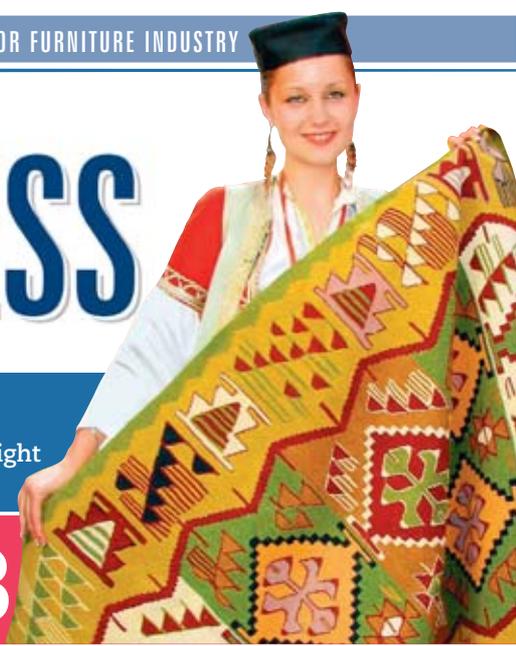


# TODAY'S BUSINESS

SEPTEMBER 20, 2008 WWW.TODAYSZAMAN.COM



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Muzaffer Çilek

## CEO of Çilek: Children's furniture going strong

ZEHRA SAYGIN, ISTANBUL

The children's furniture industry in Turkey has been experiencing its most colorful and entertaining period for 12 years now thanks to the Çilek Children's Furniture company. Having been established in the district of Inegöl in the northwestern province of Bursa, which is famous for its furniture factories, Çilek brought a new spirit to the sector through its specialization in children's furniture.

Çilek Children's Furniture has 25 years of experience in the furniture industry. When the founders of the current company became aware of the untended niche in the furniture industry left by the lack of any specialized children's furniture producers, they made a decision to invest. The exponential growth of the company shows they made the right decision almost 12 years ago by focusing only on children's furniture. As the first of its kind, Çilek is now a leading brand in the field, setting an example for others to follow. Having become a company that exports to nearly 60 countries across the world, Çilek has turned itself into a global competitor. **CONTINUED ON PAGE 42**

## İstikbal blocks electromagnetic waves with Biocare

İstikbal, a subsidiary of leading Turkish conglomerate the Boydak Group, has developed a new fabric that blocks 98.5 percent of electromagnetic waves and heralds it as an innovative product with potential applications in both homes and industry. The company started out with research and development at its Kayseri facilities with the aim of producing a fabric not injurious to health using nanotechnology that would provide healthier sleep for consumers. However the project yielded unexpected results, creating a fabric that can be used in a wide range of fields from construction to the defense industry. The Biocare fabric blocks electromagnetic waves from electronic appliances such as mobile phones, microphones, microwave ovens and wireless communication devices. **CONTINUED ON PAGE 46**



## Turkish Furniture industry needs more than a pat on the back

ABDULLAH BOZKURT, ISTANBUL

The growth trend of the Turkish furniture industry in the last decade is quite impressive, with an 8 percent rate of expansion per year. Yet the industry's performance is showing signs of slowing down in line with a record fall last quarter in the growth rate of the Turkish economy, coming in at 1.9 percent.

Some even estimate the industry has shrunk 50 percent in the first half of this year. Rıdvan Bozucu, CEO of the Halis Furniture Company, states that "there has been a great slowdown in the furniture sector, and many furniture companies are suffering financially because of it." "We used to furnish 500 to 1,000 residences on an annual basis, but so far this year we have managed just about half of that, after the turmoil of the first six months," he noted.

The global economic turmoil, along with increasing energy and food prices, may have been an important factor in the downturn of the furniture industry just it was for other industries such as textiles and construction. As the Turkish economy along with other world economies tries to recover from external shocks, Turkey needs to address structural problems to solve the shortcomings in the industry. "A lack of skilled workers is at the top of the list," says Engin Çakır, board member of the Furniture Industry Businessmen's Association (MOBSAD). **CONTINUED ON PAGE 49**

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# 'ÇİLEK KIDS' FURNITURE OPENS NEW STORE EVERY WEEK'

CONTINUED FROM PAGE 1

Çilek CEO Muzaffer Çilek says the growth of the company has been smooth sailing since there are no producers manufacturing only children's furniture, unlike kitchen or office furniture. Speaking to Today's Business, Çilek explained how he transformed a small furniture company into a global firm that is not afraid to take on challenges. He explains that the company took note of the power kids have over their parents when selecting their own furniture.

Every item produced for children, such as clothes, food and sports equipment, was made to address children specifically with colorful and trendy designs. So Çilek started a new era for children in Turkey, presenting them with the prospect of a room designed just for them. "We set up a team of industrial and interior designers in İstanbul, consisting of well-educated designers from different Turkish cities," Çilek says. He chalks up the great success of Çilek to this well-run synthesis of eastern and western Turkish culture. That the same designs have been sold throughout the world is a testament to Çilek's achievements.

Now the export market ranges from European countries to Russia and from Saudi Arabia to New Zealand. In addition to becoming an expert in children's furniture, Çilek has created special segments according to age intervals, together with items specifically designed for boys and girls. There are playful options for children between the ages of 3 and 10, while teenagers are provided with furniture appropriate for their age. University students can also enjoy a variety of designs addressed to today's youth.

Being the leading manufacturer of children's furniture in Turkey, Çilek gets the biggest slice of the pie. Although the furniture industry has not undergone an overall market analysis, it is known to be a promising market. Export volume has exceeded \$1 billion on a yearly basis, while the domestic market takes in \$6.8 billion. Çilek says about 5 percent of the domestic turnover is children's furniture. However, the small share of the furniture market did not stop

Çilek from specializing in children's furniture.

"We did not just think our company would address Turkish consumers when we entered the market. Instead, we planned to expand to all corners of the world, which we accomplished by establishing branches in 28 countries with 66 Çilek stores," Çilek says. With another 110 stores in Turkey, Çilek ranked first in export rates among Turkey's furniture companies, as announced by the İstanbul Exporters' Association last year. That it came first in paying taxes in Inegöl, a city known for its furniture manufacturing plants, also contributed to the Çilek family's high motivation.

General improvements in terms of using high technology and innovative designs in the furniture industry is another factor in Çilek's success, in addition to its young and earnest team. The furniture industry had a growth rate of 63 percent in exports last year. As the biggest company in children's furniture in Turkey, Çilek has so far exceeded its objectives, as

stated by Muzaffer Çilek himself. Operations at the plant are non-stop, with more than 500 employees working in three shifts. Since Inegöl is home to most of Turkey's furniture factories, workers there are well trained in the field, which is another advantage for Çilek. The Çilek factory's location is also helpful due to the easy access it provides to the retail industry in Bursa, the fourth largest city in Turkey.

Needless to say, years of hard work brought Çilek the know-how of the industry. Çilek emphasizes the need for sensitivity in the creation of children's furniture, as children are more susceptible to any possible harm that faulty furniture can cause. He adds that the reliability of children's furniture must be certified by competent authorities, which Çilek has succeeded in doing, as a proud holder of the

"Geprüfte Sicherheit (GS) Certificate of Quality" given by German Landesgewerbeamt Bayern (LGA) to those conforming to advanced child safety standards and European Union standards for anti-carcinogenic and antibacterial materials.

