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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

ECONOMY



- Increase annual exports to USD 500 bn
- > Increase GDP to USD 2 trillion and GDP per capita to USD 25,000
- Decrease unemployment rate to 5%



FOREIGN POLICY

- > Achieve all EU membership conditions
- Become an influential player in regional conflict resolution
- > Continue to strive for **regional** integration through security and economic cooperation



HEALTHCARE

- > Offer health insurance for each and every citizen
- > Improve key healthcare KPIs. e.g., increase number of physicians per 100,000 people to 210



TOURISM

- fifth largest tourist **destination** by 2023
- > Host **50 million** visitors in Turkey
- > Obtain 50 billion USD of tourism revenue



ENERGY

Build **20,000 MW** > installed capacity for wind energy and 600 > MW installed capacity for

geothermal

energy

- - > Use 20% less energy than in 2010, by more efficiently utilizing available energy > resources
 - > Have at least 2 operating and 1 under construction nuclear power plants



Build 11,000 km of new railway

TRANSPORT

- Expand high-speed train network
- > Have one of the 10 largest ports in the world
 - Build ~15,000 km of divided highway
- Develop motorway network





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



		2011	2012	2013	2014	2015	2016	2017
	GDP (Billion Dollars, Current Prices)			822	810	850	907	971
Term	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
Medium Prograr	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
	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		
WEO	General government gross debt (EU defn.)	39.1	36.2	36.2	33.7	32.4		
ΙMΕ	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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Term	Total Fixed Capital Investment			4.5	-1.8	4.2	Expected limited growth, but still higher tha EU average	
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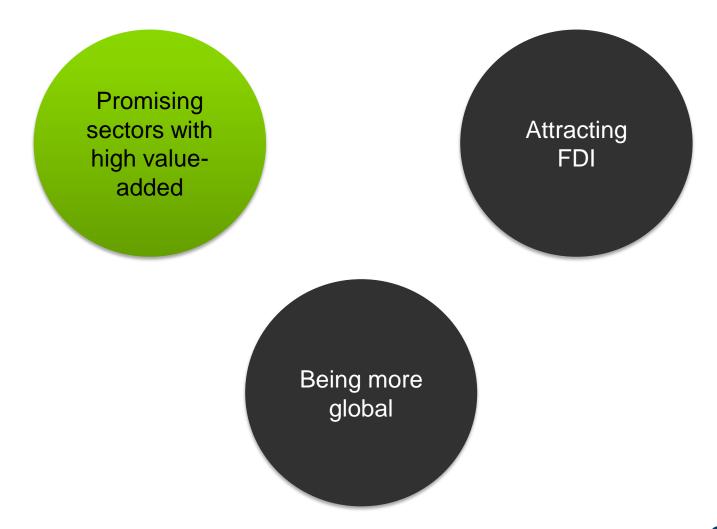
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How to achieve 2023 objectives







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 OFMs

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

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

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

^{**}Logistiscs Performance Index

Promising sectors

Manufacturing



- A shift towards high-tech sectors while decreasing import dependency
 - Export knowled and technology
- Increase R&D ex
- Market access a OEMs

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

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- Italy is 10th largest investments

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

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- Italy's agricultural productivity is 6.6 times of Turkey's*
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Italian expertise & Turkey's arable lands

Logistics, Transport & Infrastructure



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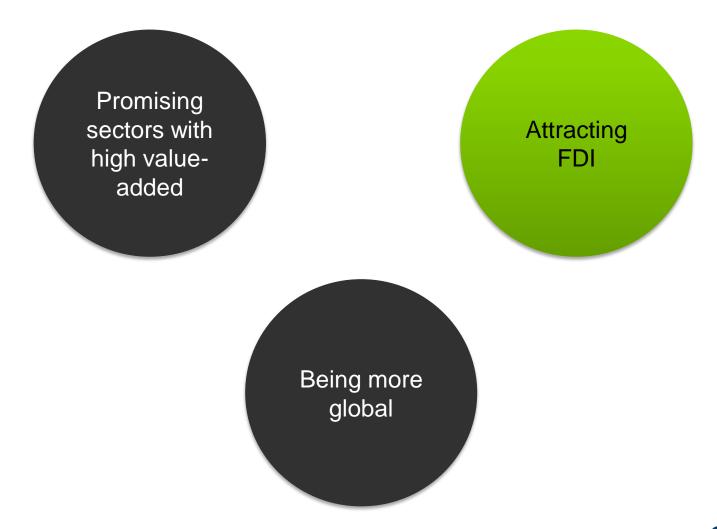
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Great potential for infrastructure projects, mainly through PPP

