From left to right: Kursat Ozcan, Hakan Öge, Ahu Açar, Baris Gokalp, Katya Arikan Torus, Riza Kadilar, Balim Ipek, Toygun Özmen, Ertan Akbulut

Getting back on track

Roundtable participants

Riza Kadilar, senior country manager and representative for Turkey, Natixis *(chair)*

Ahu Açar, head of trade finance sales and product, Finansbank

Ertan Akbulut, finance director, Tiryaki Agro Foods Industry Co

Katya Arikan Torus, head of structured trade finance, Yapi Kredi

Balim Ipek Gocen, head of trade finance, Odea Bank

Baris Gokalp, head of finance, Vestel Group

Hakan Öge, head of finance, Bozlu Holding

Kursat Ozcan, head of strategy, energy, Sabanci Holding

Toygun Özmen, head of international – Europe, Continental Europe global trade and receivables finance, HSBC (at the time of discussion: head of trade – Turkey, global trade and receivables finance)

GTR gathered together some of the big players in Turkish trade to discuss how to recover its trade momentum.

Kadilar: Let us start with the government's 10-year plan to double Turkish exports by 2023. How are things progressing?

Gokalp: I have some numbers about Turkish exports. We are exporting 412 tonnes of iron to buy one truck of cell phones. We are exporting nearly 600 trucks of flour for one truck of drugs. We are exporting nearly 2,100 trucks of chrome to buy one truck of vaccinations. The last numbers are good. We are exporting 25 trucks of marble to buy one tonne of tomography.

This shows that Turkey is doing the bodywork, but we are not doing the brainwork on the export side. That is why we must produce some value-added products, and find some new products, as South Korea does, for example. Therefore, at Vestel, we are now investing in cell phone production, as well as tablet PCs, smart boards and LED lighting.

Having a target is a good thing for our country, but there must be some encouragement from the government's side to achieve that goal.

Gocen: According to the World Trade Organisation's latest press release, from 2009 until 2013, world trade grew at an average rate of 2.3%. On the other hand, emerging markets and Turkey grew by approximately 4%. The weak global outlook and stagnated import demand made Turkey shift its exports to emerging markets, like Mena. Due to this shift in our axis, in 2011 and 2012, Turkey achieved its all-time high export growth rates, 18.5% and 13% in 2011 and 2012. I made a calculation regarding this. To achieve the 2023 US$500bn exports target, for the next 10 years Turkey has to grow its export volume at an average rate of 12.5% which highly depends on stable and increasing external demand.

Unfortunately, our main export market, the EU, is struggling to recover from the eurozone crisis. Our second export market, Mena, is still under the influence of the Arab spring. In the near future, credit bubbles are expected from emerging markets. Turkey [along with Indonesia, South Africa, Brazil and India] began to be called the 'fragile five'. Sanction exchanges are on the way between Russia and the United States. By 2014's year-end, the Transatlantic Trade and Investment Partnership is likely to be finalised between Europe and the US.

Also, in 2014 and 2015, we have local, presidential and parliamentary elections on their way to shape up our trade and foreign policy. When we look at these upcoming events, to achieve and preserve this 12.5% average growth rate for the next 10 years will be challenging for Turkey.

Ozcan: I agree with the strong headwinds, but this is also an opportunity. I do not have exact numbers, but it is now about how far your products and services can travel to be as competitive as they can be. As my friend from Vestal indicated, the important factors are where you get the design, where you get the raw material, how you are you developing the software, who is putting in the staff, who is helping with the distribution, how well do you integrate with the markets?

Considering the location, proximity to developed and developing demand, proximity to the capitals, there is huge potential in Turkey to cultivate more trade. I think the tailwinds will make it cyclical. Every year will be different. Some years, we will not enjoy growth; some years, we will suffer, but, all in all, with the increase in global trade, if the cycles are managed well, I think companies have a huge opportunity to develop trade.