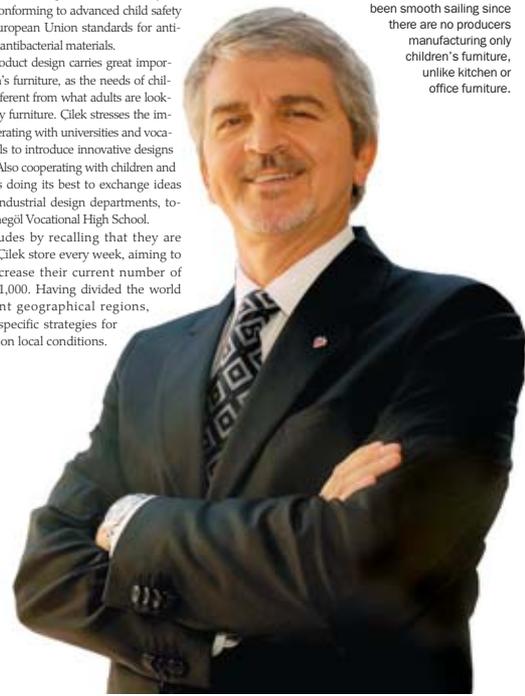
Moreover, product design carries great importance for children's furniture, as the needs of children are quite different from what adults are looking for in ordinary furniture. Çilek stresses the importance of cooperating with universities and vocational high schools to introduce innovative designs into the market. Also cooperating with children and mothers, Çilek is doing its best to exchange ideas with university industrial design departments, together with the Inegöl Vocational High School.

Çilek concludes by recalling that they are opening a new Çilek store every week, aiming to dramatically increase their current number of stores to reach 1,000. Having divided the world into 10 different geographical regions, Çilek develops specific strategies for each area based on local conditions.

Çilek CEO Muzaffer Çilek says the growth of the company has been smooth sailing since there are no producers manufacturing only children's furniture, unlike kitchen or office furniture.



PHOTO: CHAN



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# IKEA continues to grow in Turkish market

TUGBA KIBAR ISTANBUL

Furniture and household product retail chain IKEA is continuing to expand in the Turkish market and is hoping to open a branch in Bursa in November, the company has said.

IKEA Turkey released its 2009 catalog to the public during a press briefing yesterday at IKEA's Bayrampasa store. The catalogue, constituting an invitation to consumers, contains 3,250 products. Distribution began on Sept. 11 in Istanbul, Izmir and Bursa, and the catalogues are free of charge. The 2009 Ikea catalogue features the campaign

slogan "Your home will reflect your lifestyle."

IKEA, the worldwide Swedish furniture store, is a household name for furniture and bathroom and kitchen accessories. Its furniture is designed to be assembled by the customers themselves in order to lower costs, which are then returned to customers in the form of lower prices.

Ikea currently has three stores in Turkey: two in Istanbul and one in Izmir. In 2005 the first store in Turkey was opened in Istanbul's Ümraniye district. The second store came after one year in Bornova, Izmir. The third store opened in Bayrampasa in 2007. The company

plans to open a new store in Bursa on Nov. 13 with a 50 million euro investment.

IKEA's goal for 2009 is to become the world leader in living room furnishings with their attractive and functional designs. Their research has shown that people spend most of their time in their living rooms.

For the coming year in Turkey IKEA is expecting an increase in shoppers. They plan to expand their capacity and to develop in the areas of living rooms, kitchens and bedrooms. Their 2009 catalogue has 90 more pages and 800 more products compared to last year's edition. While the company printed 1.3 mil-

lion copies of its catalogue when it came to Turkey in 2005, it increased the number to 5 million for the 2009 catalogue. More catalogues means more business and more customers for IKEA Turkey.

The story of IKEA started in 1943 when its Swedish founder, Ingvar Kamprad, was 17 years old. The name IKEA was formed by his initials, the first letter of Elmtaryd, the name of the farm he grew up on, and the name of his county, Agunnard. It began as a catalogue order firm and the first IKEA catalogue was published in 1951 even before the first store was opened in 1953 in Almhult, Sweden. Now the catalogue reaches 38 countries in 27 languages.



PHOTO: IFA



PHOTO: TODAY'S ZAMAN

## Report: IKEA year sales rise but economy a drag

Sales at Sweden's IKEA rose 7 percent in its latest financial year, a Swedish newspaper reported, quoting its top executive as saying the global economic slowdown is weighing on the retailer. Sales at the world's biggest furniture retailer rose to 21.2 billion euros (\$30 billion) in the year ended Aug. 31, business daily Dagens Industri reported. Sales in the prior year were 19.8 billion euros, according to IKEA's Internet site.

The firm, founded by Swede Ingvar Kamprad in 1943, is unlisted, and a spokeswoman declined to comment on the figures for the latest year. Despite the rising sales, the global slowdown is having an effect on the firm, which has built its success on a concept of cheap and easy-to-assemble furniture. Sales growth was half that of the 2006-2007 period.

"Obviously we are not immune to such a significant worsening of the economic situation," Dagens Industri quoted Chief Executive Anders Dahlvig as saying, although he told the newspaper that excluding currency effects growth was 10 percent. "Furthermore, the business cycle is particularly weak in several of our biggest markets, like Germany, the United States and England," Dahlvig said. According to IKEA's Internet site, Germany accounted for 16 percent of sales in the 2007 fiscal year, ahead of the United States at 10 percent and Britain and France at 9 percent each. Dahlvig declined to say in the article how much profit IKEA made in the past financial year, but said the firm's strong finances meant it could continue to invest and expand even in a weaker business environment. Expansion, however, will slow.

"We plan to ease the pace of new store establishment from 2010 and from then the number of new stores will fall to 10-15 per year from 20-25," Dahlvig said. IKEA opened 22 new warehouse stores in its latest financial year. **Stockholm Reuters**

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# POSITIVE INFLATION FIGURES SPARK EXPECTATIONS OF INTEREST RATE CUT

August inflation figures, which were lower than expected due to large drops in energy and produce prices, have been welcomed by business circles and are largely seen as a golden opportunity for the central bank to lower interest rates.

Market analysts note that the world has entered a period of recession in which growth and inflation rates will decline at the same time. This global recession will cause the Turkish economy to slow down as well, so the central bank should encourage production by decreasing interest rates, they say. Analysts also point to the ameliorating effects of declining oil prices on the current account deficit, which will make it easier for the central bank to fight inflation.

Turkey's consumer price index (CPI) and producer price index (PPI) decreased by 0.24 percent and 2.3 percent, respectively, in August over the same month last year as a result of drops in gasoline and clothing prices. Markets were expecting both numbers to increase by more than 1 percent. According to figures released by the Turkish Statistics Institute (TurkStat), the annual inflation rate as of August was 11.7 percent for CPI and 14.6 percent for PPI.

Anatolian Tigers Businessmen's Association (ASKON) Chairman Mustafa Koca said the Turkish Central Bank has been given a big opportunity to go for a cut in key interest rates. Recalling a recent comment by Economy Minister Mehmet Simsek, who said each interest rate percentage point costs the Treasury nearly \$4 billion a year, Koca stressed the necessity of stepping up against high interest rates. He pointed out that Turkey has one of the highest interest rates in the world. Despite its CPI being 11.7 percent, its real interest rates are hovering even above this rate, with some reaching 12 percent.

These issues were the top item in a recent speech by Turkish Central Bank Governor Durmuş Yılmaz. Speaking at a conference on monetary policy in Trabzon organized by the Trabzon Chamber of Industry and Commerce, Yılmaz said the monetary tightening policies adopted since May have created room for interest rates to help create a drop in inflation rates. "The increasingly pessimistic expectations that emerged recently seem to have stopped thanks to these monetary tightening policies," he said. The governor said the central bank will consider a variety of policy options, including a "measured rate cut," beginning this month.

Also, in a note evaluating August's rate of inflation, the central bank said they expected inflation to drop even more in the coming months if positive developments in food and energy prices continue. Halk Bankası General Manager Hüseyin Aydın said the lower-than-expected inflation rates in August were very positive; however, he stressed that it was very unlikely that inflation would drop below 10 percent prior to the end of the year. Speaking at a press conference to announce a protocol for more easily secured loans that was recently signed between Halk Bankası and the Ankara Chamber of Industry (ASO), he estimated that the 2008 gross domestic product (GDP) growth rate would be somewhere between 4.5 percent and 5 percent.

