Turkey

a bridge between continents
After exploring India, Egypt, China, Russia, Thailand and Brazil, Nomad is now devoting its latest issue to Turkey. Mazars has been in Istanbul for more than ten years and has since added locations in Ankara, Izmir and Bursa, resulting in a strong presence on the Turkish audit and advisory landscape. The Saison de la Turquie is currently underway in France with Mazars as one of the supporting partners, and creates a natural opening for presenting the powerful attractions of a country which has become a first-rate economic power.

This “special edition” is a joint effort with the Invest in Turkey agency, created in 2007 to support and assist companies wishing to set up
Political organisation, geography and climate

Political regime
Presidential democracy

Head of State
Abdullah Gül, elected 28 August 2007

Political and administrative organisation
Turkey is a secular parliamentary republic with a unicameral (unique chamber) parliament of 550 representatives elected for five-year terms. The country adopted a multi-party system in 1950, in which a party must receive at least 10% of the votes in order to gain parliamentary representation. The party currently in power is Recep Erdogan’s center-right Party for Justice and Development. Date the Republic was proclaimed: 1923
President: Abdullah Gül
Prime Minister: Recep Tayip Erdogan.

Geography and climate
Surface area: 779,452 km². Turkey is a “Eurasian” country, with 97% of its territory in Asia (Anatolia) and 3% in Europe. The Asian section is home to 83% of the population – including the 4 million inhabitants of the capital city, Ankara – while the country’s largest urban area, Istanbul, in the European section, has a population totaling 16 million, about the equivalent of one and a half times the population of Belgium. Bordered to the north by the Black Sea, to the west by the Aegean, and by the Mediterranean to the south, Turkey shares borders with Greece, Bulgaria, Georgia, Armenia, Azerbaijan, Iran, Iraq and Syria. Its location at the confluence of the Russia-Mediterranean and Balkan-Middle East axes, along the Silk Route, have made it an important economic, cultural and religious crossroads for many centuries.

The climate is primarily Mediterranean, although the interior plateau have a marked continental influence, with very cold and dry winters in particular. The region bordering the Black Sea receives abundant and regular precipitation.

Business in Turkey. Particular attention is paid to the government’s efforts to increase the country’s attractiveness and make it a destination of choice for international investors. You will also discover more general information about Turkey’s rich history, as well as a selection of books and websites which will allow you to explore every facet of a country located at the confluence of cultures, religions, and civilisations.

Enjoy!
Passions abound, 
serenity takes hold

A historical crossroads for cultures, religions and trade, today Turkey has fully entered the modern age, with a dynamic economy, a stable political regime and a peaceful society.

Born from the ashes of the Ottoman Empire, modern Turkey was first fashioned by the Kemal revolution at the start of the 1920s. During his fifteen years as president of the Turkish Republic proclaimed in 1923, Mustafa Kemal Ataturk would profoundly transform the former empire. Inspired by the French model, he introduced free, mandatory, secular schooling for all children of both genders. Secularity became one of the pillars of the state, and would be written into the 1937 constitution. Mass education was accompanied by the replacement of Ottoman lettering with the Latin alphabet, and significant progress in the area of women’s rights. Equality between men and women was affirmed in the civil code – inspired by the Swiss model – with a requirement of civil marriage, the outlawing of polygamy, and numerous women entering the workforce in governmental jobs. The country also drafted a penal code and a commercial code based on the German model.

Post-war jolts and transitions
A multi-party system was introduced immediately following the Second World War, paving the way for the arrival to power in 1946 of the moderate conservative Democratic party. This first transfer of political power led to a phase of economic liberalisation, supported by significant financial aid from the United States. Turkey also assumed its full place in international organizations, joining NATO, the European Council and the Organization of the Islamic Conference. An associative agreement was signed with the newly-formed European Economic Community in 1963.
Key dates in Turkish history

1260 - 1453: After conquering Baghdad in 1055 by Tugrul Beg, the Turks (great Seljuk empire) expanded their influence from their home region of Central Asia into Anatolia. The biggest Turkish Ottomans empire, established in 1299, crossed the Dardanelles, then conquered Serbia in 1389 and Bulgaria in 1396. The state of siege was lifted in thirteen years. The occupation of Constantinople, in 1453, marked the end of the Byzantine Empire.