Özmen: There have been lots of discussions around Turkish export growth and its dependency on imports. The R&D investment in Turkey is around 1% of GDP, while in South Korea, it is closer to 4%, so Turkey is still significantly behind. Turkey has a young and well-educated workforce, but the co-operation between universities and industry itself and consistent investment on R&D requires improvement so that all these activities transform to value-added products. Now the critical discussion is how we generate very good products, make good margins from it, and good profit. I think this is the transition Turkey needs to go through, and the same time the dilemma Turkey is facing. I believe Turkey needs to determine a long-term sustainable programme with remarkable R&D investment to gear up to the accelerated and profitable export growth.

"WE MUST PRODUCE SOME VALUE-ADDED PRODUCTS AND FIND SOME NEW PRODUCTS."

Baris Gokalp, Vestel Group

Kadilar: So we are almost in the middle income trap. In order to raise the bar above this US$10,000 per capita GDP, we need to find some value-added industries and exports. I also echo your very challenging numbers for reaching this 10-year target. I understand from Kursat that globalisation is the name of the game. If I may add, the car industry in Turkey shows its capacity, how to integrate and produce good results, but we need to have more industries like that.

Açar: I have some export figures for the regions of Turkey. In the Marmara region last year, Turkey realised US$100bn of exports which represents 65% of all Turkish exports. On the other hand, the Aegean region has only 9%, and the Middle Anatolian is only 7%. In other cities we are expecting to see the positive effects of incentives on production capacity increases and labour force to encourage trade transactions. The government is also eager to boost the production and investment capacity in these areas in order to reach the US$500bn target for 2023. All those efforts should be supported by financial institutions in terms of export financing, foreign direct investment in the short and mid-term.

Akbulut: If I give an example from our industry, the growth in exports to the Mena region in the last 12 years is quite remarkable. The share of exports to the Mena region when looked at as a share of total exports, was around 13.2% in 2000 and in 2012, around 35.3%. This gives us an opportunity to integrate more and more in the Mena region, especially important countries in terms of purchasing power, like Egypt, Iraq, Syria, Iran and Saudi Arabia.

These countries are the markets where Turkey can increase its market share, compared to the developed markets. A sudden change from a basic production to a very sophisticated level production is not possible. Turkey has to decide which steps are going to be taken, and in what countries, so we can step-by-step increase our way of production, reaching real markets that can be grown, to fulfil the requirements of this targeted US$500bn in the coming years. Otherwise, it is very difficult to compete with or increase our market share in the developed markets.

Kadilar: There are some high-growth areas in the world, like Africa, potentially East Asia. What are Turkish exporters and the financiers doing to grab opportunities in the markets? In the agri sector, Ertan, you say that you've already done a good job in Mena, but with which kind of products?

Akbulut: The products that do well in Mena are the staple foods – basic products for human consumption like oil seeds, grain, pulses and some others. Everywhere in the world, especially in the developing markets, demand for these products is growing every year. There is no big player in the Mena region. That is why our company has grown in the last 10 years in a remarkable way. We are using the geographical location of Turkey, being in the middle of sourcing and destination. Turkey is between the CIS countries, which are the main production hubs of the world, and Mena where the real demand comes from. There must be other industries where Turkey can take part, especially the energy sector, through pipelines. We are just in the middle of everywhere.

Kadilar: I will come back to energy, but, first, Toygun, could you please comment on East Asia? I know your bank is well-established. What is going on for Turkish exporters or Turkish trade overall? What do you see?

Özmen: Turkey has a big trade deficit in East Asia, in particular with China. I think when we look at the current levels of exports versus imports, there is a big difference likely to continue in the short and mid-term. Having said that, I see many Turkish companies going to China for investment, trying to attract Chinese consumers by positioning their brands in China.

They are eager to pay more for good, high-quality brands and products. Based on the feedback I get from the customers, they say that Turkish brands are not seen as low quality, so there might be an opportunity to invest in Turkish brands.

