



EYE ON TURKEY

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Market Analysis For Turkey

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economic recovery speed of USA, we see that FED has been changing the asset purchase program and diminishing the amount purchased. This is monetary tightening policy.

Anti-Money Laundering and Combating the Financing Terrorism for Financial Institutions in TURKEY

Financial institutions (banks) are supervised by Banking Regulations and Supervision Agency (BDDK) and financial intelligence unit is Financial Crimes Investigation Board (MASAK) in Turkey. Turkey is a member of Financial Action Task Force (FATF) and has laws and regulations against anti-money laundering and terrorism financing.



Ornamental Plant Sector In Turkey



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Market Analysis For Turkey

Nowadays emerging markets have been facing some risks which also affect Turkey. Due to the increase in the economic recovery speed of USA, we see that FED has been changing the asset purchase program and diminishing the amount purchased. This is monetary tightening policy. FED's changing policy affected the emerging markets because hot money began to leave these countries. We see that the emerging countries' interest rates have been increased proactively in order to prevent the local money depreciation and prevent the hot money leave the country.



The Monetary Policy Committee of The Central Bank of Turkey also increased the interest rates as seen below and gave an exact message to the markets.

- a) Overnight Interest Rates: Marginal Funding Rate is increased from 7.75 percent to 12 percent, borrowing rate from 3.5 percent to 8 percent,
- b) One-week repo rate is increased from 4.5 percent to 10 percent.
- c) Late Liquidity Window Interest Rates: Borrowing rate is kept at 0 percent, lending rate is increased from 10.25 percent to 15 percent.

As seen above Turkey reacted to the changing global financial climate by increasing the

interest rates around 500 bps. This reaction has stopped the local currency depreciation. Nowadays the local currency is still volatile and the depreciation rate is around 20 percent and it seems that the depreciation has stopped. Exchange rate depreciation, hikes in unprocessed food prices and stronger domestic demand have pushed inflation well above the Central Bank's target in 2013. Annual inflation reached 7.3 percent in November 2013, compared to 6.4 percent a year ago and the central bank target range of 3-7 percent for the end of 2013. The depreciation of the Turkish Lira creates an advantageous situation which will help the country to decrease the level of current account deficit to a more sustainable level and this will decrease the fragility of the economy.

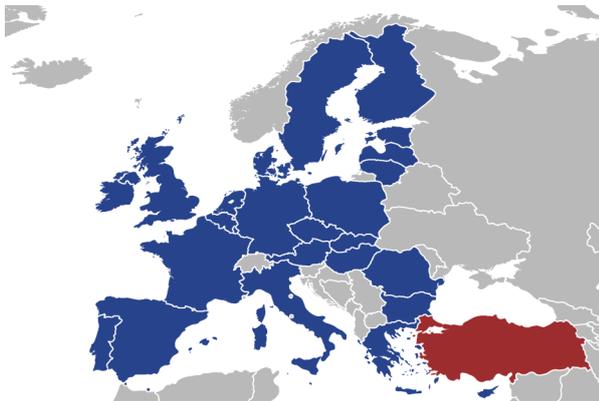
The Central Bank explained that they will implement necessary measures to decrease the negative impact of recent developments on inflation and macroeconomic stability.



Despite the recent unfavorable global developments for emerging markets, Turkey is one of the largest 20 economies in the World with a powerful financial sector. During the 2008 world crisis Turkey is the only OECD country which did not provide public support to the banking sector. This is an important point positively differentiating the country from the others.

The employment and unemployment rates have been improved on their pre-crisis level. The country has tripled the per capita income which now exceeds \$10,000. Turkey has made considerable advances in competitiveness and moving upwards in the World Economic Forum's Global Competitiveness Index. So that Foreign Direct Investment has grown to an average of \$13 billion in the past five years. Turkey is ranked as the 13th most attractive FDI destination in 2012. And last year the economy expanded by 4.0 percent in the first three quarters of 2013.

The EU is Turkey's largest economic partner. Around, 45% of Turkish trade is with EU and having a powerful economic partner is another advantage of the country. The country became a candidate for full membership in the EU in 1999.



Turkey is a large domestic market with a young population exceeding 76 million. In Turkey, over 27 million young, well-educated and motivated professionals exist and the labor productivity is increasing. Approximately 600,000 students graduate annually from over 170 universities. 20 million broadband internet subscribers, 68 million mobile phone

subscribers, 54 million credit card users, 131 million airline passengers and 31.8 million international tourist arrivals exist in the country.



