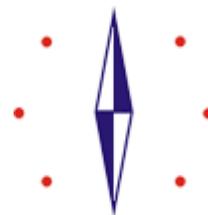


# FOREIGN MARKET CONSULTING

Danismanlik ve Tic. Ltd. Sti.



With our last Newsletter in 2007 we wish you:

**a happy Bayram,  
a merry Christmas and  
best wishes for a successful 2008.**

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](mailto:newsletter@fmconsulting.info)), so that we can include them on our distribution list.

Best regards,

Your FMConsulting Team

**Newsletter November 2007**

## Economy

### Overview of Monthly Data

YTL-Rates	10.31.2007	11.30.2007	Change in %
YTL pro Euro	1.7033	1.7404	2.18
YTL pro USD	1.1791	1.1790	-0.01

<b>Stock exchange index</b>	56.616	54.214	-4.24
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Inflation in %	Monthly inflation	Annual inflation
Producer prices	0.89	5.65
Consumer prices	1.95	8.40

## 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			

### Annual exports exceeded 100 billion USD by October

According to the Turkish Exporters Association' figures for October, export compared to same month last year has risen by 37.13% to nearly 10 billion USD. It has been announced that this year's figures for the 10 month period between January to October have risen by 24.86% to the amount of 85 billion. The exports on early based increased by 25.74% and reached 102 billion USD.

### The Central Bank Lowers the Interest Rate with Half a Point

The Central Bank has lowered the overnight borrowing rate with 0.5 point to 16.25% while the lending rate was lowered by 0.75 point to 20.75%. Over the last 3 months the interest rates have come down with 1.25 points in total.

### Turkey's Rate of Unemployment among Women Ranked as 6th Highest in OECD Countries

According to the OECD's 2007 report on unemployment, Turkey's rate of unemployment among women ranked as 6th highest. Compared with a rate of 8.3% in 1994 where Turkey was 17th among 28 member states; in the last 13 years the rate of unemployment among women has risen so fast that Turkey moved by 11 ranks.

### The 2008 Minimum Wage Increase Eaten up by Interest

The recent price increase in transport, cigarettes, water has already cancelled out the expected 4% increase for 2008. With the latest price increases the real value of the minimum wage (which is nominal at 419.5 YTL=239,7 Euro) decreased by 16.8% in Istanbul and 3.5% in Ankara.

### An Intervention in the Financing of Terrorism

As terrorist activity has increased recently, a debate about cross border operations has resulted while measures against the funding of terror are being put in place. In this respect the finance ministry, as well as banks and other financial institutions will report to the Financial Investigation

Board any financial or other transactions that may be suspicious.

### **The Azeri Turkish Greek Pipeline Commissioned to Supply Europe**

Turkey, who last year commissioned the Baku - Tbilisi – Ceyhan pipeline transporting the Russian, Kazak and Central Asian crude oil to the world markets, is now commissioning the Caucasian natural gas to Europe by another pipeline. The inauguration of the Turkey- Greece pipeline held and the pipeline will transport the natural gas extracted from the Shah Deniz field to Greece. The leaders of Turkey, Greece and Azerbaijan all pressed the control button that opens the valves to Greece. Prime Minister Erdoğan reiterated the fact that this pipeline would be the fourth main natural gas route to Europe.

### **Electricity Agreement Signed with Iran Regardless of US Warnings**

Energy Minister Hilmi Güler signed a memorandum of understanding on electricity on behalf of with Iran despite US warnings. The energy minister of Iran Perviz Fattah emphasized that the agreement would not only stay an agreement on paper. According to the agreement thermal and hydraulic power plants as well as power distribution lines will be built.

### **Start On the ‘Silk Route’ Railway**

The ground breaking ceremony of the Bakü- Tbilisi -Kars railway project better known as the ‘The Silk Route’ railway was held in Georgia’s capital Tbilisi and attended by the presidents of Turkey, Azerbaijan and Georgia. Turkey’s President Gül emphasized the important role this road would play in bringing peace to the region. Gül also stated that this railway will connect China to London. The BTF railway line will cost 450 million dollar and will start service in 2.5 years.

## **Politics**

### **Industrial Cooperation goes Hand in Hand with Peace**

Turkish, Palestinian and the Israeli Presidents initiated the “Industrial Cooperation for Peace” project at the 7<sup>th</sup> Ankara forum which shall be a concrete step forward to achieving peace in the Middle East. Gül stated that the prerequisite of prosperity was peace and that emphasizing the fact that constructing industrial co operation areas would contribute towards political reconsolidation.

