

Turkey-Italy Business Forum

Turkey Towards 2023 Potential Collaborations

Istanbul, Wyndham Grand Hotel
December 12, 2014



Agenda

2023 Vision and Main Pillars

Where are we now?

How to achieve 2023 Objectives

- Promising sectors with high value added

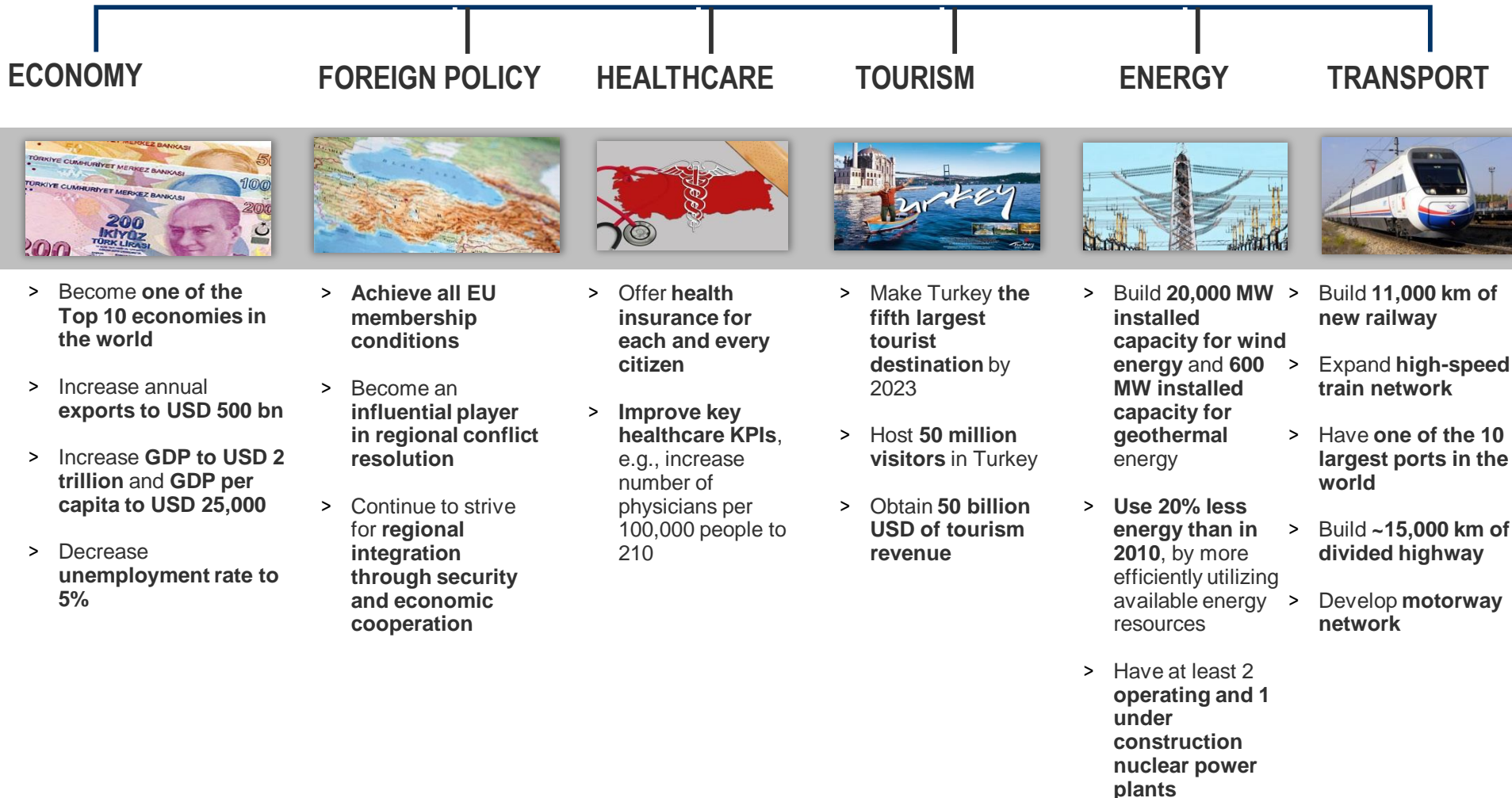
- Attracting FDI

- Being more global

Potential collaboration areas with Italy

2023 Vision of Turkey

VISION 2023



Main pillars of 2023 vision



Macroeconomic stability and sustainable economic growth



Transition to a high value-added economy with a special emphasis on manufacturing sector



Reducing external imbalances by:

- More focus on energy investments and efficiency
- Less imported content of production process



Improve investment climate

- Improving infrastructure quality through PPP
- Promoting FDI induced capital accumulation



Developing an integrated approach to policy-making

- Integrating industrial policy with regional development policy
- Ensuring export competitiveness through labor productivity

Where are we now?