It is a long-term investment to be built but I believe there are signs that some Turkish companies already started investments in China moving in that direction. It is not only about looking to the US and Europe as the big consumer markets. It is the time to look to China as a big consumer market as well. We need to have more Turkish companies going there. I will not say that in the short-term China will be one of the strong drivers for export growth of Turkey but, in the long-term, definitely, yes. I think the government bodies and the export associations are looking to China from this perspective as well and exploring opportunities. Turkish companies already started to invest in the market, so it is the right mix that Turkey needs to find.

> "TURKEY HAS A BIG TRADE DEFICIT IN EAST ASIA, IN PARTICULAR WITH CHINA."
>
> **Toygun Özmen**, HSBC

Akbulut: Do you think Chinese banks are also coming to Turkey?
Özmen: Why not? There are already some Chinese banks interested in Turkey.

Kadilar: What about the rest of Asia?

Özmen: There are trade forecast reports from HSBC done by independent companies, showing that countries like Indonesia, Vietnam and India remain as strong potential markets that Turkey can look into. I know that as part of the government's export focus, a sectoral analysis has been aimed to identify which products can be exported to these markets to guide the Turkish exporters. In many of the sectors, these countries and Turkey is competing between each other. We also have a strong group of Turkish companies which all have production facilities in these markets, so they know the market and can be good success stories for the others to follow. Europe previously took 60% of Turkish exports, but this has remarkably dropped with the rise of Mena in Turkey's export destinations. In terms of GDP growth, the developed markets are starting to do better, so it might be viewed as the right or wrong time for Turkey to go for Asia.

Gocen: In 2002, our government reshaped its diplomatic relations with neighbouring countries under its 'Zero Problems with Neighbours' policy. Since the implementation of this policy, Turkey's net exports to Mena have grown substantially. In 2001, Turkey was running a trade deficit with Mena and from 2003 Turkey became a net exporter to the region. Mena is the one and only market creating a trade surplus for Turkey. During the last decade, Turkish exports to Mena increased seven-fold, compared with just doubling to the EU.

During the Arab spring, many foreign companies left Mena. But Turkish companies were struggling to find ways to penetrate the region. When we look at the numbers, in 2013, trade between Turkey and Mena was recorded as US$72bn, with US$46bn worth of exports, and a positive trade balance of US$20bn.

Due to tension with Syria, Turkey had to change its export transportation routes. Before, we were going through Syria to access the Gulf countries, but then it shifted to Egypt. In 2013, we saw a decrease in trade volume with the Gulf region, so as a bank, we should improve our trade links with Mena.

Gokalp: I have a good example for Turkey from the Mena area. In my former company, we were producing vegetable oils. Our base company was in Dubai. We went to a big food industry fair in Dubai. We had two stages at the fair: one was for the Turkish branch, and one was the Egyptian branch. We, the Turkish branch, were collecting the orders. Why? Because it was made in Turkey. That is a good selling point for the Mena area. They like the 'Made in Turkey' mark. Also, Vestel is doing good business and making a good profit in North Africa instead of the eurozone. They like the 'Made in Turkey' brand.

Akbulut: They like the quality, not Turkey. When they compare what they have in hand, it is a good quality that we export to them. That is why their preference is for the made in Turkey products.

Gokalp: It is like 10 years ago, if you ever tried to buy jeans made in Europe in Turkey. It was always west to east trade, and now as we were next to Europe, they are next to Turkey.

Öge: I want to make an additional comment, not regional but global. If you look at current figures, you see that south-south trade is booming. Approximately 20% of world trade is south-south, and 60% north-north. In the coming years, it is expected to be one third north-north, one third south-south, and one third north-south. 80% of this trade comes from Asia, but there are certain regions of Asia – Southeast Asia, Asean, as you mentioned: Vietnam, Thailand, and Singapore so on – where the population is huge: 600 million, one of the largest populations in the world. They have a significant trade volume: more than US$1tn. If you look at the direction, south-south, and put the spotlight on this region, Turkish companies can benefit more than their competitors.

