Turkey and Azerbaijan tighten ties, accelerate TANAP construction

Joint energy and transportation projects firmly bond the two nations

The fifth Turkey and Azerbaijan High Strategic Cooperation Council meeting ended with a mutual resolution for firmer ties between the two countries across a number of fields, including energy, transportation, defense, and tourism.

The meeting, held at the Presidential Palace in Ankara, was attended by Turkish President Recep Tayyip Erdogan and Azerbaijani President Ilham Aliyev. Six cooperation agreements were signed during the meeting alongside a declaration to increase efforts to complete the Trans Anatolian Pipeline Project (TANAP) ahead of schedule.

Speaking at the press conference after the meeting, President Erdogan called TANAP the most important project developed between Turkey and Azerbaijan. He emphasized that both sides were working hard to finish the project as quickly as possible.

“`We are in close coordination with all the stakeholders regarding the Southern Gas Corridor, of which TANAP forms the backbone,” he said about the USD 10 billion natural gas pipeline.

TANAP is designed to carry 16 billion cubic meters of gas per year from Azerbaijan’s Shah Deniz II gas field to Turkey and onwards to European markets by connecting to the Trans Adriatic Pipeline at the Turkish-Greek border. The project will reduce Europe’s dependency on Russian gas considerably and help reinforce Turkey’s status as an energy corridor.

Another topic discussed at the meeting was the Baku-Tbilisi-Kars Railway project, which is nearing completion. Expected to be ready by the end of 2016, the railway will not only link Turkey, Georgia, and Azerbaijan, but entire continents according to Turkey’s President.

“The Baku-Tbilisi-Kars Railway line will allow direct rail transportation between London and Beijing,” President Erdogan said, adding that the opening of the high-priority project will send an important message to the world. Speaking of the level of trade between the two countries, the President said that the target is to reach USD 15 billion by 2023. “Despite the drop in our bilateral trade volume in 2015 due to global economic conditions and falling energy prices, we remain committed to our 2023 goal,” he said.

The Turkish-Azerbaijani cooperation is not limited to pipeline projects. For instance, TANAP’s largest partner SOCAR is also building a refinery on the Izmir Petkim Peninsula. The Star refinery will make the Azeri company the single-largest foreign direct investor in Turkey with a USD 20 billion portfolio.
New reform package to support production & exports on the way – PM Davutoğlu

The Turkish government is working on a new package of reforms to increase economic competitiveness and growth, Prime Minister Ahmet Davutoğlu told at a reception held by the International Investors’ Association (YASED) in Ankara.

The new support program covering production and export operations would be announced soon, he said. “Becoming a center of attraction in the eyes of international investors is a key goal for Turkey, which can only be attained with continuous political and economic stability,” Davutoğlu said while addressing an audience of executives of multinationals, representatives from local and foreign business bodies, NGOs, foreign missions, and academics.

“A new incentive package will be announced in the coming weeks, designed specifically to support production and export operations in Turkey,” he said. Davutoğlu added that the government would support any investment helping the country’s transformation into a high value added, innovation-driven economy.

Intent on implementing a series of reforms to further improve the country’s investment environment, the Turkish government is following through with its 2016 Action Plan. It announced a reform package of R&D-related activities in January that aims to increase the competitiveness of vital industries, strengthen university-industry cooperation, and increase R&D spending.

Also speaking at the event was YASED Chairman Ahmet Erdem, who said that the association fully supports the government’s initiatives to increase foreign direct investment (FDI) in Turkey.

“With political stability established and a government reform agenda turning into action, foreign investments are likely to pick up the pace during the course of this year,” Erdem said.

He pointed out that the FDI forecast for 2016 was positive, given the 32 percent year-on-year increase in FDI inflows in 2015, which totaled USD 16.5 billion.

TOYO INK
completes acquisition of Turkish ink producer, eyes regional markets

Toyo Ink Group, a Japanese maker of printing inks, packaging materials, coatings, and polymers, has finalized a deal to acquire a 75 percent stake in Turkish company DYO Printing Inks from its parent company, Yaşar Holding.

Founded in 1968, DYO Printing Inks is a manufacturer of gravure inks, flexo inks, offset inks, can coatings, and ink-related products. It is currently the Turkey’s market leader, with a share of 40 percent.

Headquartered in Manisa in Turkey’s Aegean region, DYO Printing will conduct business as a subsidiary of the Toyo Ink Group with Yaşar Holding retaining the remaining 25 percent of shares.