Turkey's current macro overview

	2011	2012	2013	2014	2015	2016	2017
Medium Term Programme	GDP (Billion Dollars, Current Prices)		822	810	850	907	971
	Total Fixed Capital Investment		4.5	-1.8	4.2	8.9	9.3
	Energy Imports (Billion Dollars)		55.9	56.2	57.3	60.1	63.9
	Foreign Trade Balance (Billion Dollars)		-99.9	-83.5	-85	-89.4	-94.1
	Tourism Revenues (Billion Dollars)		28	29.5	31.5	33.5	35.5
IMF WEO	Real GDP growth rate	8.8	2.1	4.1	3.3	4	
	CPI inflation (12-month)	10.4	6.2	7.4	9	7.1	
	General government gross debt (EU defn.)	39.1	36.2	36.2	33.7	32.4	
	Current account balance	-9.7	-6.1	-7.9	-5.8	-6	
	Nonfuel current account balance	-3.6	0.5	-1.9	0	-0.4	
	Foreign direct investment (net)	1.8	1.2	1.2	1.1	1.7	

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Expected limited growth, but still higher than EU average

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Well capitalized financial sector and sound fiscal indicators >> better business climate

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If energy imports are excluded the economy could generate *current account surplus*

Government emphasis on energy investments & increased focus on exports

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FDI is still at low levels >> Ambitious reform agenda to promote FDI

How to achieve 2023 objectives



Promising sectors

Manufacturing



- A shift towards high-tech sectors while decreasing import dependency
 - Export knowledge and technology
- Increase R&D expenditures to 3% of GDP
- Market access and cost advantages for Turkish OEMs

Food and Agriculture



- Higher demand and expected returns by 2023
- Have one of the most powerful top five agriculture sectors in the world
- **Italy's agricultural productivity is 6.6 times of Turkey's***
- **Improve Investment climate and partnerships for large farms and cultivation**

Energy



- More energy efficiency (20% energy savings per output)
- Utilizing high renewable energy potential
- Ranked 23rd in Renewable Energy Country Attractiveness Index (Technology specific drivers are weakening the performance)
- **Italy is 6th largest in FDI outflow of electricity, gas and water**
- **Italy is 10th largest in renewable energy investments**

Logistics, Transport & Infrastructure



- Smart specialized clusters with better connectivity
- Operate one of the 10 largest ports in the world
- Turkey already ranked 30th among 150 countries in the LPI* in 2013
- Ongoing investments in fast train infrastructure
- Massive PPP investments >> A new airport and bridge in Istanbul
- **Italy invested 4.8 bn USD in construction abroad (2012)**

* Agricultural real value added per worker Italy: 45,402 USD; Turkey: 6,874 USD

**Logistics Performance Index

Promising sectors

Manufacturing



- A shift towards high-tech sectors while decreasing import dependency
 - Export knowledge and technology
- Increase R&D expenditure to 3.8% of GDP
- Market access and export promotion by OEMs

High value added sectors to jump in the short run:
Mainly machinery
In the long run: Mainly electronics and chemical and health products

Food and Agriculture



- Higher demand and expected returns by 2023
- Have one of the most powerful top five agriculture sectors in the world
- **Italy's agricultural productivity is 6.6 times of Turkey's***
- **Improve investment climate and partnerships for large farms**

Italian expertise & Turkey's arable lands

Energy



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Great potential for collaboration in renewable energy sector & other PPP projects

Logistics, Transport & Infrastructure



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- Operate one of the 10 largest ports in the world
- Turkey already ranked 30th among 150 countries in the LPI* in 2013
- Ongoing investments in fast train infrastructure
- Massive PPP investments in the Bosphorus bridge in Istanbul
- **Italy invested 4.8 bn USD abroad (2012)**