Kadilar: I would like to add one more country: Iran. I know today it is difficult to talk about this, but do you see any development or potential, and how? We are neighbours, and there is a good history of border trade. Things are changing in the world. In your experience, is there anything you would like to comment on?

Akbulut: First of all, we have to realise that Iran is, historically, a very old country; it has been there for thousands of years, and has a population nearly equal to Turkey's. Within that concept, they need at least the basic issues, like food and medicine, even in the case that they are at war with the rest of the world. Meaning when you have a problem with some of these sanctioned countries, such industries are automatically exempted from the sanctions. As a company that trades staple foods, we have exported these products to Iran in the past.

We had a lot of difficulties with the Turkish banks, because some of these banks do not understand what is going on in terms of compliance, despite the fact that all important banks in the world understand and apply these compliance issues. To a certain extent, the banks as well as the industry should understand the real basics of the trade business within the circumstances. If we would like to increase Turkey's exports to the Mena region, we have to think broader, not only in one direction.

I even hear from your colleagues that they do not want to talk about Iran transactions, because it is just an issue that you cannot talk about in any way, but, on the other hand, there are banks that understand and advise on these issues, as well as providing banking services when necessary. It is necessary; you cannot let people die from starving. This is also a reality for developed countries' exporters. Companies from the US and Europe sold to Iran in the past, last year and the year before. That is why we have to separate one from the other. Putting them all in the same basket does not help Turkey or our exporters.

On the other hand, there are some recent developments among the countries applying sanctions to Iran. Relations between Iran and the rest of the world are getting better. When you compare four or five years ago and last year, one of Turkey's most important partners in terms of exports and imports was Iran, so it will be a candidate for the coming years as well.

Öge: I do not think there are trade barriers at customs for export and import to Iran, only for the banking industry. There are other ways to conduct such a transaction, for instance you can choose payments methods other than letter of credit.

Kadilar: Katya, let's now look into the products available from the banking sector for Turkish exporters and importers.

Torus: First of all, most of the commercial banks in Turkey try to extend financing for exporters through their own funding, and also with the support of the government – like Türk Exim's resources. There is also another product that is currently being offered by the Central Bank of Turkey through Turkish commercial banks called the short-term post-shipment programme. At Yapi Kredi, we do offer those products to our exporters.

Apart from those products, we also sign agency agreements with institutions such as Euler Hermes, Coface and Türk Exim. On the funding side, we do intermediate insurance-backed funding as well for our exporters with affordable premiums.

On the importer side, most of the Turkish banks extend commercial loans out of their own funds or through correspondent banks under bilateral agreements.

On the long-term side, we offer financing under the coverage of ECAs for the investment goods of our importers. We have signed bilateral agreements with some ECAs. On the East Asian side, we have signed agreements with JBIC, Kexim and Taiwan Exim so far and extend loans to importers through our bank. On the European side, we provide loans through those foreign banks which take the coverage of European ECAs. The main names we see in the market are Hermes, EKF, Sace and Serv.

In general, Turkish banks strive to support both importers and exporters. However, very recently because of the chronic trade deficit of Turkey, the government took action to slow down the imports. As everybody knows, a resource utilisation support fund was introduced one year ago. With this new tax, the

importers now have to pay some tax if the average tenor of this foreign loan is below three years.

Açar: In today's world, besides the traditional products, new technology-based products are on the agenda of the banks. I think you will agree that the bank payment obligation (BPO) is becoming more important, and companies are also becoming more aware of the product.

The focus of the banks nowadays is also more on SMEs after regulation became harder on the retail side. For SMEs, R&D is important for the product side, and also in terms of their payments receivable systems. That is why BPO can be an important tool. Two banks now are live in Turkey, and the other banks are now working on the BPO system

The traditional trade products are mostly on an open account basis. As Turkey's trade is in line with the world's open account which is nearly 90%. That is why insurance and payment systems such as BPO are becoming crucial.

