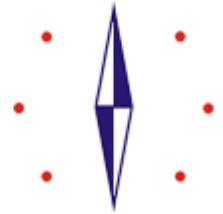


FOREIGN MARKET CONSULTING

Danismanlik ve Tic. Ltd. Sti.



Attached is our latest monthly newsletter providing summaries of recent economic and political developments in Turkey.

Please note that beginning from this year we also offer 2-day intensive **seminars on 'Business in Turkey'** presented at our offices in Istanbul. Please find further information **Seminar - Info**

We would welcome your feedback on our Newsletter and any other matters that you consider may improve or add to our newsletter service. Please also do not hesitate to contact us if you wish to learn about our wide range of available services.

If you know anyone else who would be interested in this free service, please forward this newsletter to them or alternatively, provide us with their e-mail address (to newsletter@fmconsulting.info), so that we can include them on our distribution list.

Best regards,

Your FMConsulting Team

Newsletter October 2007

Economy

Overview of Monthly Data

YTL-Rates	09.28.2007	10.31.2007	Change in %
YTL pro Euro	1.7168	1.7033	-0.78
YTL pro USD	1.2106	1.1791	-2.60

Stock exchange index	54.044	56.616	4.76
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Inflation in %	Monthly inflation	Annual inflation
Producer prices	1.81	4.41
Consumer prices	-0.13	7.70

Growth Rates

Economic Growth Rates (%)					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Yearly
2000	4.2	5.4	7.2	7.8	6.3
2001	-3.3	-12.3	-9.1	-12.3	-9.5
2002	0.6	10.4	8.0	11.8	7.9
2003	7.4	3.6	5.6	7.2	5.9
2004	13.9	15.7	5.7	6.6	9.9
2005	7.5	4.7	8.0	10.02	7.6
2006	6.3	9.3	4.3	4.6	6.1
2007	6.7	3.9			

Interest rates lowered in October

As announced, Turkish Central Bank has lowered the interest rate in October. Deposit rates was lowered to 16,75 % by 50 base points and the one for credit cards was relaxed by 75 base points to 21,50%. By this measure the Central Bank hopes to stimulate the economic growth within the end of the year.

Raising of Private Consumption Tax (ÖTV)

Turkish government shall raise private consumption tax (ÖTV) for particular products and services including gasoline and tobacco in order to precaution economies in the budget 2008. It is planned to raise the ÖTV rate from 6,7 % to 20% concerning electronic home appliances. By these measures government aims to raise income by 6,4 billion YTL from 38,3 to 44,7 billion YTL in 2008. Furthermore, a raise of the electricity charge is discussed, however the cabinet could not yet agree on the extent of such a raise.

Inflow of foreign capital

Has raised by 42,3%. According to the information provided by the foreign investments general committee; the direct investments into Turkey had amounted 11 billion USD within January-July 2007. This indicates a growth of 42,3% in comparison to the same period of 2006.

German Economy Meeting

Mr. Rifat Hisarcıkloğlu, The Chairman of The Union Chambers and Commodity Exchanges of Turkey-TOBB reminded that Germany is Turkey's most important economical partner in his speech to almost 100 attendants at the German Economy Summit at Ritz Carlton Hotel on the 10.09.2007. He pointed that the relationship with Germany holds a history of 800 years now, the trade volume is still growing and expected to reach 50 billion USD within the next five years.

Location for industry and trade: Anatolian cities

Economic growth is not only increasing around Ankara, Istanbul and Izmir but in other certain Anatolian cities as well. In order to facilitate the economical access into these less industrialized regions, The German embassy in Ankara established a series of events within the scope of German Economy days. Many small and medium size Enterprises, for instance machine manufacturing and clothing industry sectors were already founded in Kayseri, Gaziantep, Konya and Adana. The purpose of German Economy Days is to analyze cooperation and investment opportunities in these regions which are economically interesting.