Great potential for infrastructure projects, mainly through PPP

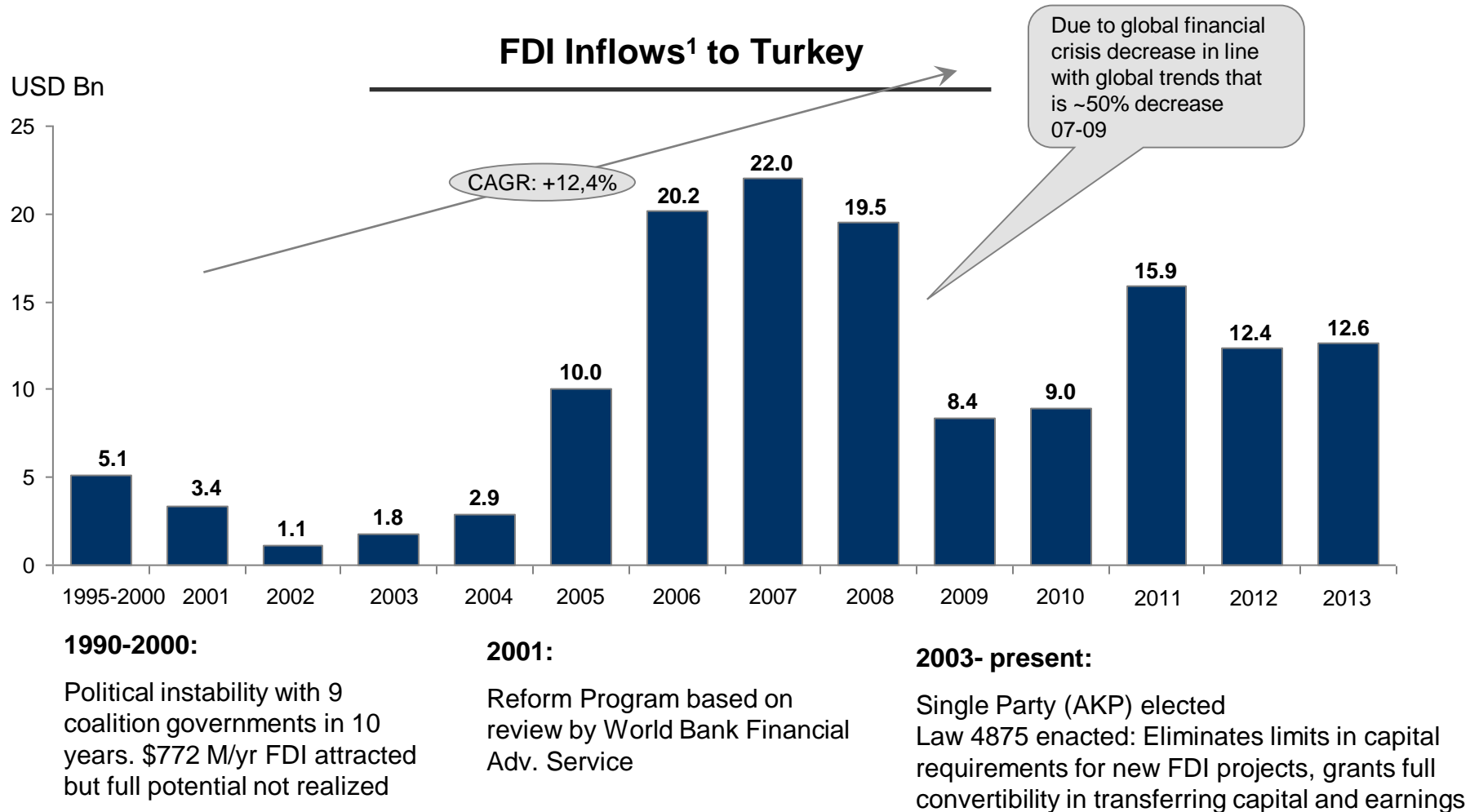
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**Worldbank Logistics Performance Index

