Chapter 3
Turkey:
A Rising CIVETS Star?

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ABSTRACT

The Republic of Turkey represents solid business opportunities for Foreign Direct Investment (FDI) and local investors within the so-called CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey, South Africa) economic bloc, an entity which has relatively little coverage in extant academic literature. This chapter outlines 12 disruptive industries that can play a major role in Turkey's future economic development by providing business and job opportunities from project-based export-import activities. The chapter also covers other important subjects such as human resource management, building global Turkish brands, and education/training. The chapter concludes with some suggestions for future research directions regarding research and development, diversity management, English as a Foreign Language training, and cultural intelligence.

INTRODUCTION

The Republic of Turkey, a natural land bridge located between Europe and the Middle East, represents a solid business opportunity for Foreign Direct Investment (FDI) participants and others due to a variety of factors such as the following:

- Geopolitical location.
- Waterways to major markets.
- Young, trainable workforce.
- Superb technical universities.
- Cost-of-Living and Cost-of-Doing-Business.

With a population of approximately 82 million and a Gross Domestic Product (GDP) of US$1.167 trillion (at Purchasing Power Parity or PPP) as of 2013-14 (CIA Factbook, 2014), Turkey is one of the next generation of "Tiger economies" known as CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey, South Africa) (Greenwood, 2011; Allen, 2011). John Bowler, Director of Country Risk Service at the Economist Intelligence Unit

DOI: 10.4018/978-1-4666-6551-4.ch003

in London, England, believes the sizeable populations of some of these countries and the wealth of natural resources in others may make them economic powerhouses in the next decade.

Within this context, Turkey represents one of the most geopolitically important of the CIVETS nations – as well as in the world – due mainly to the highly strategic Bosphorous Strait linking the Black Sea (via the Marmara Sea) to the north with the Mediterranean Sea to the south. This connection permits access to many markets beyond Turkey such as Bulgaria, Georgia, Romania, Russia, and the Ukraine in the northern region to Lebanon, all of Northern Africa, and many European nations (e.g., Greece, Italy, Spain) in the southern region. As the gatekeeper of the Bosphorous and the connecting Dardanelles, the so-called Turkish Straits are governed by the 1936 Montreaux Convention in which Turkey regulates the transit of naval warships from non-Black Sea nations (e.g., USA) and guarantees free passage of civilian ships during peacetime. The significance to international trade in the region is self-evident.

As this chapter is intended to be primarily for a business practitioner audience, the structure will follow a somewhat different pattern than is common in strictly academic-oriented work. First, I outline Foreign Direct Investment (FDI) and international trade in Turkey. Next, I provide a brief outline of CIVETS of which Turkey is one of the rising members of this economic block which has received fairly sparse recognition in extant academic literature. Third, we discuss the various global realities that affect all nations in contemporary globalism, and how these realities could potentially alter business opportunities in Turkey and beyond. Fourth, I review the major challenges and opportunities in Turkey which I believe shall exist at least through 2020. Fifth, I explore a potential project-based business opportunity as representative of enhancing Turkish economic sustainability and providing business opportunities in the years to come. Last, I provide a Conclusion and Future Research Directions for business academics and practitioners alike to consider.

Foreign Direct Investment (FDI) and International Trade in Turkey

There is a plethora of information available on FDI flows into Turkey and international trade to and from the country. In 2013, international direct investments to the country amounted to *US$12.7 billion* (YASED, 2013). In 2012, Turkey ranked 24th among countries attracting the most FDI in the world, 14th among developing nations, and 1st in the West Asia region (YASED, 2013). The Central Bank of Turkey (as seen in YASED, 2013) reports that during the period 2009 – 2013 in which a grand total of *US$59.7 billion* of FDI Inflows occurred, Industry represented the largest FDI flow into the country (US$25 billion), followed closely by Services (US$24 billion).

Although the 2013 World Investment Report from the United Nations Conference on Trade and Development (UNCTAD) states the deterioration of the global economic crisis depressed investor confidence in launching cross-border investment initiatives during 2012, the United States (US) Embassy in Ankara, Turkey and the US-based financial services firm Standard & Poor’s see strong and sustainable growth in Turkey (US Commercial Service Turkey, 2014; Standard & Poor’s Financial Services, 2013). Some of the favored market opportunities include telecommunications services and equipment, safety and security equipment and services, automotive parts, medical equipment, transportation, and higher education services (US Embassy Turkey, 2014).

However, as will be presented below, the author suggests *project-based* export-import activities be pursued beyond the straight-forward processing of export- and import-related business. Specific

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