### **Diplomatic efforts succeed: 8 soldiers return to Turkey**

The 8 soldiers that were kidnapped during a terrorist operation by the PKK on 21 October 2007 have been released after two weeks in captivity. It has been reported that the plane that brought back the 8 soldiers belong to David Patraeus the commander of the Multi-National Forces in Iraq.

### **The Erdoğan-Bush Talks: The Joint Intelligence used Against the PKK should be Increased**

A clear message did not come out of the 1.5 hour discussion regarding operations in Northern Iraq between Prime Minister Erdoğan and American President George Bush. However, both parties agreed that financial and logistic support to the PKK must be cut.

### **EU Support for the Prevention of PKK terror**

The European Union has said that it is necessary to support Turkey in the prevention of terrorism. The Union stated on the 6th of November in its 'Turkey Progress Report' that in Turkey's South East, while tackling the serious economic and social problems it is also desirable that the local people make full use of their rights and freedoms.

### **Lagendisjk: DTP needs to deny help to the PKK**

Joost Lagendijk the chair of the Turkey delegation in the European Parliament visited Ahmet Türk, the leader of the DTP group, at the Turkish parliament and stated that the DTP should openly deny support for the strategies and the operations of the terrorist organization the PKK.

## **Other Topics**

### **A Great Loss for Science and Politics**

Prof. Dr. Erdal İnönü died aged 81 while receiving treatment at a hospital in Houston, USA. His passing can be considered a huge loss for the political as well as the scientific world. After the elections of 1991 and the formation of the True Path Party (DYP) and SHP coalition, he held the posts of Deputy Prime Minister and Minister of Foreign Affairs. As well as being professor of physics at the Middle East Technical University (ODTÜ) and Bosphorus University he also fulfilled the positions of Dean and Rector at these institutions. Apart from being on many national and international scientific organizations' boards he contributed to the establishment of TÜBİTAK and was the head of the board of founders as well as the general manager.

### **High demand for Licenses for wind energy production**

There has been such an overload in the application for licenses for the operation of wind energy production facilities that the application process has come to a standstill. The Electricity Market Regulatory Authority is expected to open a tender to determine who will be given the licenses. The legal frame work that is required for the Energy Market Regulatory Authority to hold such a tender has been set in motion as the regulatory authority can not issue such tenders.

### **Electricity cuts may take effect from 2009**

The president of the EPDK (Electricity Market Regulatory Authority) Yusuf Günay, who spoke at the 7th Energy Arena held in Istanbul, warned that electricity cuts will result if current increase by 10% per year in energy demand continues.

### **Turkish doctor receives Pulitzer award**

The biannual meeting of the Pulitzer society, the International Society for Otologic Surgery, was held for the 26<sup>th</sup> time in Cleveland, Ohio between 13- 26 October. Prof. Dr. Sertaç Yetişer was chosen among 109 candidates to receive the second prize for scientific research for his paper 'The Damage caused by a Facial Paralysis in Rats'.

## **Ukraine**

**Output of goods and services and GDP of Ukraine**

(%, at comparable prices)

	Output of goods and services		Gross value added	
	January-September	January-October	January-September	January-October
Agriculture, forestry	95,2	94,6	95,3	94,7
Mining and quarrying	102,9	102,9	103,3	103,3
Manufacturing	112,3	112,7	112,7	113,1
Electricity, gas and water supply	101,7	102,4	100,6	101,3
Construction	114,3	114,0	111,6	111,0
Wholesale and retail trade;	116,6	116,7	117,1	117,2
Transport, storage and communication	107,3	107,6	106,7	107,0
Education	100,0	99,8	100,0	99,8
Health care and social work	100,9	100,7	102,4	102,1
Other types of economic activity	102,4	103,2	102,7	103,5
Net taxes on products	114,1	112,2	114,1	112,2
<b>Gross domestic product</b>	<b>X</b>	<b>X</b>	<b>107,3</b>	<b>107,3</b>

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### Volume indices for industrial output in Ukraine for January–October 2007