ASO Chairman Nurettin Özdebir said the figures for August were low due to decreasing energy, commodity and food prices. He mentioned Yılmaz's signal of a rate cut for the rest of the year, saying he was "extremely happy to have heard this good news."

## Contraction in demand may be harbinger of slowdown

A rate cut is seen by many as an urgent remedy for a slowing economy and contracting demand, which have been clearly demonstrated in recent statistics. The domestic demand indicators released by the State Planning Organization (DPT) for the second quarter of the year, including April, May and June, point to a tendency to contract in the economy, seen by many analysts as an omen of a slowdown in the overall economy. The GDP growth rate was unusually low for the last quarter, announced at 1.9 percent.

The figures in the DPT's "Economic Developments Report" for August 2008 have shown that contraction in domestic demand has accelerated since June. Starting in 2007, declines in the production and consumption of durable goods, which must be taken seriously due to the significant share of these goods in GDP, have continued this year. The manufacturing rate of durable goods had decreased by 9.9 percent in 2007 over 2006, and this tendency is continuing this year, too. In January the demand for durable goods was down 6.6 percent over the same month last year, and this continued in the following months. This rate of decrease peaked in June, when it fell 13.2 percent compared to the same month in 2007.

The picture was no different in the sale of durable goods, either, despite developments in the currency market rendering these products more attractive for consumers. In 2007 the sales of these goods dropped by 8.7 percent. In each month of the first half of 2008, sales always saw declines, and in June the rate of decline reached 14.2 percent.

The automobile market is also sending out alarm signals. In 2007 auto sales were down 4.2 percent over 2006. They rallied in January 2008 with a 37.7 percent jump over the same month last year. In the following months automobile sales increased by 23.1 percent, 40.3 percent, 20.3 percent and 8.3 percent. But in June the change turned to a negative decline of 4.7 percent. The same pattern was observed in auto production and imported auto sales, as well. This was contrary the traditional pattern of the auto business. It is conventional knowledge that the demand for automobiles increases in the summer and that their prices start climbing. But this June saw a sharp decline in auto sales. The reasons for this sudden change were several, many experts believe. Soaring gasoline prices stemming from record-breaking crude prices have deterred households from buying cars. Increased interest rates for consumer loans due to rising risk factors from the political arena were another factor that stopped people from making car purchases.

The production and sale of home appliances, also known as white goods, also saw a slowdown in domestic demand. White goods sales were down 5.5 percent in 2007 over 2006, and they started 2008 down 18.9 percent in January from the same month last year. February sales also dropped by 5.8 percent but, thanks to campaigns, commercials and the traditional season for marriages, the sales of these goods started to rise in March. All in all, in the January-May period this year, the production of home appliances decreased by 3.7 percent, while imports dropped by 9.1 percent. **Istanbul** Today's Business with wires



Anatolian Tigers Businessmen's Association (ASKON) Chairman Mustafa Koca said the Turkish Central Bank has been given a big opportunity to go for a cut in key interest rates.



PHOTOS: TODAY'S ZAMAN

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# İSTİKBAL BLOCKS ELECTROMAGNETIC WAVES WITH BIOCARE FABRIC

İstikbal executives highlight that increased daily usage of electronic and electrical devices such as mobile phones and electrical transformers generate non-ionized electromagnetic waves that cause many problems, from stress to sleeping disorders and headaches

CONTINUED FROM PAGE 1

İstikbal Chairman Memduh Boydak said they started to use the fabric as of May 1 in mattress and quilt production for domestic and foreign markets. "The products will be exported to the United States first," he said, adding that while the fabric for consumer use would be exported to the US simultaneously with the domestic Turkish release, the company preferred that Biocare in its non-consumer forms -- such as for the defense industry -- be released in Turkey first.

Boydak said the fabric was the result of a quest for innovation, noting Biocare's potential application in the production of communication cables, maternity clothes and a myriad of other products.

The executive also noted that his group was one of Turkey's leading firms and had one of the highest rates of successful patent applications. He added that they had allocated \$12.5 million to R&D last year and planned to spend \$15 million this year. In response to a question Boydak said they were going to use Biocare in mattresses first, as that is their field of expertise, and that development of the product for other fields would depend on the demand in those sectors. He also said the company was in talks with representatives of more than 20 sectors over Biocare.

Boydak said the high-tech fabric would be produced at their Boyteks facilities -- Turkey's second-largest mattress fabric producer, with an annual production capacity of 3.5 million square meters -- in Kayseri.

İstikbal executive board member Bekir Boydak, responsible for marketing, said the new innovation would in-

crease their competitiveness in developed countries in particular. İstikbal Assistant General Manager for Technical Development Mesut Yiğit explained the concept behind Biocare and highlighted that increased daily usage of electronic and electrical devices such as mobile phones and electrical transformers generated non-ionized electromagnetic waves that caused many problems, from stress to sleeping disorders and headaches. "We launched studies for Biocare to protect humans from these waves, at least while they are sleeping," he said. Yiğit said the studies lasted one year and that 150 people were involved in Biocare's research and development, under a YTL 1 million budget. The fabric was produced by using nano-technology fibers through a special knitting method. Yiğit said no chemicals had been used in the production of the fabric, and he added it could be machine washed and ironed.

Yiğit said the Scientific and Technological Research Council of Turkey (TÜBİTAK) had certified that the fabric blocked 98.5 percent

of waves between the frequency of 500 kilohertz and 6 gigahertz. The Germany-based Hohenstein Institute has certified that Biocare reduces bacteria by 99.95 percent.

As part of the project, 130 fabrics were produced and the final product was tested by many domestic and international institutions including the National Research Institute of Electronics and Cryptology (UEAKE), the TÜBİTAK Bursa Test and Analysis Laboratory (BUTAL), Ege University, Fatih University, Erciyes University, the SATRA Technology Center and the European School for Industrial Mathematics (ESIM).



İstikbal top managers and research & development crew pose with the newly developed electromagnetic wave-blocking fabric Biocare.

PHOTO: CHAN

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# Foreign investors find Turkey a safe haven for investment

Despite a financial crisis in US markets and its aftershocks in other markets, foreign companies in Turkey are pleased with the investment climate and happy with returns on their investment. With new revisions to regulations that allow foreign companies to transfer earnings and profits to their home countries, international companies feel safe investing in Turkey, generating employment and bringing know-how to industry

ALI ASLAN KILIC ISTANBUL

Recent Treasury figures show foreign companies operating in Turkey were able to transfer close to \$27 billion to their countries of origin between January 2003 and July 2008, while investing a record amount of \$65.4 billion in the same period as foreign direct investment (FDI) in addition to creating employment and enhancing the production capacity of the Turkish economy.

Analysts see the transfer home of profit by foreign companies as a positive sign for the economy. "It's a win-win situation" said Nurettin Canikli, an economist and expert on finance. Canikli, who is also a member of Parliament from the ruling Justice and Development Party (AK Party), explained to Today's Business that the record amount of transfer of profits will draw more FDI to Turkey. "The fact that new foreign companies are entering the Turkish market will stimulate Turkish production capacity," he said. "Nothing is wrong with profit making by foreign companies since it will ultimately benefit the Turkish economy," Canikli added.

Despite a financial crisis in US markets and its aftershocks in other markets, foreign companies in Turkey are pleased with the investment climate, though the latest figures show a slowdown in the inflow of FDI. With new revisions to regulations that allow foreign companies to transfer earnings and profits to their home countries, international companies feel safe investing in Turkey, generating employment and bringing know-how to industry.

FDI in Turkey slowed down between January and July compared to the same period last year, recent Treasury data showed. The net FDI inflow to Turkey was \$762 million in July 2008, reaching \$9.4 billion in the period between January and July -- a decline of 35.5 percent from the same period last year, when it was \$14.5 billion. Turkey was able to attract a record \$21.9 billion of FDI in 2007.