How to achieve 2023 objectives

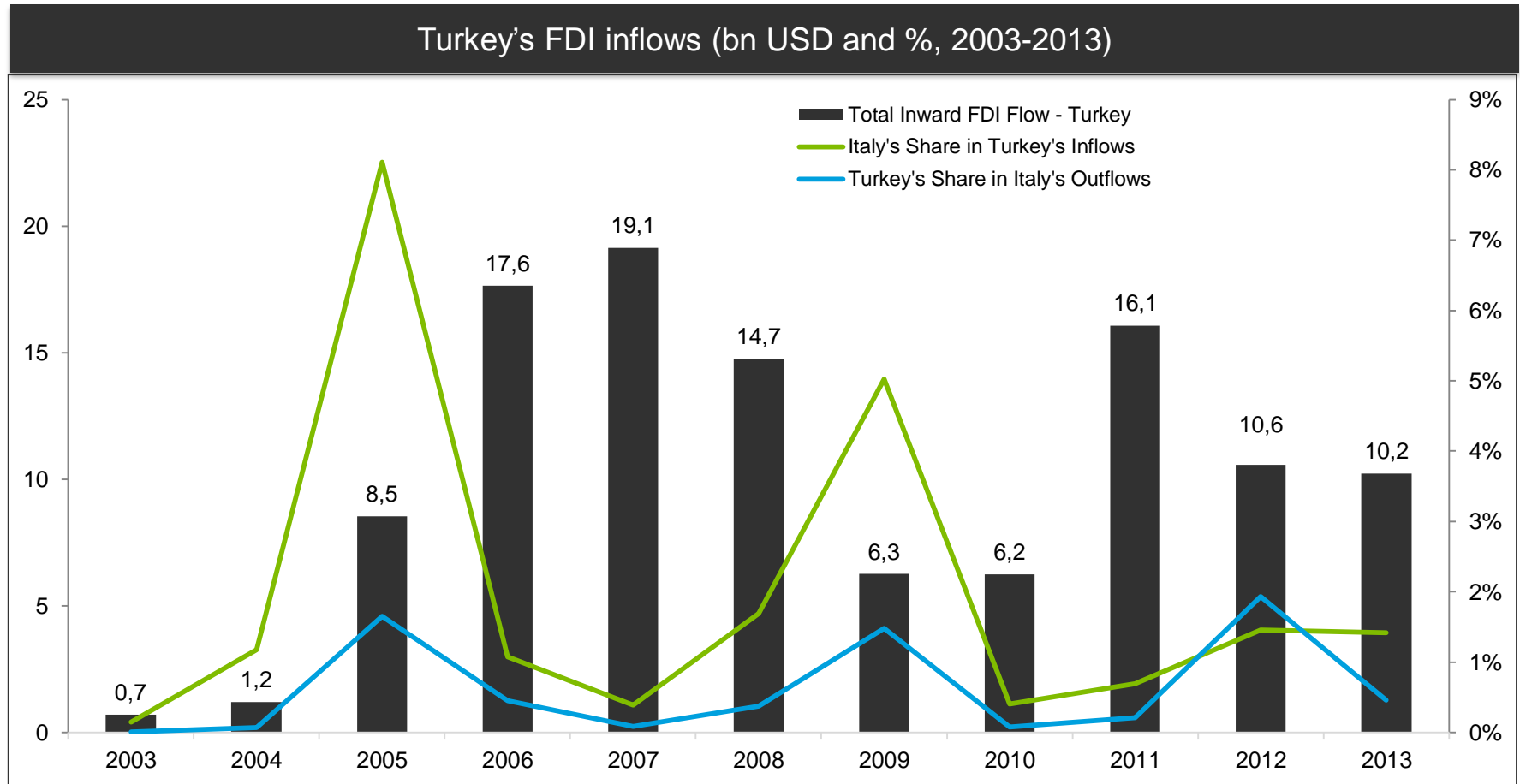


Foreign Direct Investments to Turkey boomed during last decade and expected to continue



