

FOREIGN MARKET CONSULTING



Danismanlik ve Tic. Ltd. Sti.

Attached is our latest monthly newsletter providing summaries of recent economic and political developments in Turkey.

Please note that beginning from this year we also offer 2-day intensive **seminars on 'Business in Turkey'** presented at our offices in Istanbul. Please find further information [Business in Turkey Seminars](#).

We would welcome your feedback on our Newsletter and any other matters that you consider may improve or add to our newsletter service. Please also do not hesitate to contact us if you wish to learn about our wide range of available services.

If you know anyone else who would be interested in this free service, please forward this newsletter to them or alternatively, provide us with their e-mail address (to newsletter@fmconsulting.info), so that we can include them on our distribution list.

Best regards,

Your FMConsulting Team

Newsletter July 2007

Economy

Overview of Monthly Data

YTL-Rates	06.29.2007	07.31.2007	Change in %
YTL pro Euro	1.7670	1.7557	-0.64
YTL pro USD	1.3109	1.2807	-2.30

Stock exchange index	47.093	51.299	8.93
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Inflation in %	Monthly inflation	Annual inflation
Producer prices	0.06	2.08
Consumer prices	-0.73	6.90

Growth Rates

Economic Growth Rates (%)					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Yearly
2000	4.2	5.4	7.2	7.8	6.3
2001	-3.3	-12.3	-9.1	-12.3	-9.5
2002	0.6	10.4	8.0	11.8	7.9
2003	7.4	3.6	5.6	7.2	5.9
2004	13.9	15.7	5.7	6.6	9.9
2005	7.5	4.7	8.0	10.02	7.6
2006	6.3	9.3	4.3	4.6	6.1
2007	6.7				

KOC: Build on economy, build on relations with US

The chairman of Koc Holding, Mustafa Koc expressed, that the newly re-elected government - the Justice and Development Party (AKP) - while continuing its reforms, has to take measures to address those issues which have been left by the way side. Koc said "Without giving concessions to our financial discipline and the impetus on our annual growth, we have to overcome our current deficit and employment troubles. In this situation, the president should be chosen in accordance, and relations with the US could again be built upon."

Growth in employment must be provided

Turkey has provided 21 consecutive quarters of economical growth. However, the growth connected with low exchange rates has an effect on the export sector, and means other countries production and employment increases, instead of Turkey's. It was emphasised that to create this model of growth in Turkey it must use its head and think both hard and fast.

Budget deficit for first half of year is 5.9 billion YTL

The overall budget deficit in the first half of the year stood at just 5.9 billion YTL. It stayed below its yearly target. With its budget outlay coming to 100.7 billion YTL, its year end goal was at a level of 49%.

The budget for the first half of the year

Budget enteries	January-June	Year end goal
Revenue	94.794.653	188.158.954
Overall Expenditure	100.679.443	204.988.546
1-interest excluded	73.785.977	152.042.522
2-Interest	26.893.466	52.946.024
Budget balance	-5.884.790	-16.829.592
Interest growth balance	21.008.676	36.116.432

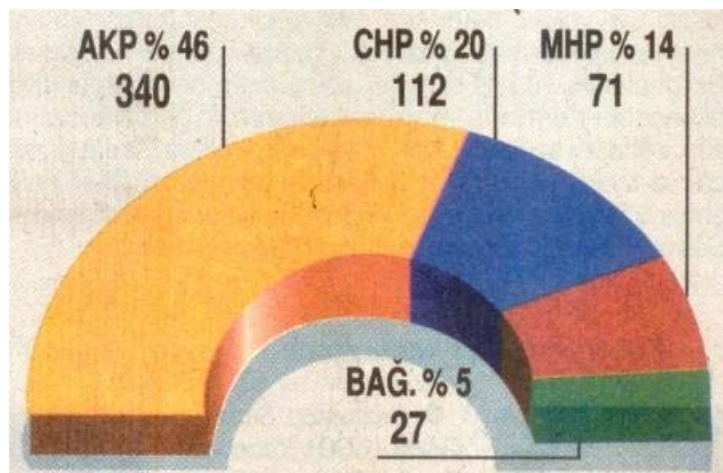
Business World stresses most pressing problems: Terror and unemployment

The Business world stressed that instead of losing anymore time discussing issues about the new president, more attention must be given to finding solutions to more pressing problems. Terror and unemployment are placed at the very top of the list, followed by: economic growth; investment recovery, and the informal economy.