	Volume indices for industrial output (at comparable prices), %			
	October 2007 over September 2007	October 2007 over October 2006	January-October 2007 over January-October 2006	For reference January-October 2006 over January-October 2005
<b>Industry</b>	<b>110,2</b>	<b>113,7</b>	<b>111,0</b>	<b>105,4</b>
<b>Mining</b>	102,6	102,9	102,9	106,0
Fuel-energy mineral mining	105,1	101,0	97,7	103,9
Mineral mining, except fuel-energy ones	99,9	104,8	109,7	109,2
<b>Conversion industry</b>	110,7	115,4	112,7	105,2
of which				
Production of foodstuff, drinks and tobacco	126,9	104,2	112,1	107,8
Light industry	105,7	102,5	100,1	97,8
Textile manufacture; production of clothes and furs	104,5	98,7	99,4	94,4
Production of leather and other goods	108,9	114,2	102,2	112,6
Woodwork production, except for furniture	107,7	118,9	123,5	112,7
Cellulose and paper productions; publishing activities	107,3	116,0	110,1	109,9
Production of coke, refined petroleum products	101,8	137,9	105,7	86,3
Chemical and petrochemical industry	115,1	112,5	105,2	103,5
Chemical production	119,0	112,3	102,7	101,2
Production of rubber and plastic products	105,3	113,7	113,5	111,6
Production of other non-metallic mineral products	105,4	114,4	118,6	111,2
Metallurgy and production of finished metal articles	102,5	105,2	109,9	108,5
Mechanical engineering	111,0	148,3	127,4	111,3
Machinery and equipment manufacture	102,0	122,2	116,2	102,3
Manufacture of electrical, electronic and optical equipment	106,4	135,3	123,8	111,1
Transport and equipment manufacture	118,3	173,4	137,4	118,4

<b>Production and distribution of electricity, natural gas and water</b>	113,4	108,2	102,4	107,1
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**Footnote:** Volume indices for industrial output do not include distribution of heat energy, gas and water.

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### **Enter Europe for 35 Euro**

The European Parliament ratified agreements with Ukraine on simplifying the visa regime and readmission. Simplification means a fixed visa fee of 35 euros for Ukrainians and free visas for students, journalists and some other categories of citizens.

### **Gazprom says preliminary deal reached on price of gas supplies to Ukraine**

Russia's state-controlled gas monopoly has reached a preliminary agreement on the price of gas supplies to Ukraine, and Ukraine has settled its debt for previous shipments. But the agreement was not final. There is no agreement on price yet; the talks are continuing. The negotiations were part of what Russia describes as an effort to end its practice of providing energy supplies to former Soviet republics at a fraction of global prices. That effort escalated in early 2006 into a dispute, however, that led Russia to cut supplies to Ukraine, affecting some European countries further along the export pipeline. The gas monopoly and Ukrainian officials had reached a preliminary agreement on a price of \$160 per 1,000 cubic meters for gas supplies to Ukraine next year - a steep increase over the current price of \$130 per 1,000 cubic meters

### **Blame drivers, not cops**

President Viktor Yushchenko did not mince words when he met with the leadership of the DAI State Automotive Inspection Service on Nov. 12. Every year Ukraine loses 7,500 people on the in traffic accidents. Yushchenko spelled out what he considers to be the solutions to the country's high roadside mortality rate, including more video cameras, higher fines, and a 10-year validation period for licensing drivers. A database of traffic violators should be compiled and repeat offenders should have their driving privileges taken away according to a "point system" similar to the one used in the West.

### **Akhmetov snaps up mills in EU**

A major Ukrainian steel holding owned by Ukraine's richest man, Rinat Akhmetov, is in the process of acquiring steel production assets in the European market. The move marks the holding's strategy to expand into foreign markets and signifies Ukrainian business groups' increased interest in assets abroad. Metinvest Holding announced Nov. 12 that one of its subsidiaries has signed an agreement to purchase 100 percent of two steels factories, in Italy and the UK, for an undisclosed amount. Metinvest, itself a top 10 steel exporting company, is buying Tramel SpA (Italy) and Spartan UK (UK) from the Malacalza family. Metinvest agreed to pay more than \$500 million for both steel factories. Approval from EU regulatory bodies is expected within the next two months. Akhmetov's holding plans to combine these two steel rolling factories with its existing Italian steel-rolling company, Ferriera Valsider SpA, resulting in a newly created company with a 1 million-ton plate-rolling capacity in the EU.

### **Hryvnya invades Ukraine**

Over 10 months of this year the level of dollarization of the Ukrainian economy fell from 26.9% to 24.71%. Analysts note that 43.6% growth of deposits in UAH since the beginning of the year led to the situation. Investments in foreign currency grew 24.5%.

### **MFA against xenophobia and racism**

The fight against xenophobia and racism in Ukraine will be taken up officially, as the Ministry of Foreign Affairs has introduced the post of ambassador for special assignments in fighting racism, xenophobia and discrimination. Oleksandr Horin, an experienced diplomat took the post. Horin will coordinate the MFA's work with foreign and national institutions in the event of conflicts on religious, ethnic and national grounds.

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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