

“TURKISH BUSINESS OPPORTUNITIES”

TURKEY’S TRADE DEVELOPMENT STRATEGY TOWARDS THE AMERICAS

Turkey has diversified its export markets with the help of new strategies launched since 2000. Turkey has been making considerable efforts in order to increase its exports towards new and alternative markets.

Trade Enhancement Strategies towards Neighbouring and Surrounding countries, African countries and Asia-Pacific countries are among the strategies followed for this purpose.

The strategy to improve trade with the neighbouring and surrounding countries was initiated by the Undersecretariat for Foreign Trade at the beginning of 2000. That strategy includes 50 countries having historic and cultural ties with Turkey, has yielded positive results raising our trade volume with these countries from 19.9 billion dollars in 2000 to 59 billion dollars in 2005.

A similar strategy towards the African countries started to be implemented in 2003, and the results attained so far in terms of trade volume seems to be much promising. Trade with the African countries that was 5.5 billion dollars in 2003, increased 74.5 percent reaching 9.6 billion dollars at the end of 2005.

We also launched a trade development strategy towards the Asia Pacific region in 2005. This strategy incorporates countries of mainly the Far East and Pacific region. The trade volume with the countries within this region is expected to increase to 7-8 billion dollars in 5 years perspective.

Considering the success of the trade improvement strategies implemented before, we initiated the Trade Enhancement Strategy towards Americas at the beginning of 2006. In fact, this strategy encompasses two different strategies, one for the North America and the other for the Latin America.

TRADE ENHANCEMENT STRATEGY TOWARDS THE USA

The USA is an important trade and economic partner of Turkey. Recent developments in Turkish economy provided a new window of opportunity to foster Turkey’s trading and economic relations with the USA.

The trade volume between Turkey and the US was over 10 billion dollars in 2005. 4.9 billion dollars of that were our exports to the US and 5.3 billion dollars were our imports from that country. In other words, in 2005 about 6.7% of the total Turkish exports were directed to the US market, while 5.1% of total Turkish imports came

from that country. At the first five months of 2006 Turkey exported from and imported to the USA 2.15 and 2.22 billion dollars worth of goods respectively. Together these figures amount approximately 5.2% of total Turkish trade.

However, as we approach from the US side the picture seems very different. Turkish exports to the USA are just around 0.3% of the total USA imports in 2005 and the situation was even worse before.

Taking into account that the USA is an economy of about 12.5 trillion dollars, it is obvious that there is still a huge trade potential to be utilized. Therefore, Turkey needed a new and different approach towards the American market.

The Trade Enhancement Strategy towards America has been initiated from the beginning of 2006 onwards.

This is a comprehensive policy to help Turkish businessmen to succeed in the vital but increasingly competitive American market. However, this is not just a marketing strategy. On the contrary, it is a part of a concerted exercise to improve Turkey's popularity.

Targeted States

The US market, with a liberal nature and appetite for consumption, offers wide range of opportunities for traders. However, as a result of these same qualities the US market is a highly competitive, specialized and responsive market, which necessitates long term and firm marketing policies.

Since each state within the US has its own economic and social structure, it is wise to apply state based and long term strategies for entering the US market.

For this reason, by taking into account different economic criteria like states' GDPs, import capacity, market size, and export potential, out of the 50 states of the US primarily six states have been selected. These are California, Texas, New York, Florida, Illinois, and Georgia. These states contain the 15 most important customs points in the US. Each of these states is considered as business centers. Furthermore, these states occupy an important place in the Turkish trade with the US. The inflow of 64,3% of the Turkish exports to the US, and outflow of 60% of Turkish imports from that country is realized within these six states.

Sectors and Product Groups

Within the targeted states, the trade enhancement strategy towards the US will concentrate on: agricultural products and processed foods, plastics, apparel, yarns and fabrics, home textiles, marble, ceramic tiles and sanitary ware, glassware, jewelry, copper and aluminum products, pumps, air conditioning machines, machine tools, electrical equipment, home appliances, cables and auto spare parts. These products are usually considered as Turkey's traditional export goods.

These product groups are determined by matching the imports patterns of the targeted states with those of the strongest exports items of Turkey.

Our main priority in implementing this trade enhancement strategy will be to encourage the Turkish companies to export high value added products under their own brand names.

Action Plan and the Tools to Be Utilized

Within this framework, the first pillar of the strategy is to improve the image of Turkey and Turkish products and create awareness among the US public on the quality and variety of Turkish products. The second pillar is to enhance the legal and political infrastructure so that the entrepreneurs of both sides could easily establish trading relations.

Moreover, this strategy not only aims to increase trade but also encourage direct investment. Therefore, explaining the opportunities in improving trading and investment relations between Turkey and US to the entrepreneurs of the both sides is an important target of the strategy. All kinds of commercial collaboration from simple commercial exchanges to joint ventures are encouraged.

As a part of the promotion campaign for Turkish products and investment opportunities in Turkey, special importance and precedence has been given to trade promotion activities such as fair participations, trade delegation programs and buyers' missions. With the aim of creating awareness among the American business communities on how we can further enhance mutual trade and investment cooperation seminars, conferences and meetings are organized.