Politics

Election Results: AKP landslide

The General Election resulted in the landslide victory of the ruling party of the past 4.5 years; the Justice and Development Party (AKP). The party took 46% of the votes, giving them a total of 340 parliamentary seats. This means that they have the necessary amount of seats to enable them to form a one party government in parliament. The Republicans People's Party (CHP) obtained 20% of the votes, which translates as 112 seats, and the Nationalist Movement Party (MHP) managed 14%; giving them 71 seats. There were 27 independent candidates likely to enter parliament who are not subject to the 10% threshold constraints (a total 5.6% of votes) placed on political parties. These were mainly backed by the Democratic Society Party (DTP); a pro-Kurdish party.



Election results positive for markets

This year's general election in Turkey has provoked world wide attention. An election that in the whole of Turkey's history has proved to be the most crucial, and one that has attracted the most attention from the foreign press. The Islamic-rooted Justice and Development Party (AKP) has provided an overwhelming majority mandate for reform, but at the same time has set the stage for renewed tensions with secularists. Reuters, though the AKP's percentage of votes was higher than those of 2002, the opposition's votes also increased. The opposition's increasing votes will make it difficult to reach the majority in order for a change in the constitution.

Oppositions disappointment

The leader of the Republicans People's Party (CHP), Deniz Baykal talked for the first time since a call for his resignation after the party's "failure" against the Justice and Development Party (AKP).

Baykal yesterday opposed public opinion by stating that compared to the elections of 2002, the party had seen a 1.5 percent increase in votes, and that this he said, has to be counted as success. Baykal stated he has no intention of resigning, insisting that the Turkish Republic is under more threat now than ever, which in turn creates a greater necessity to defend it.

Business world wants compromise on presidential election

A heated agenda is expected to emerge from Ankara in August after the recent general election. When the next parliament opens the process of electing a new president will begin based on the preliminary government schedule. Because the government could not reach a unanimous decision on who will be president, this new period in Turkish politics will be followed carefully, not only at home, but also abroad. Abdullah Gul has stated that he will be putting himself forward as a candidate for the presidency, and so the business world is asking for the issue of the presidential candidacy to be approached with compromise before and after the election. The names that will be nominated and elected for the candidacy can also determine the formation of the cabinet as far as the AKP are concerned.

U.S.A criticises Turkey-Iran gas deal

Turkey's natural gas deal has created a certain amount of unease with the Washington administration. The spokesperson for the U.S Embassy, Kathryn Schalow, expressed concern on the decision for energy cooperation with Iran. Schalow states this agreement is not a good idea while Iran is under sanctions for its nuclear programme. The U.S.A. ambassador in Ankara, Ross Wilson called for a meeting with the Turkish Energy Minister, Hilmi Guler, concerning the gas deal agreed upon between Turkey and Iran.

Other Topics

The tender for the new international terminal to be built at Istanbul Sabiha Gokcen Airport, (BOT model) was won by Limak in a joint venture between Indian and Malaysian companies by its offer of 1.9 billion Euro.

The block sales of the Pektim shares (petrochemical company) of 51% was won by TransCentralAsian Petrochemical (Russian, Kazakian and U.S. companies for 2,05 billion dollars.

During the first year of the Baku-tiflis-Ceyhan oil pipeline a total of 164 Mio barrels of crude oil were loaded onto 201 tankships for transportation. This operation earned Turkey the grand sum of \$750 Mio.

Ukraine

4th YES summit runs through on July 1

The 4th YES summit in Yalta ran through on July 1. The summit aimed at discussions of the EU-Ukraine relations, Ukraine's Euro integration bids, positive changes in the Ukrainian economy linked with the Europe 2012 and the political situation inside Ukraine. The YES summit was established in 2004 to stimulate the development a free, wealthy and fair Ukraine, reach beneficial relations with other countries and support Ukraine's Euro integration bid.