The report released yesterday by the Treasury shows there is still robust foreign interest in the Turkish economy. Accordingly, 261 companies with international capital have been established and 50 instances of foreign capital participation with existing domestic companies occurred in July. Of \$9.4 billion total FDI, the equity investment inflow component reached \$7.6 billion in the January to July period, with \$3.2 billion in the financial intermediaries sector. About 68 percent of the equity capital entry is from European Union countries.

Canikli welcomes the numbers and quips, "The more the merrier." Stressing that foreign investors will first manufacture and create employment opportunities, Canikli said, "It is very natural for them to take some of the profit to their home countries," adding, "If they think they will not reach projected profitability, foreign investors will shy away from the Turkish economy."

Canikli considers the inflow and outflow of capital to be a healthy sign for the investor-friendly Turkish economy. "In all developed countries, conditions are the same, and Turkey caught the train and improved its investment climate," he said. "Turkey proved itself to be a reliable market for fund managers and investors who have been hurt by financial turmoil in the US and European markets," Canikli noted. "This is a chance for Turkey to score big," he emphasized.

Professor Mithat Melen, a deputy from the opposition Nationalist Movement Party (MHP), agrees with Canikli. Speaking to Today's Business he stated that foreign companies created "added value" for the Turkish economy, including but not limited to employment, production, tax revenue and social security premiums. He said he most valued the employment and exports that FDI has created in Turkey. "If foreign companies transferred \$27 billion in profit back home, it means they enjoyed great sales in Turkey and benefited the Turkish economy by around \$100 billion," he said.

Melen noted that stability played an important role in attracting FDI to Turkey. "Against the backdrop of financial crisis in the world, Turkey can serve as a model of a safe haven for investment." He explained that Turkey needs to continue with its reform process to counter external shocks.

International Investors Association of Turkey (YASED) board chairman Tahir Uysal warned yesterday that FDI would slow in 2009 as a result of negative developments in international markets and ongoing political uncertainty. Noting that Turkey is in a good position vis-à-vis fiscal and monetary policies, Uysal said, "Next year we will see the results of concerns by foreign companies on the stability of the Turkish political system." He also said the financial crisis in the US had resulted in recession in European economies. "This might impact the Turkish economy badly as the EU is a significant trading partner for Turkey," Uysal said. "Despite all these negative reports, FDI to Turkey has progressed well, although it will fall short of the \$20 billion target for 2009."

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## Göreme businesswoman shares insight on carpets, TURKEY



PHOTO MURAT SISMAN

PAT YALE GÖREME

Most foreigners who come to live in Turkey opt to settle either in Istanbul or somewhere along the coast. There are, however, a few hardy souls who have chosen to live in rural Turkey. One of them is Ruth Lockwood, the New Zealand owner of the Tribal Collections carpet shop, who came to live in Göreme in Cappadocia in 1988. Here she talks about life, carpets and the changing face of Turkey.

**You've been living in Göreme for 20 years now. What brought you here and how did you ever wind up staying for so long?**

I had no intention of coming here -- I just wound up here after being unexcited by the Greek islands. Then I met my now ex-husband and stayed to make a pension with him. As the years have passed, I've come to love the country more and more. I thoroughly enjoy my work and the laidback lifestyle. But I still can't believe that 20 years have passed!

**You must have seen some remarkable changes in that time. Would you say that Göreme is a better place to live in now?**

The changes have been massive. Twenty years ago the lifestyle here was archaic, with people riding past on donkeys or in horse carts. Everything people ate they made themselves, drying it, stewing it or sun drying it. They lived in a very natural way with little reliance on outsourced products. At first I saw this as a hindrance because I couldn't get some of the things I wanted. Now the longed-for improvements have come and I can buy almost anything. The sad thing is that as a result of these changes we have lost many of the old traditions -- the women baking bread in communal ovens, every roof covered in drying apricots, people making their own cheese and yoghurt. In one way it's a great sadness to see more and more people

working in tourism. Obviously it allows them a better lifestyle, but nowadays only women and the very young work in the fields. Perhaps I didn't truly respect these traditions until they started to disappear.

Overall, though, for me Göreme is a much better place now. Satellite television, Internet banking and other modern conveniences have made life easier and helped reduce the sense of distance between me and my family. Also, to see people getting a better education and women being able to go out to work are wonderful improvements.

**Now to the carpets. You work in a very male-dominated business. Can you tell us how you got into it?**

I started out in the business because I had inherited a great love of oriental carpets from my grandmother, who had lived much of her life in India and Pakistan and collected carpets there. In the old days people would walk past carrying kilims for sale, but I didn't have the knowledge to know how to take advantage of the opportunities. Then I began to learn about carpets and became completely passionate about them. Even after 19 years in the trade I can still get just as excited when something special comes my way.

In the beginning I wasn't taken seriously and was regarded as a sort of add-on to make other tourists feel comfortable. But I had a huge advantage in that I was here when the borders of the former Soviet states opened. Carpets flooded in -- I saw thousands of them in a single day. Slowly my knowledge grew and I became an expert in old and antique carpets. Occasionally I still have to cope with dealers who come in and ask to see the "patron [boss]" and then ask for the male patron instead of me. But once they realize I know what I'm talking about, my sex is seldom an issue.

**What tips do you have for surviving in a very male working environment?**

It's difficult! It took me a long time, but eventually I learned never to challenge men head-on, never to disagree with them outright, but rather to enlist their help by asking for their ideas or giving them options and asking them to choose. A lot of the men in the carpet trade can be very conservative -- they're often from small villages or from the east. But in the end I'm the person buying the carpets -- if they rub me the wrong way, I don't purchase.

**The carpet business seems to be struggling. Where do you see it going in the future?**

It certainly is suffering under the weight of many rugs imported from Afghanistan, Pakistan and Iran that are cheaper than rugs made in Turkey. There are also a lot of copies being made in China. As a more modern lifestyle has developed, Turkish women are less likely to want to weave. For example, 10 years ago there were around 2,000 women working on looms around one local village, but today the number has shrunk to just 120. It's almost impossible to continue with my specialization, which was old and antique pieces, because the lifestyle that sustained their creation (i.e., nomadism) has virtually disappeared.

On the positive side, DOBAG, Black Mountain Looms and Woven Legends are producing excellent new rugs using old designs and wonderful natural dyes. In some respects they're filling the gaps.

**You're building a house in Göreme from scratch. That's a very brave endeavor...**

I've always been of the opinion that bravery and stupidity are not far removed from each other. It has been one of the most humbling experiences of my life to try and build a new cave house and make it look old, as if it had always existed, without the help that should have been provided by architects. But the project seems to have a mind of its own and keeps evolving. When completed it should be a sensational house which will double as a small boutique hotel with uninterrupted views across one of the valleys.

**You have a teenage daughter and sorting out appropriate schooling has sometimes proved problematic. Any pearls of wisdom to pass on?**

This was a hugely difficult issue for me. It's probably not so difficult for people living in Istanbul, Ankara and Izmir, but in smaller areas it can be hard coming to terms with the local education system and its limitations as far as exam results and subject choices are concerned. For example, my daughter went to an excellent private school in Neyesehir and wanted to specialize in foreign languages. This wasn't possible, so the only choice was to send her to a local public school where the curriculum was extremely limited and the teachers sometimes conspicuous by their absence. In the end I opted for her to do the last two years of high school in Australia, which has been very hard for both of us.

**What advice would you offer to someone just starting out on a new life in Turkey?**

Be as flexible and open-minded as possible. Be aware that it's somebody else's culture, not your own, and learn to enjoy all that that encompasses. Despite the setbacks, possible rip-offs and sometimes the lack of trust that leads to the exploitation of some foreigners, try to focus on the positives while keeping yourself firmly grounded in reality.



