği, frik pilavı
Avlu Restaurant: Meze, sac kavurma
Abdo Döner: Hatay Döneri
Dönerci Tacettin: Hatay Döneri


Humus


Künefe


Şam Oruğu

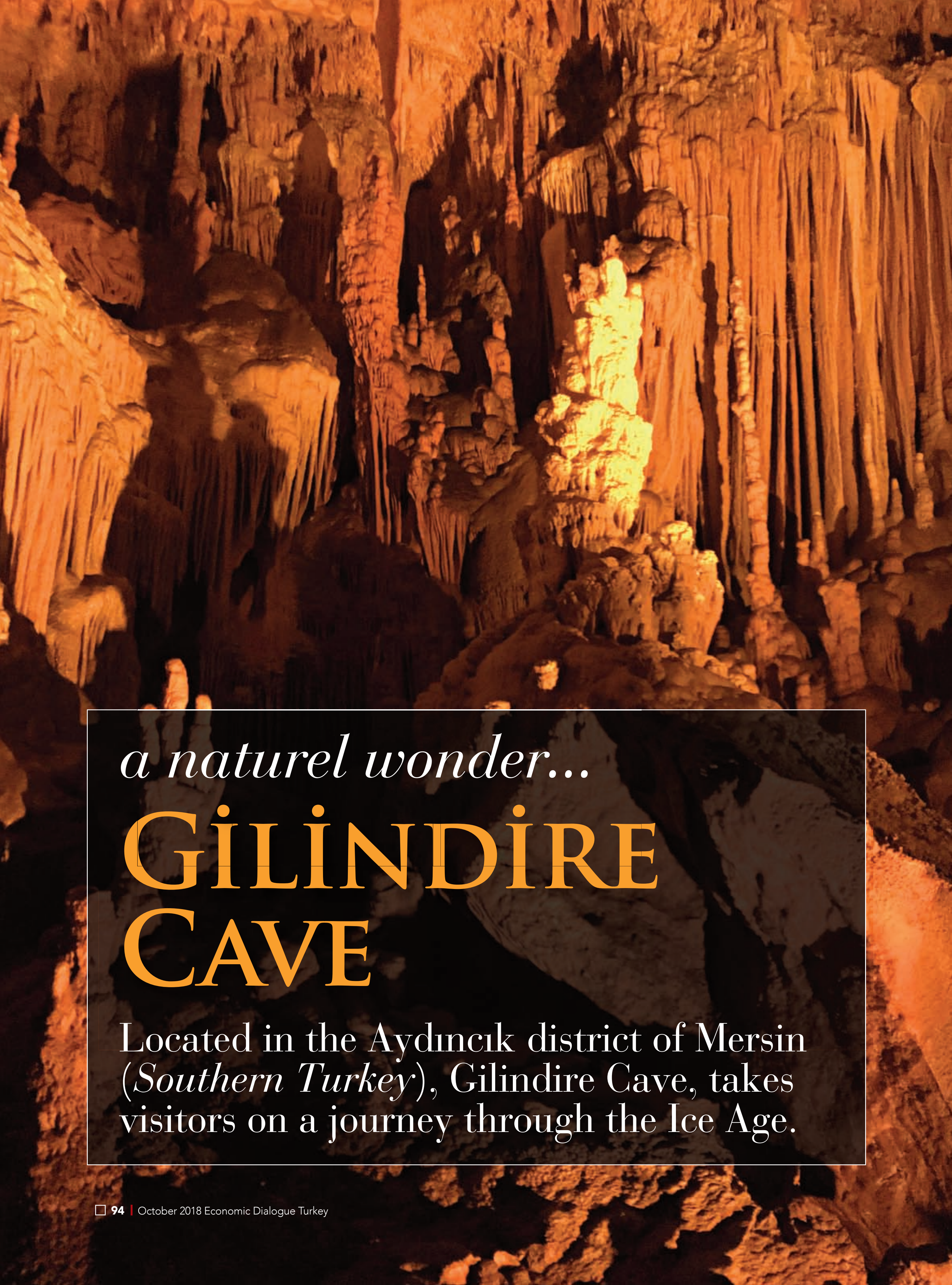

Abugannuş

Şam Oruğu - Stuffed Bulgur Balls: It is a religious celebration and special occasion dish. Because its making is very tedious. In Hatay, women make this dish by gathering in their homes. It is served by frying, roasting or boiling.

Abugannuş: It is made with eggplants, tomatoes and peppers grilled on the embers or in a stone oven. It is served with lots of olive oil and pomegranate syrup.

Humus: It is an appetizer containing a combination of boiled chickpeas, tahini and lemon juice. It is served with pine nuts fried in butter.

Künefe - Sweet pastry with cheese: It is an essential dessert in Hatay. It is made by cooking shredded dough with the indigenous salt-free cheese slowly in copper cylinders on coal fire, and is served with lots of grape juice. **EDT**



a naturel wonder...

Gİlİndİre Cave

Located in the Aydıncık district of Mersin (*Southern Turkey*), Gilindire Cave, takes visitors on a journey through the Ice Age.

The fossil cave whose entrance is situated on a slope at 45 meters above the shore has stalactites, stalagmites and column formations as well as rare features such as cave pearls, travertine and showerhead stalactites. Gilindire cave was accidentally found by a shepherd in 1999. Regarded as unique by scientists, Gilindire Cave is situated over 265 acres - it is 555 meters wide and 46 meters deep. The main gallery, which extends 450 meters horizontally, leads to a lake at the bottom of the cave.

According to studies, Gilindire was formed during the climate change in the Quaternary Period, the last period of the Cenozoic Era. As the

The caves contain geological, geomorphological, anthropological, archeological, biological, ecological, sociological, historical and cultural values within themselves.

level of the Mediterranean Sea increased by 70 meters, the bottom of the cave remained under water. Due to hydrological changes, the stalactites and stalagmites in the cave remained under water and survived to this age without being affected from atmospheric changes. It was determined that the underwater geologic formations formed before the global climate change event, and hence they contain hydrologic and atmospheric data from the previous ice age. The cave is the only ice age data source in Eastern Europe, the Middle East, Balkans and Eastern Mediterranean.

The lake in Gilindire Cave is 47 meters below sea level. The water at the surface of the lake to 12 meters down is hard and mineral-rich, while the deeper water is salty. Since there is no current in the lake, it is a great reflector, so locals call it Aynalıgöl (Mirror Lake). Gilindire Cave opened to visitors in 2014. Visitors go into the cave, which is located in one of the unique bays on the Mediterranean by walking down the stairs to astonishing geologic sights. Seeing stalactites, stalagmites, columns, cave pearls and travertine, visitors feel as though they are traveling through the Ice Age. Officials in the cave help visitors who cannot see the water in Aynalıgöl because of the reflection. Officials working in the cave show the water with the help of flashlights and warn visitors about the water.

Location

Gilindire Cave is located approximately 7.5 km southeast of Sancak Point in the Aydıncık district, part of the Mersin Province. Its entrance faces the Mediterranean Sea, and a small village lies in front of the cave. The cave is accessible by sea via a 1 1/2-hour boat trip from Aydıncık, or by land via a 15–minute walk from the Antalya-Mersin highway. A steel stairway leads down to the cave's entrance from above. **EDT**