

CULTURAL COMMENTARIES: A CLOSER LOOK



Turkey

OVERVIEW

Once the center of the Ottoman Empire, Turkey straddles the continents of Europe and Asia; serving as a bridge between East and West. Its strategic location at the entrance to the Black Sea has granted Turkey major influence in the region for centuries.

Modern Turkey, while mostly a Muslim country, is a secular nation. Having oriented itself politically and economically toward the West since its founding, Turkey is working toward entry into the European Union, which is still a controversial idea. Turkey today is experiencing low inflation and healthy growth, but the nation is still burdened by huge foreign debt.

KEY FACTS

- Location: Turkey stretches across the Anatolian peninsula in Southwestern Asia and the Balkan region of Southeastern Europe. Turkey borders Bulgaria to the northwest; Greece to the west; Georgia to the northeast; Armenia, Iran and Azerbaijan to the east; and Iraq and Syria to the southeast. Turkey also borders the Black Sea to the north; the Aegean Sea to the west and the Mediterranean Sea to the south
- Population: 73.3 million (UN, 2005)
- Major language: Turkish
- Major religion: Islam
- Land Area: 779,452 sq km (300,948 sq miles)
- Currency: New Turkish lira
- Capital City: Ankara
- Internet domain: .tr
- International dialing code: +90

POLITICS

The Ottoman government, based in Istanbul, collapsed at the close of World War I and the Ottoman Empire, which had ruled the Middle East, was divided among the victors. The

occupation by the Allied powers of what is today Turkey, initiated the creation of a Turkish nationalistic movement. The occupying armies were eventually repelled in the Turkish War of Independence and the new secular Republic of Turkey was born in September 1922.

Kemal Pasha became the first president of the new republic and instituted numerous reforms designed to create a modern secular state from the remnants of the Ottoman Empire. Under Pasho, the office of Sultan was abolished and a representative democracy established. In the new Republic, men and women were equal and had full voting rights. The Islamic courts were closed and a secular legal system replaced them. A complete separation of government and religious affairs was established.

Turkey today is a multi-party, secular democracy, following some turbulent years when military coups replaced the elected government. A 1982 constitution provides for a 550-seat parliament that elects a president who serves as head of state. The president appoints a prime minister, usually from the majority party, to serve as head of government.

As part of its bid to join the EU, Turkey has had to continue reforming itself, including improving human rights, abolishing the death penalty, and offering greater acceptance of minority Kurdish culture. The largest conflict facing Turkey involves the island of Cypress, where Turkey alone recognizes the Turkish Republic of North Cyprus and has no ties with the EU-member government in the southern portion of the island.



ECONOMY

For most of its republican history, Turkey had strict government controls over the private sector, foreign trade, and foreign investment. Beginning in the 1980s, however, Turkey began to open the economy and follow a market-based model. Rapid growth followed these reforms, but there have been severe recessions as well. The worst occurred in 2001 when a growing trade deficit and weaknesses in the banking sector led to an economic crisis.

Since 2001, economic reforms have reduced inflation to single-digit numbers, investor-confidence and foreign investment have increased while unemployment has decreased. Turkey has continued to slowly open its markets by reducing government controls on foreign trade and investment and by privatizing many publicly-owned industries. The state still plays a major role in banking, transportation and communications, but pressure from the International Monetary Fund (IMF) and World Bank is accelerating efforts at reform.

Turkey has a traditional economy, centered on agriculture and industry. More than 30 percent of Turkey's workers are employed in agriculture and Turkey has the largest farm output in the Muslim world. Turkey's industrial sector has a 19 percent share in employment, a 29 percent share in national production, and a 94 percent share in total exports. Textile and clothing production are the largest industries and generate the largest exports. Other leading industries are oil refining, food processing, chemical and mineral production, automotive and machinery.

ECONOMIC DATA

- GDP: \$600 Billion (2005)
- Inflation: 8.2% (2005 est.)
- GDP growth: 5.6% (2005 est.)

TECHNOLOGY

Turkey is moving away from its traditional emphasis on agriculture and textiles and toward more technology intensive sectors. In 2004, Turkey had more than five million Internet users, an increase from four million in 2003. The information technology market in Turkey is growing, reaching \$4.5 billion in 2004, and experts predict that small and medium-sized enterprises in Turkey will increasingly invest in IT. Turkey has also grown into a natural crossing point between European and Middle Eastern IT businesses.

The fastest growing segments of the IT sector in Turkey are e-commerce, educational hardware, and IT infrastructure. The Basic Education Project, a program funded by the World Bank, aims to

establish IT classrooms in 3,000 schools throughout the country and is one example of the opportunities available in this sector.

