

FOREIGN MARKET CONSULTING

Danismanlik ve Tic. Ltd. Sti.



Beginning from June/July 2007 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 May 2007

Economy

Overview of Monthly Data

YTL-Rates	04.30.2007	05.31.2007	Change in %
YTL pro Euro	1.8606	1.7790	-4.39
YTL pro USD	1.3673	1.3230	-3.24

Stock exchange index	44,984	47,081	4.66
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Inflation in %	Monthly inflation	Annual inflation
Producer prices	0.39	7.14
Consumer prices	0.50	9.23

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

OECD: Interest rates to rise to 12% in Turkey by 2008

The Organization for Economic Co-operation and Development (OECD) has forecasted that the Turkish economy will continue to grow, though the economy remains exposed to domestic and international risks. The OECD stated that exports would be the driving force of the economy and if structural reforms were implemented, the economy could reach a potential growth rate of above 7% per annum. The OECD also pointed out that there has been a slow down in measures taken against inflation. In its report, the OECD stated that inflation is proving 'stickier' than expected suggesting that interest rates will decline slower than otherwise thought. A further prediction is that the present short term interest rate of 17.5 % will decrease to 15% by the end of this year, and to 12% by the end of 2008.

Deutsche Bank: Your Economy is good, politics is delicate

The chief economist of Deutsche Bank Mr. Norbert Walter, while mentioning that from the point of view of international investors there are very few countries that provide both stability and high returns, stated that, "The reality is that Turkey provides a good investment climate." Walter went on to state that the Turkish Economy is very strong however, the political situation is more fragile than compared to 5 years ago. The financial markets have experienced what has happened and what could happen under an AKP government. A different political climate may create uncertainty.

Exports grew by 28.1% in April

In April, exports increased by 28.1% totalling USD\$8,212.8 million compared to the same month last year. Exports between January and April have grown by 25.8% totaling USD\$31,338.8 million. Taking April as the base month, the yearly exports have increased by 23% totalling \$USD92,199.3 million.

Exports by Sector

Sector	April	Change (%)	1 May 06- 30 April 07	Change (%)
Agriculture	776.827	7.68	3.370.954	12.68
Fruit & Vegetable	576,199	-2.73	2,568,331	4.49
Animal products	39,993	55.31	175,091	57.48
Wood and Forestry products	160,635	55.57	627,533	48.48
Industry	7,236,145	30.98	27,269,703	27.40
Agro based	683,964	23.76	2,648,362	22.56
Chemical	789.336	13.71	3013,335	23.21

Industrial products	5,762,845	34.71	21,608,006	28.64
Mining & Quarrying	199,830	21.53	698,164	34.75
Total	8,212,802	28.11	31,338,822	25.79

YASED: The level of Foreign Investors will exceed the 2006 levels.

Mr. Tahir Uysal Chairman of the international investors association (YASED) stated that foreign investors continue to show confidence in Turkey and that this year, the number of direct foreign investors entering the country will exceed that of 2006. Uysal stated that Turkey would be promoting new investment opportunities. He went on to mention that the countries which had made the largest investments in Turkey during 2006 were Holland, Belgium, Greece, France and Italy, investing in finance, transportation and the telecommunication sectors.

German newspaper Welt am Sonntag: “The Tiger State in the Bosphorus”

The German newspaper, Welt am Sonntag stated that Turkey has built a strong economic system, and that it would sustain only minimum damage in the event of political upheaval. According to the article the latest political developments have had no major impact on the markets and this is due to the economic development process.

Unemployment is down to 11%

Average unemployment figures for the 3 months ending March 2007 decreased by 0.5% (approx. 36,000 people) compared to the same period in 2006; bringing unemployment down to 11.4%. Unemployment in urban areas decreased by 0.9 points to 13% while the rural areas remained at 8.8%.

Industrial output decreased in April

In April, the industrial production rate compared to the same period last year fell by 0.5 points to 81.8%. In the same period the production rate for the public sector decreased from 91% to 84% and the private sector from 81.4% to 80.9%. The automotive and vehicle parts sector had the highest rate of 88.8%.