1512-1566: The Ottoman Empire experienced its peak under the reign of Selim I and then Suleiman the Magnificent, with the conquests of Albania, Bosnia, Hungary and Transylvania, in Europe; Arabia, Syria and Palestine in Asia; and of Egypt.

1821-1830: Following a succession of military defeats and unfavorable treaties, the Ottoman Empire continued to erode, with the independence of Greece, Serbian autonomy and the loss of Algeria. During the decades that followed, while the first westernizing policies were being implemented (the “Tanzimat”), Egypt in 1841 and the Balkans in 1878 (with the San Stefano and Berlin treaties) gained their freedom from the Ottomans. Bulgaria followed in 1908.

1909: Young Turk Revolution: Sultan Abdul Hamid II was overthrown and replaced by Mehmed V. In 1913, at the end of the Balkan wars, the Empire lost its last remaining possessions in the region, with the exception of Eastern Thrace.

1914: Turkey entered the First World War alongside Germany and the Austro-Hungarian Empire. The defeat of the Central European powers led to the Versailles Treaty and the end of the Ottoman Empire.

1920-1922: Mustafa Kemal Ataturk led the war for independence, which ended in 1922 with the abolition of the Sultanate.

1923-1924: The Lausanne Treaty replaced the Treaty of Sevres and acknowledged Turkish sovereignty over a territory which is essentially that of Turkey today. The Republic was declared on October 29, 1923. Mustafa Kemal Ataturk was elected president and abolished the caliphate. The new Constitution of the Republic was adopted on April 30, 1924, installing a unicameral parliamentary regime, with universal suffrage.

1934: Women received the right to vote.

1937: Islam was abandoned as a state religion, and the secular nature of the state written into the constitution.

1938: Death of Mustafa Kemal Ataturk. Turkey remained neutral during World War II, before symbolically siding with the Allies in 1945.

1946: Turkey adopted a multiparty system. In 1949, it became the first Islamic country to recognize the State of Israel. The same year, it became a founding member of the Council of Europe.

1952: Turkey joined NATO. In 1961, Turkey gained a seat on the OECD governing council.

1963: Following Turkey’s request formulated in 1959, Turkey and the EEC signed an associative agreement. It stipulated in the preamble that “support offered by the European Economic Community to the Turkish people to improve their standard of living will facilitate Turkey’s later membership in the Community.”

1969: Turkey became a founding member of the Organization of the Islamic Conference.

1974: Responding to a coup by which the Greek military junta aimed to attach Cyprus to Greece, Turkey occupied the northern half of the island, invoking its role as guarantor under the 1960 Treaty of London establishing Cyprian independence.

1980: Military coup d’état. Relations with the EEC were frozen. The return of civilian power took place in 1984. In 1987, Turkey officially presented its membership application to the European Community, and modified its constitution in 1991 to satisfy the democratic requirements for entry in the EC.

1996: One year after becoming a member of the WTO, Turkey entered into a customs union with the European Union, as provided for in the associative agreement of 1963.

2004: After final examination of Turkey’s candidacy, the European Commission deemed the political reforms and constitutional revisions met the Copenhagen criteria, and recommended the start of membership negotiations. These began officially in October 2005.

Inside the country, however, the situation was less stable. A first coup d’état took place in 1960, led by soldiers loyal to Kemalism and unhappy with a certain swing back towards Islamic principles in Turkish society. They remained in power for one year, and passed a constitution guaranteeing democratic freedom (freedom of expression, assembly, and association, legal right to strike). Two further military coups followed in 1970 and 1980, before a definitive return to civil government in 1984. Led by Turgut Ozal, the new regime sought to reconcile democracy, secularity and Islam. It also worked to frame a cultural response to the Kurdish question. The state of siege was lifted in thirteen provinces beginning in 1984, and the government extended its moratorium on the death penalty. As a result of this softened position, Turkey regained its voting rights at the European Council, which had been lost following the 1980 military coup.