AUSTRALASIAN / TURKISH Partnership - Ruth Lockwood &amp; Fark ÇAL

# TURKISH FURNITURE INDUSTRY NEEDS MORE THAN A PAT ON THE BACK

CONTINUED FROM PAGE 1

Speaking to Today's Business, he stressed that they are "having a hard time finding new hires as well as retaining employees." "Youngsters would rather go to malls and shopping centers and work as salesmen at half the money we pay now," he says, "because it is a hype thing." Bozucurum agrees with the verdict. "Education and vocational training are a must to produce a skilled labor force in order to keep the industry afloat," he notes.

Cakir also complains about high taxes imposed on the industry, including a record sales tax of 18 percent. Furniture is currently considered a luxury item rather than a necessity, in which case it would be taxed at 8 percent. "The government taxes our raw materials, too, at 8 percent," he says, adding that "we simply can't afford to stay competitive." Cakir notes that they had raised the issue with government officials to date have seen no action.

Despite all these problems, the furniture industry has recorded a growth rate of 8 percent per year. "Imagine what we could do if we solved these issues," says MOBSAD Vice President Nail Cakir, who also talked about the need for better advertising and brand marketing strategies aimed at promoting Turkish furniture in world markets.

The industry moves forward with innovative design and brand marketing policies. Istikbal, Bellona, Yatas, Alfemo, Dogtas, Idaş, Cilek and İpek are just a few of many Turkish companies that have made a name for themselves not only among Turkish buyers but also around the world.

The trade volume of the furniture industry is estimated to be \$6 to 7 billion. In the past three years business volume in terms of total sales has increased by 40 percent. But its share of the pie is not that high when you consider that the world furniture market totals about \$268 billion. "Turkey has a very small share of the world furniture market," laments Bozucurum. But the rate



The photo shows a furniture plant belonging to Boydak Holding, which owns Istikbal brand in Turkey. The holding owns 22 companies and exports to 70 countries.

of growth is impressive. Just 10 years ago Turkey's furniture exports amounted to \$75 million, now they stand at \$1 billion.

At present some 60,000 companies are active in Turkey's furniture sector. Turkish furniture businesses export to as many as 110 countries, with the main export destinations Germany, the

Netherlands, France, the United States, Greece, Israel, Iraq and Iran. Furniture is one of those rare sectors in which Turkey has a positive balance of trade. Turkey currently imports \$510 million in furniture, but industry analysts caution that Turkey may soon incur a negative balance unless the government steps in and revises ex-

port-import regulations.

"We are having a hard time exporting to China, while they have easier access to the Turkish market," says Memduh Boydak, chairman of the Association of Turkish Furniture Manufacturers (MOSDER). He underlines that imports from China jumped to \$118 million in

2006 from a mere \$8 million in 2003. Unfair competition results in losses to Turkish industry, states Boydak. Though the numbers are not yet at an alarming level, Boydak is concerned that Turkish consumers will lose when cheap and lesser-quality products from China flood the market.

The arrival of new, large international players such as IKEA, however, has not had an impact on the market, others say. Turkish consumers still prefer high-quality products that come with full service such as free-of-charge customization according to buyer preference. Bozucurum is not afraid of foreign players in the market. "They may have had some success in the past, but not any more," he says. "Consumers have carpenters do what they have in mind, the model, the color, everything," he explains, adding that "the biggest foreign investment has been IKEA, and the effects of this kind of investment have been very limited."

An increasing number of international trade fairs and exhibitions held in Istanbul and other major industrial cities in Turkey provides another glimpse into the development of the Turkish furniture industry. The latest show, the fifth Istanbul Furniture Fair (IMOB) held in January, brought Turkish furniture giants together with buyers from all around the world. The exhibition was organized with the support of MOSDER and had 72,103 visitors from at home and abroad.

IMOB, the biggest and most comprehensive fair in Eurasia, will be repeated next year with 120,000 square meters of display area. Modern, classic, old-fashioned and modular furniture, beds and bedding ensembles, armchairs, chairs and sofas, baby and teenagers' room pieces, and decorative accessories are among IMOB product profile. And chain store executives, wholesalers, distributors, architects, interior designers, decorators, industrial decorators, furniture store management, importers and exporters are among the visitors to the fair.

PHOTO: MEHMET KAMAN

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## OFFICE FURNITURE INDUSTRY BOOMING IN TURKEY

ZEHRA SAYGIN ISTANBUL

Over the last decade Turkey has witnessed considerable growth in the office furniture industry -- climbing to fifth place among European countries and seventh worldwide, according to industry representatives.

Nuri Tuna, chairman of the Office Furniture Industry and Businessmen's Association (OMSIAD), states that there are no conclusive market analyses or master plans for the sector, resulting in limited statistical data about production and employment, exports and imports. Yet some information from various sources may help shed some light on the industry.

According to the "Woodwork and Furniture Specialization Report," published in May 2006, Turkey's furniture industry had exceeded \$6 billion in volume, with the office furniture market accounting for 20 to 30 percent of the total. A general audit of industrial shops conducted by the Turkish Statistics Institute (TurkStat) in 2002 shows that 29,346 enterprises are operating in the field, while the total number employed is 92,567. However, Tuna says growth in the sector is inevitable thanks to developments seen in the manufacturing industry over the last six years.

The office furniture industry was first introduced to Turkey in the 1940s, with merchants seeking to furnish the offices of foreign enterprises newly settled in the country. It didn't take off, however, until luxurious business centers and plazas -- keen to highlight corporate identity -- emerged as a vibrant market for office furniture suppliers.

Today's Turkish office furniture industry is the fruit of the process initiated by Turkey's customs union with the EU in 1995, which provided access to industrial parks and free trade zones to acquire materials and equipment. The industry is now able to compete in world markets with its young industrial parks and rapid restructuring and investment trends.

Turkey's office furniture industry has gradually been turning into a promising market as can be seen from data provided by the Export Promotion Center (İGEME). In 2007 Turkey earned \$318 million through office furniture exports, constituting 31.04 percent of total furniture exports. Tuna notes that Germany, France, Holland, Greece and Iraq are the

biggest export markets for the Turkish furniture industry. He adds that the export volume exceeds import figures, creating a trade surplus in the sector. İGEME data show that in 2007, office furniture was imported at a total cost of \$254 million, or 37.4 percent of all furniture imports. Tuna emphasizes the need to reduce imports as they pose problems for the industry. "Unregulated imported items that do not comply with Turkish standards and lack government oversight threaten the reliability of the Turkish industry since customers blame such problems not on the country that imports the items, but on Turkish companies," Tuna says.

Although the industry is seeing a growth tendency, some problems are holding back the industry's potential. Tuna cites the shortage of trained workers, high taxes and high insurance and energy rates as major problems. This is coupled with the government's failure to crack down on the unregistered economy, which is estimated to account for almost 50 percent of the market. The industry needs to iron out problems about quality, image, trademarks and standardization in addition to a lack of quality consciousness in the domestic market. Also, the shrinkage of the domestic durable goods market and the consequent idle power of investment are causing critically fierce price competition. Globally, adverse economic conditions make the current situation worse. Tuna stresses the necessity of immediate cooperation between government agencies and private companies to enable an increase in export volume.

Another issue that affects office furniture is the lack of brand marketing and design promotion. Güran Gökyay, general manager of Nurus Office Furniture, says Nurus, well aware of the industry's problems, is investing in new technology to prove the quality of the Turkish office furniture industry. Gökyay says effective marketing will ensure the success of manufacturing design and sales.

Despite the challenges it faces, Turkey's office furniture industry is looking forward to a bright future thanks to its young, dynamic market and advanced technology, together with a developing awareness of quality and design. Tuna is optimistic about the expected boom in the sector if all obstacles are removed from the exporters' path because the Turkish office furniture industry is currently in a period of restructuring, allowing it to move forward.

## Interest in second-hand furniture culture-specific

GÖKCEN YÜKSEL ISTANBUL

Turkey's used furniture market continues to slip, feeling the pressure of competitive pricing by new furniture dealers eager to jumpstart slowing demand in the industry.