Rate of production

	2006	2007
January	75.4	78.5
February	77.2	80.3
March	80.7	81.9
April	82.3	81.8

Electricity prices in Free Trade Zones to decrease by 25%

Minister of State Kürşat Tüzmen, announced that electricity prices in Free Trade Zones will decrease by 25%. Tüzmen stated that the Free Trade Zones were charged at a “business rate” for the past year. Tüzmen added that as a result of negotiations between EPDK and TEDAŞ, it had been decided to revert to the previous agreement, in effect to the old industrial rate, resulting in a 25% decrease in electricity prices.

Politics

Gül withdraws his candidacy

The Turkish parliament met for the second time for the election of the new president, but failed to the necessary quorum. The supreme Constitutional court had previously declared that the first attempt to elect a presidential candidate was also void for want of the necessary quorum. The sole presidential candidate Foreign Minister Abdullah Gül announced his withdrawal from the elections, stating “I see no further sense in proceeding with the next session of parliament on 9th May, and therefore I declare the withdrawal of my candidacy for the Presidency.

Parliament convened to carry out the first round of presidential elections. Parliament Speaker Bülent Arınç opened the session and took an electronic roll call in line with the court decision. After two roll calls 10 minutes apart, Arınç closed the session, saying only 356 members were present in the first roll and 358 in the second. The speaker stated that the first round of voting would be repeated on May 9th despite the fact that Abdullah Gül stated that he would withdraw.

CHP and DSP will join forces during the elections

CHP and DSP will form an alliance after the DSP welcomed the call by Deniz Baykal of CHP who stated that they should unite under the CHP. Deniz Baykal stated that the chairman of DSP Sezer had made tremendous contributions to the solution based on an amicable settlement to this national problem, Baykal went on to say, “I feel like I have embraced Ecevit”. Zeki Sezer stated that DSP candidates would be included under the CHP parliamentary candidate listings while maintaining their DSP identity, he also stated that he was not going stand as a candidate.

World Press: Secularism shows great force

Hundreds of thousands of Turkish citizens gathered in Gundoğan Square in the republican rallies which had also taken place in the Ankara, Tandoğan and the Çağlayan, in Istanbul. The rally was filled with crowds waving the national flag with people attending from the near by providences and other parts of country. The foreign media reported that “This was the biggest show of force by the Turkish people to date.”

Constitutional amendments have been passed by parliament and awaiting President Sezer’s approval.

The Turkish Parliament has passed several laws regarding the election of the President by the people, based on a double five year term, In addition, a law stating that elections should be held every four years, and that the quorum should be reduced to 184 members together with adding the independent candidates to the election rosta. The laws were voted on in the Parliament in a secret ballot with a total of 377 votes of which 376 were for and 1 against and. President Sezer’s approach will determine the course of the laws passed.

Other Topics

\$USD130 billion Energy Market opens to Foreigners

Turkey invites foreign companies to collaborate in the USD\$130 billion investment required to match supply and demand for electricity. Turkey has the third highest rate of increase in demand for electricity after India and China. Over 200 foreign companies will attend the energy regulation and investment conference on 21-22nd May in Istanbul. Companies such as Russian RAO, German RWE, Italian ENEL and ANES will attend the conference. The collaboration between the Turkish and Foreign companies in an electricity market, whose demand is forecasted to grow from 186billion KWH to 278billion KWH in the next five years, is an important item in the agenda.

Electricity Supply and Demand predictions (billion KWH)

Years	Energy Demand	Production Capacity
2006	171.430	203.151
2007	185.830	207.346
2008	201.440	210.632
2009	218.361	217.219
2010	236.703	224.307
2011	256.586	224.660
2012	278.139	226.288
2013	301.503	224.423
2014	326.829	223.770
2015	354.283	224.159

Coldwell comes to Turkey with 10 projects

Coldwell Banker Real Estate Corporation, a leading real estate developer, founded in 1906 after the San Francisco earthquake, has opened its first office in Turkey and is already working on 10 investment projects. Mr.Irfan Gulcu the CEO of Coldwell Banker Turkey, who had previously worked for STFA, returning back to Turkey from Austria, said that “We don’t have a ceiling on our investments”. Coldwell are nearing the end of their negotiations with a bank and a financial institution to utilise the new mortgage system in Turkey. Coldwell Baker are well known for their “A Class” residential projects in the 35 countries in which operate. Coldwell are planning to build a franchise network, but will limit this to 2 franchises in the first year.

