

Joint meeting of MEDEF International & DEİK

Turkey-France Economic Relations

**Topics: Turkish economic situation and short-term perspectives
/ Zoom on various sectors / Turkish companies and the Covid-19 /
Turkey-France cooperation.**

3 June 2020, 12.00

Deputy Minister of Trade of Turkey Rıza Tuna Turagay,

Ambassadors İsmail Hakkı Musa and Herve Margo,

President of MEDEF International Jean Lemierre,

**Chairman of DEİK Turkey-France Business Council Çağatay
Özdoğru,**

Dear Participants,

I wish a healthy day to all of us,

I am pleased to be here in another DEİK webinar today. Thanks to our long-standing partner MEDEF International and the President Jean Lemierre, a good friend of Turkey.

As Mr. Özdoğru pointed out, France is a long-time ally and friend of Turkey. We are bound together through numerous alliances, namely the Council of Europe, the G20 and NATO. France is one of the key drivers of

the European Union and, as such, an essential economic and political partner for my country.

DEiK is committed to work together with our Ministry of Trade hand in hand with the EU as we work to modernise the Customs Union that binds us.

And I believe, at the end of this Covit-19, our EU relations will not be at the same level of so far, starting from modernisation and update of the Customs Union up to visa liberalisation and finally to membership.

Now that Mr. Turagay probably will outline the Turkish government's response to the Covid-induced economic crisis, I will try to give an overview focusing on the private sector, which should be of interest for the French audience and MEDEF International's members. I will then talk about our bilateral relationship, and how I envisage it evolving in the next months.

The world faced the Epidemic in January although it seems no one could realized the possible effects that time and it was somehow considered a local case which would possibly effect the supply chain in general, since China is the factory of the world. Even, it had been considered an opportunity for some others, although for me you can not use the word opportunity due to an epidemic case. Just like, during the rescue work of an earthquake, there is also an economic activity of using oil, car, machinery etc, but this can not be named as an opportunity for some others.

But later we all realized that, it is a general problem and it will seriously effect mainly our health, our daily lifes, habits, supply chain and also the demand.

We faced with the first case at 11th March in Turkey and accordingly started to take necessary actions, by the government side, by real sector side, by all people, in general.

Unfortunately as we faced before, rumors about Turkey was not very pleasant that time and even somehow now.

I'm an engineer and prefer to go on analytically. I'll do the same now.

What did we do, why did we do and what is the result?

We have 83 plus 3 million with refugees, totally 86 million inhabitants in Turkey. Even one human life is too much important, counting down the deads is not a good method but unfortunately we do.

So far, we lost about 4.600 people, 130.000 recovered out of 165.000 and 600 people in intensive care and the numbers are going down. The capacity of our hospitals never exceed more than %55 of total capacity even at the worst days. Comparing worldwide figures, especially with G20 countries, we managed very well so far.

Last week, we got Turkey's first quarter GDP results where our economy grow up %4,5. When I look around the world, I did not see a positive percentage like ours while there are even %9 loses.

Our exports increased %11 comparing with April in May although we have 4 days Ramazan Bayram holiday during that time all the economic activity had stopped.

Of course, second quarter GDP growth will possibly be negative, third quarter a recovery, last quarter again positive and I believe, we will close this year again with something plus growth percentage, not negative.

During pandemic, we never stopped the production and we never stopped the logistics which was so essential even though the capacities were not full as they were before. Of course, service sector unfortunately was the most affected one, following some other sectors have been affected which works with international brands.

As a representative organization of business life and also as an organization of based on face to face contacts with 146 country to country business councils worldwide, as DEİK, we immediately stopped all face to face contacts and at the same time immediately organized a new business activity on video systems.

To be honest, it seems we worked and have even been working harder than before, since, daily I am spending averagely 8 to 10 hours by video conferences, like this webinar, or with our business council members together with ambassadors and trade missions of related countries and regularly with our Ministers, for example we had 8 video conferences and webinars yesterday.

We were anxious at the beginning, we spoke about that during those video meetings.

Then of course we discussed the problems at production, customs, finance and issues of face mask, etc. But we also discussed the possible solutions in those video meetings and getting all those fresh information, by the way, I attended %95 of those our daily video conferences and accordingly we immediately contacted with the authorities, with the ministries, directly with the ministers. We discussed with them about the

solutions and when it has been decided, the actions started immediately and effectively.

I believe, this way of working was very important and was one of the main reasons of getting the good result.

I will now share a brief summary of the economic situation by sector in the context of the coronavirus outbreak:

- **Manufacturing:** After 5 quarters of uninterrupted growth, production has been decreasing since by mid of March – following a fall in domestic and foreign demand but a recovery started in May.

Automotive, textile and mining industries have been affected.

But, pharmaceutical, agricultural and food industries have successfully maintained their activities.

- **Distribution:** In order to curb the spread of the virus 70% of shops were closed for two months, many consumers, especially in big cities, have turned to online purchases. Big chains has tripled their home deliveries since the start of Covid-19. Now, they also started.
- **Tourism:** The sector, which represents 13% of Turkey's GDP, is another inevitable victim of the pandemic. However, we are expecting a rebound since the government has eased restrictions after May and is working on a "healthy tourism" scheme.
- **Infrastructure:** Projects have continued, like the Canakkale Bridge and Northern Marmara Motorway. Some projects have been speed up to support the fight against Covid-19, including Istanbul's new

Başakşehir City Hospital, as well as 3 new Hospitals built for Epidemic use at Istanbul.

- **Logistics and transports:** This is very important that logistics never stopped as it was afraid. Some unbelievable methods have been developed to maintain the logistics chain, since majority of companies continued their activities.

As we can see, while some sectors, such as shops and tourism have been hit hard by the pandemic, most industries have resisted well and strived to maintain production. This puts our businesses in a strong position to recover quickly as the virus comes under control.

I do not know which sectors will be the leading ones after Covid-19, but what I believe is, the one who guaranteed the supply chain and got the confidence of it's counterpart during this pandemic, will certainly be the winner.

I also assume, the world realized that, the cheapest price does not mean the best way to follow. Scaling was considered as one of the most important data, comparing for production and competition, but it seems it was also bounding you one supply chain which we all noticed the negativeness of that. We all realized that the distance is not only a measure of how many days of logistics difference, but also very important from point of availability.

I hope this overview will aid French companies and investors in understanding better the Turkish market.

And now let me turn to the specificities of Turkey's business relationship with France, and what I think we can expect for the months ahead.

What is the nature of our economic exchanges?

Turkey's imports from France consist mainly of aircrafts, car parts and steel products. On the other hand, our exports to France, are mostly made up of cars, home appliances and clothes. Many of France's big companies, across sectors, have a presence in Turkey: BNP Paribas, Société Générale, L'Oréal, Sanofi, Renault, PSA, Schneider Electric, Alstom etc.

What are the sectors in which we could enhance our cooperation? I believe that tourism is one. Francophone tourism in Turkey is rapidly growing, with a 22% increase between 2018 and 2019.

The automotive industry is another sector of privileged cooperation when we consider our infrastructure and geographical position as well as competition. There has been an intense debate as to whether the production of models like the Renault Clio, produced here in Bursa, should be relocated back to France. I believe, there will be a wise solution for both parties.

I also think Turkey and France should deepen their cooperation in strategic sectors and promising sectors like new technologies, on which our countries are keen to attract foreign investors must also be investigated.

Finally, I would like to invite you to do economic partnerships in for the third countries including Africa. I would be interested to hear what MEDEF International and French companies think about that.

Thank you.

Nail OLPAK

President of DEİK