Turkey recently introduced one of the most competitive investment incentive packages in emerging markets in a move to foster economic growth by stimulating industrial production and boosting exports.

Aimed at technology investments in the petrochemicals, energy, metals and mining, healthcare, manufacturing, and agricultural industries, the comprehensive package of incentive certificates is worth TRY 135 billion and covers 23 projects. 19 companies received project-based certificates that were granted in person by President Recep Tayyip Erdoğan during a ceremony held in the Presidential Complex in Ankara.

The introduction of these incentives is set to further empower Turkey’s position against emerging markets such as Mexico, India, and Indonesia. The incentive instruments cover a broad range that includes land allocation, various tax refunds/exemptions/reductions, insurance premium support, and utility support. It is expected that these incentivized projects will help to reduce Turkey’s current account deficit by USD 19 billion in 2-3 years, while boosting output in high-tech and medium-high tech products that are import dependent, such as electric batteries, drug-eluting stents, energy systems, and hybrid engines.

As per the program, Assan, BMC, CFS, Dow Akça, SASA, Most Makine, Metcap Energy, Oyak Renault and Vestel will engage in medium-high tech investments, while Alvimedica, Atayurt, Ekore, and TAI will undertake high-tech investments. Vestel will grab the largest incentive worth TRY 28.4 billion for electric vehicle energy storage systems and is expected to contribute the lion’s share to the reduction of the current account deficit to the tune of USD 4.6 billion annually. Oyak Renault’s hybrid engine production project is another high-tech investment that will make a substantial annual contribution of USD 2.3 billion to reduction of the current account deficit.

Nearly 34,000 people will be offered direct employment, while indirect employment is expected to hit upwards of 134,000 with the initiative.
Beating expectations, the Turkish economy grew by 7.4 percent in 2017 according to data released by the Turkish Statistical Institute (TurkStat). The high growth rate saw Turkey become the fastest growing G20 economy in 2017, surpassing China and India, which recorded 6.9 percent and 6.4 percent growth respectively. Turkey’s GDP growth rate for the last quarter of 2017 was 7.3 percent, and the sharp 11.1 percent growth in the third quarter of 2017 was revised to 11.3 percent.

Fiscal measures taken by the government, such as the Credit Guarantee Fund, have spurred a strong increase in economic activity in Turkey and have had a favorable impact on the robust growth achieved in 2017. The growth was mainly fueled by strong household consumption and rising investments, which respectively contributed 3.7pp and 2.2pp to the 7.4 percent growth rate in 2017. Investments in the machinery sector also continued to show signs of optimism.

Recently announced super incentives for a number of investment projects are also expected to accelerate growth in 2018. The growth figure of Turkey in 2017 is likely to cause an upward revision to international organizations’ growth forecasts for this year.
US tech giant Cisco has inaugurated Innovation Center Istanbul — the company’s 10th innovation hub globally — in ITÜ Arı Teknokent, a technology park affiliated with Istanbul Technical University, one of the world’s oldest technical universities.

Located on a 4,500-square-foot area, the center will serve as part of a network of Cisco Innovation Centers worldwide. Innovation Center Istanbul is set to tackle the most pressing challenges with innovative and high-tech solutions, while taking into account Turkey’s priorities. The center will act as a platform of collaboration, bringing government organizations, customers, and partners together with start-ups, accelerators, universities, research communities, and industry collaborators.

Speaking at the inauguration ceremony, Cisco Turkey General Manager Cenk Kivlicm said, “We believe in Turkey’s young population, creative brain power, and entrepreneurial potential. Our center will bring innovative and enterprising minds together to create ground-breaking solutions for the future. We aim to support Turkey’s PPP and logistics, transportation, and manufacturing investments, while also looking to co-develop applications such as paperless warehousing, hyper-location, and virtual wearables. This facility will enrich our ecosystem, making it an even more attractive environment for start-ups and businesses.”

During his keynote speech at the ceremony, ISPAT President Arda Ermut added, “R&D is a long-term process and might be one of the first areas to be abandoned during tough times. Yet, for every Lira invested in Turkey’s R&D, one can expect twice the amount returned in terms of incentives. The companies are incentivized by the government in numerous ways, including support for the wages of R&D staff. This is an area that the Turkish government places utmost importance on. R&D spending in Turkey has more than doubled over the past decade, yet we still see ample room for further innovative investments.”