Major reforms

After officially declaring its application for membership in the European Community in 1987, Turkey modified its constitution, in 1991, to comply with the requirements for membership. A new civil code took effect in 2002 and the death penalty was officially abolished. In the economic sphere, the New Turkish lira was adopted on January 1st, 2005, with a value equal to one million old liras. This monetary reform made it possible to counter the country’s rampant inflation, and to reduce interest rates by half, a financial reform that has strongly benefited the country. This period bore witness to a doubling of GDP and of per capita income. At the same time, foreign investment rose massively. After decades of political and economic instability, the Erdogan government’s Turkey appears to be a stable country today, even in today’s financial crisis.
Growing attractiveness

Whether they are seeking to increase their competitiveness or to enter new markets, international companies are investing in Turkey in ever greater numbers. A survey of the country’s major points of attraction.

For many decades now, the Turkish economy has been very dynamic and open; growth from 2002 to 2008 averaged 7% annually, to reach a GDP of $742 billion.

Structural reforms
At the same time, the country has undertaken profound structural reforms, in the banking and financial sector, the public sector and social security, as well as fiscal reforms. The share of the private sector in the national economy has also grown – privatizations were valued at $42 billion – and competition has increased.

Turkey can also count on the continued growth of revenues related to tourism. These amounted to $20 billion in 2008, for almost 24 million visitors. However, this increase remains lower than that of exports overall, so that Turkey is not dependent on tourism for its foreign currency balance.

A young, qualified workforce
The strong rise in productivity, together with the relative stability of real wages, make the Turkish workforce one of the most competitive in the world, with high levels of motivation, training and qualification. In addition, absenteeism remains at very low levels on average – around four days per year – while the growth in work productivity is around 6% over the past decade.

Turkey is also the youngest country in Europe, with 65% of the population under 34 years of age. This population is solvent and very willing to spend. The country numbers 66 million GSM lines, 30 million internet users, and 44 million bank cards. Per capita GDP measures over $10,000 today, and the debt ratio for individuals is relatively low.

A strong geo-strategic situation
Thanks to bilateral trade agreements and its customs union with the European Union, Turkey has easy access to almost 1.5 billion consumers, on the European markets – including Russia – in the Near and Middle East, in Central Asia and the Maghreb. Halfway between the oil-producing countries of the Arabian Peninsula and the countries of Western Europe, Turkey is also a full-fledged energy corridor.

Improved conditions for foreign investors
For several years, the country has implemented major incentive programs aimed at supporting international investment projects: public assistance; specific assistance for priority development regions, large projects and Research and Development activity; creation of very attractive Organized Industrial Zones and tax-free zones.

A shopper’s heaven?
As credit card users are multiplying, shopping and residential complexes are also growing in numbers throughout Istanbul. Located in the Sisli neighborhood is Cevahir, Europe’s largest shopping mall. With a total surface of 64,000 sqm, Cevahir harbors 320 stores, 34 fast-food restaurants, 14 traditional restaurants, a 12 hall movie complex – including an IMAX room – and an actual theater that can hold 2,500 people. It’s also home to the world’s biggest wall clock, with each figure measuring more than 3 meters.

On the European side of the Bosphorus, in the Levent neighborhood, one can find Kanyon, now Istanbul’s most recent and spectacular shopping and residential complex. Kanyon is a true architectural gem, with 180 condos, 30,000 sqm in office space, 280 retail stores – including the world’s most prestigious brands names – and 9 cinema auditoriums.
Alpaslan Korkmaz, President of Invest in Turkey, the country’s national investment support agency, describes for Nomad the goals and early accomplishments of this structure, and offers a rapid overview of Turkey’s major competitive advantages on the international investment market.

How did Invest in Turkey get its start? When was it created, and by whom?

Invest in Turkey was created in July 2006 at the initiative of Mr. Recep Tayyip Erdogan, Prime Minister of the Turkish Republic, to whom we also report directly.

What is the agency’s role, and what resources for action does it have at its disposal?

Invest in Turkey performs a dual task of presenting investment opportunities to the international business community, and helping foreign investors before, during and after they establish themselves in Turkey. We offer them “one-stop service” with a wide range of confidential and complimentary services within a single structure, designed to help optimize their presence in Turkey.

In 2009, the World Bank ranked Invest in Turkey the 15th most effective among 181 investment promotion agencies in the world. We have 15 international representatives, that work in eleven languages, are dedicated to help potential investors discover Turkey’s pivotal position and the strategic opportunities the country offers in a global economy.

How would you assess the agency’s activity since its launch?