"Although our prices are approximately 70 percent lower than new furniture, our products no longer enjoy the market demand they used to," says Mehmet Güney, the owner of a used furniture store in Küçükyağlı, Istanbul. "This is the case because it is possible to find new furniture at fairly good prices nowadays," Güney notes.

There are others who disagree with Güney. "It's business as usual," says Gürsel Kuru, a second-hand furniture dealer in Istanbul's Kartal district. Stressing that he has been in this market

for five years, he said that "interest in second-hand furniture has not changed very much over the last five years." He explains that newlyweds and students who cannot afford to buy new furniture are interested in the second-hand market.

In Turkish culture, furniture is considered prestigious, and homeowners are proud to own quality and brand name pieces. In many cases people replace their furniture if it falls out of fashion or if a new product line is released. For this reason most furniture offered by used dealers is not very old. "We do not buy very old furniture since selling it is tough," Güney says. "It's very easy to find used, but clean and almost new, furniture," Güney adds.

Low-income families are not the only buyers at previously owned furniture shops. Some people simply choose to buy from second-hand

dealers because they can save a large amount of money. Zeynep Şimşek, a graduate of the prestigious Boğaziçi University and a chemical engineer, bought used furniture when she was getting married. "Although both my husband and I have a good education and good jobs, we chose beautiful but used furniture. People attach too much importance to furniture, but for me, it is not important whether it is first or second hand as long as it is useful and in good condition."

Şimşek and her husband are renters, a fact that has an added incentive for buying used furniture. "We did not want to buy new furniture until we got our own place because furniture gets damaged in the process of moving." She paid YTL 500 for all her furniture, a retail value of more than YTL 2,000 if purchased new.



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PHOTO: OYAK

# CLOSURE CASE HOBBLER TURKISH ECONOMY IN Q2

Several years of growth rates hovering around 7 percent came to an end last year when the economy expanded by just 4.5 percent, and the government had forecast similar growth for this year. The second quarter rise in interest rates, a strong rise in commodity prices and a global slowdown were the most important factors for the weak growth, says Fatih Keresteci, an analyst at HSBC bank

ERCAN BAYSAL ANKARA

The growth rate of the Turkish economy suffered a great blow in the second quarter, coinciding with the closure case against the ruling Justice and Development Party (AK Party) in the Constitutional Court.

Gross domestic product (GDP) increased just 1.9 percent in the second quarter of 2008 over the same period a year ago in constant prices, marking a clear slowdown in the country's economic performance and the lowest quarterly figure since the first quarter of 2002, the Turkish Statistics Institute (TurkStat) said.

In addition to the tense political atmosphere and huge ambiguities created by the closure case, analysts also blame high real interest rates, signs of a global recession and a liquidity squeeze in the international markets as other major factors in the slowdown in the growth rate, which has deteriorated for 26 consecutive quarters. The global credit crunch, coupled with rising food and energy costs, is continuing to constrain economic activities, they point out.

In current prices, which don't take inflation and depreciation of currency into consideration, however, the second quarter GDP rose 14.7 percent, to YTL 240.87 billion. The annual figure in current prices amounts to YTL 918.7 billion. The GDP was YTL 25.1 billion in fixed prices in the second quarter and YTL 103.2 billion annually.

Meanwhile, the 6.6 percent growth rate for the first quarter of 2008 was revised to 6.7 percent in yesterday's statement, thus bringing the January-June period number to 4.2 percent.

TurkStat also revised its previously announced growth results for 2007 GDP figures over 2006. It said the economy grew in 2007 by 12.6 percent to YTL 853.6 billion, whereas in constant prices it climbed to YTL 101.2 billion, up by 4.6 percent. GDP per capita in 2007 was \$9,305 (YTL 12,094), the statement said. These figures had previously been announced as 12.9 percent GDP growth in current prices to YTL 856.4 billion and 4.5 percent growth in constant prices to YTL 101 billion. The GDP per capita was \$9,333.

Agriculture saw a surprise slowdown in the second quarter, as did the manufacturing and construction sectors -- key drivers of growth in Turkey. Trade, financial services and the real estate sector were the main winners. "This is the worst quarter; future data will be better," said analyst Emre Tezmen of Tera Securities in Istanbul.

Several years of growth rates hovering around 7 percent

came to an end last year when the economy expanded just 4.5 percent, and the government had forecast similar growth for this year. "The second quarter rise in interest rates, a strong rise in commodity prices and a global slowdown were the most important factors for the weak growth," said Fatih Keresteci, an analyst at HSBC bank. A Reuters poll of economists predicted the year's growth to come in at 4.16 percent. "The third quarter will be close to [3.7 percent]," said Finans Invest chief economist Banu Kivci Tokali. "We are still, however, expecting a revival in the fourth quarter. But that will depend on global markets and government reforms."

The central bank left interest rates -- among the highest in the world's emerging markets -- unchanged at 16.75 percent last month. It delivered its first hikes in borrowing costs since 2006 in May, June and July, but expectations have swung toward the next move being a cut as concerns over price pressures ease. Inflation was lower than expected in August due to a sharp fall in clothing prices, but still remains more than double the bank's official target. Meanwhile, Turkey will hold municipal elections next March, and economists fear the pro-business, pro-reform government may soften fiscal austerity ahead of polls. Despite this possibility, the central bank is expected to start incremental reductions in interest rates starting from October, as was hinted by the bank when the August inflation came in surprisingly lower than expectations. The latest growth figures just amplified this possibility.

In terms of expenditures, household consumption rose 2.8 percent while state consumption dropped 3.7 percent in the second quarter. The amount of money spent by the state for investments declined 16.8 percent, whereas capital investments by the private sector grew by just 0.6 percent.

Analysts' growth expectations for the entire year were modest. Tokali said the economy will likely grow 3.7 percent for all 2008, estimating that the third quarter will be more or less similar to the weak second quarter. However, she said, the last quarter will see a rally in economic performance. "But this is dependent on the global situation and the government's commitment to advancing with the full EU membership process," she noted.

Keresteci, on the other hand, predicted that the year-end growth will be more than 4 percent, reaching even 4.2 percent. Although lower than initial targets, these estimates are still pointing to a better economic performance than the rest of the world. Almost all economies, even booming China and India, are experiencing considerable downturns in their economies compared to previous periods.

## Businessmen believe new commitment required

**Akfen Holding Chairman Hamdi Akın:**



It has to be seen that the serious slowdown in almost all sectors was a result of their interconnectivity, especially the construction business. If the construction industry grows with new investments, all other sectors will be affected positively by this. But more than anything, these figures show that new excitement is needed. Both politics and the bureaucracy need restructuring. The excitement of the past years is lost, and the magic seems to have disappeared.

that new excitement is needed. Both politics and the bureaucracy need restructuring. The excitement of the past years is lost, and the magic seems to have disappeared.

**Kayseri Chamber of Industry Chairman Mustafa Boydak:**



Turkey is unfortunately not addressing the issues it needs to deal with but, on the contrary, is expending its energy and steam on unnecessary controversies and debates. Growth must be the most significant item on the country's agenda, but neither the government nor the opposition seems to be taking this issue seriously. The growth numbers have shown that the closure case has cost Turkey dearly.

be taking this issue seriously. The growth numbers have shown that the closure case has cost Turkey dearly.

**Turkish Contractors Union President Erdal Eren:**

The construction sector has been passing through a period of slowing down for some time, and I can say that we are almost in the middle of a crisis. The US subprime mortgage crisis that started in mid-2006 has started to affect the Turkish construction business as well. With a steep rise in interest rates, real estate investments have approached the brink of a complete halt, like home sales. The current monetary policies of the central bank are affecting the non-financial sectors very negatively and so the bank has to abandon this policy of keeping the lira overvalued while keeping real interest rates high.

**Hyundai Assan Chairman Ali Kibar:**

An environment allowing new investments has to be created immediately for Turkey to enter a path of rapid growth again, but the country is being suffocated with unnecessary controversies. The input costs are continuing to increase quickly, with energy prices soaring and electricity prices climbing. With these rising costs, it is becoming increasingly hard to compete with China. Manufacturers don't know what to produce in what amounts. Investors are giving the cold shoulder to new investments since they don't know what will happen to energy prices in the near and middle terms. Besides, there are problems in the European market, where the Turkish exporters conduct their best trade.