IIF: India and Turkey will win the foreign capital competition in 2008

For 2008 the International Finance Institute (IIF) in Washington expects foreign capital increase up to 20 billion USD for Turkey. The chairman of the IFF Charles Dallara stated that they have now achieved essential progresses in the sector of public finances, where Turkey had a shortage for years. He explained that Turkey has not succeeded in attracting foreign capital up to now. Based on the achievements of economic programs this shall now be about to turn for the better. Furthermore Dallara stated that Turkey will attract even more foreign capital within the course of the negotiations for membership to the EU.

Turkey is ranked fifth in Europe concerning military expenditures

With an average of 9,9 billion USD per year, Turkey is ranked fifth in respect to the military expenditures. Iran leads that ranking in the Middle East, in front of Saudi Arabia and Israel with 27,2 billion USD. They are followed by Turkey and Syria with an average military expenditure of 6 billion USD.

The development of foreign trade goods (January to August 2007), million USD

Years	Exports total	Investment goods	Share %	Intermediate Goods	Share %	Consumption Goods	Share %
2003	47.252	4.344	9.2	18.494	39.1	24.125	51.05
2004	63.167	6.530	10.3	25.945	41.1	30.501	48.28
2005	73.476	7.977	10.9	30.289	41.2	34.835	47.41
2006	85.534	9.423	11.0	37.788	44.2	37.790	44.18
5007	67.122	8.578	12.8	31.324	46.7	27.003	40.22
Years	Imports total	Investment goods	Share %	Intermediate Goods	Share %	Consumption Goods	Share %
2003	69.339	11.325	16.3	49.734	71.7	7.813	11.2
2004	97.539	17.397	17.8	67.549	69.3	12.100	12.4
2005	116.774	20.363	17.4	81.868	70.1	13.975	11.9
2006	139.576	23.347	16.7	99.604	71.4	16.116	11.5
2007	107.589	16.338	15.1	78.982	73.4	11.265	10.4

Politics

Public accepts constitutional changes in a referendum

69% of the voters agreed to numerous constitutional changes in a referendum held in the beginning of October. At a turnout of considerable 67% Turkish citizens agreed on some changes such as the president will be directly elected by public and his term of duty was shortened from seven down to five years.

PKK attacks Turkish soldiers

On October 21st, the terrorist organization PKK attacked a military base close to the border of Iraq. 12 Turkish soldiers were killed, 17 injured and 8 were apparently taken hostages. Following to their release of hostages, they were accused of insubordination in Turkey. By organizing county-wide demonstrations, thousands of people made call for military operations to the PKK support points in

Iraq.

Iraq makes efforts to resolve the conflict

The Iraqi Minister of Foreign Affairs Hoschiar Sebari assured that the PKK will not be able to attack the Turkish army from bases on Iraqi territory. In Baghdad, he told his counterpart Ali Babacan that he does not want these attacks which might spoil the relationships between Turkey and Iraq. Previously Sebari has also ensured Condoleezza Rice, USA Minister of Foreign Affairs, to take care of the tensed situation at the Turkish border. He appealed not to transform Iraq into a battlefield, addressing the PKK .

UK announces support to Turkey in their fight against terrorism

After meeting his British counterpart Gordon Brown in London the Turkish Prime Minister Erdogan warned the Iraqi government once again to prevent the PKK from acting at the southern Turkish border. Otherwise, the memorandum for a military operation that was agreed by the Turkish parliament might be used at any time. He stressed that Turkey would not campaign against Iraq but against PPK presence there. Brown explained that the UK would continue their endeavors to achieve a diplomatic solution. But stating that Turkey had to receive international support in such a delicate situation, he declared to intensify cooperation with the Turkish government concerning the war on terrorism.

Erdogan demands for international support in their fight against the PKK

After his foreign trip to Italy and the United States of America Prime Minister Erdogan stated in Istanbul that the PKK is a common enemy of the USA, Iraq and Turkey. As first steps towards a solution of the problem intelligence services of all three countries should cooperate closely and information regarding the PKK should be exchanged. However Turkey might opt. for military intervention against the PKK if considered necessary.