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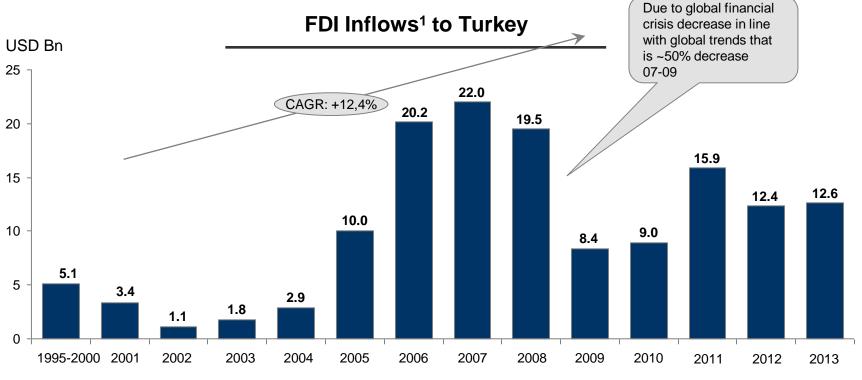
How to achieve 2023 objectives







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



1990-2000:

Political instability with 9 coalition governments in 10 years. \$772 M/yr FDI attracted but full potential not realized

2001:

Reform Program based on review by World Bank Financial Adv. Service

2003- present:

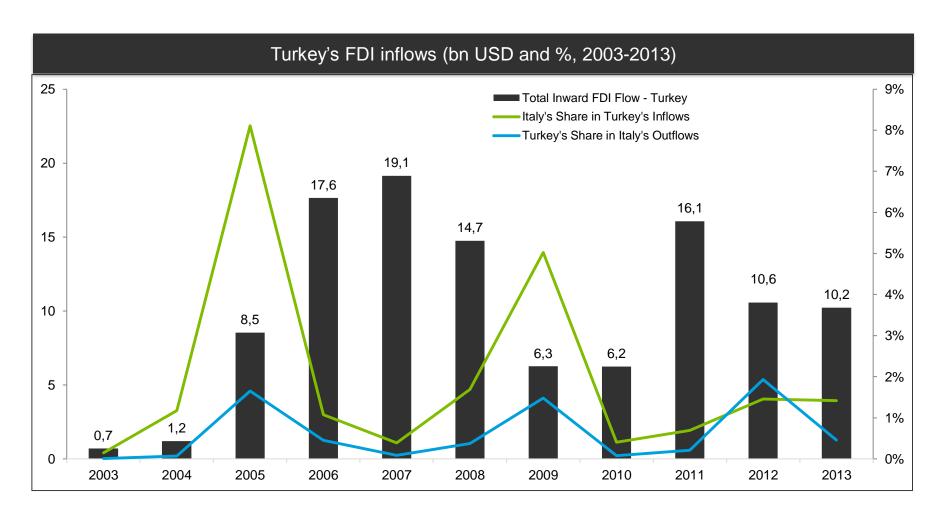
Single Party (AKP) elected Law 4875 enacted: Eliminates limits in capital requirements for new FDI projects, grants full convertibility in transferring capital and earnings