**Sanko Holding Chairman Abdülkadir Konukoğlu:**

We need a new growth attempt, and for this both the government and the business world have to work hard. The non-financial sectors are in big trouble nowadays due to the overvalued lira. Imports are rising dramatically to give signals of alerts as a rise in imports to overwhelm exports is causing a contraction in the economy. To contain the hazardous effects of imports, Turkey has to initiate ways to handle the production of intermediate goods, which constitute more than half of our total imports, inside the country. Besides, the new incentives package that the government is currently trying to finalize as a means to boost production and employment may also be able to cause a new wave of excitement among industrialists. The government has to act faster as this package has now gained more urgency.



# Electricity prices heading up again

ISMAIL ALTUNSOY ANKARA

The Energy Market Regulatory Agency (EPDK) approved a 34 percent hike in the price of electricity sold by the Turkish Electricity Trading and Contracting Company (TETAS) and the Turkish Electricity Distribution Company (TEDAS). The hike will go into effect on Oct. 1, after which consumers will see a 10-15 percent increase in electricity prices. News of the increase distressed both industrialists and consumers; however, the full 34 percent increase would have been passed on to them, instead of just 15 percent, if the state was not involved in the electricity generation business. TEDAS purchases electricity from both TETAS, which buys from private electricity producers at high prices, and the Electricity Generation Inc. Directorate General (EÜAS), which sells its own electricity at much cheaper prices.

The electricity from EÜAS dramatically reduces

the actual price hikes to consumers since these hikes affect only the electricity provided by TETAS. The state-run power plants of EÜAS in Turkey are largely generating electricity from coal and hydropower plants, which are not affected by the rising costs of natural gas. TETAS will sell electric power to 20 zones based on the new rate. TETAS said the price hike was due to increases in oil and natural gas prices in the global market, with oil prices rising almost 50 percent since the beginning of the year.

Meanwhile, the latest price increase will make Turkey the country with the third most expensive electricity in the world. The 2007 figures of the International Energy Agency (IEA) showed that Italian industrialists were paying the highest amount at 1 kilowatt-hour (kWh) of electricity for \$0.2. Hungarians came second with \$0.19 per kWh, and Mexico third with \$0.148 per kWh. A Turkish consumer pays \$0.146 per kWh of electricity but with the price hike it will

rise to \$0.169, bringing Turkey into third place.

The electricity price hike has heightened the level of anxiety in the Turkish business world, which was already experiencing difficulties due to rising input costs. Independent Industrialists and Businessmen's Association (MÜSIAD) Ankara branch President Hüdaşverdi Çakır said the electricity price increase is coming at a very bad time, considering that Turkish industrialists are losing ground to their international rivals. He emphasized that the hike should have been implemented gradually over the next five years so that customers and enterprises would not be forced to carry such a heavy burden all at once. "For instance, a 5 percent increase for each year would have worked fine," he stated.

Minister of Energy and Commerce Zafer Çağlayan also said such a high increase was too much of a burden on customers. "I would not like to be in the position of defending these price increases as a former industrialist," he said, adding that he

was quite displeased upon hearing this news. "Still, the current price hikes in global energy markets are affecting the Turkish economy negatively, as well as those of other countries, and the new electricity tariffs must be evaluated from this perspective," he added. Hüseyin Üzülmöz, vice president of the Turkish Union of Chambers and Commodity Exchanges (TOBB), said electricity prices should be as low as possible so that Turkish industry can compete with global powers. Speaking to the Anatolia news agency, Üzülmöz stated that the recent price hike will also have a negative effect on the government's inflation target and on the projects of many Turkish enterprises. The Turkish Confederation of Employers' Unions (TİSK) noted that the hike will negatively affect the rate of employment. In a written statement, TİSK said such significant increases emerged from the government's inability to develop a national energy policy and decrease Turkey's energy dependency on other countries.



PHOTO: GETTY IMAGES

## Turkey 25th in R&D spending

Turkey ranks 25th in terms of the amount of money spent for research and development activities and has to increase its allocations fourfold to be able to enter the top 15, a report by R&D magazine has shown.

The recently released "2008 Global R&D Report" indicated that despite considerably increasing the amount of funds to support innovation and technology activities in recent years, Turkey was unable to place higher on the list. The US topped the list with a projected \$365 billion spared for R&D activities for all of 2008. China came second after gearing up its R&D spending by more than 20 percent in 2007 over 2006 and aiming to reach \$217 billion by year-end 2008, increasing R&D funds by 24 percent over last year. Other nations in the top 10 list include Japan, Germany, France, India, the UK, South Korea, Canada and Taiwan.

Explaining the results of the report to the Anatolia news agency, Technoinvent chairman Ruhi Kaykayoglu said that Turkey's position on the global scale may be seen as something positive. "But considering that Turkey has the world's 17th largest economy, this rank is definitely not sufficient," he underlined.

Turkey spent \$4.8 billion for research activities last year. The Netherlands, the 15th nation on the list, earmarked \$13 billion in the same year.

Kaykayoglu underlined that a R&D law promulgated in March caused a rise in the awareness of the significance of innovation among companies and added that they have to give more emphasis to such activities. He further pointed to China's soaring R&D budget. "If we don't take steps immediately, China, a country that currently frightens us with its cheap products, will become a nightmare with its patented technology as well," he said. **Istanbul** Today's Business with wires

## Mehmet Büyükeksi wins in standoff for TIM presidency

Mehmet Büyükeksi emerged victorious in the contest for the presidency of the Turkish Exporters Assembly (TIM) in its general assembly meeting two weeks ago, putting an end to former Chairman Oguz Satıcı's eight years of successful leadership. Büyükeksi received the votes of 201 delegates, whereas the other candidate, Adnan Dalgakıran, got just 125 votes.

Born in the southeastern province of Gaziantep in 1961, Büyükeksi graduated from the department of architecture at Istanbul's Yıldız Technical University in 1988. He attended business administration courses at Marmara University and then went to Britain for business administration and English courses in 1998. He was previously the TIM deputy president, a board member at the Istanbul Chamber Commerce (İTO), a board member at Turk Eximbank, a board member at Turkish Airlines (THY) and a board member at the Turkish Leather Foundation (TÜRDEV). He was the president of the Turkish Association of Shoe Industrialists for six years and used to run the Association of Leather and Leather Products Exporters. He is a founder of the Foundation for Research, Development and Training in the Turkish Footwear Sector (TASEV), for which he also served as chairman between 1997 and 2006.

Excitement was running high when TIM members, who have led the way to success in bringing Turkey's total exports to over \$130 billion, gathered in Istanbul to elect their next president after Satıcı, who was honored by being selected as the assembly's honorary chairman. **Istanbul** Today's Business

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# OFFICE FURNITURE ORDERS UP BUT SLUMP SEEN



US office furniture orders rose 1 percent in July to \$940 million compared with a year earlier, but year-to-date orders and shipments are flat, heralding double-digit declines in 2009, a trade group said. The Business and Institutional Furniture Manufacturers Association said July shipments rose 1 percent to \$930 million, year-over-year. But the trade group said it expects full-year orders and shipments to fall 2.4 percent and 3.9 percent, respectively. In 2009, BIFMA is projecting a drop in

both orders and shipments of slightly more than 10 percent. Demand has yet to collapse, but it has slowed after mid-to-high single-digit growth in 2006 and mid-single-digit growth in 2007, Raymond James analyst Budd Bugatch wrote in a note to clients.