As for export markets, we have spoken about so many countries. Export insurance within these markets is crucial for our exporters, because they can use this insurance policy as collateral with the bank, with Türk Exim, to discount these receivables – these are also important.

Akbulut: At this point, the banks in Turkey are a little bit like a father of the family, who is providing for every need of their children at home, and trying to make them ready for everything that will happen outside. You say: 'Okay, I gave you the money; I gave you a good education. Why are you not happy? Go out and play and socialise.' In order for Turkish companies to grow and make exports in Mena, how can I do that without Finansbank in Egypt, Yapi Kredi in Dubai and Odea Bank, which has to bring its knowledge and experience to Turkey?

> "TURKEY'S TRADE IS IN LINE WITH THE WORLD'S OPEN ACCOUNT WHICH IS NEARLY 90%."
>
> **Ahu Acar**, Finansbank

Gocen: Being a Mena-based bank, we have existence in eight countries of the region.

Akbulut: I know but, when you come to Turkey, you act like a Turkish bank, and say: 'Okay, we provide Türk Exim facilities. I am not interested in Türk Exim facilities.' I am interested in possible structured finance for business outside of Turkey. When you talk about issuance in Turkey, through Coface, Hermes, etc, we do have a contract with Hermes, but when we just want coverage in Egypt, you say, 'No, no. We can only do it in Europe.' That is not working at all. If we want to increase our existence outside, the banks in Turkey should also be existent outside of Turkey. In Turkey, the domestic demand is quite good for banks to grow, but it will not help them to grow further when we just saturate the domestic market in the coming 10 years. That is why the banks, rather than having a branch in London or somewhere in Europe, have to go to North Africa, and find ways to deal with the LCs, to give a confirmation when it comes from Suriname, Dubai or somewhere in Southeast Asia. Otherwise, it is very difficult for Turkish companies to grow outside, to make business there, and to contact these banks, even if they would like to.

We are one of the companies that challenge this to a great extent. In our experience, you cannot convince our Turkish banks to grow with you to a certain extent, despite the fact that the whole financial world would like to make business with you, our banks in Turkey will not take part. You have to think about a lot of it in a broader way. Otherwise, we cannot grow and improve our exports hand-in-hand.

Gocen: Actually, that is why we try to have banking or credit finance organisations in all emerging markets. If we can get confirmation of an LC for export, even if it is from our own branch in another emerging market, it is easier. For example, Iraq or India would definitely be an easy market for me right now, but, for the other countries where I am not present, we use our correspondent bank network.

Secondly, if we cannot do it with our correspondent bank network, we have agreements with DFIs, like the IFC and the EBRD. For three or four months, I can say that the number of export LCs with the IFC's trade finance programme is increasing. We are effectively losing that, so don't worry: we will catch you.

On the other hand, the customers' demands are also changing in the market. Previously, our exporters were exporting the goods to Europe without asking for anything. Now, even for cash against documents and cash against goods, most of our exporters are asking for credit agency insurance. On the Mena side, as it is still a very risky region, our traders, rather than choosing structured trade products, are still choosing cash in advance payments, which is the strongest one. However, we began to use more trade products in Mena. We have come along with a lot of confirmed LCs and LGs, due to the construction projects and big ticket deals there. So, if the volume of transactions increases in the Mena region, customers approach us for structured trade finance products. If it is a small or medium-value, then they can still do it with cash in advance payment letters.

Akbulut: If the quality and variety of services of the bank improved, that would help the exports of Turkish companies and their existence in the region.

Gokalp: For Mena trade, the companies are pulling the banks to that region.

Acar: Definitely. Our companies are asking us to work with this correspondent

bank, and then we analyse the corresponding bank. We are generating a credit line, and then we confirm the LCs, for example. Mostly the companies are helping us.

Kadilar: What about other new products, like Islamic finance?