The Turkish IT market is dominated by hardware sales and has experienced double-digit growth in recent years. Applications software accounts for 72 percent of the software market in Turkey and systems software makes up the remainder. The software market revenue exceeded \$600 million in 2004, a 30 percent increase from the previous year.

SOCIETY

Since its founding, the Republic of Turkey has had a strong tradition of secularism, a distinctive feature within the region. While the majority of the population is Muslim, there is no official state religion. Turkish secularism is based on the concept of laiklik, or in French *laïcité*, which is the idea of no interference in religion by the government and, likewise, no interference in government by religious institutions.

In Turkey, religious affiliated political parties are not allowed, although the more conservative parties tend to represent religious minded citizens. Turkish secularism is credited for enabling women to have greater access to opportunities for education, employment, political, social and cultural freedoms, than in countries where religion has greater influence in public affairs.

Because of Turkey's location on the crossroads of Europe and Asia, the nation has a very diverse culture that is a blend of Asian, European and Islamic cultures and traditions. The country has attempted to blend these elements through secularism, language and culture. Unfortunately, this has meant that the 15 million Kurds in Turkey (20 percent of the population) have had their culture suppressed. Because of the size of the Kurdish population and the presence of separatist groups, Kurds are often perceived as a threat to Turkey's national unity. The government at one time outlawed speaking Kurdish and still forbids it as a first language in schools. Only recently has the government allowed broadcasts over radio or television in Kurdish. As part of its effort to join the EU, Turkey has had to loosen restrictions and provide greater rights to the Kurdish minority. EU opponents argue that these reforms may strengthen the separatist movement among the Kurds and eventually lead to the break-up of the country.

DOING BUSINESS

Free market reforms in Turkey have resulted in new laws that allow foreigners to invest, engage in commercial activities, participate in partnerships, purchase shares and establish offices in Turkey. Joint ventures and licensing arrangements are also common now.

Almost all sectors of the Turkish economy open to private domestic investors are also open to foreign participation. The exception is certain specific sectors where foreign participation is limited, typically to less than 50 percent. These sectors include broadcasting, aviation, maritime transportation, petroleum and mining.

As privatization increases, new investment opportunities are emerging. For example, the Turkish government now issues licenses for private operators to distribute gas, and the planned privatization of Turkey's electricity production companies, power plants and electricity distribution grids offers additional prospects for foreign companies.

According to World Bank statistics, Turkey placed 91 out of 175 countries in an index ranking the ease of doing business. The rankings are based on a number of indices in categories such as starting a business, employing workers, obtaining credit, protecting investors, taxes, trade and enforcing contracts.

BUSINESS ETIQUETTE

- Schedule business appointments in advance to ensure that you avoid Turkish holidays, such as Ramadan, and the months of July and August when Turkish business people take their annual holiday. In addition, daily routines, appointments and meetings must be fitted around each of the five daily Islamic prayer times. Punctuality is taken seriously in all business contexts; therefore you should call ahead if you anticipate being delayed.
- In Turkey, age is a sign of wisdom and consequently demands respect. Within Turkish business, respect is shown for rank, education and authority as well. You should always address the eldest or most senior person in the room first. Typically, you will not meet senior members of a Turkish company until trust has been established by those below them.
- Decisions are made by the most senior business people, however, due to the strong sense of collectivism that underlines Turkish business culture, the decision maker will often consider the wishes of the people involved as well.
- Dress conservatively for meetings in Turkey. Men are expected to wear a suit and tie and women should avoid short skirts, low-cut blouses or shorts.
- Greet your Turkish counterparts with a handshake and maintain eye contact while speaking because Turks take this as a sign of sincerity. Do not back away if your Turkish colleagues seem to stand too close during conversation. Turks do not require as much personal space as other cultures.
- Using deadlines or high pressure tactics during negotiations with Turkish business people is counterproductive. Patience during negotiations is necessary as decision making can be slow.
- Exchanging gifts is not a predominant feature of Turkish business culture, so do not offer lavish or personal gifts. If a gift is given, however, it will be gratefully accepted. Also, be sure to confirm that your Turkish counterparts drink before serving alcohol.

PROSPECTS

Turkey's geographical position makes it an excellent base for economic activities throughout the region and the country is emerging as a powerful cultural and political focal point. Increasing privatization and openness to foreign investment make Turkey an attractive business environment.

While EU membership is not proceeding quickly and talks have stalled, negotiations have not ended. Recent assessments by the EU have been critical of Turkey, but not harsh enough to escalate tensions. The issues that must be settled include Turkey's acceptance of the independent government of Cyprus and granting of further rights and freedoms to the Kurdish minority.

Otherwise, although inflation and the trade deficit have increased recently, Turkey presents many advantages and potential opportunities to businesses wishing to expand in this region of the world.