Turkey has strong industrial and service culture, equal treatment for all investors, new and highly developed technological infrastructure, well-developed and low-cost sea transport facilities, easy access to 1.5 billion customers in Europe, Eurasia, the Middle East and North Africa (multiple markets worth USD 25 trillion of GDP). There are more than 33,000 companies with international capital and all the transfers are guaranteed. Turkey is also an energy corridor and a terminal of Europe connecting the East and the West.

Looking ahead, with more proactive Central Bank monetary policies, Turkey may have to settle for a period of modest growth which seems normal as for all the other emerging countries.

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Financial institutions are used as a way of money laundering; in this way, they can involve the crime unintentionally. To avoid being a part of this crime, banks should follow some policies and procedures recommended by FATF. Some of the recommendations are about customer due diligence, record-keeping, internal controls and foreign branches and subsidiaries, reporting of suspicious transactions, and wire transfers.



Beyond these policies and procedures, financial institutions should assign a compliance officer responsible for implementing anti-money laundering policies and procedures. Also, they should develop an audit and review function to test the robustness of policies and procedures. Moreover, customer activities and transactions should be monitored and audited with an internal audit and control system. The whole employees should be trained about anti-money laundering.

AML/CTF related risks are defined, rated and the necessary precautions are taken to monitor, assess and reduce these risks. To provide these, financial institutions should develop methods to identify, rate, classify and assess risks based on customer risk, service risk and country risk.

It is clearly seen that policies and procedures against AML/CFT are highly related with corporate governance principles. Financial institutions should act in compliance with transparency and accountability.



According to FATF Report on February 2014, Turkey's situation: *"Turkey has continued to take steps towards improving its CFT regime, including as demonstrated by recent court decisions. The FATF welcomes Turkey's progress in largely complying with the FATF standard on criminalization of terrorist financing. However, certain concerns remain regarding Turkey's framework for identifying and freezing terrorist assets under UNSCRs 1267 and 1373. The FATF encourages Turkey to address these remaining strategic deficiencies and continue the process of implementing its action plan."*

Source: <http://www.fatf-gafi.org/>

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Ornamental Plant Sector In Turkey

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Kaiser's Crown



Narcissus

The most of producers are small family farms in Turkey. The cut flower industry has grown with increasing in number of small producers. High added value and employment of cut flower industry have an important role in Turkey. The estimated value of per capita consumption for cut flowers is 1 Euro in Turkey. Almost 25,000 people are directly employed in cut-flower export. Also, more than 300,000 people are indirectly employed in this industry.

Turkey has exported flowers for 20 years, and it has grown steadily. While ornamental plant sector export was \$ 17 million in 1996, it has reached \$ 56 million in 2010. Turkish flowers are exported to about 57 countries. Germany, Holland, United Kingdom, Russia, and Turkmenistan are the main export markets for Turkey in ornamental plant industry.



Rose



Carnation

On the other hand, Turkey imports cut flowers mainly from Italy, Holland, and Germany. In 2010, import of ornamental plants is \$ 49 million. % 90 of imported goods is outdoor and indoor plants.

Black Rose and Halfeti: Halfeti is a small farming district on the east bank of the river Euphrates in Şanlıurfa Province in Turkey. Most of the villages were submerged in the 1990s under the waters behind the dam on the Euphrates at Birecik. As part of the Southeastern Anatolia Project, aka GAP, several dams were constructed in the area and surrounding regions as part of a larger agricultural and economic initiative by the Turkish Government. The town of Halfeti was among those settlements, ancient and contemporary, that would remain under the rising water levels of the local dams and rivers following the execution of the GAP. The town was therefore removed to the village of Karaotlak, the building of the new town is now



complete. Halfeti is a member of international Slow Cities movement.

Beyond this interesting feature and history, incredibly rare “black rose” is grown in Halfeti.



The black rose, shorter than average rose, is so named because it blooms dark red in spring and autumn, and then fades to black in summer. Thanks to the unique soil conditions of the region, and the pH levels of the groundwater (that seeps in from the river Euphrates), the roses take on a unique colour.

Sources: <http://www.susbitkileri.org.tr/en/research-reports/ornamental-plant-sector-in-turkey-2011>

<http://www.todayszaman.com/news-116968-lord-of-the-roses-grows-again.html>

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