Gocen: Alternative funding methods are growing in popularity. Some of the popular products are *sukuk* and *murabaha*. Although *sukuk* issuance is limited only to government and participation banks, Turkey's curiosity with Islamic finance products is developing in a great pace. As Islamic finance products are mainly financed and structured by Middle Eastern, South Asian and North African banks, these regions are experiencing significant growth. On the other side, these products are spreading extensively to multiple geographies and I think that definitely more Turkish banks will be offering these products in the near future.

Kadilar: I assume the dollar and the euro still dominate markets, but what about other currencies?

Özmen: The renminbi (Rmb) might become part of the leading currencies, another reserve currency in the mid-term, and I believe this is also an investment area that China's government is really looking into. The basics are in place, if you look at China as a country with significant export import volume, and GDP with a further potential to grow and although there is an argument that China is growing more slowly than expected, the growth is still significant. If you look at the third dimension, the global market's FX utilisation of China's currency, and the offshore market as Hong Kong, I think China has the potential to position the Rmb as an internationally accepted and preferred currency.

The question will be: what is the timing for that? At HSBC, we advise that companies should elaborate options and take part in this development early enough so that they can understand advantages and benefit most when it becomes widely used. We were discussing with a Russian company last week. It was a Russian company, operating in Russia, are now trying to build up their operations in China, because they believe China will become one of the main consumer markets. The question was about the Chinese currency, the Rmb, and the benefits of that. They were saying that they see some benefits with some of the suppliers already. But, if they go to market, they definitely need to learn about this. This would be good for all of us: we need to learn what is happening with Rmb, because when it comes we will be ready to execute.

Kadilar: The Turkish trade deficit is almost equal to the energy bill that Turkey has to pay. Do you have any comments on this?

Ozcan: In the short to medium-term, we will be buying primary energy, borrowing money from abroad and feeding the local consumer and residential industries. It is very interesting. Those are the system dynamics. As you rightly said, that is driving the current account deficit. There are scarce commodities, like capital and primary energy. The exports we create with these inputs are typically medium to long margin products, continuing that cycle.

> "THE TURKISH TRADE DEFICIT IS ALMOST EQUAL TO THE ENERGY BILL THAT TURKEY HAS TO PAY."
>
> **Riza Kadilar**, Natixis

In terms of energy, in the medium to short-term, we will see this continue but, longer-term, if you look at the neighbourhood of Turkey, it is energy rich and resource rich, and new resources are potentially coming online – for example, the East Mediterranean. Technically speaking, between supply and demand, Turkey can play an important role, beyond being a consumer, as a true energy hub. That means setting energy markets, and we have seen steps towards it around electricity markets. We will see new developments in the upcoming years, so you can see the forward price signals.

Kadilar: What about other big projects and infrastructure?

Ozcan: In any developing and growing market, not only Turkey but the rest of the world, developing infrastructure projects and getting financing for them is the biggest challenge. If you look into the numbers, you see hundreds of trillions over the world being invested in infrastructure, and mostly it is around basic stuff: electricity, transportation – both, in many cases. Turkey has to invest around US$100bn to US$120bn in the energy sector in the next decade. If we had other infrastructure items, the demand for infrastructure financing would grow, but it is also a stimulus for the economy. Investment is a GDP component, if nothing else. It increases employment. It also increases the competitiveness of the industry. When you have a better transportation network, it helps exports.

On the infrastructure side, going forward, in short, it is a long cycle business, where the development of financing will be the biggest challenge. The demand is there, but putting investment in place will be very challenging.

Öge: On the finance side, especially, to cover the investments in the agenda, the fund that should be allocated is

approximately US$200bn. For instance, one nuclear power plant constitutes 4% of the total loans of the banking sector in Turkey. It is not practicable to raise the money from domestic savings. We know that if there is a current account deficit in a country, it means that the investment exceeds the saving, so it can be argued that it is not possible to finalise these projects from domestic funds. What about getting money from overseas, if it is achievable? Maybe for the last four or five years the trend was like that.