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





Turkey's FDI inflows and Italy's Share

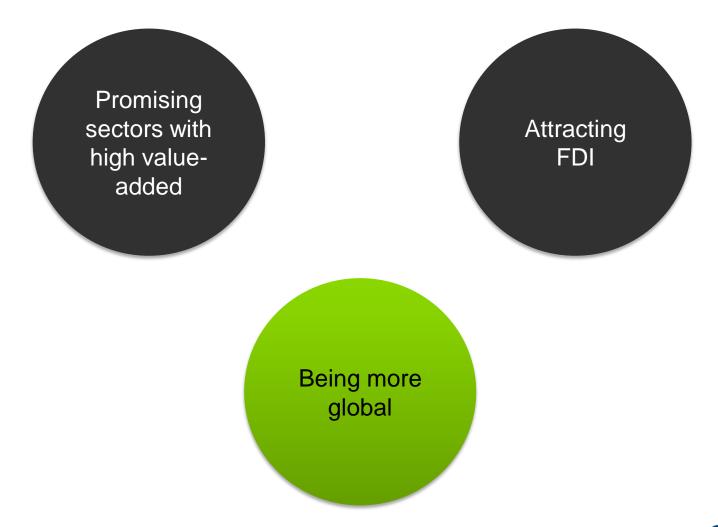


^{1.} Excluding real estate and loans FDI inflow





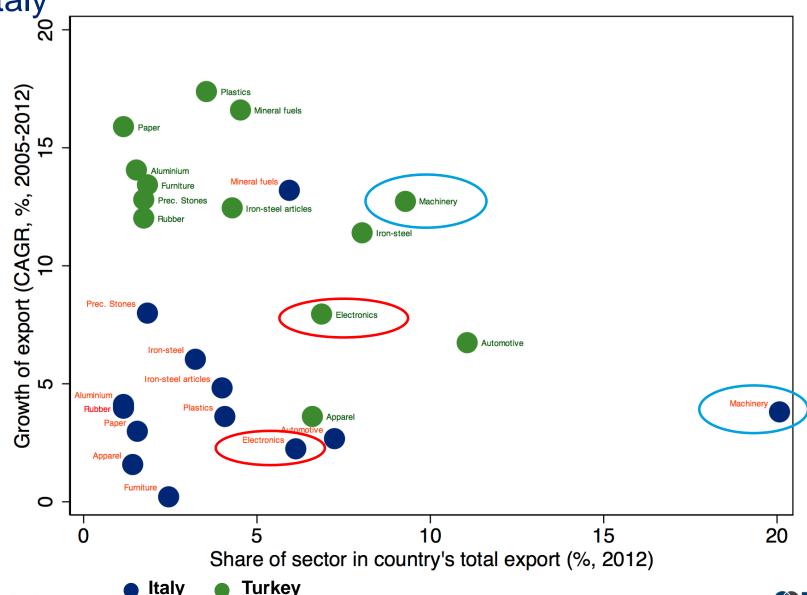
How to achieve 2023 objectives







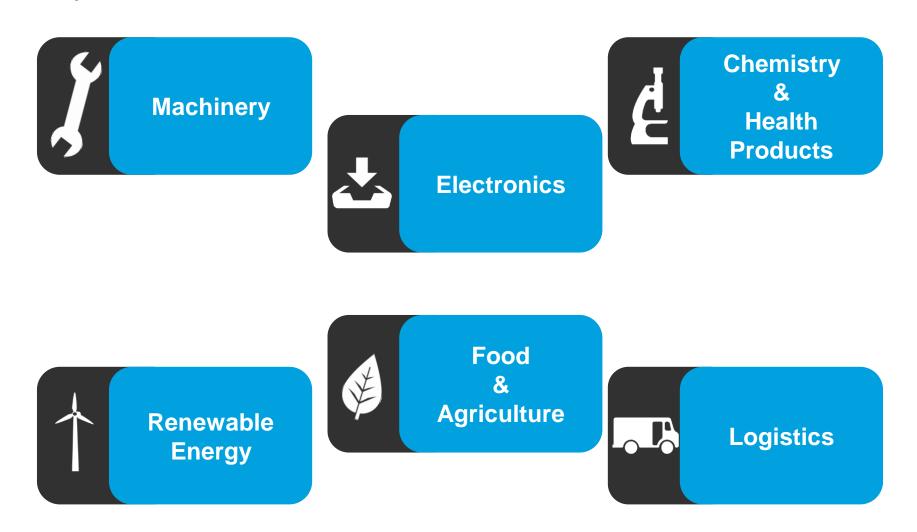
Being more global: Potential collaboration areas with Italy _____







Being more global: Potential collaboration areas with Italy







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