Invest in Turkey has processed over 1,400 files in two years. We have supported numerous high profile investment projects, including those by Akku Energy, which will be building a wind turbine farm in Kırşehir, for a total investment of €210 million. Several very large groups have also chosen to locate their regional headquarters in Turkey; this is the case for Microsoft, Coca-Cola and Motorola, or GE Healthcare, which has located its headquarters for the Europe, Middle East, Africa and CIS zones in Istanbul.

Turkey also recently welcomed other giants of the industrial and service sectors, such as the Indian company TAFE (Tractors and Farm Equipment Ltd), Hewlett-Packard computers and Foxconn, Pfizer and Huawei – who built their new Research and Development unit here – the Korean firm Posco, a world leader in steel, and the Chinese automobile manufacturer DFM. Finally, we will soon announce a major investment project by a French company in the field of renewable energy.

How would you describe Turkey’s economic, social, and cultural evolution over the past few years?

The reality on the ground in Turkey is completely different today from how it was perceived six or seven years ago. Turkey is in the big leagues now! Goldman & Sachs ranked the country ninth among global economies, and third in Europe, between now and 2050. The Turkish economy currently ranks 15th worldwide and sixth in Europe.

In which areas do you think Turkey still needs to progress, particularly with a view to joining the European Union?

The current period is of primary importance. It is essential that the necessary measures and reforms be pursued. However, Turkey is a very youthful country (50% of the population is under 20 years of age), massively invest in education: since six years, it is the first state’s budget and for the first time in its history.

How would you describe “One-stop service for international investors”?
The virtues of reasonable growth

Mazars has been present in Turkey since 1998, offering a full range of international business services, and has risen to become one of the five largest players on the market.

First came Denge, an accounting firm founded by two partners in Istanbul in 1977. In 1988, to meet the needs of a transforming market, Denge decided to create an audit division, and then, a year later, to join the PKF network. The same year, the organization acquired a tax expert division, before completing its service offer with the creation of a management consultancy unit in 1995. Denge worked over the same period to diversify geographically, as well, with the installation of an office in Ankara in 1994.

Rapid integration

It was therefore a very structured firm that joined the international Mazars partnership in 1998. “From the start, our union was based on shared values,” explains Loïc Wallaert, Mazars manager for development in Central and Eastern Europe. It is these shared values and objectives that allow Mazars in Turkey to rapidly grow its business. A new “accounting outsourcing” division was created, and experienced immediate success, particularly with foreign companies beginning to start up subsidiaries in the country.

Today, with four offices in Istanbul, Ankara, Izmir and Bursa, Mazars in Turkey can call on the expertise of over 200 professionals. Their skill has won recognition for the firm, which was singled out by International Tax Review magazine in 2008 and 2009, awarded the “National Tax Award” and “National Transfer Pricing Award”, naming Mazars the most effective player for fiscal matters in Turkey. “We have a young, multilingual and multicultural team in Turkey, perfectly reflecting the diversity of our partnership,” says Leon Coskun, Managing Partner of Mazars in Turkey.

This team has allowed Mazars in Turkey to acquire an equally diverse clientele, made up of large listed companies, both Turkish and international, as well as SMEs, high-worth individuals, public organiza-
tions, associations and foundations. Over the years, thanks to its smooth integration, Mazars in Turkey has become a major player in audit and advisory services at the national level.

**A very complete service offering**

In terms of services offered, the range is complete, extending from classic audit to tax services – planning and certification – as well as advisory services, accounting outsourcing, internal control, reviews and due diligence, transfer pricing, and services related to VAT.

To offer this full set of services, Mazars in Turkey is structured in six divisions: Audit, Tax, VAT return, Transfer Pricing, Outsourcing & Accounting and Internal Control.

In complete compliance with international professional standards (International Standards on Auditing), the Audit division carries out statutory audit assignments as well as limited reviews of financial statements under IFRS, US GAAP, French GAAP and Italian GAAP and with regard to the national tax code. The division has been accredited by the SPK (capital markets supervisory board), the EPDK (energy market regulatory authority), the supervisory and regulatory bodies for the banking and insurance sectors, and the World Bank.

Also present in all the Mazars offices in Turkey, the Tax department offers a wide range of certification services, for transactions, capital increases, investments, or credit applications. These services are in addition to annual reviews, VAT collection procedures, and several other transactions provided for by Turkish tax law.

