



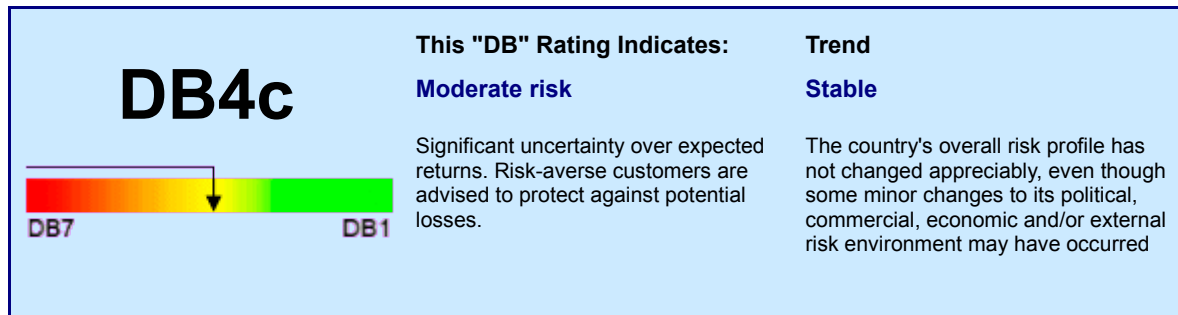
Decide with Confidence

# TURKEY

Region : Western Europe

Edition : July 2012

## D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

*Political risk* - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

*Commercial risk* - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

*External risk* - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

*Macroeconomic risk* - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

## Key Facts

<b>Population:</b>	73.6m
<b>Surface area (sq km):</b>	783,560
<b>Capital:</b>	Ankara
<b>Timezone:</b>	GMT +02:00
<b>Official language:</b>	Turkish
<b>Head of government:</b>	Recip Tayyip ERDOGAN
<b>GDP (USD):</b>	775.4bn
<b>GDP per capita (USD):</b>	10,529
<b>Life expectancy (years):</b>	70
<b>Literacy (% of adult pop.):</b>	87.4

### Country Overview:

Turkey lies at the eastern end of the Mediterranean, bridging southeast Europe to the Middle East. Its strategic location affords Turkey control over the Turkish straits (Bosporus, Sea of Marmara and the Dardanelles), which link the Black and Aegean seas.

The ruling Justice and Development Party (AKP), which has moderate Islamic roots, is viewed as a threat to the secular traditions of the country's founder, Kemal Ataturk. The military, which views itself as the guardian of these traditions, has overthrown governments in 1960, 1971 and 1980, before stepping aside. The country faces a violent and long-running insurgency by Kurdish separatists, in particular the Kurdistan Workers' Party, the PKK.

The AKP is economically liberal, pro-business and pro-EU entry. The dynamic economy is a mix of modern industry and commerce, as well as a traditional agriculture sector. The private sector is strong and growing rapidly as the state withdraws from business activities.

## Trade & Commercial Environment

### Trade Terms

<b>Minimum Terms:</b>	LC
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

<b>Recommended Terms:</b>	LC
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D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

<b>Usual Terms:</b>	30-90 days
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Normal period of credit associated with transactions with companies in the stated country.

### Transfer Situation

<b>Local Delays:</b>	0-2 months
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The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

<b>FX/Bank Delays:</b>	0-2 months
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The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

### Trade & Commercial Environment

Turkey's commercial environment will continue to be hampered by a range of structural weaknesses, such as excessive bureaucracy, a slow judicial system, a burdensome and unpredictable legal and regulatory environment, as well as selective implementation of laws. Furthermore, business performance will be weaker in 2012 as a result of muted domestic demand and a less favourable external environment. In particular, higher input costs, rising non-performing loans, reduced availability of credit and higher borrowing costs will weigh on the profitability of companies for whom the domestic market is their main source of demand. Export-oriented firms will also be adversely affected by the recession in the EU and continuing regional problems.

### Export Credit Agencies

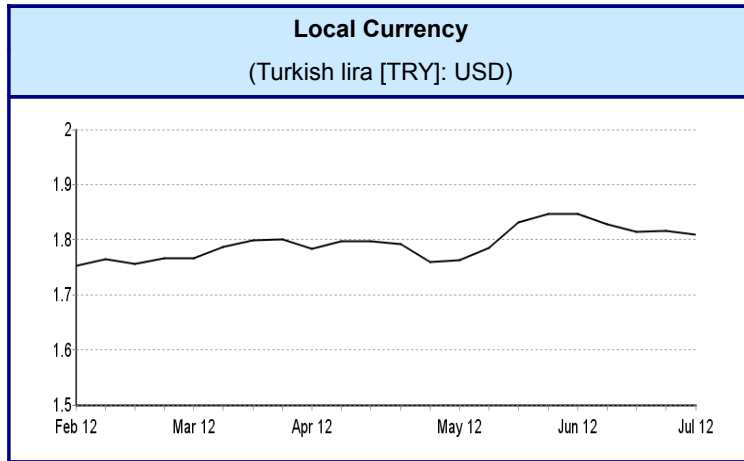
<b>US Eximbank</b>	Full cover available
<b>Atradius</b>	ST cover available
<b>ECGD</b>	Full cover available
<b>Euler Hermes UK</b>	ST cover available, restrictions may apply