Localization in the sector is expected to exceed 60 percent in the next 5 to 10 years.

Apart from the aforementioned domestic sources of energy, another of the efforts to increase national energy resources is the utilization of nuclear power plants. The groundbreaking ceremony for Akkuyu, the first of a series of nuclear power plants, was made in April at the Presidential Complex in Ankara, with Turkish President Recep Tayyip Erdogan hosting Russian President Vladimir Putin. Being built in close cooperation with Russia, the Akkuyu plant in Mersin province represents a USD 20 billion investment. The second nuclear power plant will be built in the Sinop province of Turkey, with a third being planned for the future.

Speaking at the ceremony, President Erdogan said that Turkey is continuously investing in every part of the energy industry as part of its commitment to boosting energy security. “Turkey will have sound and sustainable energy in the future thanks to the efforts in nuclear energy today. Turkey’s energy sources, which are still mainly based on oil, natural gas and coal, will become healthier with the commissioning of the nuclear power plants in Turkey,” Erdogan said. Congratulating Turkey for its efforts in nuclear energy, Russian President Putin emphasized the contribution of nuclear power plants to Turkey’s economy and said that Akkuyu will also provide for technology transfer opportunities to the country.

The first reactor of the Akkuyu Nuclear Power Plant will be commissioned in 2023, and when totally finished, it will provide for 10 percent of Turkey’s total electricity need.
SWISS JOURNALISTS GET FIRST-HAND INSIGHT INTO TURKEY’S INVESTMENT CLIMATE

As part of its global efforts to showcase Turkey’s business climate and to reinforce global investor perceptions, ISPAT continued its country-specific initiative by recently hosting a delegation of Swiss journalists from Neue Zürcher Zeitung, Luzerner Zeitung, 20 Minuten, and Schweizer Radio und Fernsehen (SRF) in Turkey. ISPAT wanted the delegation to see first-hand the dynamism of the Turkish economy in different parts of the country, particularly in Turkey’s Istanbul and Bursa provinces.

The first day of the program began with a focus on start-ups and entrepreneurship in Turkey. The Swiss delegation came together with StartersHub Chairwoman Ebru Dorman at their first stop in Istanbul, and then met with İTÜ Arı Teknokent CEO Kenan Çolpan at their second stop. As they were briefed by Çolpan, the delegation was impressed by the huge demand international companies show in Turkey, as well as the numerous examples of university-entrepreneurship cooperation cases in both the incubation and growth phases of companies operating in İTÜ Arı Teknokent.

The first day ended with ISPAT Coordinator Necmettin Kaymaz’s comprehensive presentation on Turkey’s investment climate based on the country’s macroeconomic indicators and inborn advantages. A Q&A session followed shortly thereafter.

On the second day of the program, the delegation had the chance to exchange views with Swiss Consul General to Istanbul Nathalie Marti at a working breakfast that was also attended by officials from Swiss Business Hub Turkey and the Swiss Chamber of Commerce in Turkey. After the breakfast the delegation headed to Bursa – one of the most industrialized metropolitan centers in Turkey – to visit Swiss technical component manufacturer Angst+Pfister’s facilities based in Hasanağa.

During dialogues with the delegation, Angst+Pfister CEO Eray Ulugül took the opportunity to present the company’s projects both completed and in the pipeline that have been facilitated by the investment incentives extended by Tubitak and the Turkish Ministry of Economy. Ulugül made a point to draw attention to the significance the Turkish government attaches to R&D operations. While addressing the questions from the delegation at the on-site facility tour, Ulugül stressed Angst+Pfister’s full confidence in Turkey.

The dinner with Bursa Governor İzzettin Küçük marked the last stop of the Bursa program. The governor talked about some of the goals for value-added production in Bursa’s soon-to-be established technology development zone Teknosab.

The final stage of the program ended with a meeting with EBRD Turkey Deputy Heads Hande Islak and Oksana Pak.