The VAT department is specialized in managing relations between the payer and the tax administration throughout the process of calculating and paying VAT. It also helps companies with issues that may arise in collecting VAT, or with the deductions related to this tax.

Mazars in Turkey also offers a wide range of services related to transfer pricing, both in terms of strategy, updates and reviews. Mazars Turkey Transfer Pricing department can also help to adapt the strategies designed by parent companies of certain foreign firms doing business in Turkey, to local specificities.

In the area of accounting and outsourcing, services include systems design and accounting department organization, preparation of accounts and tax declarations, payroll management, financial reporting – under IFRS or US GAAP – and compliance reviews.

Finally, Mazars in Turkey offers its clients extensive expertise in the area of internal control: procedural preparation and reviews, internal control training, and assignments relating to the requirements of the Sarbanes-Oxley law.

**Building for the long term**

With their wide range of services, high level of professional expertise, and access to the resources of the global Mazars organization, the Turkish offices have attracted a prestigious national and international clientele. These clients include companies from a wide variety of business sectors, such as Danone, Areva, HSBC Guterzeller, Nexans, Saint-Gobain, Publicis or Chanel. And with the growing attraction of the Turkish economy for foreign investors, this list can only grow longer in the coming years. "Ten years ago, Mazars in Turkey was a very specialized tax consulting firm. Today, we are able to offer all the services of a large audit and advisory organization. This transformation took place without excess, with the goal of long-term success for the organization, and without ever abandoning strong professional ethics," concludes Loïc Wallaert.

**The environment at heart**

In Turkey, as in many countries of the partnership, Mazars is resolutely and concretely engaged in protecting the environment. For eight years now, in all the Turkish offices, every wedding, birth or birthday is a chance for colleagues to plant a new tree. This initiative, carried out in partnership with association Cekul, has already planted more than a thousand trees, contributing to the reforesting of the southeast regions of the country. The recent opening of the new Mazars Turkey office in Bursa was accompanied by the planting of several dozen trees in the surrounding forests.
An audit market in the wake of a revolution

The new commercial code being considered by the Turkish parliament will transform governance regulations and boost business for audit firms, which are currently feeling the slowdown of the national economy.

After strong growth until 2007, the Turkish economy showed signs of slowing in 2008. More liberal and open to the global economy today, the country was not spared the effects of the international crisis, and is doubly impacted by the difficulties experienced in several traditionally important sectors — textiles, heavy industry — and by shrinking foreign investment. The 2009 outlook remains dark, with a nearly 5% expected drop in GDP.

However, several sectors appear to have shown better than average resistance to the declining economy. The energy, telecommunications, food, and pharmaceutical industries in particular have shown excellent resilience, and provided audit and advisory firms with opportunities for development. While the number of contracts arising from mergers and acquisitions has decreased markedly, audit demand has risen, primarily contractual. In most cases, this demand is for certification of accounts or financial statements with a view to obtaining credit or attracting foreign investors.

In this environment, in addition to the Big Four, which carry out a significant portion of audits for large listed companies, several major players have come to the fore. To the exception of Mazars, these are mainly international networks, including Baker Tilly, BDO, RSM or Grant Thornton. Most of their turnover is generated with local companies, and audit represents one third of their business. This is in fact a specificity of the Turkish market, where tax law means that fiscal services make up almost half of the fees of audit and advisory organizations.

New governance rules

The situation should be changing in the coming months. In preparation for joining the European Union, Turkey has begun a vast revision of its commercial code which will have major repercussions on corporate governance. The overall aim is to align national legislation and practice with those in place in the EU member countries. In concrete terms, it appears that almost 50,000 companies will be subject to mandatory statutory audit of their accounts, compared with some 1,000 today. In addition, public interest entities will be required to implement a system of internal control under the supervision of an auditor. These changes in governance go hand-in-hand with the professionalisation of statutory audit, for which a specific diploma will need to be obtained, which was not the case until now. Finally, an independent supervisory organism for the profession will be established.