### Economic Indicators

	2009	2010	2011	2012f	2013f
<b>Real GDP growth, %</b>	-4.8	9.2	8.5	4.5	6.5
<b>Inflation, annual ave, %</b>	6.2	8.6	6.5	6.8	7.0
<b>Govt balance, % GDP</b>	-5.5	-3.6	-1.4	-1.5	-1.4
<b>Unemployment, %</b>	14.0	11.9	9.2	9.4	8.9
<b>C/A balance, % GDP</b>	-2.1	-6.3	-9.8	-8.3	-6.9

### Currency Information

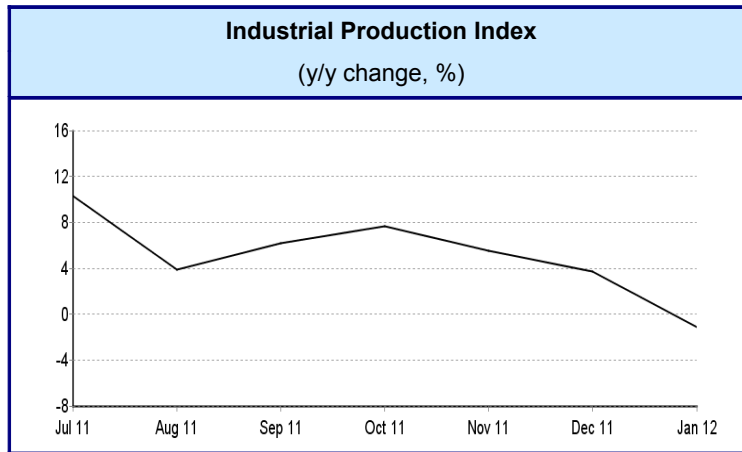
<b>Exchange Rates</b>	
(London, 18 Jun 12)	
EUR	2.291
GBP	2.8386
JPY*	2.3048
USD	1.8146
*(x 100)	



**Local Currency**  
(Turkish lira [TRY]: USD)

	Feb 12	Mar 12	Apr 12	May 12	Jun 12	Jul 12
<b>Week 1</b>	1.753	1.766	1.783	1.763	1.847	1.809
<b>Week 2</b>	1.765	1.786	1.796	1.785	1.828	
<b>Week 3</b>	1.755	1.800	1.796	1.832	1.815	
<b>Week 4</b>	1.766	1.801	1.792	1.846	1.816	
<b>Week 5</b>			1.760			

## Industrial Production Index



**Data Table**

Jul 11	Aug 11	Sep 11	Oct 11	Nov 11	Dec 11	Jan 12
10.26	3.86	6.16	7.69	5.55	3.73	-1.17

## Risk Factor

The outlook for Turkey's country risk environment remains under significant pressure amid sharply rising security risks. The recent wave of attacks against security forces, civilians and on energy infrastructure has reinforced the ongoing threat posed by the country's internal conflict. The Kurdish insurgency continues to escalate, with a series of deadly bomb attacks across Turkey and a new wave of kidnappings and assassinations. The Kurdistan Workers Party's (PKK) attacks against civilians (including foreign tourists and officials of the ruling Justice and Development Party, AKP) are particularly alarming as they could point to a possible return to the dark 1990s era that was characterised by severe clashes and killings. The AKP government has vowed a stronger response to the PKK insurgencies, without specifying what that might entail. However, an escalating military offensive would further fuel the growing crisis and heighten tensions among Kurdish groups in the region. The security situation is further complicated by the conflict in neighbouring Syria: the PKK has established bases along the now-lawless northern Syrian border and has threatened to step up attacks in Turkey if its forces entered Syria, which may possibly signal a renewed alliance with Damascus.

Meanwhile, the PKK has also claimed responsibility for the explosion on the Baku-Tbilisi-Erzurum natural gas pipeline that carries around 15m cubic metres of Azeri gas per day to Turkey. Worryingly, the province where the pipeline was hit is outside of the PKK's usual operating area in south-east Turkey, which signals an effort by the insurgent group to expand its reach and target new energy infrastructure projects. Indeed, the line hit is the planned route for a much larger pipeline system designed to transport more Azeri gas across Turkey to Europe. Further attacks could potentially undermine the country's efforts to become an energy hub for the broader region and result in losing profitable business, in the form of transit fees and through liquefied natural gas terminals and trading facilities.

Moreover, the sharp increase in security risks could cloud the country's economic outlook, already weighed by the deepening crisis in the euro zone (its single most important export market) and the growing internal political risks stemming from Prime Minister Recep Tayyip Erdogan's aspirations and ambitions of setting up a presidential regime. In particular, rising insecurity could hurt the key tourism industry, the country's second most important source of foreign currency earnings, and stifle foreign investment: the government targets USD16.0bn of FDI this year in various projects, especially in the manufacturing and energy sectors. Against this backdrop, businesses operating in Turkey are advised to undertake robust security risk assessment in order to protect their assets and employees.

## Glossary & Definitions

### DEFINITIONS

#### Minimum Terms:

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#### Recommended Terms:

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#### Usual Terms:

Normal period of credit associated with transactions with companies in the stated country.

#### Local Delays:

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

#### F/X Bank Delays:

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

## GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

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