Speaking at the signature ceremony, Toyo Ink Group CEO Katsumi Kitagawa said that the deal was part of a global expansion drive to increase their presence in emerging markets. “Our production operations in Turkey are crucial to the Toyo brand’s success in the region,” he noted.
Transportation & Logistics

Significant investments in Turkey’s railway network will be made over the next seven years

Railway giants line up for Turkey’s high-speed rail projects

Global rail engineering companies are eying Turkey’s USD 40-billion-worth of railway projects slated for completion by the centennial of the republic in 2023. Over 300 exhibitors from 30 countries showcased their products and services at the sixth Eurasia Rail trade show held between March 3 and 5 in Istanbul. In his opening speech of the event, Turkey’s Minister of Transport, Maritime Affairs, and Communications, Binali Yıldırım, said investments for the renewal and upgrades to Turkey’s network have reached USD 20 billion to date. He also drew attention to the fact that a further USD 40 billion worth of projects are in the planning stages, which would bring total investment in the rail network to USD 60 billion by 2023.

“A tender for the acquisition of 80 high-speed train sets will cost around USD 6 billion. Maximizing the local contribution is a necessity to win the tender, so a number of interested rail system manufacturers have already formed partnerships in Turkey to set up manufacturing operations here,” Yıldırım said.

The tender calls for a local partner and the use of local parts and components to a specified degree. Among the heavyweight companies that expressed an interest in the tender are Canadian aerospace and transportation company Bombardier in partnership with Bozankaya; Spain’s Talgo in partnership with Tümosan; French company Alstom; and Siemens from Germany. Alstom and Siemens are yet to announce their local partners. The Turkish government is looking to increase rail use and establish high-speed rail lines between the country’s major population centers. Significant investments in the railway network will be made over the next seven years, and will increase the length of tracks to 25,000 kms – essentially doubling the current 12,000 kms – of which high-speed and very high-speed lines will make up more than 10,000 kms.

The government also plans to complete the liberalization of the sector this year. This move would allow private operators to carry passengers and freight on state-owned railways, ending the decades-long state monopoly.

TURKEY’S 2023 TARGETS FOR RAILWAYS

| Building Very High-Speed Rail Lines of 3,500 km. |
| Building High-Speed Rail Lines of 8,500 km. |
| Extending the Total Length of the Rail Network to 25,000 km. |

- 10% Share in Total Passenger Transportation
- 15% Share in Total Freight Transportation
ISPAT Coordinator Necmettin Kaymaz, as a keynote speaker to a delegation from the British Chamber of Commerce Turkey (BCCT) and the UK Trade and Investment (UKTI), delivered a presentation on Turkey’s investment climate to a group of UK investors. During his presentation, Kaymaz remarked that Turkey and the UK, the 2nd largest investor in Turkey, share privileged bonds of friendship that have evolved over the years from historical and political ties into solid economic and commercial relations.

Aselsan, a high-tech company of the Turkish Armed Forces Foundation, signed a MoU with Spain’s Indra at the at the Eurasia Rail 2016 exhibition in Istanbul. Under the terms of the MoU, Aselsan and Indra, both leaders in their domestic markets and reliable international market suppliers, will expand activities in fast-growing non-defense sectors. Specifically, the MoU calls for the two companies to cooperate on railway planning, traffic management, signaling, and control system projects for Turkey and international markets.

Deputy Prime Minister Mehmet Şimşek; Transport, Maritime, and Communications Minister Binali Yıldırım; Mayor of Istanbul Metropolitan Municipality Kadir Topbaş; and ISPAT County Advisor to Saudi Arabia Mustafa Göksu jointly held a press meeting on the periphery of the Jeddah Economic Forum - often dubbed the Davos of the Middle East. During the press conference, Şimşek called on Saudi investors to approach Turkey rather than investing in Western countries. In that way, Şimşek noted, Turkey and Saudi Arabia could “grow together.”

The 3rd International Nuclear Power Plants Summit attracted some 850 nuclear energy experts and executives from over 20 countries. The summit provided a unique platform for the development of the nuclear industrial economy of Turkey and the Middle East, mediating joint projects between local & global companies, and the exchange of experiences with nuclear energy. ISPAT Vice President Ahmet İhsan Erdem delivered the welcome speech at the summit, while ISPAT Senior Project Director Başak Avci contributed to the event with a presentation on investment support mechanisms in Turkey.