This is a veritable revolution for the entire Turkish market. The most recent estimates indicate that around forty firms are capable today of providing the services which will be required by the future commercial code. Most of these expect their business to expand by between 30 and 50%. Clearly, between now and when these new provisions take force, audit firms, especially those of average size, will need to meet the dual challenge of recruiting and training, with enormous consequences in human and financial terms, depending on whether the new provisions take effect in a few months or in one or two years. These investments are therefore necessary, for any firm that does not want to fall behind the competition when the expected spikes in business occur.
Celebrating Turkey all across France

From July 1st, 2009 to March 31, 2010, Turkey has a starring role in France. More than 400 cultural, economic and intellectual events are taking place in Paris, Lille, Lyon, Marseille, Bordeaux, Strasbourg, and around the country, as part of the Saison de la Turquie en France. Exhibits, shows, concerts, films, debates, joint education initiatives, literary and culinary events will take place throughout these nine months, as part of a rich testimonial to Franco-Turkish friendship. The Saison de la Turquie en France also includes an extensive economic program, including numerous events which will bring together companies from the two countries.

Mazars is sponsoring some of these, such as:

- A colloquium discussion, “Franco-Turkish Partnership, growing stronger in Europe and around the world,” organized in Paris on October 9 by the MEDEF (French business organization) and its Turkish counterpart, TÜSİAD.
- An exhibit “From Byzantium to Istanbul” at the Grand Palais, in Paris, from October 9, 2009.

Op-ed

ON TURKEY JOINING THE EUROPEAN UNION

“Turkey has always been part of Europe both politically, historically, and geographically and our country welcomes more and more business partners and European investors who choose to benefit from Turkey’s many assets, to develop their activities.

Besides, my appointment as Minister in charge of European Union affairs and chief negotiator since January 8, 2009, is one the clearest embodiments of our Government’s commitment to this highly demanding but equally motivating accession process.

I am personally convinced that our common interests and perspectives are the basis of our relationship with the EU. We share the same desire for peace, democracy, stability and an identical set of values.”

HE, Mr Egemen BAGIS

Minister in charge of EU affairs – Chief negotiator
Istanbul
Orhan Pamuk
2005, Gallimard
The latest novel by the 2006 Nobel Prize for Literature, whose work includes in particular My Name is Red (2001), New Life (1999) and The White Castle (1999).

Crescent & Star
Turkey between two worlds
Stephen Kinzer
2008, Farar, Strauss & Giroux
Second revised edition of a classic published in 2001. All aspects of modern Turkey are covered: political, economic, geostrategic and social.

Musiques de Turquie
Jérôme Cler
Actes Sud, Collection Musiques du monde, 2000
A complete overview of the Turkish musical landscape, from the most traditional composers to the most contemporary artists.

The New Turkey: The quiet revolution on the edge of Europe
Chris Morris
2006, Granta UK
Fascinating insight into modern Turkey, by the BBC correspondent in Istanbul.

Histoire de l’Empire Ottoman
Directed by Robert Mantran
2003, Fayard
For historians and avid readers alike, a very complete political, social, cultural and religious history of the Ottoman Empire.

La Turquie
Directed by Semih Vaner
2005, Fayard
A collective piece of work that gathers contributions from the best French-speaking experts on Turkey.

Turquoise
Greg et Lucy Malouf
2008, Chronicle Books
A superb voyage from the markets of Istanbul to the borders of Anatolia, exploring the treasures of Turkish cuisine. Illustrated with numerous photos.

Istanbul, ville monde
La Pensée de Midi Numéro 29
An exploration of Istanbul and its many facets, through contributions from 19 local writers.

Atatürk: The Biography of the founder of Modern Turkey
Andrew Mango
2002, Overlook TP
By an author born in Istanbul, a very rich biography of the founder of modern Turkey.

Objectif Turquie
Revue des deux Mondes
Septembre 2009
The Revue des Deux Mondes promotes literary and artistic creation and publishes important political debates and travel tales as well.

Visit the Nomad website: http://www.saisondelaturquie.fr
All the cultural events organized for the Saison de la Turquie en France.

The website of the Invest in Turkey agency
Accessible in eleven languages, it includes all the information investors who are interested in locating in Turkey might need.

The website of the French Chamber of Commerce in Turkey, serving companies and the Franco-Turkish business community.

The website of the Turkish Ministry of Culture.

www.invest.gov.tr
http://www.kultur.gov.tr

International
KIOSK
English
French

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