GE looking for new partnerships in Turkey.

The president and CEO of GE international Mr. Ferdinando Nani Beccalli-Falco, stated that their partnership with Turkey’s Doğu Holding will continue to grow. Beccalli-Falco said they operated in over 31 different fields and they were open for new partnerships especially in health and energy.

Demirdöküm was sold to Vaillant

Koç Holding Company sold 72.56% of the 53 year old Demirdöküm for €211 million to the German giant of the sector Vaillant. The agreement signed by the CEO of Koc Holding, Mr.Bülent Bulgurlu and CEO of Vaillant Claes Grönsons. The transfer will be subject to receiving the necessary approval from the respective competition control authorities. The Chairman of the Koç Holding company Mustafa Koc stated that “ We feel confident that Vaillant will enhance and

excel Demirdöküm, and therefore we feel comfortable carrying out this transaction.”

Medion to enter the Turkish market at discounted prices

Medion the German electronics company, will enter the Turkish market selling at discounted prices of 40% on consumer electronic products and 10% on PC and multimedia products. They also retail to pharmacies, petrol stations, cafeterias, sport centres and retail outlets. Medion is aiming to create long lines at the cashdesks of retail outlets such as Teknosa, Migros, Carrefour, BİM and alike. One of the major reasons why Medion have decided to participate in the Turkish market has been the staggering market growth rate of 21% per annum. Medion conducted extensive market and customer research. Medion revised their forecast for the Turkish market and are expecting a 5 fold increase in their 2007 sales, after they made a turnover of \$USD10 million in their first year.

MMK and Atakas to produce flat steel

Russia’s biggest steel-iron producer MMK (Magnitogorsk Iron & Steel Works) and Turkey’s biggest coal exporter the Atakaş group of companies will produce flat steel in a steel-iron factory founded jointly in Iskendurun. USD\$1.1 billion USD has been invested in a new factory on a 500 hectare site. The two companies have established an equal partnership. Building will commence in September and the factory will in full operation by 2010; employing approximately 2,300 people.

Karsan to produce taxis for the USA

Karsan Otomotiv will produce a new model taxi that has been designed for the USA and Canada. The taxis will be produced in Bursa for export. The designers of the Karsan standard taxi Fred Drasner, the founder and CEO of US News, Daily News, Fast Company and Pat Corrigan the owner of the largest taxi fleets in New York and Chigago, have signed a memorandum of understanding. According to the agreement, from 2009 there will be 20,000 taxis produced and exported which will bring an export revenue of approximately USD\$400 million USD per year.

E-trading giant eBay becomes a partner with GittiGidiyor.com

GittiGidiyor.com became the 37th member of the US based giant auction house eBay which has been operating in 36 countries. According to the director of strategic operations of eBay Sina Afra, eBay has obtained over 10% of shares becoming a minority shareholder in GittiGidiyor.com, the leading electronic auction website in Turkey. Afra also stated that it is their intention to work closely together with GittiGidiyor.com in order to share their international experience.

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FOREIGN MARKET CONSULTING Ltd. Sti. is a German-Turkish consulting company. We specialize in providing competent consultancy services for foreign companies towards opening up to Turkish market, lastingly consolidating

the market position and concluding strategic alliances between foreign and Turkish companies. If you need further information, please do not hesitate to contact Mr. Peter Heidinger.

Our Services:

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FOREIGN MARKET CONSULTING Ltd. Sti.

Partner: Peter J. Heidinger, Yesim F. Tektasli, Uta Beyer

Adresse:

Koybasi Cad.

Keresteci Z. Sok. 28

34464 Yeniköy-Istanbul

Turkey

Telefon: +90-212-36 38 050

Fax: +90-212-36 38 056

E-Mail: info@fmconsulting.info

Internet: www.fmconsulting.info

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