Furthermore, there have been some announcements from the Fed and other developed economies that they are now thinking about increasing the rates, so maybe it is not so feasible to get the money from abroad in order to cover these investments. At a summit, the manager of the Akkuyu power plant said they were trying to take the nuclear power online by 2020, and it will bring cost savings of US$7bn per year, but how can they raise the money rather than being funded through sovereign funds? Furthermore, is it possible to link all big projects to sovereign funds?

Ozcan: The question, as you rightly put, is: do we need new financing methods and structures to feed this infrastructure demand, other than the regular banks, multilaterals and everything else? Are there new instruments coming into the market, like pension funds? For many parts of the world, income-generating infrastructure assets are good assets to invest in, in today's world, but there is still capital available.

Depending on the asset class, some of them, especially after the development or once they are making money, can be financed. The other side is the energy markets themselves becoming more liquid and more regularised. That will stimulate more flow of capital. Another aspect, like you mentioned, is that Turkey is not capital rich, but adjacent to resource rich countries. Can the sovereign wealth funds and other instruments be in play to help with the infrastructure development and growth in Turkey? Those are all the new items that should be discussed, to see if there are new strategies.

> "WE ARE PROUD TO ATTRACT THE APPETITE OF THOSE INSTITUTIONS FOR FINANCING OF THOSE BIG PROJECTS IN TURKEY."
>
> **Katya Arikan Torus**, Yapi Kredi

Öge: Okay, for the nuclear power plant.

Ozcan: It is sovereign business.

Öge: But what about the highways, as with the third bridge and so on? You mentioned other big projects in the pipeline, and also some huge military investments. Nowadays, we face some challenges, especially for PPP, for instance big hospital projects. When you come to that, okay, there were tenders, and some of them have been concluded but now one of the main problems is financing. There are some delays in the ongoing investment and if uncertainties and risks, and also limited sources, continue in the future, apart from some big projects which the sovereign funds can handle, we will face some problems.

Torus: Just to add, on the PPP project, first of all, you are right. There were some delays in terms of financing, but now we know the regulations has been put into force. However, of course, it will be a first time experience in the healthcare sector. There were PPPs for infrastructure, but in terms of healthcare, there is no track record at all, so there are many uncertainties on that. Now, I think there will some movement towards the financing, but let's wait and see. Also, on the infrastructure side there are now major projects, like the third bridge and third airport in Istanbul, as well as Gebze-Izmir highway, Marmaray rail tube and the Eurasia Tunnel. Some of those projects have already been closed or major banks are in the financing stage for some of them.

In terms of funding, IFIs such as the EBRD, the IFC and the EIB support Turkish commercial banks who also back this support with their own funds out of the treasury. So there are various ways of financing those big ticket infrastructure projects. We also see ECAs coming into the picture as in the Marmaray rail tube and the Eurasia Tunnel. In those deals, we have seen K sure guarantees, as well as Kexim and JBIC financing. We are proud to attract the appetite of those institutions for financing of those big projects in Turkey. Infrastructure is very important for our economy to sustain the economic development and attract foreign direct investment.

Apart from those, it is also good to see the developments of projects in the energy sector. As I have read in the government's 2023 targets, the share of renewable energy in the country's total installed capacity will increase from 25% as of 2013 to 30%, which means that we will see more and more renewable energy projects, like wind, geothermal or solar. Of course, for solar, the process is a bit slow, but the licences have started to be given to the companies. As far as I know, Turkish wind energy potential is 25 to 30% higher than that of Europe which shows the high potential in our country.

Kadilar: Turkey has been shy in attracting cross-border project finance, but the present of ECAs, supra nationals and mainly the local banks everywhere will support the projects. Going forward, new players – pension funds or infrastructure loans – could come into play. It looks like the challenge is big, but there are also opportunities there. GTR