1. Including real estate and loans FDI inflow
Source: Republic of Turkey Undersecretary of Treasury

Turkey's FDI inflows and Italy's Share

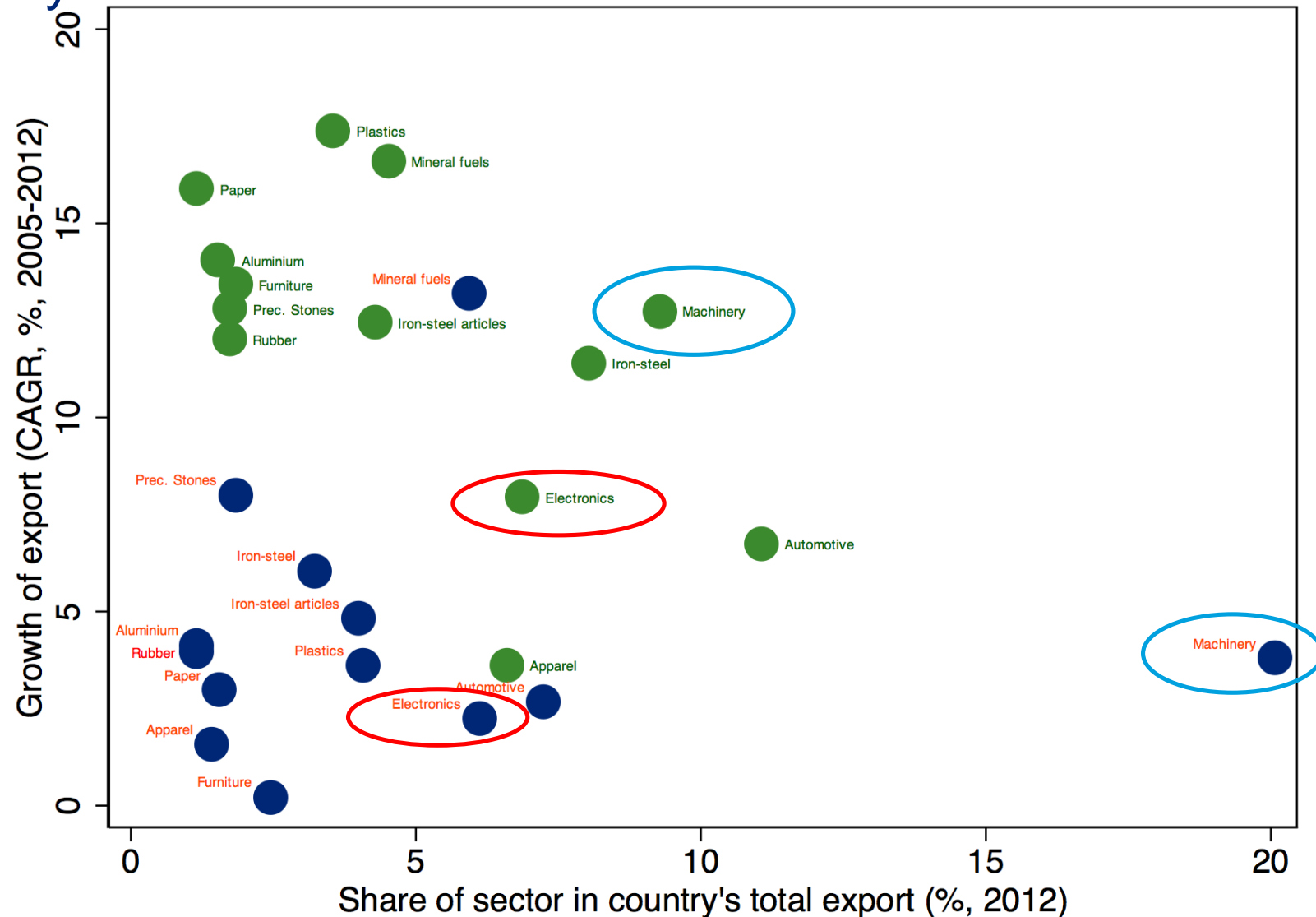


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How to achieve 2023 objectives

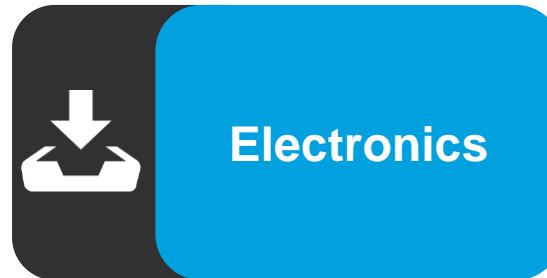
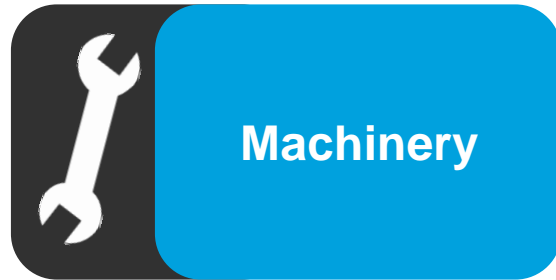


Being more global: Potential collaboration areas with Italy



● Italy ● Turkey

Being more global: Potential collaboration areas with Italy





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