Within this framework, through 2006 Turkish firms are encouraged to participate over 214 fairs in the US. Besides, until July 2006 governmental participation has been organized to 6 of these fairs and 4 more such organization is planned for the rest of the year.

On the other hand, concurrent with the 26th Joint Annual Conference of the American-Turkish Council and The Turkish-American Cooperation Council, on March 2006 a trade delegation program had been realized. 2 more trade delegation programs will be organized in September. One of them will be in New York targeting leather, home textile, clothing, jewelry, agricultural products, furniture and natural stone products sectors. The second one will be in Chicago and will aim to reach businessmen willing to trade in food, machinery, automotive spare parts and electrical machinery sectors.

A buyers mission have been organized in June 2006 on ceramics. Besides, the participation of US firms to other buyers missions in Turkey is encouraged.

As a part of the promotion activities, "Hazelnut, natural stone, marble, ceramics, leather promotion groups" intensified their activities towards the US market. They

cooperate with public relations companies in order to develop sectoral market access strategies.

Besides the promotion activities, it is important to make arrangements that diminish the problems Turkish exporters face during accessing the US market and facilitate the smooth and quick flow of trade. Within this framework, the target is to complete the legal framework on the initiatives like container and food security that the US fostered after the September 11 terrorist attacks.

Last but not least, through this strategy the aim is not only to enhance trade but also to foster investment relations. There are already over 600 US firms operating in Turkey. By utilizing the environment created by the sustainable economic growth and stability in the recent years, we aim to attract the attention of US investors even further. Therefore, the "Business Cooperation Development Project" meetings jointly organized by the American and Turkish Chamber of Commerce in July and September is an important platform for explaining the investment opportunities in Turkey. Besides, in order to introduce the production opportunities and setting up business connections between producers of the two countries "Export Oriented Investor and Outsourcing Missions" are planned to be organized.

Furthermore, in order to implement our strategy to enhance trade and investment with the US, having trade representatives in this country is very important. Therefore, in addition to New York and Washington D.C., we will set up new trade office in Los Angeles and Chicago.

The US Trade Enhancement Strategy is implemented by Undersecretariat for Foreign Trade, already in cooperation with public and private sectors, namely Turkish-American Associations based in the US, consular agents, official representatives and civil society organizations.

In order to reach the targets of our strategy, we are aware of the fact that we should establish solid and long term relations between business associations and chambers of commerce of the two countries. Thus, we encourage Turkish Business Associations to set up solid linkages and cooperation with their US counterparts.

Within this framework, analyzing the results of the trade enhancement strategies towards various regions in the former years, we aim to double our exports to the US, which had been 4.9 billion dollars in 2005, with the initiation of Trade Enhancement Strategy at the beginning of 2006.

TRADE ENHANCEMENT STRATEGY TOWARDS LATIN AMERICA

Latin America and Caribbean is a region of increasing significance for Turkey, since we aim at market diversification. The region is one of the richest regions in the world in terms of natural resources. As democratic structures take root and economic reform progresses, the region's GDP and consumer markets are growing. Strong trends of regional political and economic integration are evident. The region achieved 6.1% GDP increase (real terms) in 2004, and 4.9% increase in 2005. It's export

increased 12.5% in 2004, 10% in 2005. The region's population is forecast to reach 625 million by 2015.

The commercial relations between Turkey and the Latin American countries show a steady increase; from 600 million dollars in 1995 to 2.2 billion dollars in 2005. The exports of Turkey to the region has reached to 512 million dollars, where the imports from the region represents a value of 1.475 million dollars.

Despite this increase in trade volume between Turkey and the Latin American countries, trade figures show not only an imbalance but also prove the undiscovered economic potential between the two parties. Geographical distance, lack of scheduled flights, non-familiarity to the region's languages, economic crises in the region and the following protectionist trade and exchange rate policies, complex preferential trade network, insufficient number of our embassies in the region are discouraging factors for our businessmen. Visitor numbers from Latin American countries remain small in overall terms. Therefore, we should dismantle these barriers to increase our trade and economic relations.

It will take time and sustained effort, but it is not impossible to tackle with these problems. For example, with regard to the geographical distance and the impact of transport costs on trade, empirical studies show that while higher distance and poor importer's infrastructure increase the transport costs, a higher volume of trade has the opposite effect. An expanding volume of trade also reduces the unit cost of transport, so we should increase the cooperation in sea transportation with Latin American countries. Brazilians, for example, are interested in Mersin port, because it provides suitable conditions in terms of infrastructure.

Through the Latin America Strategy we aim at increasing our exports to 3-4 billion dollars in 5 years time and ensuring sustainable presence in the region, including contracting services and investments.

Main export items of Turkey to the region are; vehicles with engines, iron and steel, ships, nuclear reactors and machinery, edible fruits and nuts, synthetics and fiber. On the other hand, Turkey imports from the region; copper, mineral fuel and oils, electrical machinery and equipment.