Ukraine

5 East European nations sign deal for oil pipeline connecting Black, Baltic seas

Ministers from five East European countries signed a deal for the construction of an oil pipeline linking the Black and Baltic seas - a project aimed at improving regional energy security and reducing dependence on Russian crude.

The agreement, signed by Azerbaijan, Georgia, Ukraine, Poland and Lithuania, calls for building a 490-kilometer (300-mile) extension to an existing pipeline in western Ukraine northward to the Polish port of Gdansk on the Baltic Sea, and securing supplies of Azerbaijan's crude from the Caspian Sea.

Presidents of the five countries involved - Poland's Lech Kaczynski, Georgia's Mikhail Saakashvili, Lithuania's Valdas Adamkus, Azerbaijan's Ilham Aliiev and Ukraine's Viktor Yushchenko - praised the deal, saying it would help bring predictability and stability to oil supplies.

Vanco company wins government favor for oil deal

Ukraine has finally allowed a serious Western energy player to explore and develop what could be billions of barrels of oil buried beneath its Black Sea shelf. The outgoing government of Prime

Minister Viktor Yanukovich approved a Production Sharing Agreement (PSA) with US Vanco Energy on Oct. 3, ending more than a year-and-a-half of tough negotiations. Although the PSA still has to be signed by Deputy Prime Minister Andriy Kluyev, it marks the latest in a recent series of breakthroughs by Western oil companies onto Ukraine's promising production market, and the first onto the country's Black Sea shelf. If significant hydrocarbon deposits are found in Ukraine's so-called Prykerchenska field, a 12,900-square-kilometer swathe of territory that comprises about 17 percent of all expected reserves in the Black and Azov Sea shelves, the country could ease Russia's stranglehold on its energy supplies. Due to the technical difficulty of the deep-water drilling involved, Ukraine has been unable to develop the Black Sea shelf on its own.

President Yushenko calls for new government to swiftly adopt business relief laws

Whatever coalition emerges, Ukrainian President Viktor Yushchenko made improving business conditions and further adapting government standards to those of the World Trade Organization and European Union among the top priorities of parliament once it convenes. The president will submit six bills to improve business standards and regulations for the parliament's urgent approval, said Oleksandr Shlapak, the first assistant chair of the Presidential Secretariat, on Oct. 23. The bills are the president's direct response to initiatives proposed by small and medium-sized businessmen at a Sept. 17 meeting of the Government and Business – Partners Forum in Kyiv, Secretariat officials said. The most far-reaching of the proposals would remove a wide spectrum of technical regulations on business and reduce the number of products requiring mandatory certification. Removing the litany of technical and certification barriers would bring Ukraine closer to WTO and EU standards, according to an informative memorandum prepared by the Secretariat.

Ukrainian politicians push the economy up

Traditionally, the Ukrainian economy tends to have very positive indicators at the peak of political chaos and uncertainty. The process of forming a new government will not have a negative impact on the country's macroeconomic indicators registered in September. However, the reaction of financial markets is the confirmation that the national economy has responded to the results of the snap parliamentary elections rather positively. Immediately after the election returns were made public, the PFTS index grew 3.17%. Practically all liquid shares traded on the exchange grew in price. Among blue chip stocks, the securities of Arcelor Mittal Kriviy Rih demonstrated the most significant growth at 8.23% in one trading session. The price of shares of the energy generating companies ZakhidEnergo, DniproEnergo, DonbassEnergo, KyivEnergo, TsentEnergo grew 6% on average, while UkrNafta securities grew 4.75%. Similar trends were observed in the second and third tiers of shares. The growth in the value of shares of certain companies reached 10% in a matter of one trading day. Starting from October 2, the country's main stock exchange has displayed stable growth. Noteworthy is that the shares of companies owned by proponents of the "orange" political camp are not the only ones experiencing an increase in value. Indeed, the value of shares of owners siding with the potential opposition is also on the rise. Here, the only exception is Mariupol Illich Steelworks since its representatives failed to win a seat in the parliament.

Please note that we also offer our full range of services from our partner firms' offices in **Krakow/Poland, Prague/Czech Republic, Kiev/Ukraine and Bucharest/Romania.**

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