Bugatch has a cautious outlook for the office furniture industry based on deterioration in macroeconomic drivers such as business confidence, corporate profits and new office construction. "Despite our concern that industry demand will remain challenged for the

next several months or more, we would reiterate our belief that any downturn will not match the magnitude of the 2001-2003 decline," Bugatch wrote. He reaffirmed his "outperform" ratings on Herman Miller Inc and Knoll Inc and his "market perform" ratings on Steelcase Inc and HNI Corp.

Steelcase is priced at a modest premium to its peers, while HNI is exposed to both the lower end of the office furniture market and the housing slump, as it also makes health products, Bugatch said. "We would remind

investors that due to its exposure to small business, HNI will likely be the first among peers to benefit when the economy begins to recover," Bugatch wrote. Herman Miller has lessened its reliance on the North American office furniture market by expanding its health-care business and developing emerging technologies. Knoll focuses on higher-end products, which generate attractive profit margins. BIFMA compiled its July report from 38 companies that account for about 75 percent of the industry's volume. **New York Post**

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## 'Turkey-IMF program should aim at increasing competitive power'

Economy Minister Mehmet Şimşek has said that Turkey and the International Monetary Fund (IMF) should agree on an economic program aimed at increasing Turkey's competitive power.

Speaking to the state-run television station TKT-1, Şimşek said Turkey and the IMF were continuing their technical dialogue and that post-program monitoring and a precautionary stand-by arrangement were the options that were currently on the table. "If we cannot make a program aimed at increasing our competitive power, we can go on with post-program monitoring," he explained.

He said Turkey should continue down its current path of reducing inflation to single digits and ensuring price stability without making concessions. "What we should do is keep the fiscal policy firm, rehabilitate competitive power with micro-reforms, lift the obstacles facing competition and enter a process that will ensure a permanent drop in inflation," he said. He noted that the world was going through a problematic time and that Turkey has also been affected. He said Turkey's growth rate slowed in the second quarter of 2008, adding that the 1.9 percent growth figure in this period was the lowest since 2002. He pointed out that Turkey had grown 4 percent in the first half of the year, saying he regarded this as reasonable. He also said Turkey's growth figures had been affected by internal and external developments and that it was not surprising that growth started slowing down as of the second quarter of the year.

Şimşek stressed that maintaining price stability and lowering inflation were of the utmost importance, noting that Turkey should not abandon these goals. Acknowledging that the recent inflation rates had come in high and that this had sparked many discussions, Şimşek said it was important to hang on to the current strict fiscal policy, which he claimed would be effective enough to solve many of the problems facing the Turkish economy. **Istanbul Today's Zaman** with wires

## Turkey still lagging far behind EU average GDP per capita

Despite the high growth rates in its economy over the past five years, Turkey's gross domestic product (GDP) per capita has made little progress toward EU averages in the given period.

According to a recent report by the General Directorate of EU Affairs, a subdivision of the State Planning Organization (DPT), the average GDP per capita of the entire EU, based on purchasing power parity (PPP), was 2.7 times more than Turkey's GDP per capita five years ago. The report claimed that if current projections prove valid, this difference will be 2.4 times by year's end. In 2009, a citizen of the EU will be 2.3 times richer on average than a Turk.

The report, titled "Economic Developments in the EU Member and Candidate Countries," said the average GDP per capita in the EU was 21,600 euros in 2004, whereas it is estimated to climb to 25,900 euros by the end of 2008. This figure is expected to grow to 26,800 euros in 2009. In Turkey on the other hand, the GDP per capita was 8,100 euros five years ago and it will have reached 10,900 euros by the end of 2008. Next year it is expected to rise to 11,500 euros.

With respect to the GDP per capita based on PPP, Luxembourg topped the list as the richest nation in the EU with 68,500 euros as of 2007. It is estimated that this country of affluence and prosperity will retain its place in 2008 with 71,000 euros; as the second nation, Ireland will follow it with 33,600 euros of GDP per capita. The Netherlands is predicted to come third with 33,600 euros, and Austria will be chasing it with 32,500 euros. Sweden will be slightly behind it with 32,200 euros.

Of the 27 members of the EU, 14 will have a GDP per capita below the bloc's average of 25,900 euros. Bulgarians will take the lowest rank among all EU nationals with their 10,800 euros of GDP per capita. That means if Turkey was a member of the EU, it would place slightly above the poorest country in the EU. **Ankara Today's Business** with wires

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# Modoko chairman: We are unafraid of competition in furniture industry

Modoko is the

leader in the furniture business in Turkey. High-quality products are manufactured by good craftsmen. It is not possible for Modoko, which competes with itself, to be affected from the outside. That is why we do not see any company as a threat.

YAKUP ABUTAR ISTANBUL

Approximately 350 stores populate the Modoko furniture complex in Istanbul. This massive furniture center is open seven days a week and presents customers with hundreds of showrooms containing furniture of every style, for everything from the dining room to the bedroom, garden to office furniture and kitchen to bathroom furniture. Today's Business recently had the opportunity to speak with Ethem Özcelik, the chairman of Modoko.

Can you give some general information about Modoko? How was it established and how many people does it employ?

Modoko was established in 1969 with loans from the Ministry of Industry and Commerce and with the support of its shareholders. It is one of the most distinguished centers of woodwork and furniture in the Middle East and the Balkans. We currently employ close to 5,000 people directly, but if we take into consideration workshops and manufacturers Modoko works with, this number increases to 30,000.

Do you have competing furniture centers?

Modoko has been a model for furniture centers that were opened after Modoko with its future-oriented work and experience.

What distinguishes Modoko from others?

We offer modern and classic furniture, office furniture, teen and children's rooms, kitchen and bathroom sets, garden furniture, floor and household textile products and decoration equipment. We also accept custom orders, so anything you need, we can make.

How has the economic stagnation affected your business?

Economic stagnation has affected the furniture business as it has other businesses. Modoko is popular in boutique and designer furniture manufacturing and could be a remedy to the economic stagnation. We can-



PHOTO: TODAY'S ZAMAN

The furniture business is growing bigger each day in Turkey as other businesses do. As the leader of the furniture business, Modoko receives its share.

What do you think about the value-added tax (KDV) discount, which has been demanded by the furniture industry?

The KDV (equivalent of sales tax) of 18 percent applied to the furniture industry places a big burden on manufacturers. In order to prevent unregistered manufacturing, we expect the same amendments applied to the textile business to be implemented in the furniture business as well.

What should customers be aware of when purchasing furniture?

Customers must compare what they need and what they buy. They need to ask themselves whether the furniture they are buying will meet their needs. For example, they must ask if they want their rooms to look natural or spacious, etc. A furniture consumer should first make clear the question in his/her mind and then should look for its answer in the furniture. Of course, there are some prerequisites regardless of what people are looking for. Furniture must be bought from trustworthy stores and from its manufacturer since furniture is like a package with a label. A consumer only sees the label on the furniture. For this reason, trust in a furniture brand is of utmost importance. Apart from this, no one should buy furniture in which he/she cannot feel comfortable. An armchair, whichever material it contains, is still an armchair and it must be comfortable.

What are the targets of Modoko for 2008?

First of all, we want to get over the economic stagnation of 2007 in 2008, and the course of things now shows that we are seeing success with this. Globally, there is a goal to improve the position of the furniture industry from 21st to 15th. We also aim at simultaneous development in Turkey as we do not want to lag behind the worldwide developments.

not say that we are not affected by the ongoing general economic stagnation.

How was 2007 for Modoko? What are your expectations for 2008?

The year 2007 passed in the shadows of economic stagnation. After getting over the economically distressed period, the furniture business will be revived and the business will live its golden age. The revival in the construction industry reflects positively on the furniture industry. Furniture is necessary for every house and it is in demand all the time.

How have the investments of IKEA affected you? Do you see IKEA as a threat? If so, what are

your solutions for this issue?

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Turkey's furniture exports are rising each year. What is the contribution of Modoko in this?

Modoko has a big share among Turkey's total exports of furniture. We are selling products to Russia and the Turkic republics, as well as to Europe.

What do you think about the furniture business in Turkey and the future of Modoko?

  
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