Six key countries are accorded priority under the Latin America Strategy: Argentina, Brazil, Chile, Cuba, Mexico and Venezuela. These countries are the locomotives of the developments in the region.

Our new strategy has a long-term outlook, and there remains much to be achieved. The Strategy has not only been designed to enhance exports, but also to further promote business opportunities in different fields such as banking, contracting and consultancy services, defense industries, free zones, transportation and telecommunication, tourism, and small and medium sized enterprises. We are planning to open new commercial consulates in the region.

There are several means that are planned to be utilized within the framework of this strategy. Among these are,

- Reciprocal Agreements on the Protection and Encouragement of Investments, Avoidance of Double Taxation Agreements,
- Joint Economic Commission Meetings,
- Cooperation Agreements on technical areas such as Agriculture, Communication (Navigation and Air Transportation), Tourism, Banking, Customs, Health and Standardization,
- Establishment of Business Councils
- Participation into the fairs
- Organizing Buyer's Missions to Turkey from various Latin American countries, and
- Cooperation in Constructing and Consultation.

For a wider representation and strengthened engagement in the region we are planning to open new commercial consulates in the target countries.

Economic and Commercial Cooperation Agreements establishing Joint Economic Commissions, Reciprocal Agreements on the Protection and Encouragement of Investments and Avoidance of Double Taxation Agreements constitute legal framework of our Economic and commercial relations.

We already have in force Economic and Commercial Cooperation Agreements with Brazil, Argentina, Chile, Mexico, Cuba and Jamaica. Furthermore, there are agreement proposals between Turkey and Dominican Republic, Paraguay and Venezuela. We have signed agreements with Guyana and Colombia, but they have not entered into force yet.

The process for signing trade and economic cooperation agreements with the countries such as Peru, Bolivia, Paraguay, Colombia, Guatemala, Ecuador, El Salvador, Honduras, Costa Rica, Nicaragua, Panama and other Caribbean countries were initiated.

We have Investment Agreements with: Argentina, Chile and Cuba. We are negotiating an Agreement on Avoidance of Double Taxation with Cuba. We have Joint Economic Commission mechanism with Brazil, Argentina, Cuba, Mexico and Chile. Within the framework of our strategy we aim to organize Joint Economic Commission Meetings with Argentina and Cuba this year.

As a provision of the Customs Union Agreement with the EU, Turkey has to adopt the common custom duties which the EU implements to the "third parties". Therefore, Turkey needs to conclude a Free Trade Agreement (FTA) with Chile and Mexico since they have already signed an FTA with the EU. Turkey also wants to sign an FTA with MERCOSUR, holding FTA negotiations with the EU.

We are planning trade missions to Argentina, Brasil, Mexico and Chile this year and 2007. We are also planning buyer's missions to Argentina, Brasil, Mexico, Chile, Venezuela and Colombia, construction services missions to Argentina and Cuba this year.

With regard to the activities carried out within the scope of Latin America Strategy, Foreign Minister Abdullah Gül accompanied by representatives from our Undersecretariat, some members of Parliament, businessmen, media and bureaucrats paid a visit to Brazil in January 2006. With a population of 186 million and 8.5 million square kilometers land, Brazil is not only the biggest country in Latin America but is also the ninth biggest economy in the world. As such, Brazil is expected to play the role of catalyst in Turkey's economic and trade relations with the rest of the Latin American countries. Turkey-Brazil bilateral trade in 2005 reached nearly \$900 million, with a staggering deficit of \$500 million against Turkey. Therefore, the focus of the visit was economic cooperation in several areas. For example, Brezilian oil and gas company Petrobras, together with Russian Gazprom, is planning to search for oil/gas under the Turkish seas.

Another activity was the "Latin America Week" celebrated between June 5-11, 2006. Officials of the foreign and economy ministries of Latin American countries, and officials of the industry and trade chambers, as well as Turkey's honorary consul generals in Latin American countries took part in the celebrations. A conference on 'Turkey-Latin America: Developing Relations, Perspectives, Expectations' was held in Ankara on June 7. On June 9, a meeting on 'Turkey-Latin America: Boosting Economic Relations' was organized in Istanbul. In addition, a tourism conference was held on June 10. Meanwhile, mutual high-level visits are scheduled within the framework of the action plan which aims to develop industrial, economic and cultural relations between Turkey and Latin American countries.

These contacts are followed by positive developments: Turkish Airlines wants to start flights direct flights between Istanbul and Sao Paulo and Buenos Aires soon. This will be a very important step enabling Turkey to open up to Latin American countries. And, Turkish textile sector is preparing to enter the Latin American market in cooperation with Portugal.

In conclusion, the region is a new and challenging market for Turkish exporters. However, we believe that these efforts will yield constructive and fruitful results in enhancement of commercial and economic relations with Latin American and Caribbean countries. We will pursue an active strategy to seize the economic and political opportunities offered by the Latin American region.

Considering the success of the trade improvement strategies that were implemented until now, we have no doubt that the Trade Enhancement Strategies Towards the Americas will be another success story in terms of improving trading and investment relations.