Ukraine attracts foreign attention

The long-awaited grand opening of the five-star Hyatt Regency Kiev – St. Sophia is slated for the first week of September, making it the second international hotel brand to enter the capital after 2005's arrival of the Radisson SAS. The hotel is located in the city center, steps away from St. Sophia Square and Cathedral and near many of Kyiv most popular tourist attractions. The new hotel, which boasts 234 luxury rooms, including 25 suites, with a mid-range price of 300 Euros per night, features conference and banquet halls, ballrooms, a luxury spa, swimming pool and workout facilities, as well as shopping, an Asian and Western grill restaurant, an 8th floor bar with an outdoor terrace, and a wine bar. The Hyatt's Regency brand hotels are designed to accommodate international business travelers. The Hyatt is the third five-star hotel to open in Kyiv, following the Premier Palace, run by a Moscow-based business group, and the Opera Hotel, owned by Ukraine's richest man, Rinat Akhmetov, through his Systems Capital Management holding. Hilton also announced plans to open a hotel in the city center near Zoloti Vorota (Golden Gate) metro station. Doors at the Hilton are expected to open in 2009. Construction of the hotel had been in the works for several years. The project has faced repeated delays, however.

Interpipe raises \$200 million via Eurobonds

A large industrial holding controlled by Ukrainian billionaire Viktor Pinchuk has raised \$200 million through a Eurobond placement, joining the growing number of Ukrainian companies that have been using this financial instrument to attract badly needed funds from foreign investors. Just a week after the July 18 placement by Pinchuk's Interpipe, another leading Ukrainian industrial group, Industrial Union of Donbas, put off plans to issue Eurobonds, citing recent unfavorable debt market conditions. Nevertheless, analysts say international debt markets conditions will improve soon, allowing Ukrainian companies to resume borrowing through Eurobond placements on better terms. Interpipe, a leading producer of steel pipes and railway wheels, placed its three-year Eurobonds with an 8.75 percent coupon, which is competitive compared to recent Ukrainian corporate placements.

Government stands for strengthening cooperation with regional state administrations

Prime Minister Viktor Yanukovich stressed that within the foreseeable future the presentation of a series of projects aimed at the strengthening of cooperation between the central government and regional state administrations will be conducted. The head of government noted that to start with, two projects of cooperation between the government and the Donetsk and Lviv regional administrations would be presented. The model of interaction between the government and regional state administrations envisages complex measures in the management of state resources and state programs. The government to a certain degree is introducing a Swedish model of

development of local self-government. In this way the government is trying to speed up the realization of local self-government reform.

Ukraine and Poland Euro-2012 football championship

A project of intergovernmental agreement on gearing up and holding Euro-2012 will be drafted shortly, Family, Youth and Sports Minister Viktor Korzh told a July 12 press conference. According to him, his recent visit to Poland resulted in reaching a number of agreements with the Polish Sports Minister Tomasz Lipiec on deepening bipartite cooperation, ahead of Euro-2012. The parties also agreed to establish an intergovernmental committee to coordinate Euro-2012. According to Viktor Korzh, the parties should sign an agreement on establishment of the coordination council on gearing up to the Euro-2012 in September.

Green Youth Against “Visa Discrimination”

On July 29th, 2007, representatives of 23 European Green Youth organizations jointly with Ukrainian Youth Greens held an action against “visa discrimination”. Complicated procedures for visa application and border crossing make serious barrier to integration of Ukraine into the world community. 44 representatives of Green community participated in the event organized on Maydan Nezalezhnosity, the main square of Kyiv, to draw the attention of politicians and officials to the problem created by artificial “bureaucratic borders” between states. Representatives of the following countries took place in the action: Ukraine, Serbia, Macedonia, Germany, Belarus, Moldova, Hungary, Sweden, United Kingdom, Italy and Spain.

Please note that we also offer our full range of services from our partner firms’ offices in **Krakow/Poland, Prague/Czech Republic, Kiev/Ukraine and Bucharest/Romania.**

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